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Accounting trends and techniques, 47th annual survey, 1993 edition

American Institute of Certified Public Accountants

AICPA

1993
FORTY-SEVENTH EDITION

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Accounting Trends & Techniques

Forty-seventh annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and merchandising corporations to which are added excerpts from and comments upon unusual accounting treatments found in additional reports. The reports analyzed are those with fiscal years ended not later than January 31, 1993.

Edited by
Jack Shohet, CPA
Senior Technical Manager, Technical Information Division
Richard Rikert
Coordinator-Editor

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PREFACE

Accounting Trends & Techniques—1993, Forty-seventh Edition, is a compilation of data obtained by a survey of 600 annual reports to stockholders undertaken for the purpose of analyzing the accounting information disclosed in such reports. The annual reports surveyed were those of selected industrial and merchandising companies for fiscal periods ending between February 28, 1992 and January 31, 1993.

Significant accounting trends, as revealed by a comparison of current survey findings with those of prior years, are highlighted in numerous comparative tabulations throughout this publication. These tables show trends in such diverse accounting matters as financial statement format and terminology and the accounting treatment of transactions and events reflected in the financial statements.

Accounting techniques are illustrated by excerpts from the annual reports of the survey companies and the annual reports of companies not included in the survey which presented items of particular interest or of an unusual nature. References (in the form of a listing of company identification numbers—see the following paragraph) to additional illustrations of an accounting technique may be requested from the American Institute of Certified Public Accountants either by writing or by calling Richard Rikert, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881; telephone (201) 938-3067.

Each of the 600 survey companies included in this edition has been assigned an identification number which is used for reference throughout the text in the discussion of pertinent information. 385 of the companies were listed in the fortieth (1986) edition and each retained the number assigned in that edition. The other 215 companies in the 1986 edition have been eliminated. Most of the eliminated companies were eliminated because of a business combination with another company. The identification numbers of the eliminated companies have not been reused. Numbers 601 through 815 have been assigned to the replacement companies. The 600 companies in the current edition are listed in the Appendix of 600 Companies both alphabetically and by their identification number.

The American Institute of Certified Public Accountants has established the National Automated Accounting Research System (NAARS) as an additional means of information retrieval. NAARS includes a computerized data bank consisting of the full text of several thousand company annual reports to stockholders supplemented by a literature file of authoritative pronouncements. Information may be retrieved through individual computer terminal subscription or by requesting Institute personnel to perform searches on an AICPA terminal. For further information concerning NAARS, contact Hal Clark, (201) 938-3248.

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Susan L. Menelaides, Director, Technical Information Division
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Trends (201) 938-3067
NAARS (201) 938-3248

AICPA Technical Hotline (800) 862-4272
Order Department (800) 862-4272

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Section 1: General

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1992	1991	1990	1989
Foods:				
Meat products	6	6	6	7
Dairy products	2	2	2	2
Canning, etc.	4	4	4	4
Packaged and bulk	16	15	15	16
Baking	3	3	2	2
Sugar, confections	3	3	3	3
Beverages	7	7	7	7
Tobacco products	6	5	5	4
Textiles	23	23	23	21
Paper products	21	21	21	23
Printing, publishing	20	19	20	19
Chemicals	32	33	32	31
Drugs, cosmetics	27	26	26	25
Petroleum	30	30	30	29
Rubber products	7	8	8	8
Shoes—manufacturing, merchandising	8	8	8	8
Building:				
Cement	5	5	5	4
Roofing, wallboard	7	7	7	9
Heating, plumbing	4	4	3	3
Other	17	18	17	17
Steel and iron	19	20	19	20
Metal—nonferrous	16	17	17	17
Metal fabricating	21	20	20	21
Machinery, equipment and supplies	33	33	35	37
Electrical equipment, appliances	18	19	21	20
Electronic equipment	36	36	36	34
Business equipment and supplies	25	24	22	22
Containers	7	7	7	7
Autos and trucks (including parts, accessories)	26	26	26	26
Aircraft and equipment, aerospace	12	12	12	12
Railway equipment, shipbuilding	4	4	5	5
Controls, instruments, medical equipment, watches and clocks	24	26	25	25
Merchandising:				
Department stores	3	3	4	4
Mail order stores, variety stores	2	2	2	2
Grocery stores	14	13	13	12
Other	8	8	8	8
Motion pictures, broadcasting	4	4	4	4
Widely diversified, or not otherwise classified	80	79	80	82
Total Companies	**600**	**600**	**600**	**600**

THIS SECTION OF THE SURVEY is concerned with general information about the 600 companies selected for the survey and with certain accounting information usually disclosed in notes accompanying the basic financial statements.

COMPANIES SELECTED FOR SURVEY

All 600 companies included in the survey are registered with the Securities and Exchange Commission. Many of the survey companies have securities traded on one of the major stock exchanges—80% on the New York and 8% on the American. Table 1-1 presents an industry classification of the 600 survey companies; Table 1-2 indicates the relative size of the survey companies as measured by dollar amount of revenue.

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1992	1991	1990	1989
Less than $100,000,000	44	51	51	50
Between $100,000,000 and $500,000,000	106	103	103	110
Between $500,000,000 and $1,000,000,000	80	83	89	90
Between $1,000,000,000 and $2,000,000,000	120	123	117	128
More than $2,000,000,000	250	240	240	222
Total Companies	**600**	**600**	**600**	**600**

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

Rule 14a-3 of the Securities Exchange Act of 1934 states that annual reports furnished to stockholders in connection with the annual meetings of stockholders should include audited financial statements—balance sheets as of the 2 most recent fiscal years, and statements of income and of cash flows for each of the 3 most recent fiscal years. Rule 14a-3 also states that the following information, as specified in *Regulation S-K*, should be included in the annual report to stockholders:

1. Selected quarterly financial data.
2. Disagreements with accountants on accounting and financial disclosure.
3. Summary of selected financial data for last 5 years.

4. Description of business activities.
5. Segment information.
6. Listing of company directors and executive officers.
7. Market price of Company's common stock for each quarterly period within the two most recent fiscal years.
8. Management's discussion and analysis of financial condition and results of operations.

Examples of items 1, 3, and 8 follow. Examples of segment information disclosures are presented on pages 18-28.

Quarterly Financial Data

M.A. HANNA COMPANY (DEC)

QUARTERLY FINANCIAL AND STOCK PRICE DATA

Summarized unaudited quarterly financial and stock price data for 1992 and 1991 are as follows:

In thousands except per share data	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
1992				
Net sales and operating revenues	$296,890	$332,847	$355,713	$348,491
Gross margin	63,366	73,990	79,651	78,963
Income (loss)				
Continuing operations	2,376	6,400	6,926	10,520
Discontinued operations	—	—	4,268	—
Cumulative effect of change in accounting principles	(11,465)	—	—	—
Net income (loss)	$ (9,089)	$ 6,400	$ 11,194	$ 10,520
Income (loss) per common share—fully diluted				
Continuing operations	0.12	0.33	0.35	0.53
Discontinued operations	—	—	0.21	—
Cumulative effect of change in accounting principles	(0.60)	—	—	—
Net income (loss)	$ (0.48)	$ 0.33	$ 0.56	$ 0.53
Price range				
High	26¾	26⅜	30	29⅛
Low	19¾	24	24¾	24⅛
Cash dividends paid	.1625	.1625	.1625	.175
1991				
Net sales and operating revenues	$258,249	$278,406	$308,828	$302,719
Gross margin	61,593	67,675	74,110	69,995
Income (loss)				
Continuing operations	3,343	6,059	(26,839)	689
Discontinued operations	1,948	4,750	5,115	12,779
Extraordinary item	—	—	(5,969)	—
Net income (loss)	$ 5,291	$ 10,809	$ (27,693)	$ 13,468
Income (loss) per common share—fully diluted				
Continuing operations	0.13	0.22	(1.21)	0.04
Discontinued operations	0.07	0.18	0.22	0.66
Extraordinary item	—	—	(0.26)	—
Net income (loss)	$ 0.20	$ 0.40	$ (1.25)	$ 0.70
Price range				
High	23⅞	25½	25⅝	25⅞
Low	17¾	21⅝	23⅛	19½
Cash dividends paid	.15	.15	.1625	.1625

Effective January 1, 1992, the Company changed its method of accounting for income taxes and post-retirement benefits other than pensions. These changes in accounting reduced previously reported income from continuing operations by $1,105,000 in the first quarter ($.06 per share), $1,926,000 in the second quarter ($.09 per share) and $2,323,000 in the third quarter ($.12 per share).

Income per share calculations for each of the quarters is based on the weighted average number of shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year income per share amount.

Unusual or infrequently occurring items recognized in net income in the quarter are as follows:

In thousands	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
1992				
Sale of assets	$ —	$ —	$ 5,692	$ —
Settlement of mineral operation obligation	—	—	(1,424)	—
Adjustment of income tax liabilities	—	—	—	4,800
1991				
Premium associated with share repurchase	$ —	$ —	($35,007)	$ —
In-substance defeasance of senior subordinated notes	—	—	(5,969)	—
Sale of assets	—	—	—	8,469
Miscellaneous restructuring	—	—	—	(2,970)

MOSINEE PAPER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16—Quarterly Information (unaudited)

(In thousands except share data)	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Annual*
1992[1]					
Net sales	$ 52,301	$ 57,551	$ 59,895	$ 55,765	$ 225,512
Gross profit	7,429	7,165	6,674	6,854	28,122
Income (loss) before cumulative effect of changes in accounting principles	(625)	730	(13)	(55)	37
Cumulative effect of changes in accounting principles (net of income taxes)	(8,537)	—	—	—	(8,537)
Net income (loss)	(9,162)	730	(13)	(55)	(8,500)
Income (loss) per share:					
Before cumulative effect of changes in accounting principles	(.09)	.10	(.01)	(.01)	(.01)
Cumulative effect of changes in accounting principles (net of income taxes)	(1.20)	—	—	—	(1.20)
Net income (loss) per share	(1.29)	.10	(.01)	(.01)	(1.21)
1991					
Net sales	$49,485	$46,440	$51,894	$49,605	$197,424
Gross profit	8,190	5,421	7,947	7,310	28,868
Net income (loss)	417	(371)	1,769	(913)	902
Income (loss) per share	.06	(.06)	.25	(.13)	.12
1990					
Net sales	$56,354	$52,700	$51,715	$49,613	$210,382
Gross profit	9,298	10,712	9,613	11,088	40,711
Net income	2,882	3,184	3,332	2,572	11,970
Income per share	.41	.45	.47	.37	1.70

[1] Gross profits, net income (loss) and related per share amounts have been restated as required by SFAS No. 106 ''Employers' Accounting for Postretirement Benefits Other Than Pensions.''

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarterly Financial Data (unaudited)

(In thousands except per share amounts)				
Fiscal 1992 Quarters ended	Dec. 31	March 31	June 30	Sept. 30
Total revenues	$ 454,511	$502,874	$503,246	$576,286
Gross margin	$ 269,075	$300,286	$299,975	$337,843
Income (loss) before income taxes	$(112,109)	$ 12,908	$ 22,181	$ 45,418
Net income (loss)	$ (94,609)	$ 8,808	$ 17,381	$ 27,236
Earnings (loss) per share	$ (.88)	$ .08	$ .16	$ .25
Market stock price range				
High	$ 13.75	$ 15.13	$ 14.63	$ 12.38
Low	$ 9.50	$ 11.25	$ 11.75	$ 9.88

The results of operations for the quarters ended December 31, 1991, and September 30, 1992, include pre-tax restructuring charges of approximately $98 million ($80.5 million net of tax benefits, or $.74 per share) and $8 million ($5.5 million net of tax benefits, or $.05 per share), respectively. See the Restructuring note to the Consolidated Financial Statements.

Fiscal 1991 Quarters ended	Dec. 31	March 31	June 30	Sept. 30
Total revenues	$ 443,786	$489,364	$479,882	$509,147
Gross margin	$ 273,469	$297,041	$294,594	$299,168
Income before income taxes	$ 11,043	$ 28,334	$ 13,129	$ 4,683
Net income	$ 7,012	$ 17,992	$ 7,287	$ 2,880
Earnings per share	$ .07	$ .17	$ .07	$ .03
Market stock price range				
High	$ 13.75	$ 15.38	$ 17.63	$ 14.63
Low	$ 8.88	$ 9.13	$ 13.25	$ 11.13

TULTEX CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11—Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly financial information for the years ended January 2, 1993 and December 28, 1991.*

(In thousands of dollars except per share data)	1992	1991
Net Sales and Other Income		
1st quarter	$ 70,762	$ 38,686
2nd quarter	88,603	61,238
3rd quarter	181,129	120,006
4th quarter	163,452	129,980
Total	$503,946	$349,910
Gross profit		
1st quarter	$ 14,823	$ 6,595
2nd quarter	17,805	8,037
3rd quarter	46,087	22,151
4th quarter	43,797	31,382
Total	$122,512	$ 68,165
Income before Cumulative Effect of a Change in Accounting Principle		
1st quarter	$ (3,,058)	$ (3,916)
2nd quarter	(1,414)	(3,150)
3rd quarter	9,938	7,334
4th quarter	11,726	7,472
Total	$ 17,192	$ 7,740
Net income		
1st quarter	$ (3,058)	$ (1,068)
2nd quarter	(1,414)	(3,150)
3rd quarter	9,938	7,334
4th quarter	11,726	7,472
Total	$ 17,192	$ 10,588
Income per Common Share before Cumulative Effect of Change in Accounting Principle		
1st quarter	$ (.11)	$ (.14)
2nd quarter	(.06)	(.11)
3rd quarter	.33	.26
4th quarter	.40	.26
Total	$ .56	$ .27
Net Income per Common Share		
1st quarter	$ (.11)	$ (.14)
2nd quarter	(.06)	(.11)
3rd quarter	.33	.26
4th quarter	.40	.26
Total	$ .56	$ .37

*The first two quarters of 1992 and the fiscal year 1991 have been restated to reflect the acquisition of Universal Industries, Inc. treated as a pooling of interests.

Selected Information For Five Years

FLUOR CORPORATION (OCT)

SELECTED FINANCIAL DATA

$ in millions, except per share amounts	1992	1991	1990	1989	1988
Operating Results					
Revenues from continuing operations	$ 6,600.7	$ 6,572.0	$7,248.9	$6,127.2	$5,008.9
Earnings from continuing operations before taxes	215.4	228.4	153.6	135.6	62.0
Earnings from continuing operations, net	135.3	153.1	119.4	84.1	38.6
Earnings (loss) from discontinued operations, net	(96.6)	11.0	35.2	28.6	21.6
Cumulative effect of change in accounting principle, net	(32.9)	—	—	—	—
Net earnings	5.8	164.1	154.6	112.7	60.2
Earnings per share					
Continuing operations	1.65	1.87	1.47	1.04	0.48
Discontinued operations	(1.18)	0.14	0.43	0.36	0.27
Cumulative effect of change in accounting principle	(0.40)	—	—	—	—
Net earnings	$ 0.07	$ 2.01	$ 1.90	$ 1.40	$ 0.75
Return on average shareholders' equity	0.6%	20.2%	23.3%	21.5%	14.2%
Cash dividends per common share	$ 0.40	$ 0.32	$ 0.24	$ 0.14	$ 0.02
Financial Position					
Current assets	$ 1,138.6	$ 1,159.5	$1,222.8	$1,036.4	$1,001.0
Current liabilities	845.4	848.2	984.0	797.7	786.1
Working capital	293.2	311.3	238.8	238.7	214.9
Property, plant and equipment, net	1,046.9	1,092.7	925.3	775.3	729.8
Total assets	2,365.5	2,421.4	2,475.8	2,154.3	2,075.7
Capitalization					
Long-term debt	61.3	75.7	57.6	62.5	95.0
Shareholders' equity	880.8	900.6	741.3	589.9	467.1
Total capitalization	$ 942.1	$ 976.3	$ 798.9	$ 652.4	$ 562.1
Percent of total capitalization					
Long-term debt	6.5	7.8	7.2	9.6	16.9
Shareholders' equity	93.5	92.2	92.8	90.4	83.1
Shareholders' equity per common share	$ 10.81	$ 11.10	$ 9.22	$ 7.39	$ 5.91
Common shares outstanding at October 31	81.5	81.1	80.4	79.8	79.1
Other Data					
New awards	$10,867.7	$ 8,531.6	$ 7,632.3	$7,135.3	$5,955.2
Backlog at year end	14,706.0	11,181.3	9,557.8	8,360.9	6,658.6
Capital expenditures	287.0	159.7	155.7	139.2	86.3
Cash provided by operating activities	$ 318.3	$ 229.7	$ 353.1	$ 265.1	$ 17.7

See Management's Discussion and Analysis on pages 25 to 27, Consolidated Statement of Earnings on page 29 and Notes to Consolidated Financial Statements and Quarterly Financial Data for information relating to significant items affecting the results of operations.

The quarterly dividend was increased from $.02 per share to $.04 per share in the second quarter of 1989, to $.06 per share in the first quarter of 1990, to $.08 per share in the first quarter of 1991, to $.10 per share in the first quarter of 1992 and to $.12 per share in the first quarter of 1993.

Certain prior year amounts have been restated to reflect the new method of accounting for income taxes and to reflect the Lead segment as a discontinued operation.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

SELECTED FINANCIAL DATA

(In thousands except per share data)

For the years ended December 31,	1992	1991	1990	1989	1988
Net sales	$128,263	$161,522	$127,008	$127,490	$108,024
Net earnings	25,882	36,703	29,120	28,730	20,259
Net earnings per common and common equivalent shares	3.53	4.98	3.94	3.89	2.74
Total assets	259,842	268,591	241,958	242,890	231,323
Long-term debt	5,103	5,103	5,103	6,053	6,053
Dividends paid per common share applicable to current year	1.25	1.00	2.55	2.25	1.2525
Dividends paid per common share applicable to subsequent year	2.55	1.70	1.60	—	—
Total dividends paid	$3.80	$2.70	$4.15	$2.25	$1.2525

NATIONAL SEMICONDUCTOR CORPORATION

FIVE-YEAR SELECTED FINANCIAL DATA

(in millions, except per share amounts)

Years ended	May 31, 1992	May 26, 1991	May 27, 1990	May 28, 1989	May 29, 1988
Operating Results					
Net sales	$1,717.5	$1,701.8	$1,675.0	$1,647.9	$1,432.1
Operating costs and expenses	1,839.9	1,854.4	1,719.8	1,834.9	1,400.0
Operating income (loss)	(122.4)	(152.6)	(44.8)	(187.0)	32.1
Interest, net	5.4	3.6	12.4	(11.5)	(0.4)
Income (loss) from continuing operations before income taxes	(117.0)	(149.0)	(32.4)	(198.5)	31.7
Income taxes (benefit)	3.1	1.3	(3.1)	7.0	1.6
Income (loss) from continuing operations	$ (120.1)	$ (150.3)	$ (29.3)	$ (205.5)	$ 30.1
Net income (loss)	$ (120.1)	$ (151.4)	$ (25.0)	$ (23.2)	$ 62.7
Net earnings (loss) used in per common share calculation (reflecting preferred dividends)	$ (130.1)	$ (161.4)	$ (35.0)	$ (33.2)	$ 52.7
Earnings (loss) per share:					
Earnings (loss) from continuing operations	$ (1.24)	$ (1.55)	$ (0.38)	$ (2.09)	$ 0.19
Net earnings (loss)	$ (1.24)	$ (1.56)	$ (0.34)	$ (0.32)	$ 0.49
Weighted average common shares outstanding	104.6	103.4	102.7	103.1	107.7
Financial Position at Year-End					
Working capital	$ 122.0	$ 196.1	$ 223.4	$ 229.6	$ 372.0
Total assets	1,148.9	1,190.7	1,377.6	1,416.1	1,503.9
Long-term debt	33.9	19.9	64.2	52.2	36.9
Total debt	45.4	46.0	76.2	62.2	40.1
Shareholders' equity	539.4	658.3	816.8	848.5	1,013.6
Other Data					
Research and development expense	$ 192.1	$ 198.6	$ 252.4	$ 251.6	$ 225.6
Capital additions	$ 189.4	$ 109.8	$ 182.0	$ 277.6	$ 154.2
Number of employees at year-end (in thousands)	27.2	29.8	32.7	32.2	37.7

National's former Information Systems Group has been classified as discontinued operations as these businesses were sold during fiscal 1989.

Results of operations include the results of Fairchild Semiconductor Corporation since October 1, 1987, the effective date of acquisition.

National has paid no cash dividends on its common stock in any of the years presented above.

WHITTAKER CORPORATION

SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)	*For the Years Ended October 31,*				
	1992	1991	1990	1989	1988
Summary of Operations*					
Sales	$159,915	$158,510	$155,168	$155,850	147,410
Income (loss) from continuing operations	$ 13,377	$ 11,374	$ 1,354	$ (1,329)	$ (709)
Income from discontinued operations	—	4,733	102	13,211	21,495
Gain on disposal of discontinued operations	2,300	6,468	85,248	20,207	2,279
Net income	$ 15,677	$ 22,575	$ 86,704	$ 32,089	$ 23,065
Earnings (loss) per share					
Continuing operations	$1.42	$1.27	$ .15	$(.23)	$(.18)
Discontinued operations	.24	1.26	10.15	4.42	3.48
Net income	$1.66	$2.53	$10.30	$4.19	$3.30
Average common and common equivalent shares outstanding (in thousands)	9,407	8,884	8,405	7,570	6,819
Dividends per common share	—	—	—	$ .25	$1.00
Other Data*					
Working capital	$ 85,926	$ 58,969	$ 65,599	$ (16,650)	$ 55,328
Total assets	$218,279	$199,344	$237,392	$402,961	$388,122
Long-term debt	$ 66,644	$ 54,920	$103,384	$196,793	$ 35,205
Stockholders' equity (deficit)	$ 75,200	$ 58,470	$ 40,001	$ (46,758)	$198,431
Current ratio	2.74:1	2.10:1	2.15:1	.92:1	1.49:1
Capital additions	$ 2,200	$ 2,000	$ 2,400	$ 3,400	$ 3,200
Stockholders of record	8,500	8,800	9,100	9,200	9,300

* Operating results and balance sheet items reflect the segregation of continuing operations from discontinued operations. See Notes 3 and 4 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

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

AEL INDUSTRIES, INC. (FEB)

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Results of Operations—Fiscal 1992 versus Fiscal 1991

Sales and service revenues of $140,112,000 for fiscal year 1992 reflect a decrease of $4,146,000 from the amount reported for fiscal year 1991. The decrease was attributable to lower revenues applicable to jamming simulator programs, radar subsystems programs, electronic countermeasures programs and radar warning receiver programs, partially offset by higher revenues applicable to avionics installation/integration programs and electronic surveillance measures programs. Avionics installation/integration programs, by far the leading contributor to the current year's revenues, attained revenues of $47,982,000 for fiscal year 1992 as compared with $36,644,000 for fiscal year 1991. In addition, despite an overall decrease in revenues from electronic countermeasures programs, a major electronic countermeasures program with a foreign government contributed revenues of $15,746,000 for fiscal year 1992 as compared with revenues of $10,008,000 for the prior fiscal year. Revenues applicable to certain other individual programs, such as the AN/MLQ-34 TACJAM countermeasures program, the VPS-2 radar subsystem program, the AN/APR-39A and AN/APR-43 radar warning receiver programs, the AN/MLQ-T4 Ground Jammer simulator program, and the HPMAS ALT-40 simulator program all declined in the current year due to continuing program maturation.

Operating income was $5,323,000 for fiscal year 1992 as compared with $6,621,000 for fiscal year 1991. Cost of products and services, administrative and selling expenses, and research and development costs in fiscal year 1992 were all fairly consistent, as percentages of revenues, with the prior fiscal year. Costs of products and services for fiscal years 1992 and 1991 included favorable as well as adverse contract cost performance adjustments. Within each of those fiscal years, the impacts of such adjustments on operating income were essentially offsetting. Operating income for the current year was adversely impacted by a considerable increase in bid and proposal costs.

Interest expense in fiscal year 1992 was $3,272,000 as compared with $3,809,000 in fiscal year 1991. The decrease was due to lower average borrowing levels and lower average interest rates. The lower borrowing levels were primarily due to a reduction in short-term borrowings resulting from cash provided by operations.

A gain of $14,368,000 was recorded in fiscal year 1992 as a result of the settlement of a claim that arose in 1990 related to the redemption of the Company's shares representing a 6% interest in Tadiran Ltd. (Tadiran). During the fourth quarter of fiscal year 1992, the Company received $25,000,000 in settlement of the claim. (Refer to Note 2 of the consolidated financial statements for additional information regarding this transaction.) Included in other expense for both fiscal years 1992 and 1991 was $364,000 of amortization expense attributable to intangible assets arising from an acquisition in 1987.

Income taxes provided in fiscal years 1992 and 1991 were based upon annual effective tax rates of 35% and 36%, respectively. Extraordinary credits were recognized based upon the carryforward of prior years' losses to the respective years. No carryforward remained as of February 28, 1992.

Results of Operations—Fiscal 1991 versus Fiscal 1990

Sales and service revenues of $144,258,000 for fiscal year 1991 represent an increase of 19% over the amount reported for fiscal year 1990. The increase was primarily attributable to higher sales and service revenues applicable to avionics installation/integration programs, jamming simulator programs, radar subsystems programs and hybrid/microwave circuitry programs, partially offset by lower sales and service revenues from radar warning receiver programs. The most significant increase occurred in avionics installation/integration programs which contributed revenues of $36,644,000 in fiscal year 1991 as compared with $23,122,000 in fiscal year 1990. In addition, jamming simulator programs increased their contribution to revenues, contributing $33,579,000 in fiscal year 1991 as compared with $23,797,000 in fiscal year 1990. As percentages of total revenues, sales and service revenues from both electronic countermeasures programs and radar warning receiver programs were lower in fiscal year 1991. Sales and service revenues applicable to certain individual programs such as the AN/MLQ-34 TACJAM countermeasures program and the AN/APR-39A radar warning receiver program declined in fiscal year 1991 due to continuing program maturation.

Operating income was $6,621,000 for fiscal year 1991 as compared with an operating loss of $4,752,000 for fiscal year 1990. Operating results in fiscal year 1990 were adversely impacted by significant high-technology seed program investments and other cost estimate adjustments to long-term contracts. In fiscal year 1990, a contract allowance of $8,000,000 was established for the AN/ALR-67 ASR radar warning receiver program as a result of the Company's commitment to invest its own funds to support the development effort. Under this fixed-price subcontract program, the Company is developing and building prototype models of major assemblies associated with an upgraded version of a radar warning receiver for U.S. Navy tactical aircraft. The fiscal year 1990 AN/ALR-67 ASR award represents the initial three year phase of a program with the potential for significant future production awards. The provision reflects management's efforts to select and invest in strategic high technology seed programs which are intended to provide a base for the Company's future operations. Fiscal year 1990 operating results were further impacted by contract investment provisions totalling $1,700,000 established for the QF-106 Full-Scale Aerial Target and AN/MLQ-T4 Ground Jammer programs, based on the Company's commitment to incur costs on these two programs in excess of their respective contract values. Also in fiscal year 1990, a charge of $3,400,000 was made to operating results in connection with an unfavorable performance adjustment to the AN/MLQ-34 TACJAM program. The impacts of favorable and adverse contract cost performance adjustments on fiscal year 1991 operating results were essentially offsetting. Also, in fiscal year 1991, administrative and selling expenses and bid and proposal costs declined as percentages of revenues, and research and development costs declined both in amount and as a percentage of revenues.

Interest expense in fiscal year 1991 was $3,809,000 as compared with $4,503,000 in fiscal year 1990. The decrease was due to lower average borrowing levels and lower average interest rates. The lower borrowing levels were primarily due to a reduction in short-term borrowings as a result of cash provided by operations and the liquidation of $3,600,000 in marketable securities. The short-term debt reduction was partially offset by higher average long-term debt related to the acquisition and construction of major new facilities. During fiscal year 1990, the Company added $5,400,000 of long-term debt related to the construction of a new facility in Georgia and the acquisition of a previously leased facility in Illinois. The Georgia facility, completed in January 1990, replaced the facility previously leased by the Company's Cross Systems Division. The Illinois facility was enhanced by a building addition, completed late in fiscal year 1991, which expanded the Company's capacity at its St. Louis Regional Airport site. The cost of the building addition and related expenditures was approximately $6,500,000, which was funded through industrial revenue bonds issued in September 1990.

The liquidation of $3,600,000 in marketable securities resulted in investment income being lower than in fiscal year 1990. Included in other expense for fiscal years 1991 and 1990, respectively, were $364,000 and $378,000 of amortization expense attributable to intangible assets arising from an acquisition in 1987. Also, included in other income for fiscal years 1991 and 1990 were royalties of $323,000 and $169,000, respectively, received under a license agreement with a foreign vendor.

Income taxes provided in fiscal year 1991 were based upon an annual effective tax rate of 36%. Extraordinary credits were recognized in fiscal year 1991 based upon the carryforward of prior years' losses to fiscal year 1991. At February 22, 1991, an operating loss carryforward of $5,430,000 existed for financial reporting purposes. Income tax benefits were recognized in fiscal year 1990 based upon the carryback of losses to prior years.

Results of Operations—Outlook for Fiscal Year 1993

The Company completed fiscal year 1992 with a firm orders backlog of $127,417,000. It is anticipated that approximately 65% of the backlog will be completed in fiscal year 1993, thereby contributing to sales and service revenues for that year. Sales and service revenues in fiscal year 1993 are expected to be slightly below the level reported in fiscal year 1992. Revenues recognized will be partially dependent upon the timing and amounts of new orders to be received. New orders in fiscal year 1993 are expected to increase from the amount of orders received in fiscal year 1992.

Fiscal year 1993 operating results will be influenced by various internal and external factors. The Company is presently engaged in several programs involving state-of-the-art development efforts and, as is the case with most development efforts, technical and other complexities are often encountered. These complexities could result in revisions to contract cost estimates. When revised estimates indicate a loss, such loss is provided for currently. The Company could also encounter similar risks on other long-term contracts subject to cost estimate revisions, and such factors could impact future operating results. The recent and ongoing changes in the old Soviet Union and Eastern Europe, and the shift in focus to the Middle East, Southeast Asis and the Pacific Rim, have positioned the U.S. Government in a struggle to define the national defense policy and the defense industry in an endeavor to anticipate and respond to that policy. It is clear that defense spending is almost certain to continue its decline. However, it is unclear how that spending will be redirected to build the new national defense architecture that is likely to emerge. Management is continuing its strategic planning efforts in order to enhance the Company's ability to be responsive to the requirements of that new architecture, and to select products and business areas for fiscal year 1993 and beyond which will enable the Company to effectively compete and perform in a very demanding marketplace. Although the uncertainties of a new world order and the corresponding changes in national defense spending hang over the defense industry, the Company's products, heavily concentrated in the field of defense electronics, and management's constant thrust to improve its design, manufacturing and quality systems, provide the Company with the prerequisites to be competitive and thereby achieve reasonable growth in the foreseeable future. Still, the U.S. Government and its suppliers continue to be the most significant customers to the Company and a significant reduction in one or more of the Company's major defense programs, existing or anticipated, could have a materially adverse effect on the Company's operating results.

The Company from time to time is subject to claims arising from the conduct of its business with the U.S. Government. In October 1989, the Company became aware of a potential liability of $1,600,000 arising from a review conducted by the Defense Contract Audit Agency. The potential liability relates to a contract pricing adjustment associated with a fixed-price contract modification awarded in 1985. The Company is continuing to cooperate with the Department of Defense and the U.S. Attorney in the Government's inquiry into this matter. At this time, management is unable to determine whether this matter is likely to result in any civil, criminal or administrative liability. This matter and other ongoing legal matters which may impact future operating results are described in Note 9 to the consolidated financial statements.

In February 1992, Statement of Financial Accounting Standards (SFAS) No. 109 was issued which requires a change in accounting for income taxes to an asset and liability approach. SFAS No. 109 permits the adjustment resulting from the change to be recorded in the year of adoption or to be recorded by restating prior periods. SFAS No. 109 must be implemented no later than fiscal year 1994. The Company has not yet determined the method or effect on operating results of implementing the statement, however, the adoption of SFAS No. 109 is not expected to have a materially adverse effect on consolidated financial position.

Inflation

Because the Company's products and services are predominantly custom-made, the impact of inflation on operating results is typically not significant. The Company attempts to alleviate inflationary pressures by increasing selling prices to help offset rising costs (subject to competitive conditions and regulatory requirements), increasing productivity, and improving design and manufacturing techniques.

Liquidity and Capital Resources

The Company's primary sources of short-term financing are from cost reimbursements under contracts with the U.S. Government and its suppliers, and bank borrowings under a line of credit providing for borrowings up to $5,000,000, including $1,500,000 set aside for foreign currency transactions. The Company reduced its line of credit from $15,000,000 in February 1992 after receipt of $25,000,000 for settlement of a claim related to the redemption of shares in Tadiran. During fiscal year 1992, average daily borrowings under the line of credit agreement were only $912,000, and the Company anticipates only nominal borrowing requirements under the agreement in the foreseeable future. Cash flows in fiscal year 1992 were provided primarily through operating activities and the claim settlement associated with the redemption of the Tadiran shares, and were absorbed to repay debt and fund capital expenditures.

The February 1992 claim settlement associated with the redemption of the Tadiran shares had a significant favorable impact on the Company's financial ratios as of February 28, 1992. The ratio of current assets to current liabilities at February 28, 1992, increased to 3.10-to-1 from 1.69-to-1 at February 22, 1991, primarily due to the receipt of $25,000,000 from the claim settlement. The long-term debt to equity ratio improved to .58-to-1 at February 28, 1992, from .90-to-1 at February 22, 1991, again primarily due to the claim settlement which resulted in a considerable increase to equity. Also, cash from operating activities provided an additional favorable impact on the financial ratios by enabling reductions in both short-term and long-term obligations.

The Company is obligated in April 1993 to commence annual repayments of its $20,000,000, 10.03% unsecured note payable. The scheduled repayment in April 1993 is $3,300,000. With a substantial amount of highly liquid assets and a strong working capital position at February 28, 1992, capital resources should be sufficient to meet the aforementioned long-term debt maturity and the Company's operating needs for the foreseeable future.

APPLE COMPUTER, INC. (SEP)

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. All information is based on the Company's fiscal calendar. (Tabular information: Dollars in millions, except per share amounts)

Results of Operations	1992	Change	1991	Change	1990
Net sales	$7,087	12%	$6,309	14%	$5,558
Gross margin	$3,095	3%	$2,995	1%	$2,952
Percentage of net sales	43.7%		47.5%		53.1%
Operating expenses (excluding restructuring costs and other)	$2,289	−1%	$2,323	5%	$2,207
Percentage of net sales	32.3%		36.8%		39.7%
Restructuring costs and other	—	—	$ 224	559%	$ 34
Percentage of net sales	—		3.6%		0.6%
Net income	$ 530	71%	$ 310	−35%	$ 475
Earnings per share	$ 4.33	68%	$ 2.58	−32%	$ 3.77

Net Sales

In 1992, the Company's net sales grew 12% over the prior year, compared with net sales growth of 14% in 1991 over 1990.

The net sales growth in 1992 over 1991 reflects strong unit sales of the Company's Apple Macintosh Classic® II, Macintosh LC II, Macintosh PowerBook, and Macintosh Quadra computers, all of which were introduced in fiscal year 1992. This growth was partially offset by declining unit sales of certain of the Company's more established products and older product versions. Total Macintosh computer unit sales increased 20% over the prior year, compared with a 60% increase from 1990 to 1991. The average aggregate revenue per unit increased slightly in 1992 compared with 1991, primarily as a result of a shift in product mix toward the Company's PowerBook and Macintosh Quadra computers, offset somewhat by pricing and promotional actions undertaken by the Company.

Growth in international net sales slowed to 13% during 1992, compared with 22% growth from 1990 to 1991. International net sales represented 45% of net sales in 1992 and 1991. Domestic net sales increased 11% in 1992 compared with 1991.

On August 3, 1992, the Company expanded its PowerBook line of notebook computers with the introduction of the Macintosh PowerBook 145. On September 14, 1992, the Company introduced the Performa line of Macintosh computers, which consists of the Macintosh Performa 200, the Macintosh Performa 400, the Macintosh Performa 600, and the Macintosh Performa 600 CD. Targeting the consumer marketplace, this new line of products was designed to reach first-time buyers and new users in the home. Macintosh Performa computers are distributed through consumer channels, including general merchandise stores, consumer electronics outlets, and office products superstores. On October 19, 1992, the Company introduced several new Macintosh products that extend the Company's notebook and midrange computer offerings. The new products included the PowerBook 160 and 180, two models in the PowerBook line of notebook computers; the Macintosh IIvi and IIvx, two midrange Macintosh II computers; and the Macintosh Duo System, which combines the PowerBook Duo™ notebook computer with the Macintosh Duo Dock docking station to provide the versatility of a desktop computer and the convenience of a notebook computer. The Company also introduced the 14-inch Macintosh Color Display and several system software products. It is anticipated that a significant portion of the Company's future revenues will come from these new desktop, notebook, and peripheral products. However, there can be no assurance that these new products will receive favorable market acceptance, and the Company cannot determine the ultimate effect these products will have on its sales or results of operations.

Growth in net sales in 1991 over 1990 reflected strong unit sales of the Macintosh Classic, LC, and IIsi computers, which were introduced in October 1990. This growth was partially offset by declining unit sales of certain of the Company's more established products. The average aggregate revenue per unit for both computers and printers declined in 1991 compared with 1990, as a result of increased sales of lower-priced Macintosh computers, as well as certain pricing actions taken by the Company in 1991.

Gross Margin

Gross margin as a percentage of net sales in 1992 continued to decline from the levels recorded during 1991 and 1990. The gross margin percentage declined to 43.7% in 1992 from 47.5% in 1991, primarily as a result of industrywide competitive pressures and associated pricing and promotional actions, partially offset by a shift in product mix toward the Company's PowerBook and Macintosh Quadra computers.

The Company's results of operations were minimally affected by changes in foreign currency exchange rates in 1992 compared with 1991. The Company's operating strategy and pricing take into account changes in exchange rates over time; however, the Company's results of operations may be significantly affected in the short term by fluctuations in foreign currency exchange rates.

The decline in gross margin as a percentage of net sales from 53.1% in 1990 to 47.5% in 1991 was primarily the result of stronger sales of the Company's lower-margin products, as well as certain pricing and promotional actions undertaken by the Company during 1991 for its midrange and high-end products. The weaker U.S. dollar in 1991 when compared with 1990 slightly offset the decline in the Company's gross margin percentage during 1991.

The Company anticipates continued lower gross margins as a percentage of net sales, primarily resulting from continuing industrywide competitive pricing and promotional actions, as well as a shift in product mix toward the Company's lower-margin products, which include certain of the Company's newly introduced products.

Operating Expenses	1992	Change	1991	Change	1990
Research and development	$ 602	3%	$ 583	22%	$ 478
Percentage of net sales	8.5%		9.2%		8.6%

The increase in the amount of research and development expenditures during 1992 and 1991, and as a percentage of net sales in 1991, reflects additions to the Company's engineering staff and related costs to support its continued emphasis on developing new products and enhancing existing products in the areas of hardware and peripherals, system software, and networking and communications. The decrease in expenditures as a percentage of net sales in 1992 was attributable to significant revenue growth experienced in 1992 coupled with the Company's continuing efforts to focus its research and development project spending. The Company believes that continued investments in research and development are critical to its future growth and competitive position in the marketplace, and are directly related to continued, timely development of new and enhanced products. The Company anticipates that research and development expenditures in 1993 will approximate current spending levels as a percentage of net sales.

	1992	Change	1991	Change	1990
Selling, general and administrative	$1,687	−3%	$1,740	1%	$1,729
Percentage of net sales	23.8%		27.6%		31.1%

Selling, general and administrative expenses decreased in amount and as a percentage of net sales in 1992 compared with 1991. This decrease reflects the Company's continued progress in its ongoing efforts to manage expense growth relative to revenue growth in anticipation of continued pressure on gross margin as a percentage of net sales.

In 1992, selling expenses decreased in amount and as a percentage of net sales, primarily because of reduced sales programs and marketing expenditures, as well as lower employee-related costs. Revenue growth also contributed to the decrease in selling expenses as a percentage of net sales. General and administrative expenses also decreased in amount and as a percentage of net sales in 1992, primarily as a result of lower legal and employee-related costs. The decrease was offset slightly by an increase in bad debt expense resulting from generally weak worldwide economic conditions.

Selling, general and administrative expenses were lower as a percentage of net sales in 1991 compared with 1990, reflecting reduced domestic sales and marketing expenditures and lower employee-related costs. These lower expenses were offset somewhat by higher legal costs and investment in the Company's internal data processing and communications capabilities.

The Company will continue to face the challenge of managing expense growth in the selling, general and administrative areas relative to gross margin levels, particularly in light of the Company's continued anticipation of lower gross margins as a percentage of net sales and continued weak economic conditions worldwide. The Company's objective is to manage the selling, general and administrative areas to reduce the level of expenditures as a percentage of net sales in 1993 compared with 1992.

	1992	Change	1991	Change	1990
Restructuring costs and other	—	—	$ 224	559%	$ 34
Percentage of net sales	—		3.6%		0.6%

In the third quarter of 1991, the Company initiated a plan to restructure its operations worldwide. In connection with this plan, the Company recorded a $197.5 million charge to operating expenses ($122 million, or $1.02 per share, after taxes) during the third quarter. The restructuring charge for 1991 included $114.5 million of estimated facilities, equipment, and other expenses, and $83 million of estimated employee-related expenses associated with the consolidation, relocation, and termination of certain operations and employees.

The Company continues to phase in the 1991 restructuring plan. Spending associated with certain actions of the plan may extend well beyond the implementation of the actions. For example, lease payments under noncancelable leases generally extend for some period of time beyond the closing of facilities. The Company believes that the restructuring actions were necessary in light of the Company's continued expectation of lower gross margins as a percentage of net sales and in light of generally weak economic conditions worldwide. The Company has realized cost-reduction benefits in 1992, and anticipates that the restructuring actions will help to reduce future operating expenses as a percentage of net sales over the long term.

In the third quarter of 1991, the Company also recorded a reserve in the amount of $26.5 million in connection with certain trademark litigation filed against the Company by Apple Corps Ltd. and Apple Corps S.A. in 1989, which amount was paid in settlement of such litigation in fiscal year 1992.

In 1990, the Company recorded a $34 million charge related to cost-reduction programs and to facilities and equipment damages resulting from the October 1989 earthquake in the San Francisco Bay Area.

Interest and Other Income, Net	1992	Change	1991	Change	1990
Interest and other income, net	$ 50	−5%	$ 52	−21%	$ 67

Interest and other income, net, decreased slightly in amount in 1992 when compared with 1991, because of lower interest rates and an increase in the cost of hedging certain foreign currency exposures. This decrease was partially offset by a gain on the sale of certain of the Company's venture capital investments, gains realized on interest rate hedges, and higher interest-earning portfolio balances.

Interest and other income, net, decreased in 1991 when compared with 1990, because of lower interest rates earned on lower interest-earning portfolio balances.

Provision for Income Taxes	1992	Change	1991	Change	1990
Provision for income taxes	$325	71%	$190	−37%	$304
Effective tax rate	38%		38%		39%

The Company's federal income tax returns for 1981 through 1986 have been examined by the Internal Revenue Service (IRS). All contested issues for the years 1981 through 1983 have been resolved. During 1990, the IRS proposed tax deficiencies for the years 1984 through 1986, and the Company made prepayments thereon in 1991. The Company is contesting these alleged deficiencies and is pursuing administrative and judicial remedies. Management believes that adequate provision has been made for any adjustments that may result from these examinations.

The Company's effective tax rate remained unchanged in 1992 compared with the 1991 rate. The Company's effective tax rate was lower in 1991 compared with preceding years, primarily because of the Company's decision to indefinitely invest a portion of the undistributed earnings of its foreign subsidiaries, beginning in the first quarter of 1991.

The Company has not elected early adoption of Financial Accounting Standard No. 109, Accounting for Income Taxes (FAS 109). FAS 109 becomes effective no later than the beginning of the Company's 1994 fiscal year. The Company believes that FAS 109, when adopted, will not have a material effect on its financial position or results of operations.

Factors That May Affect Future Results

The Company's future operating results may be affected by a number of factors, including uncertainties relative to global economic conditions; industry factors; the availability and cost of components; the Company's ability to develop, manufacture, and sell its products profitably; the Company's ability to successfully increase market share in its core business while expanding its product base into other markets; the strength of its distribution channels; and the Company's ability to effectively manage expense growth relative to revenue growth in anticipation of continued pressure on gross margins as a percentage of net sales.

The Company participates in a highly volatile industry. The personal computing industry has been characterized by dynamic customer demand patterns, rapid technological advances that have resulted in the frequent introduction of new products and product enhancements, and aggressive pricing practices. The Company's operating results could be adversely affected should the Company be unable to anticipate customer demand accurately, to introduce new products on a timely basis, or to effectively manage the impact on the Company of industrywide pricing pressures. The Company's operating results could also be adversely affected should the Company be unable to effectively implement and manage the competitive risk associated with certain of the Company's collaboration agreements with other companies, such as the agreements with International Business Machines Corporation (IBM).

A large portion of the Company's net sales in recent years has come from its international operations. As a result, the Company's operations and financial results could be significantly affected by international factors, such as changes in foreign currency exchange rates. The Company's operating strategy and pricing take into account changes in exchange rates over time; however, the Company's results of operations may be significantly affected in the short term by fluctuations in foreign currency exchange rates.

During the second quarter of 1992, the Company announced its intention to extend its present business by developing digital information products for consumers. This emerging class of products, referred to as personal digital assistants, will use new technologies to bridge the gap between personal computers and consumer electronics products. The Newton Notepad, the first product being developed using these new technologies, is currently scheduled for release in calendar year 1993. Accordingly, the Company cannot, at this time, determine the ultimate effect that this emerging class of products will have on its sales or results of operations.

During August, September, and October 1992, the Company introduced several new products in the Macintosh desktop and PowerBook lines of computers, as well as new or enhanced peripheral products. The success of these new products is dependent on a number of factors, including market acceptance and the Company's ability to manufacture the products in sufficient quantity to meet anticipated demand. Accordingly, the Company cannot determine the ultimate effect that these new products will have on its sales or results of operations.

The Company's products include certain components, such as Motorola microprocessors, that are currently available only from single sources. In addition, certain of the Company's products are manufactured for the Company by a single third party. Any availability limitations, interruptions in supplies, or price increases relative to these products or components could adversely affect the Company's business and financial results.

The majority of the Company's research and development activities, its corporate headquarters, and other critical business operations are located near major earthquake faults. Operating results could be materially adversely affected in the event of a major earthquake.

A number of uncertainties also exist surrounding the marketing and distribution of the Company's products. The Company's primary means of distribution is through third-party computer resellers. The Company's business and financial results could be adversely affected in the event that the generally weak financial condition of third-party computer resellers worsens. In addition, the Company has begun to expand into new distribution channels—such as general merchandise stores, consumer electronics outlets, and office products superstores—in response to changing industry practices and customer preferences. The Company cannot, at this time, determine the ultimate effect of these or other future distribution expansion efforts on the Company's future operating results.

Because of the foregoing factors, as well as other factors affecting the Company's operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. In addition, the Company's participation in a highly dynamic industry often results in significant volatility of the Company's common stock price.

Liquidity and Capital Resources	1992	1991	1990
Cash, cash equivalents, and short-term investments	$1,436	$ 893	$ 997
Working capital	$2,133	$1,647	$1,376
Cash generated by operations	$ 884	$ 129	$ 964
Cash used for investment activities, excluding short-term investments	$ 264	$ 276	$ 322
Cash generated by (used for) financing activities	$ (77)	$ 42	$ (454)

The Company's financial condition remained strong at September 25, 1992. Working capital was approximately $2.1 billion, including cash, cash equivalents, and short-term investments of $1.4 billion. Cash, cash equivalents, and short-term investments increased $543 million compared with 1991, primarily as a result of increased cash generated by operations.

The increase in net cash generated by operations in 1992 compared with 1991 was primarily attributable to increased net income and lower inventory levels, offset somewhat by a reduction in accrued restructuring costs. Higher sales resulting from strong demand for new products and price reductions and other sales incentive programs, coupled with the decrease in operating expenses, contributed to the increase in net income. Inventory levels decreased as a result of higher sales levels and improved inventory management. The Company plans to continue to aggressively manage inventory levels in line with anticipated product demand and availability considerations.

In 1991, net cash generated by operations decreased compared with 1990, primarily as a result of lower net income and increased accounts receivable and inventory levels, offset in part by the accrual for restructuring recorded in the third quarter of 1991. Higher sales levels in 1991 compared with 1990 generated the increase in accounts receivable; however, during 1991, the drop in gross margins and increased operating expenses, which included the third quarter restructuring charge, contributed to the decrease in net income. The increased inventory levels in 1991 primarily reflected higher inventory levels necessary to support the Company's high-volume business strategy.

Excluding short-term investments, net cash used for investments declined in 1992, compared with 1991 and 1990 levels. In 1992, net cash used for investments included $195 million that was invested in property, plant, and equipment, primarily as a result of increases in manufacturing machinery and equipment, and land and buildings. Aside from certain owned facilities, the Company leases the majority of its facilities and certain of its equipment under noncancelable operating leases. In 1992, rent expense under all operating leases was approximately $160 million. The Company's future lease commitments are discussed in the Notes to Consolidated Financial Statements. The Company anticipates capital spending levels in 1993 to approximate 1992 levels.

In July 1991, a subsidiary of the Company formed a partnership, Cupertino Gateway Partners, with a local real estate developer for the purpose of constructing a campus-type office facility to be leased to the Company by the partnership and held by the partnership as a long-term investment. Under the terms of the partnership agreement, the Company agreed to extend construction financing for the project. As of September 25, 1992, the Company's initial capital contribution and construction lending for the project totaled approximately $87 million. Construction began in August 1991 and is expected to extend over a 26-month period.

On November 11, 1992, the Company modified the terms of the partnership agreement, which included an agreement by the Company to extend permanent financing for the project, not to exceed $158 million on an as-needed basis. The permanent financing will replace the construction loan and return substantially all of the partner's initial capital contributions. Further discussion may be found in the Lease Commitments footnote in the Notes to Consolidated Financial Statements.

Net cash used for financing activities in 1992 included the repurchase of 4 million shares in the open market under a 10-million-share repurchase program authorized by the Board of Directors in September 1990.

The Company expects that it will continue to incur short-term borrowings from time to time to finance U.S. working capital needs, because a substantial portion of the Company's cash, cash equivalents, and short-term investments is held by foreign subsidiaries, generally in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries would be subject to U.S. income taxation upon repatriation to the United States to meet domestic cash needs; the Company's financial statements fully provide for any related tax liability on amounts that may be remitted.

The Company believes that its balances of cash, cash equivalents, and short-term investments, together with funds generated from operations and existing short-term and potential long-term borrowing capabilities, will be sufficient to meet its operating cash requirements in the foreseeable future.

CPC INTERNATIONAL INC. (DEC)

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

Overview of 1992 and Outlook

Against a background of recession in many countries around the world, CPC again achieved solid growth in 1992 from its continuing operations, demonstrating the success of the Company's strategy to achieve aggressive growth in its consumer foods business and selective growth in its corn refining business. In addition to maximizing profitability in both businesses, CPC's objective is to continuously enhance shareholder value. In line with this strategy in 1992:

— In the consumer foods business CPC entered four new countries through three acquisitions and a newly established venture; acquired seven businesses in six other countries where the Company is already established; introduced many new products; and expanded its manufacturing facilities and built new ones.

— The corn refining business continued to improve its profitability; strengthened its position in several markets; invested in appropriate plant facilities; and entered into new technical service agreements.

— Overall, the Company maintained a strong financial position, permitting continuing growth, investments, and a dividend increase of 9.1%.

For the last several years these actions have combined to produce favorable earnings growth from CPC's continuing operations. However, 1992 net income has been reduced by the adoption of new accounting standards of the Financial Accounting Standards Board relative to postretirement and postemployment benefits as well as income taxes. Further, in 1992 and 1991 overall net earnings have been reduced by environmental charges related to discontinued chemical businesses. The Company considers that its existing reserves are sufficient to meet estimated environmental remediation and related costs for its discontinued chemical businesses.

In 1993 the significant trends relating to consumption, costs, currency values, competition, and political and social environments in the economies and industries in which CPC operates are not expected to change direction significantly. It is expected that economies in certain areas of the world may show some improvement during 1993, but in Europe the contrary may be true. More specifically:

— In the U.S. if, as expected, the level of economic activity improves, it is likely that the current, extremely competitive environment will ease and that this may benefit the Best Foods Division.
— In Europe the recently widening recession is increasing competition, keeping pressure on volumes and profits. Partially counteracting this situation for CPC, with its leading brands and significant presence, is the availability of new markets, particularly in Central Europe.
— Also in Europe anticipated weaker currencies are expected to moderate CPC Europe's progress in 1993.
— In Latin America it is expected that governments will continue with their so far modestly successful programs for freer market economies, open borders, and trading blocs. The exception is Brazil, where CPC has its most important Latin American businesses. The overall effect on the Company's results in the area is expected to be neutral or positive.
— In Asia economic growth in 1993 is expected to remain fair for most of the year, although not at recent high levels. With its products still having relatively low market penetration, CPC continues to see opportunity for strong growth despite the temporarily softer economies.
— CPC's U.S. operations slightly increased their relative contributions to the Company's sales and operating income in 1992. Depending on acquisition opportunities, this situation may change in 1993.

The last three years' financial results are discussed below. A general description of operations appears on pages 2 through 23 of this report.

Results of operations

Net sales in 1992 increased 6.6% over last year to $6.6 billion, with consumer foods accounting for more than 90% of the entire increase. Of the overall sales gain of 6.6%, higher volumes accounted for 5%, with stronger currency values and better pricing contributing the remainder. Acquisitions in 1992 and 1991 increased 1992 sales by approximately $180 million. In 1991, sales advanced 7.1% over the prior year to $6.2 billion. Consumer foods accounted for the entire increase, mostly on higher volumes. Businesses acquired in 1991 and 1990 contributed approximately $200 million to the 1991 sales gain.

Consumer foods sales rose 7.5% in 1992 to $5.5 billion. Volume gains accounted for one-half of this increase while stronger currency values and better prices shared evenly in the rest. Sales in Europe and North America advanced 6% and 5%, respectively. Latin American sales rose 17% on improved economic conditions. Asian sales also advanced 17%. In 1991, consumer foods sales increased 9% to $5.1 billion, largely on volume gains of 6%. In Europe sales advanced 18%, North America 1%, and Asia 8%. Latin American sales were flat for the year.

Corn refining sales in 1992 increased 2.4% to $1.1 billion mostly from volume gains of nearly 7%, which compensated for lower prices related to lower raw material prices. Sales in North America were essentially flat while Latin American sales advanced 4% on higher volumes. Corn refining sales in 1991 declined 1% as lower prices, related to lower raw material costs and extremely difficult conditions in some Latin American countries, offset volume gains in North America and stronger foreign currency values. Sales in North America were flat; in Latin America sales were down 7% on lower volumes.

Cost of sales and operating expenses. Gross profit, as a percentage of net sales, was approximately 39% in 1992, virtually unchanged over the last three years. Counteracting very competitive pricing were efficiency gains and lower raw material costs.

Translation gains and losses and the principal-preservation element inherent in local interest costs applicable to business in highly inflationary economies resulted in charges to cost of sales of $52.9 million in 1992, $68.4 million in 1991, and $132.1 million in 1990. These costs were largely recovered through higher selling prices.

Marketing expenses in 1992 rose by $39.3 million and were 10.1% of sales; unchanged from the 1991 ratio and up slightly from 1990.

Research and development expenditures increased 15%, or $6 million, over the 1991 level, which was $1 million higher than the 1990 level. These increases reflect additional spending for consumer foods research.

The ratio of selling, administrative, and general expenses to sales increased slightly compared to the two previous years, reflecting the effects in 1992 of changes in accounting principles, discussed below, and higher costs related to incentive programs.

Operating income in 1992 increased 6.4% to $849.1 million, but included a $13 million charge for the effects of changes in accounting principles. Excluding this charge, operating income advanced 8%, with both business segments reporting gains generated primarily from higher volumes. In 1991 operating income increased 7% to $798.2 million, with strong consumer foods results dampened by a decline in operating income from corn refining.

Consumer foods operating income in 1992, excluding its $7.7 million portion of the accounting charge, was 8% higher than the prior year. Good volume gains in all geographical areas accounted for most of the increase. Better exchange rates added 3% to the gain but were offset by lower margins. Operating income in North America advanced 12%, Latin America 25%, Asia 19%. In Europe operating income was slightly below last year. In 1991 consumer foods operating income was 12% above 1990 on strong volume gains in all geographical areas, except North America. Operating income advanced 27% in Europe, 21% in Latin America, and 1% in Asia. In North America, results were 3% lower than the prior year.

Corn refining operating income in 1992 advanced 13% to $182.9 million excluding its $3 million portion of the accounting charge. All geographical areas reported gains on a combination of higher volumes and improved margins. Sixty percent of the overall gain was attributable to Latin America, where economic conditions improved. Operating income in North America edged up 1% as higher volumes were mostly offset by lower margins. In 1991, operating income declined 11.5% to $161.3 million. Lower volumes and margins resulting from extremely difficult conditions in certain Latin American countries accounted for virtually all of the decline. In North America higher volumes and improved margins from operating efficiencies resulted in an 8% improvement in operating results.

Corporate expenses included $2.3 million of the charge related to the accounting change.

Financing costs of $104.6 million in 1992 were virtually even with 1991. Strong cash flows, which reduced borrowing levels for most of the year, and lower interest rates resulted in a $5.1 million decline in interest expense. However, this benefit was offset by higher exchange losses. In 1991 lower exchange losses accounted for most of the decline in financing costs, as interest costs remained essentially the same as in 1990.

Provision for income taxes. The effective tax rate for the past three years remained at 40%. This is higher than the U.S. statutory rate of 34%, because it includes both foreign income, which generally continues to be taxed at rates higher than the U.S. statutory rate, and state income taxes. As noted below, the Company changed its method of accounting for income taxes effective January 1, 1992. The impact of this change in 1992 was not significant.

Changes in accounting principles. Effective January 1, 1992, the Company adopted Financial Accounting Standard (FAS) 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," FAS 112, "Employers' Accounting for Postemployment Benefits," and FAS 109, "Accounting for Income Taxes." These changes resulted in a total non-cash charge of $303.5 million, $160 million after taxes or $1.06 per common share.

FAS 106 requires that the expected cost of providing health care and life insurance benefits during retirement be accrued during employees' working years rather than on a pay-as-you-go basis as was previously permitted. The cumulative impact of this change at January 1, 1992, was a charge of $280 million, $168 million after taxes or $1.11 per common share. In addition, 1992 operating results include a charge of $13 million, $7.8 million after taxes or $.05 per common share, for the effects of this change. This increase is attributable to the fact that the initial obligation is unfunded.

Similar to FAS 106, FAS 112 requires recognition of expense on an accrual basis for postemployment benefits, rather than the pay-as-you-go approach used previously. Postemployment benefits include salary continuation, disability-related benefits, severance pay and continuation of health care costs during the period after employment but before retirement. The cumulative impact of this change at January 1, 1992, was a charge of $23.5 million, $14.1 million after taxes or $.09 per common share.

The Company also changed its method for accounting for income taxes in compliance with FAS 109 from a deferred method to an asset and liability method. The cumulative impact of this change was a benefit of $22.1 million, or $.14 per common share.

Discontinued operations. On January 19, 1993, the Company announced that it had recorded a charge of $78 million, $46.8 million after taxes or $.31 per common share, against its 1992 fourth quarter earnings for anticipated environmental costs relating to chemical operations divested by the Company from the early 1970s to the mid 1980s. This charge increased the Company's existing environmental reserve for the costs relating to two Superfund sites, in Michigan and Rhode Island, as well as seven other sites. In the third quarter of 1991, the Company took a similar charge of $52.5 million, $31.5 million after taxes or $.21 per common share, related to these divested chemical operations. The additional costs are expected to result from remediation programs and related costs at several sites, primarily the federal Superfund site in Michigan. The Company estimates that the latest requirements of the U.S. Environmental Protection Agency for remediation of the Michigan site will now necessitate expenditures substantially higher than previously estimated by CPC. Actual disbursement of cash is expected to take place over the next 10 to 15 years.

Net income in 1992 and 1991 of $223.8 million and $372.7 million, respectively, included special charges related to environmental costs for discontinued operations and in 1992, the cumulative effects of changes in accounting principles as discussed above. Excluding these items, income from continuing operations and earnings per common share from continuing operations in 1992 of $430.6 million and $2.78, both increased 6.5% over 1991. However, 1992 operating results also included a $13 million charge, $7.8 million after taxes or $.05 per common share for the effects, in 1992, of changes in accounting principles discussed above. Excluding this charge, results increased 8.4% due to higher operating income. Results in 1991, excluding the environmental charge, increased 8% over 1990. The improved 1991 results were derived from higher operating income and lower financing costs.

Key balance sheet items

At year end 1992 total assets increased $661 million from a year earlier due largely to acquisitions, which added $341 million. Stronger European currencies also increased asset values by $184 million. Total debt increased $69 million to $1,450 million at year end 1992. This increase relates entirely to exchange-rate driven European currency debt, which amounted to $728 million at year end.

In 1991, total assets increased by $20 million as a large increase in cash and cash equivalents at year end more than offset the effects of weaker European currencies. Strong cash flow from operations significantly reduced total debt.

Net cash flow

Strong cash flow continued to finance CPC's working capital and capital expenditure needs, and enabled the Company to continue to increase dividends with earnings growth. Funds generated in excess were used for acquisitions and stock repurchases. Net cash flows from operations in 1992 of $761 million were 4% above 1991, which was nearly 60% higher than 1990. These internally generated funds continue to be the Company's primary source of liquidity.

Investing activities in 1992 of $510 million were more than double 1991 levels largely due to acquisitions made in 1992. 1991 investment activities were 60% of 1990, due to the lack of appropriate acquisitions in 1991. Capital expenditures in 1992 of $297 million increased $15.3 million. Nearly 80% of the capital expenditures were for new facilities and plant upgrades for the consumer foods segment. The Company expects to invest in capital projects at a slightly higher level in 1993.

The quarterly dividend rate increased 9.1% in March 1992, 12 months after the previous increase of 10%.

The Company has access to various sources of funds at attractive rates due to its strong financial condition. CPC's long-term debt ratings remained at A with Standard & Poors, A2 with Moody's and was upgraded to A+ with Duff & Phelps.

SPARTON CORPORATION (JUN)

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

Results Of Operations

The Company's operations have been classified into two segments: Electronics and Automotive and Industrial Products. In November 1990, the Company sold its oil and gas subsidiary, completing the formalized plan announced the previous fiscal year to sell these operations.

Fiscal 1992 Compared To Fiscal 1991

Sales for the year ended June 30, 1992 totalled $245,380,000, an increase of $31,023,000 (14%) from 1991. A majority of the sales increase was attributable to Sparton Electronics (formerly referred to as U.S. Defense Electronics) where sales were 19% above the level of the prior year. Sales decreased at the Canadian unit due to delays earlier in the year in the technical qualification of a major contract. At Sparton Technology (formerly referred to as U.S. Commercial Electronics), sales increased 21%, as anticipated, primarily due to increased shipments of proprietary and contract manufacturing products. The Automotive and Industrial Products segment reported an increase of $3,854,000 (6%) in overall sales compared to the recessed levels of the prior year. Only one of the three units that comprise this segment, however, had a significant sales increase (17%) over the previous year.

The Company reported income from operations of $12,465,000 in 1992 compared to $9,293,000 in 1991. Sparton Electronics operated at anticipated profit levels as they achieved their production and product acceptance objectives. The Canadian unit reported a loss, primarily due to the aforementioned delays in the technical qualification of a major contract. Sparton Technology reported profitable operations, but overall margins were lower than anticipated. Environmental clean-up costs of $260,000 at one of its plants were incurred in 1992 and charged against a provision initiated in 1991 to cover management's estimate of the future minimum costs. Due to the nature of the problem, however, management is unable to accurately estimate the ultimate costs to be incurred. Based upon available information, management does not believe that the ultimate resolution of the environmental matter will have a material adverse effect on the Company's consolidated financial position. The Automotive and Industrial Products segment incurred a loss of $1,800,000 in 1992 compared to a loss of $3,945,000 in 1991. The 1992 results were principally caused by an overall weak automotive market and the inability to adjust prices due to competitive pressures. All three companies that comprise this segment continue to focus on productivity improvements and cost control.

In November 1990, the discontinued oil and gas operations were sold, completing the formal plan announced in fiscal 1990. The buyer purchased the operations effective July 1, 1990, and accordingly, the Company did not recognize operating results of the discontinued operations for 1991. A loss on the sale of discontinued operations of $168,000 was recorded in 1991, net of income tax credits of $95,000.

Interest expense decreased $1,602,000 in 1992 to $1,073,000 due to lower average borrowings and lower interest rates. Average borrowings decreased approximately $12,500,000 to $15,700,000 in 1992. Other income declined $507,000 to $417,000. After provision for applicable income taxes, income from continuing operations of $7,968,000 ($1.02 per share) was reported in 1992 compared to $4,297,000 ($.55 per share) in 1991. An after-tax loss of $168,000 ($.02 per share) from the sale of the discontinued oil and gas operations was reported in 1991. The Company's net income for 1992 was $7,968,000 ($1.02 per share) compared to $4,129,000 ($.53 per share) in 1991.

The Company has not elected to change its method of accounting for income taxes to early comply with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The impact of such change, which is required in fiscal 1994, is not expected to have a material effect on the Company's financial position or results of operations.

Fiscal 1991 Compared To Fiscal 1990

Sales for the year ended June 30, 1991 totalled $214,357,000, an increase of $36,219,000 (20%) from 1990. Substantially all of the increase was attributable to Sparton Electronics where sales were 42% above the depressed levels of the prior year. Shipments of the delayed and problem-plagued sonobuoy production contracts carried over into the year but these contracts were substantially completed as anticipated by March 1991. Sales also increased in both the Canadian unit and Sparton Technology. For Sparton Technology, sales increased approximately 46% over 1990 due principally to higher contract manufacturing sales. The Automotive and Industrial Products segment reported a decline in overall sales of $9,751,000 (14%) primarily due to a reduction in sales to automotive OEM customers and the loss of the final portion of a major OEM customer's horn business to a foreign-owned competitor. Of the three units that comprise this segment, only Sparton Engineered Products, Inc.–Lake Odessa Group's sales increased over the previous year, primarily due to new product shipments.

The Company reported income from operations of $9,293,000 in 1991 compared to a loss of $11,787,000 in 1990. Sparton Electronics operated at profitable levels, but overall margins were below traditional levels due to the older loss or low margin contracts completed in 1991. Profitability was favorably impacted by their success in achieving production objectives as well as improved product acceptance rates. The Canadian unit reported a loss due to lower than expected product margins. Sparton Technology reported profitable operations but also lower than expected product margins. Included within Sparton Technology's income from operations was a $2,700,000 insurance settlement received in June 1991 as reimbursement for environmental clean-up costs expensed in prior years. The receipt was the culmination of a negotiation process initiated several years ago seeking this reimbursement. Such costs charged to operations, excluding the insurance settlement, approximated $2,082,000 in 1991 and included a provision for $1,200,000 representing management's estimate of the future minimum costs. After inclusion of the insurance reimbursement and the provision for future minimum costs, operations were credited $618,000 for environmental related items in 1991 and charged $893,000 in 1990. The Automotive and Industrial Products segment incurred a loss of $3,945,000 for 1991 compared to a loss of $703,000 in 1990. In general, the 1991 results were due to an overall weak automotive market. In addition, Sparton Engineered Products, Inc.–Lake Odessa Group incurred significant costs in 1991 related to the start-up of several new production orders and of a new plant in Kentwood, Michigan.

In November 1990, the Company sold its discontinued oil and gas operations, completing the previously disclosed plan announced in the fourth quarter of 1990. The Company received approximately $8,000,000 in cash for the oil and gas operations, and retained ownership of certain assets totalling $222,000 as well as certain liabilities totalling $1,549,000. A loss on the sale of discontinued operations of $168,000 was recorded, net of income tax credits, in the second quarter of 1991. The buyer purchased these operations effective July 1, 1990, and accordingly, the Company did not recognize operating results of the discontinued operations for 1991.

Interest expense decreased $816,000 in 1991 to $2,675,000 due to lower average borrowings and lower overall borrowing costs. Average borrowings decreased approximately $7,800,000 to $28,200,000 in 1991. Other income declined $457,000 in 1991 to $924,000. After applicable income taxes, income from continuing operations of $4,297,000 ($.55 per share) was reported in 1991 compared to a loss of $7,651,000 ($.98 per share) in 1990. The 1991 effective income tax rate of 43.3% reflects the higher rates applicable in prior years for timing differences reversing in 1991. An after-tax loss of $168,000 ($.02 per share) from discontinued oil and gas operations was incurred in 1991 compared to a loss of $1,663,000 ($.21 per share) in 1990. The Company's net income for 1991 was $4,129,000 ($.53 per share) compared to a net loss of $9,314,000 ($1.19 per share) in 1990.

Liquidity And Capital Resources

The primary source of cash and equivalents has historically been from operations. Short-term credit facilities are used, when required, to provide liquidity. The Company knows of no material change, nor does it anticipate any such change, in the mix or relative costs of its capital resources. Certain contracts, including many within the defense operations of Sparton Electronics, provide for interim progress billings based on costs incurred. These progress billings reduce the amount of cash that would otherwise be required during the performance of these contracts. Other than unused amounts available under existing credit facilities, there are no immediate unused sources of liquid assets.

Cash flows provided by operating activities were $11,077,000 in 1992 compared to $15,726,000 in 1991 and cash flows used of $7,340,000 in 1990. Primary sources of the 1992 cash flows from operating activities were profitable operations and decreases in accounts receivable and inventories partially offset by decreases in accounts payable and accrued liabilities.

Cash flows used by investing activities were $2,701,000 in 1992 compared to cash flows provided of $6,125,000 in 1991 and cash flows used of $3,061,000 in 1990. The principal use of the 1992 cash flows from investing activities was the purchase of property plant and equipment.

Cash flows used in financing activities were $8,180,000 in 1992 compared to $25,750,000 in 1991 and cash flows provided of $10,790,000 in 1990. The decrease in 1992 was due to the reduction in short-term borrowings. The Company expects to further reduce its borrowings in 1993 primarily through profitable operations. In November 1991, the Company cancelled its $45,000,000 formal revolving credit facility in order to reduce overall borrowing costs. The cancelled credit facility was replaced with informal lines of credit totalling $33,000,000 with three separate banks. Early in the third quarter of 1990, the Board of Directors suspended declaration of quarterly dividends.

At June 30, 1992, the Company had $45,308,000 in working capital. At that date, there were no significant unusual contractual commitments.

OTHER

Historically, approximately 50% of the Company's sales have been from the sale of sonobuoys, principally to the U.S. Navy. As indicated elsewhere, purchases of production sonobuoys have been at reduced levels in the past several years reflecting overall pressures on the U.S. Navy's budget. Based on current information, it is expected that the U.S. Navy's budget for production of sonobuoys for the next several years will be one-third to one-half the dollar levels of the late 1980's. While research and development funding is expected to increase, the overall U.S. Navy sonobuoy budget levels for the next several years are expected to decline. The Company's international market for sonobuoys is expected to remain at or near current levels. In response, the Company has consolidated certain of its manufacturing facilities and initiated a cost reduction program within the defense-oriented operations. It has also expanded into contract manufacturing and is exploring other commercial opportunities which would utilize its existing technological and manufacturing capabilities. In addition, the Company is focusing on expanding sales in its automotive and commercial electronics markets. Ultimately, however, management cannot accurately predict the level of U.S. sonobuoy funding it will receive over the next several years and its related impact on the Company's operations. Investors should be aware of this uncertainty and make their own independent evaluation.

SEGMENT INFORMATION

Statement of Financial Accounting Standards No. 14 requires that financial statements presented in conformity with generally accepted accounting principles include specified information relating to a reporting entity's operations in different industries, its foreign operations and export sales, and its major customers. *SFAS No. 14* describes the information to be presented and the formats for presenting such information. *Statement of Financial Accounting Standards No. 21* amends *SFAS No. 14* by stating that the requirements of *SFAS No. 14* do not apply to nonpublic enterprises.

Table 1-3 shows the type of segment information most frequently presented as an integral part of the 1992 financial statements of the survey companies.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Industry segments				
Revenue	363	367	371	366
Operating income or loss	322	332	336	334
Identifiable assets	352	355	368	366
Depreciation expense	348	352	365	363
Capital expenditures	343	347	367	355
Geographic areas				
Revenue	238	234	216	210
Operating income or loss	180	189	171	162
Identifiable assets	229	222	207	205
Depreciation expense	16	15	17	14
Capital expenditures	20	17	21	13
Export sales	143	148	131	127
Sales to major customers	154	142	151	148

Industry Segments

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14: Business Segments

Information about the company's operations in different businesses for the three years ended December 31, 1992 is as follows:

In Thousands of Dollars	*Paper*	*Wood Products*	*Timber, Timberlands, Corporate and Other*	*Consolidated Total*
Net Sales to Unaffiliated Customers				
1992	$3,834,585	$1,091,886	$ —	$4,926,471
1991	3,852,438	933,965	—	4,786,403
1990	4,103,004	986,940	—	5,089,944
Income from Operations				
1992	$ (7,490)	$ 125,071	$ (44,210)	$ 73,371
1991	216,018	5,921	(42,755)	179,184
1990	512,079	19,490	(41,054)	490,515
Identifiable Assets				
1992	$6,556,177	$ 424,222	$ 2,401,033	$9,381,432
1991	6,125,084	447,900	2,082,893	8,655,877
1990	5,823,237	475,629	2,052,543	8,351,409
Capital Expenditures				
1992	$ 614,795	$ 13,492	$ 90,002	$ 718,289
1991	581,368	14,323	65,778	661,469
1990	902,640	25,597	118,781	1,047,018
Depreciation Expense and Cost of Timber Harvested				
1992	$ 324,010	$ 72,562	$ 13,928	$ 410,500
1991	261,391	67,011	13,169	341,571
1990	236,251	74,613	12,334	323,198

The company's domestic and Canadian timber and timberlands assets and related capital expenditures support both business segments but were not allocated to the segments because identification of the specific timber and timberlands assets associated with either segment is impossible. The timber that has been harvested has been included at cost in the results of the business segments.

Information about the company's operations in different geographic areas for the three years ended December 31, 1992 is as follows:

In Thousands of Dollars	U.S.	Canada	Brazil	Timber, Timberlands, Corporate and Other	Consolidated Total
Net Sales to Unaffiliated Customers					
1992	$4,114,609	$532,623	$279,239	$ —	$4,926,471
1991	4,034,237	494,019	258,147	—	4,786,403
1990	4,219,633	524,939	345,372	—	5,089,944
Income from Operations					
1992	$ (11,418)	$ 37,778	$ 91,221	$ (44,210)	$ 73,371
1991	165,818	(20,327)	76,448	(42,755)	179,184
1990	378,,661	27,314	125,594	(41,054)	490,515
Identifiable Assets					
1992	$5,668,443	$718,695	$593,261	$2,401,033	$9,381,432
1991	5,279,346	780,677	512,961	2,082,893	8,655,877
1990	5,015,962	801,187	481,717	2,052,543	8,351,409
Capital Expenditures					
1992	$ 557,615	$ 15,250	$ 55,422	$ 90,002	$ 718,289
1991	540,419	16,944	38,328	65,778	661,469
1990	820,445	53,597	54,195	118,781	1,047,018
Depreciation Expense and Cost of Timber Harvested					
1992	$ 342,769	$ 33,366	$ 20,437	$ 13,928	$ 410,500
1991	273,737	35,128	19,537	13,169	341,571
1990	261,789	31,872	17,203	12,334	323,198

As of December 31, 1992, net assets located outside of the United States included in the consolidated financial statements were approximately $811,000,000. Of this amount, $522,000,000, which includes $74,000,000 of cash and cash equivalents and short-term investments, is owned by the company's Brazilian subsidiary.

NATIONAL SERVICE INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Business Segment Information

	Sales and Service Revenues	Operating Profit (Loss)	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures Including Acquisitions
			(In thousands)		
1992					
Lighting Equipment	$ 683,546	$ 35,355	$ 280,205	$18,275	$ 9,959
Textile Rental	444,127	42,781	343,332	24,140	28,156
Chemical	253,947	33,556	112,719	4,260	4,607
Other	252,191	13,581	101,564	6,238	5,085
	1,633,811	125,273	837,820	52,913	47,807
Corporate[1]		(5,675)	204,592	903	1,982
Interest Expense		(2,690)			
Total	$1,633,811	$116,908	$1,042,412	$53,816	$49,789
1991					
Lighting Equipment	$ 657,437	$ 31,804	$ 278,443	$17,688	$18,876
Textile Rental	437,534	39,470	330,863	21,898	53,309
Chemical	239,626	33,356	110,282	3,001	11,468
Other	267,118	9,330	120,812	6,718	5,995
	1,601,715	113,960	840,400	49,305	89,648
Corporate[1]		1,977	171,600	944	581
Restructuring Expense[2]		(63,467)			
Interest Expense		(3,834)			
Total	$1,601,715	$ 48,636	$1,012,000	$50,249	$90,229
1990					
Lighting Equipment	$ 717,237	$ 63,893	$ 295,059	$15,349	$30,015
Textile Rental	396,981	43,561	251,614	17,769	23,085
Chemical	232,884	32,394	90,360	2,396	12,112
Other	300,712	17,447	131,560	6,475	9,790
	1,647,814	157,295	768,593	41,989	75,002
Corporate[1]		2,284	193,543	832	7,930
Interest Expense		(3,864)			
Total	$1,647,814	$155,715	$ 962,136	$42,821	$82,932

[1]Operating profit includes income on short-term investments.

[2]On a segment basis the provision related to lighting equipment $(13,746), textile rental $(23,750), chemical $(1,622), and other $(21,451).

UNION CAMP CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($ in thousands, except per share)

12. Segment Information

Operating results and other financial data are presented for the principal business segments of the company for the years ended December 31, 1992, 1991 and 1990.

Total revenue and operating profit by business segment include both sales to customers, as reported in the company's consolidated income statement, and intersegment sales, which are accounted for at prices charged to customers and eliminated in consolidation. The amount of the elimination of intersegment profit on any product that remains in inventory at the end of the period is determined by changes in quantities of inventory and changes in the margins of profit.

Operating profit by business segment is total revenue less operating expenses. In computing operating profit by business segment, none of the following items has been added or deducted: other income, portions of administrative expenses, interest expense, income taxes and unusual items.

Identifiable assets by business segment are those assets used in company operations in each segment. Corporate assets are principally cash, intangible assets, deferred charges and assets held for resale. The company's real estate operations have been included within corporate items. Capital expenditures are reported exclusive of acquisitions.

Total revenue and operating profit from the company's foreign subsidiaries were $371 million and $27 million in 1992, $330 million and $24 million in 1991, and $325 million and $25 million in 1990. No geographic area outside the United States was material relative to consolidated revenues, operating profits or identifiable assets.

Export sales from the United States were $249 million in 1992, $203 million in 1991 and $176 million in 1990.

	Paper and Paperboard	Packaging Products	Wood Products	Chemical	Corporate Items	Consolidated
1992						
Sales to Customers	$1,097,316	$1,235,258	$206,826	$499,188	$ 25,770	$3,064,358
Intersegment Sales	617,547	5,392	80	709	(623,728)*	—
Total Revenue	1,714,863	1,240,650	206,906	499,897	(597,958)	3,064,358
Operating Profit	192,816	37,078	26,330	31,162	(105,094)**	182,292
Identifiable Assets	3,311,033	654,820	93,977	345,800	333,441	4,739,071
Depreciation & Cost of Company Timber Harvested	166,718	35,220	10,953	21,778	2,862	237,531
Capital Expenditures	151,241	33,153	2,774	29,702	2,784	219,654
1991						
Sales to Customers	$1,045,862	$1,197,824	$167,798	$470,880	$ 84,774	$2,967,138
Intersegment Sales	568,512	5,462	103	146	(574,223)*	—
Total Revenue	1,614,374	1,203,286	167,901	471,026	(489,449)	2,967,138
Operating Profit	251,816	17,404	3,169	26,989	(22,486)**	276,892
Identifiable Assets	3,304,757	670,502	102,656	357,943	261,856	4,697,714
Depreciation & Cost of Company Timber Harvested	133,459	37,781	11,790	21,084	5,006	209,120
Capital Expenditures	394,987	50,273	2,515	22,799	12,064	482,638
1990						
Sales to Customers	$1,102,979	$1,078,881	$152,738	$460,105	$ 45,001	$2,839,704
Intersegment Sales	576,063	4,452	73	3,427	(584,015)*	—
Total Revenue	1,679,042	1,083,333	152,811	463,532	(539,014)	2,839,704
Operating Profit	380,896	9,350	(3,847)	22,431	(38,143)**	370,687
Identifiable Assets	3,004,168	644,232	110,077	352,217	292,660	4,403,354
Depreciation & Cost of Company Timber Harvested	149,413	31,242	11,100	19,621	6,040	217,416
Capital Expenditures	815,881	49,842	15,173	34,049	19,507	934,452

* Elimination of Intersegment Sales.

** Includes intersegment eliminations and unallocated corporate, technology and engineering expenses of $50,286 in 1992, $48,009 in 1991, and $46,675 in 1990. 1992 also includes a $57,000 charge for estimated costs to enhance workplace safety. If this amount had been allocated to segment operating profits in 1992, Paper and Paperboard operating profits would have been $148.8 million, Packaging operating profits would have been $30.5 million, Wood Products operating profits would have been $25.6 million, Chemical operating profits would have been $25.5 million and Corporate Items would have been $(48.1) million.

Geographic Areas

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Business Segment and Geographic Information
Business segment information is shown below:

(in millions)

	Industrial Gases	Chemicals	Environmental and Energy	Equipment and Technology	Corporate and Other	Total
1992						
Sales	$1,775.4	$1,030.2	$ 65.5	$346.2	$ —	$3,217.3
Operating income	$ 371.8	$ 128.0	$ (2.4)	$ 33.6	$ (50.5)	$ 480.5
Equity affiliates' income	$ 1.4	$ .4	$ 14.0	$ —	$ —	$ 15.8
Identifiable assets	$2,632.6	$ 947.4	$103.8	$154.2	$ 184.5	$4,022.5
Investment in and advances to equity affiliates	284.7	4.0	180.4	—	—	469.1
Depreciation	247.8	72.2	7.5	8.6	4.1	340.2
Additions to plant and equipment	289.5	107.5	1.8	15.8	12.9	427.5
1991						
Sales	$1,709.3	$ 966.8	$ 70.2	$184.8	$ —	$2,931.1
Operating income	$ 348.5	$ 125.9	$ (7.2)	$ 14.3	$ (46.5)	$ 435.0
Equity affiliates' income	$ 1.6	$ .3	$ 10.7	$ —	$ —	$ 12.6
Identifiable assets	$2,505.9	$ 860.2	$ 85.6	$151.9	$ 194.4	$3,798.0
Investment in and advances to equity affiliates	255.9	1.6	172.0	—	—	429.5
Depreciation	241.7	57.8	7.5	8.2	3.9	319.1
Additions to plant and equipment	314.5	162.3	3.6	16.7	9.3	506.4
1990						
Sales	$1,640.4	$ 973.1	$149.1	$132.1	$ —	$2,894.7
Operating income	$ 343.1	$ 97.4	$ (5.0)	$ 12.2	$ (48.4)	$ 399.3
Equity affiliates' income	$ 9.0	$ .4	$ 7.3	$ —	$ —	$ 16.7
Identifiable assets	$2,402.0	$ 730.0	$128.0	$111.9	$ 140.3	$3,512.2
Investment in and advances to equity affiliates	256.0	1.3	130.0	—	—	387.3
Depreciation	228.7	59.1	6.2	5.9	3.3	303.2
Additions to plant and equipment	352.4	98.2	1.8	10.0	5.1	467.5

Notes: Equity affiliates' income includes gain on sale of investment in equity affiliates as follows:
Environmental and Energy included gains of $9.9 million, $10.9 million, and $9.3 million in 1992, 1991, and 1990, respectively; and Industrial Gases included a loss of $.8 million in 1992 and a gain of $.7 million in 1991. Identifiable assets exclude the investment in and advances to equity affiliates.

A description of the products and services for each of the four business segments is included in the Management's Discussion and Analysis on pages 22 through 25. Corporate and Other operating income principally includes unallocated corporate expenses and income and foreign exchange gains and losses. Corporate and Other identifiable assets include cash and cash items, unallocated administrative facilities, and certain deferred items.

Sales are to unconsolidated customers. Sales between segments, excluding transfers of products at cost, are not material. Products transferred at cost consist primarily of air separation plants and distribution equipment manufactured by the Equipment and Technology segment for use by the Industrial Gases segment. These transfers amounted to $153.9 million, $182.7 million, and $200.0 million in 1992, 1991, and 1990, respectively.

Geographic information is presented below:

(in millions)

	United States	Europe	Canada and Latin America	Other	Total
1992					
Sales					
Industrial Gases	$1,076.9	$ 601.1	$ 97.4	$ —	$1,775.4
Chemicals	968.9	61.3	—	—	1,030.2
Environmental and Energy	65.5	—	—	—	65.5
Equipment and Technology	219.4	126.8	—	—	346.2
Total	$2,330.7	$ 789.2	$ 97.4	$ —	$3,217.3
Operating income	$ 362.4	$ 112.6	$ 5.6	$ (.1)	$ 480.5
Identifiable assets	$2,526.6	$1,306.2	$154.1	$ 35.6	$4,022.5
1991					
Sales					
Industrial Gases	$1,031.3	$ 582.5	$ 95.5	$ —	$1,709.3
Chemicals	910.1	56.7	—	—	966.8
Environmental and Energy	70.2	—	—	—	70.2
Equipment and Technology	136.9	47.9	—	—	184.8
Total	$2,148.5	$ 687.1	$ 95.5	$ —	$2,931.1
Operating income	$ 329.1	$ 103.1	$ 4.0	$ (1.2)	$ 435.0
Identifiable assets	$2,454.4	$1,165.0	$141.2	$ 37.4	$3,798.0
1990					
Sales					
Industrial Gases	$1,009.3	$ 530.1	$101.0	$ —	$1,640.4
Chemicals	923.6	49.5	—	—	973.1
Environmental and Energy	149.1	—	—	—	149.1
Equipment and Technology	102.1	30.0	—	—	132.1
Total	$2,184.1	$ 609.6	$101.0	$ —	$2,894.7
Operating income	$ 299.6	$ 89.0	$ 13.5	$ (2.8)	$ 399.3
Identifiable assets	$2,228.6	$1,128.9	$126.3	$28.4	$3,512.2

Note: Included in United States sales are export sales to unconsolidated customers of $441.2 million in 1992, $297.8 million in 1991, and $234.9 million in 1990. These sales were principally to customers in Europe and Asia.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Geographic Segment/Major Customer Data in thousands

The company's operations involve a single industry segment—the design, manufacture, sale and support of multi-user computer systems, servers, and mass storage devices.

Financial information, summarized by geographic area, is as follows:

	United States	Europe	Far East	Other International	Eliminations	Consolidated
Year ended September 26, 1992:						
Total revenues:						
Unaffiliated customers	$613,406	$384,465	$ 3,844	$114,232		$1,115,947
Interarea transfers	199,249	—	19,185	7,920	$(226,354)	—
Total	$812,655	$384,465	$ 23,029	$122,152	$(226,354)	$1,115,947
Income (loss) from operations	$ (18,415)	$ (30,185)	$ (4,232)	$ (9,287)	$ 6,155	$ (55,964)
Identifiable assets	$563,147	$299,614	$ 46,886	$ 77,793	$(152,092)	$ 835,348
Corporate assets						105,106
Total assets						$ 940,454
Year ended September 28, 1991:						
Total revenues:						
Unaffiliated customers	$647,362	$418,104	$ 48,385	$115,003		$1,228,854
Interarea transfers	211,257	—	46,548	6,330	$(264,135)	—
Total	$858,619	$418,104	$ 94,933	$121,333	$(264,135)	$1,228,854
Income (loss) from operations	$ 90,529	$ 4,411	$ (8,552)	$ (13,244)	$ 9,848	$ 82,992
Identifiable assets	$572,277	$254,225	$ 41,917	$ 76,364	$(179,095)	$ 765,688
Corporate assets						178,358
Total assets						$ 944,046
Year ended September 29, 1990:						
Total revenues:						
Unaffiliated customers	$622,593	$398,773	$ 80,470	$114,565		$1,216,401
Interarea transfers	214,423	—	62,174	3,872	$(280,469)	—
Total	$837,016	$398,773	$142,644	$118,437	$(280,469)	$1,216,401
Income (loss) from operations	$ (64,561)	$ (36,567)	$ (9,140)	$ (20,855)	$ (1,517)	$ (132,640)
Identifiable assets	$583,388	$277,194	$126,115	$ 71,743	$(177,168)	$ 881,272
Corporate assets						28,165
Total assets						$ 909,437

United States interarea transfers primarily represent shipments of equipment and parts to international subsidiaries. Far East and Other International interarea transfers primarily represent shipments of work in process and finished goods inventory from manufacturing facilities to domestic operations. These interarea shipments are made at transfer prices which approximate prices charged to unaffiliated customers and have been eliminated from consolidated net revenues. United States revenues from unaffiliated customers include direct export sales. Corporate assets consist primarily of temporary cash investments and marketable securities.

Total liabilities of international subsidiaries, before intercompany eliminations, were $281,771 at September 26, 1992 and $293,932 at September 28, 1991. Cumulative retained earnings of international subsidiaries were $119,486 at September 26, 1992 and $133,427 at September 28, 1991.

McDONALD'S CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Segment and geographic information

The Company operates exclusively in the foodservice industry. Substantially all revenues result from the sale of menu products at restaurants operated by the Company, franchisees or affiliates. Operating income includes the Company's share of operating results of affiliates. All intercompany revenues and expenses are eliminated in computing revenues and operating income. Fees received in the U.S. from subsidiaries outside of the U.S. were: 1992—$187.8 million; 1991—$153.1 million; 1990—$134.1 million.

(In millions of dollars)	1992	1991	1990
U.S.	$ 3,749.4	$ 3,710.2	$ 3,871.0
Europe/Africa	2,187.0	1,806.0	1,635.8
Canada	595.1	629.5	650.7
Pacific	434.6	392.5	339.9
Latin America	167.2	156.8	142.2
Total revenues	$ 7,133.3	$ 6,695.0	$ 6,639.6
U.S.	$ 1,041.6	$ 1,000.4	$ 986.2
Europe/Africa	484.0	361.3	325.3
Canada	113.5	120.7	129.5
Pacific	163.2	157.2	120.8
Latin America	59.3	38.9	34.1
Operating income	$ 1,861.6	$ 1,678.5	$ 1,595.9
U.S.	$ 6,410.6	$ 6,154.3	$ 6,059.8
Europe/Africa	3,290.9	3,316.1	2,925.8
Canada	587.4	618.2	600.9
Pacific	980.3	925.0	837.1
Latin America	412.0	335.5	243.9
Total assets	$11,681.2	$11,349.1	$10,667.5

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Business segment information

The Company operates primarily in one business segment —information systems and related services and supplies. This segment represents more than 90% of consolidated revenue, operating profit and identifiable assets. The Company's operations are structured to achieve consolidated objectives. As a result, significant interdependencies and overlaps exist among the Company's operating units. Accordingly, the revenue, operating profit and identifiable assets shown for each geographic area may not be indicative of the amounts which would have been reported if the operating units were independent of one another.

Sales and transfers between geographic areas are generally priced to recover cost plus an appropriate markup for profit. Operating profit is revenue less related costs and direct and allocated operating expenses, excluding interest and the unallocated portion of corporate expenses. Corporate assets are those assets maintained for general purposes, principally cash and cash equivalents, marketable securities, costs in excess of net assets acquired and corporate facilities.

No single customer accounts for more than 10% of revenue, except that revenue from various agencies of the U.S. Government approximated $2,424, $2,310 and $2,472 million in 1992, 1991 and 1990, respectively.

A summary of the Company's operations by geographic area is presented below:

(Millions)	1992	1991	1990
United States			
Customer revenue	$ 4,149.7	$ 4,264.9	$ 4,870.9
Affiliate revenue	1,396.2	1,215.5	1,706.6
Total	$ 5,545.9	$ 5,480.4	$ 6,577.5
Operating profit (loss)	$ 303.4	$ (315.1)	$ (60.9)
Identifiable assets	2,455.9	2,956.2	3,696.7
Europe			
Customer revenue	$ 2,477.8	$ 2,601.9	$ 3,088.1
Affiliate revenue	163.7	172.5	164.1
Total	$ 2,641.5	$ 2,774.4	$ 3,252.2
Operating profit (loss)	$ 58.2	$ (470.8)	$ (196.0)
Identifiable assets	1,002.9	1,446.6	2,194.8
Americas/Pacific			
Customer revenue	$ 1,794.4	$ 1,829.3	$ 2,152.3
Affiliate revenue	231.6	164.8	271.0
Total	$ 2,026.0	$ 1,994.1	$ 2,423.3
Operating profit	$ 511.7	$ 393.7	$ 556.4
Identifiable assets	726.6	959.2	1,305.6
Adjustments and eliminations			
Affiliate revenue	$(1,791.5)	$(1,552.8)	$ (2,141.7)
Operating profit	9.3	68.3	66.3
Identifiable assets	(136.8)	(200.8)	(173.4)
Consolidated			
Revenue	$ 8,421.9	$ 8,696.1	$10,111.3
Operating profit (loss)	$ 882.6	$ (323.9)	$ 365.8
General corporate expenses	(106.4)	(556.8)	(256.4)
Interest expense	(340.6)	(407.6)	(446.7)
Income (loss) before income taxes and extraordinary item	$ 435.6	$(1,288.3)	$ (337.3)
Identifiable assets	$ 4,048.6	$ 5,161.2	$ 7,023.7
Corporate assets	3,460.0	3,270.8	3,264.9
Total assets	$ 7,508.6	$ 8,432.0	$10,288.6

Major Customers

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Industry Segments:

Certain information concerning the Company's industry segments is presented below

(in thousands of dollars):

	Year Ended June 30		
Sales—	1992	1991	1990
Engines & parts	$ 967,802	$885,930	$ 931,638
Locks	74,026	64,817	71,219
	$1,041,828	$950,747	$1,002,857
Income from Operations—			
Engines & parts	$ 90,781	$ 61,081	$ 61,246
Locks	4,531	2,335	5,035
	$ 95,312	$ 63,416	$ 66,281
Assets—			
Engines & parts	$ 455,691	$432,345	$ 456,927
Locks	45,713	46,994	39,698
Unallocated	112,449	77,452	38,415
	$ 613,853	$556,791	$ 535,040
Depreciation Expense—			
Engines & parts	$ 38,808	$ 34,521	$ 38,080
Locks	2,305	1,926	1,809
	$ 41,113	$ 36,447	$ 39,889
Expenditures for Plant and Equipment—			
Engines & parts	$ 37,035	$ 28,760	$ 35,010
Locks	3,189	3,276	2,787
	$ 40,224	$ 32,036	$ 37,797

Unallocated assets include cash and cash equivalents, prepaid employee health care, future income tax benefits, prepaid pension costs and other assets.

Export sales for fiscal 1992 were $210,728,000 (20% of total sales), for fiscal 1991 were $189,878,000 (20%) and for fiscal 1990 were $214,431,000 (21%). These sales were principally to customers in European countries and Canada.

In the fiscal years 1992, 1991 and 1990, there were sales to three major engine customers that exceeded 10% of total net sales. Sales to these customers were: 1992 – customer A $187,498,000 (18%), customer B $119,612,000 (11%) and customer C $126,539,000 (12%); 1991 – customer A $148,306,000 (16%), customer B $110,599,000 (12%) and customer C $124,093,000 (13%); 1990 – customer A $168,421,000 (17%) and customer B $109,087,000 (11%).

EAGLE-PICHER INDUSTRIES, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

O (In Part): Industry Segment Information

A general description of the products manufactured by the Company's three industry segments is:

Industrial

Diatomaceous earth products, rubber products, rare metals, fiberglass reinforced plastic parts, industrial chemicals and other industrial products.

Machinery

Earth moving machines, aerospace and defense parts, metal cleaning and finishing systems, aluminum castings and related products.

Automotive

Mechanical, structural, and trim parts for passenger cars, trucks, vans and utility vehicles for the OEM and replacement markets.

Sales between segments and foreign operations were not material.

Consolidated sales to Ford Motor Company amounted to $132,700,000 in 1992, $116,400,000 in 1991 and $145,700,000 in 1990. Consolidated sales to General Motors Corporation amounted to $64,500,000 in 1992. No other customer accounted for 10% or more of consolidated sales.

Consolidated export sales were $64,700,000 in 1992. Export sales did not exceed 10% of consolidated sales in 1991 or 1990.

FEDERAL SCREW WORKS (JUN)

NOTES TO FINANCIAL STATEMENTS

Note G—Industry Information

Federal Screw Works is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined, cold formed, hardened and/or ground metal parts, all of which constitute a single business segment.

The Company's products are manufactured at several plants and are fabricated from metal rod and bar, which are generally available at competitive prices from multiple sources. Production is in high-volume job lots to the specification of original equipment manufacturers and sold to them for incorporation into their assemblies. The majority of these sales are to manufacturers of automobiles and trucks, with the balance being mainly to manufacturers of nonautomotive durable goods.

Approximately 89% of the Company's net sales in fiscal 1992 (87% in fiscal 1991 and 88% in fiscal 1990) were made either directly or indirectly to automotive companies. The Company generally does not require collateral from its customers.

Customers comprising 10% or greater of the Company's net sales are summarized as follows:

	1992	1991	1990
Ford Motor Company	40%	36%	36%
General Motors Corporation	34	40	41
All others	26	24	23
	100%	100%	100%

Export Sales

COMMERCIAL METALS COMPANY (AUG)

NOTES TO FINANCIAL STATEMENTS

13. BUSINESS SEGMENTS

Summarized data for the Company's foreign operations (principally in Europe and the Far East) are as follows (in thousands):

	Year ended August 31,		
	1992	1991	1990
Revenues—unaffiliated customers	$282,888	$281,831	$240,014
Operating profit	$ 3,137	$ 3,096	$ 5,976
Identifiable assets	$123,590	$107,316	$ 61,015

Export sales from the Company's United States operations were as follows (in thousands):

	Year ended August 31,		
	1992	1991	1990
Far East	$ 36,896	$ 51,862	$ 22,644
Canada and Mexico	32,490	27,069	16,603
Other	8,050	1,711	6,150
Total	$ 77,436	$ 80,642	$ 45,397

The Company operates in four business segments, as indicated below. Intersegment sales generally are priced at prevailing market prices. Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense.

1992 *(in thousands)*	Manufacturing	Recycling	Marketing and trading	Financial services	Corporate	Adjustments and eliminations	Consolidated
Revenues—unaffiliated customers	$446,321	$218,412	$495,509	$ 4,101	$ 1,449	$ —	$1,165,792
Intersegment revenues	5,289	17,428	1,002			(23,719)	
Total revenues	451,610	235,840	496,511	4,101	1,449	(23,719)	1,165,792
Operating profit (loss)	33,024	(8,120)	7,975	1,819*	(6,374)		28,324
Interest expense							(8,027)*
Earnings before income taxes							20,297
Depreciation and amortization	17,521	7,336	676		95		25,628
Capital expenditures	15,915	8,038	442		108		24,503
Identifiable assets	$228,855	$ 83,147	$102,936	$81,638	$19,162	$ —	$ 515,738
1991 *(in thousands)*							
Revenues—unaffiliated customers	$418,152	$225,030	$512,605	$ 5,485	$ 30	$ —	$1,161,302
Intersegment revenues	4,237	11,707				(15,944)	
Total revenues	422,389	236,737	512,605	5,485	30	(15,944)	1,161,302
Operating profit (loss)	24,117	(3,210)	8,581	2,940*	(7,202)		25,226
Interest expense							(6,882)*
Earnings before income taxes							18,344
Depreciation and amortization	16,341	6,643	539		95		23,618
Capital expenditures	26,824	13,530	2,268		37		42,659
Identifiable assets	$215,978	$ 67,226	$ 91,189	$83,271	$ 3,093	$ —	$ 460,757

* Interest expense of the financial services segment has been included in operating profit in the amounts of $1,924 in 1992, $1,683 in 1991 and $2,806 in 1990.

USX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Segment Information

Export Sales:

The information below summarizes export sales by geographic area for the U.S. Steel Group. Export sales from domestic operations for the Marathon Group and the Delhi Group were not material.

(In millions)	1992	1991	1990
Far East	$ 70	$294	$146
Europe	117	146	138
Other	266	269	232
Total export sales	$453	$709	$516

UNIVERSAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are in thousands, except as otherwise noted)

Note 5 (In Part): Business Segment and Geographic Information

The company operates principally in three business segments:

Tobacco

Selecting, buying, shipping, processing, packing, storing and financing leaf tobacco in the United States and other tobacco-growing countries for the account of, or for resale to, manufacturers of tobacco products throughout the world.

Lumber and Building Products

Distribution of lumber and building products to the building and construction market in Europe, primarily in Holland, and the manufacture of laminated wood products in the United States.

Agri-Products

Trading and processing tea, and sunflower seeds and trading other products from the countries of origin to various customers in the consuming industries throughout the world.

Generally, sales between business segments and geographic areas are priced on the same basis as sales to unaffiliated customers. Sales between business segments are insignificant.

Operating profit is total revenue less operating expenses. In computing operating profit, none of the following items have been added or deducted: general corporate expenses, interest expense, income taxes and equity in net income of unconsolidated affiliates.

Identifiable assets are those of the company that are identified with the operations in each industry group. Corporate assets are principally the fixed assets of the company's administrative offices, certain notes receivable and corporate cash and cash equivalents.

U.S. Export Sales by Geographic Area

	1992	1991	1990
Europe	$314,383	$306,121	$279,297
Asia	155,336	178,297	140,099
Other Areas	56,272	50,369	52,427
	$525,991	$534,787	$471,823

NATURAL BUSINESS YEAR

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

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

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

During 1992, three companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

Change in Date of Fiscal Year Ending

ALLIANT TECHSYSTEMS INC.

Balance Sheets

March 31 1992	March 31 1991

Income Statements

Year Ended March 31 1992	Three Months Ended March 31 1991	Year Ended December 31 1990	Year Ended December 31 1989

Statements of Cash Flows

Year Ended March 31 1992	Three Months Ended March 31 1991	Year Ended December 31 1990	Year Ended December 31 1989

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

3. Change in Fiscal Year

The Company changed its fiscal year end from December 31 to March 31, effective in the year beginning April 1, 1991. The three-month transition period ended March 31, 1991, is presented within the body of the Company's basic financial statements. Comparative condensed income statement data is shown as follows:

	Three Months Ended April 1, 1990
	(Unaudited)
Sales	$208,167
Gross margin	32,194
Income from continuing operations before income taxes	6,687
Provision for income taxes	1,825
Income from continuing operations	4,862
Loss from discontinued operations	(57)
Net Income	$ 4,805

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of Alliant Techsystems:

We have audited the accompanying balance sheets of Alliant Techsystem Inc. as of March 31, 1992, and 1991, and the related statements of income and of cash flows for each of the years ended March 31, 1992, December 31, 1990, and December 31, 1989. We have also audited the statements of income and cash flows for the three-month period ended March 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Alliant Techsystems Inc. at March 31, 1992, and 1991, and the results of its operations and its cash flows for each of the years ended March 31, 1992, December 31, 1990, and December 31, 1989, and the three-month period ended March 31, 1991, in conformity with generally accepted accounting principles.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1992	1991	1990	1989
January	21	21	22	22
February	14	14	15	15
March	15	12	14	16
April	7	7	7	8
May	16	16	16	15
June	60	62	62	57
July	15	16	16	16
August	18	18	17	16
September	33	31	33	37
October	22	21	21	20
November	18	18	17	17
Subtotal	**239**	**236**	**240**	**239**
December	361	364	360	361
Total Companies	**600**	**600**	**600**	**600**

CSP INC.

Consolidated Balance Sheets

August 28, 1992 and August 31, 1991

August 28, 1992	August 31, 1991

Consolidated Statements of Operations

Years Ended August 28, 1992, August 31, 1991, and 1990

1992	1991	1990

Consolidated Statements of Shareholders' Equity

Years Ended August 28, 1992, August 31, 1991, and 1990

Consolidated Statements of Cash Flows

Years Ended August 28, 1992, August 31, 1991, and 1990

1992	1991	1990

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Change in Fiscal Year:

The Company has changed its fiscal year end from the last day in August for Fiscal 1990 and 1991 to the last Friday in August in Fiscal 1992. Beginning in Fiscal 1993 each quarter will be 13 weeks in length. The effect of the change was not material to the Company's financial statements for Fiscal 1992.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
CSP, Inc.
Billerica, Massachusetts 01821

We have audited the accompanying consolidated balance sheets of CSP Inc. and Subsidiaries as of August 28, 1992 and August 31, 1991 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of CSP Inc. and Subsidiaries as of August 31, 1990, were audited by other auditors who have ceased operations and whose report thereon dated November 2, 1991, expressed an unqualified opinion on those consolidated financial statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 1992 and 1991 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CSP Inc. and Subsidiaries as of August 28, 1992, and August 31, 1991, and the consolidated results of their operations and their cash flows for each of the years then ended, in conformity with generally accepted accounting principles.

TESORO PETROLEUM CORPORATION

Consolidated Balance Sheets

December 31, 1992	September 30, 1991

Statements of Consolidated Operations

Year Ended December 31, 1992	Three Months Ended December 31, 1991	Years Ended September 30, 1991	Years Ended September 30, 1990

Statements of Consolidated Cash Flows

Year Ended December 31, 1992	Three Months Ended December 31, 1991	Years Ended September 30, 1991	Years Ended September 30, 1990

NOTES TO FINANCIAL STATEMENTS

Note B—Change in Fiscal Year-End

The Company changed its fiscal year-end from September 30 to December 31, effective January 1, 1992. The Statement of Consolidated Operations and the Statement of Consolidated Cash Flows for the three months ended December 31, 1991 are presented in the accompanying Consolidated Financial Statements. Comparative financial information is presented below:

Statements of Consolidated Operations
($000)

	Three Months Ended December 31, 1991	Three Months Ended December 31, 1990 (Unaudited)
Revenues:		
Gross operating revenues	$240,586	334,098
Interest income	682	1,410
Gain on sales of assets	9	177
Other	2,596	499
Total Revenues	243,873	336,184
Costs and Expenses:		
Costs of sales and operating expenses	228,569	312,047
General and administrative	2,849	4,033
Depreciation, depletion and amortization	4,225	3,058
Interest expense	4,966	4,639
Other	722	761
Total Costs and Expenses	241,331	324,538
Earnings before Income Taxes	2,542	11,646
Income Tax Provision	2,958	6,793
Net Earnings (Loss)	$ (416)	4,853
Net Earnings (Loss) Applicable to Common Stock	$ (2,717)	2,552
Earnings (Loss) Per Primary and Fully Diluted* Share	$ (.19)	.18

*Anti-dilutive

Statements of Consolidated Cash Flows
($000)

	Three Months Ended December 31, 1991	Three Months Ended December 31, 1990 (Unaudited)
Cash Flows From (Used In) Operating Activities:		
Net earnings (loss)	$ (416)	4,853
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization	4,225	3,058
Gain on sales of assets	(9)	(177)
Other	599	836
Changes in assets and liabilities:		
Receivables	6,524	14,313
Inventories	(10,620)	(24,687)
Investment in Tesoro Bolivia Petroleum Company	8,756	(4,383)
Other assets	(4,748)	(3,325)
Accounts payable and other current liabilities	(3,877)	(8,307)
Other liabilities and obligations	(774)	1,105
Net cash used in operating activities	(340)	(16,714)
Cash Flows From (Used In) Investing Activities:		
Capital expenditures	(3,858)	(6,136)
Proceeds from sales of assets, net of expenses	35	692
Other	1	(829)
Net cash used in investing activities	(3,822)	(6,273)
Cash Flows From (Used In) Financing Activities:		
Payments of long-term debt	(512)	(409)
Issuance of long-term debt	3,000	—
Dividends on preferred stocks	—	(2,294)
Other	(7)	2
Net cash from (Used In) financing activities	2,481	(2,701)
Decrease in Cash and Cash Equivalents	(1,681)	(25,688)
Cash and Cash Equivalents at Beginning of Period	62,710	78,785
Cash and Cash Equivalents at End of Period	$61,029	53,097
Supplemental Cash Flows Disclosures:		
Interest paid	$ 234	218
Income taxes paid	$ 3,425	2,663

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Tesoro Petroleum Corporation

We have audited the accompanying consolidated balance sheets of Tesoro Petroleum Corporation and subsidiaries as of December 31, 1992 and September 30, 1991, and the related consolidated statements of operations, common stock and other stockholders' equity and cash flows for the years ended December 31, 1992, September 30, 1991 and September 30, 1990 and for the three-month period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Tesoro Petroleum Corporation and subsidiaries at December 31, 1992 and September 30, 1991, and the results of their operations and their cash flows for the years ended December 31, 1992, September 30, 1991 and September 30, 1990 and for the three-month period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in Note A of Notes to the Consolidated Financial Statements, in 1992 the Company changed its methods of accounting for postretirement benefits other than pensions and accounting for income taxes.

Definition of Fiscal Year

AULT INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Fiscal year: The Company operates on a 52 to 53 week fiscal year. The fiscal years for the financial statements presented ended May 31, 1992, June 2, 1991, and May 27, 1990.

CAMPBELL SOUP COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fiscal Year—The Company's fiscal year ends on the Sunday nearest July 31. There were 53 weeks in fiscal 1992, and 52 weeks in fiscal 1991 and fiscal 1990.

DUPLEX PRODUCTS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

The Company's fiscal year ends on the last Saturday in October. The fiscal years ended October 31, 1992, October 26, 1991, and October 27, 1990, were comprised of fifty-three, fifty-two, and fifty-two weeks, respectively.

TEKTRONIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Fiscal Year

The Company's fiscal year is the 52 or 53 weeks ending the last Saturday in May. 1992 was a 53-week fiscal year, while 1991 and 1990 were 52-week fiscal years.

THE UNITED STATES SHOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies

Fiscal Year—The company's fiscal year is the 52-53 week period ending on the Saturday closest to January 31. Fiscal years 1992, 1991 and 1990 each consisted of 52 weeks and ended on January 30, 1993, February 1, 1992 and February 2, 1991, respectively.

COMPARATIVE FINANCIAL STATEMENTS

Rule 14a-3 of the Securities Exchange Act of 1934 requires that annual reports to stockholders should include comparative balance sheets, and statements of income and of cash flows for each of the 3 most recent fiscal years. All of the survey companies are registered with the Securities and Exchange Commission and conformed to the aforementioned requirements of Rule 14a-3.

Usually the income statement is the first financial statement presented and is followed by either a balance sheet (310 companies) or a statement showing changes only in retained earnings (46 companies). 194 companies presented the balance sheet as the first financial statement followed by an income statement.

Prior to 1986, the financial statements, with rare exception, were presented on consecutive pages. Beginning in 1986 certain survey companies did not present their financial statements on consecutive pages but interspersed the Management's Discussion and Analysis of Financial Condition and Results of Operations among the financial statements by having comments discussing the content of a financial statement follow the presentation of a financial statement. Such interspersed material was not covered by an auditor's report and was not presented in lieu of notes. In 1992, 17 survey companies did not present their financial statements on consecutive pages.

ROUNDING OF AMOUNTS

Table 1-5 shows that most of the survey companies state financial statement amounts in either thousands or millions of dollars.

TABLE 1-5: ROUNDING OF AMOUNTS

	1992	1991	1990	1989
To nearest dollar	45	51	55	56
To nearest thousand dollars:				
Omitting 000	362	357	360	365
Presenting 000	28	31	34	39
To nearest million dollars	165	161	151	140
Total Companies	**600**	**600**	**600**	**600**

NOTES TO FINANCIAL STATEMENTS

Securities and Exchange Commission *Regulations S-X* and *S-K*, and *SAS No. 32* state the need for adequate disclosure in financial statements. Normally the financial statements alone cannot present all information necessary for adequate disclosure without considering appended notes which disclose information of the sort listed below:

Changes in accounting principles.

Any material retroactive adjustments.

Long-term lease agreements.

Assets subject to lien.

Preferred stock data.
Pension and retirement plans.
Restrictions on the availability of retained earnings for cash dividend purposes.
Contingencies and commitments.
Depreciation and depletion policies.
Stock option or stock purchase plans.
Consolidation policies.
Business combinations.
Computation of earnings per share.
Subsequent events.
Quarterly data.
Segment information.

Table 1-6 summarizes the manner in which financial statements refer to notes. Notes on specific topics are illustrated in this publication in the sections dealing with such topics.

TABLE 1-6: NOTES TO FINANCIAL STATEMENTS

	1992	1991	1990	1989
General reference only	374	374	382	385
General and direct references	221	222	210	210
Direct reference only	2	1	4	2
No reference to notes	3	3	4	3
Total Companies	**600**	**600**	**600**	**600**

DISCLOSURE OF ACCOUNTING POLICIES

APB Opinion No. 22 requires that the significant accounting policies of an entity be presented as an integral part of the financial statements of the entity. *Opinion No. 22* sets forth guidelines as to the content and format of disclosures of accounting policies.

Table 1-7 shows the nature of information frequently disclosed in summaries of accounting policies and the number of survey companies disclosing such information. Examples of summaries of accounting policies follow.

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1992	1991	1990	1989
Consolidation policy	584	584	579	582
Depreciation methods	577	580	579	580
Inventory pricing	553	557	559	555
Property	490	489	484	472
Cash equivalents	469	464	446	398
Interperiod tax allocation	438	458	437	455
Earnings per share calculation	445	434	435	420
Amortization of intangibles	382	376	376	354
Translation of foreign currency	281	267	256	244
Employee benefits	156	157	161	162
Hedge contracts	176	139	132	48
Research and development costs	143	142	132	127
Fiscal years	126	117	112	99
Capitalization of interest	77	70	73	73

AMERICAN STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies

Fiscal Year. The fiscal year of the Company ends on the Saturday nearest to January 31. All references herein to "1992", "1991" and "1990" mean the 52-week fiscal years ended January 30 ,1993, February 1, 1992 and February 2, 1991, respectively.

Basis of Consolidation. The consolidated financial statements include the accounts of American Stores Company and all subsidiaries. Accordingly, all references herein to "American Stores Company" include the consolidated results of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Inventories. FIFO (first-in, first-out) inventories are stated at the lower of cost or market. The LIFO (last-in, first-out) method is used to determine the cost of the majority of drug, general merchandise and dry grocery inventories. Cost of the remaining inventories is computed by either the FIFO or average cost methods.

Depreciation and Amortization. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of owned assets. Leasehold improvements and leased properties under capital leases are amortized over the estimated useful life of the property or over the term of the lease, whichever is shorter.

Goodwill. Goodwill, principally from the acquisition of Lucky Stores, Inc. in 1988, represents the excess of cost over fair value of net assets acquired and is being amortized over 40 years using the straight-line method.

Industry Segment. The Company operates in a single industry segment, the retail sale of food and drug merchandise.

Costs of Opening and Closing Stores. The costs of opening new stores are charged against earnings as incurred. When operations are discontinued and a store is closed, the remaining investment, net of salvage value, is charged against earnings and, for leased stores, a provision is made for the remaining lease liability, net of expected sublease income.

Income Taxes. The Company provides for deferred income taxes or credits as timing differences arise in recording income and expenses between financial reporting and tax reporting. Amortization of purchase accounting adjustments, including goodwill, are not deductible for purposes of calculating income tax provisions.

Net Earnings Per Common Share. Net earnings per common share are determined by dividing the weighted average number of common shares outstanding during the year into net earnings. Common share equivalents in the form of stock options are excluded from the calculation since they have no material dilutive effect on per share figures. The assumed conversion of subordinated convertible debt into common stock had no material dilutive effect on net earnings per common share in fiscal years 1990 and 1992. However, in the fourth quarter of 1992 the assumed conversion of subordinated convertible debt and stock options into common stock resulted in dilution of earnings per share greater than 3%.

Environmental Remediation Costs. Costs incurred to investigate and remediate contaminated sites, caused primarily by defective underground petroleum storage tanks, are expensed unless the remediation extends the economic useful life of the assets employed at the site. Remediation costs that extend the economic life of the assets are capitalized and amortized over the remaining economic life of such assets.

Self-insurance. The Company is self-insured for property loss, workers' compensation, general liability and automotive liability, subject to specific retention levels. The Company is also self-insured for health care claims for eligible active and retired employees. Consulting actuaries assist the Company in determining its liability for self-insured claims, and such liabilities are not discounted.

DURACELL INTERNATIONAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in millions, except per share amounts)

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the Company and all subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. Certain amounts in the consolidated financial statements for periods prior to June 30, 1992 have been reclassified to conform to the current presentation. The Company's fiscal year ends June 30.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Depreciation is determined on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are principally 10 to 40 years for buildings and improvements and 5 to 12 years for machinery and equipment. Interest costs aggregating $2.7 and $2.0 during the fiscal years ended June 30, 1992 and 1991, respectively, for the purchase and construction of long-term assets were capitalized and are being amortized over the related assets' estimated useful lives.

Intangibles

Patents are amortized on a straight-line basis over periods ranging up to 15 years and computer software is amortized over 5 years. All other intangibles are amortized on a straight-line basis over 40 years.

Income Taxes

Income tax expense is based on reported results of operations before extraordinary items and income taxes. In accordance with Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes, deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying current tax laws.

Translation of Foreign Currencies

Assets and liabilities of subsidiaries, other than those located in highly inflationary countries, are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the year. The related translation adjustments are reflected in the accumulated translation adjustment section of the consolidated balance sheet. Foreign currency gains and losses resulting from transactions except for intercompany loans of a long-term investment nature, and the translation of financial statements of subsidiaries in highly inflationary countries, are included in results of operations.

Earnings (Loss) Per Share

Earnings (loss) per share are calculated by dividing net income (loss) by the weighted average common shares and common share equivalents outstanding during the period.

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of reporting cash flows for all periods presented include cash on deposit and amounts due from banks maturing within 90 days of purchase.

EXXON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of those significant subsidiaries owned directly or indirectly more than 50 percent.

Amounts representing the corporation's percentage interest in the underlying net assets of less than majority-owned companies in which a significant equity ownership interest is held are included in "Investment and advances." The corporation's share of the net income of these companies is included in the consolidated statement of income caption "Earnings from equity interests and other revenue."

Investments in all other companies, none of which is significant, are included in "Investments and advances" at cost or less. Dividends from these companies are included in income as received.

Financial Instruments. The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values. Marketable securities are stated at the lower of cost or market value.

Inventories. Crude oil, products and merchandise inventories are carried at the lower of current market value or cost (generally determined under the last-in, first-out method-LIFO). Costs include applicable purchase costs and operating expenses, but not general and administrative expenses or research and development costs. Inventories of materials and supplies are valued at cost or less.

Property, Plant and Equipment. Depreciation, depletion and amortization, based on cost less estimated salvage value of the asset, are primarily determined under either the unit of production method or the straight-line method. Unit of production rates are based on oil, gas and other mineral reserves estimated to be recoverable from existing facilities. The straight-line method of depreciation is based on estimated asset service life taking obsolescence into consideration.

Maintenance and repairs are expensed as incurred. Major renewals and improvements are capitalized and the assets renewals and improvements are capitalized, and the assets replaced are retired.

The corporation's exploration and production activities are accounted for under the "successful efforts" method. Under this method, costs of productive wells and development dry holes, both tangible and intangible, as well as productive acreage are capitalized and amortized on the unit of production method. Costs of that portion of undeveloped acreage likely to be unproductive, based largely on historical experience, are amortized over the period of exploration. Other exploratory expenditures, including geophysical costs, other dry hole costs and annual lease rentals, are expensed as incurred.

Environmental Conservation. Expenditures for environmental conservation are expensed or capitalized in accordance with generally accepted accounting principles. Liabilities for these expenditures are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated.

Foreign Currency Translation. The "functional currency" for translating the accounts of the majority of refining, marketing and chemical operations outside the U.S. is the local currency. Local currency is also used for exploration and production operations that are relatively self-contained and integrated within a particular country, such as in Australia, Canada, the United Kingdom, Norway and Continental Europe. The U.S. dollar is used for operations in highly inflationary economies and for some exploration and production operations, primarily in Malaysia and the Middle East.

GERBER PRODUCTS COMPANY (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A: Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the company and all wholly-owned and majority-owned subsidiaries. Insurance operations are included on the basis of a fiscal year ended December 31 and a Costa Rican subsidiary and a Polish subsidiary are included on the basis of February 28 fiscal year-ends. Upon consolidation, all intercompany accounts, transactions and profits are eliminated.

Cash and Cash Equivalents: Highly liquid debt instruments are classified as cash equivalents if the securities mature within 90 days from the date of acquisition.

Inventories: Certain inventories are stated at the lower of last-in, first-out (LIFO) cost or market (see Note F), and all other inventories are stated at the lower of first-in, first-out (FIFO) cost or market.

Investments Held By Insurance Operations. Bonds are carried at cost adjusted for amortization or premium and accretion of discount. Policy loans are carried at unpaid balances. Other investments are carried at cost, which approximates market value. Interest on policy loans is credited to income as it accrues. Realized gains and losses on sales of investments are included in income on a specific identification basis.

Deferred Policy Acquisition Costs: The costs of acquiring new and renewal business for insurance operations, principally commission, policy issuance and underwriting expenses, have been deferred and are being amortized over the anticipated premium paying period of the related policies.

Land, Buildings and Equipment: Land, buildings and equipment are stated at cost. Depreciation is computed by the straight-line method at rates expected to amortize the cost of buildings and equipment over their estimated useful lives.

Future Policy Benefits: Reserves for insurance operations have been computed utilizing the net level premium method based upon estimated future investment yield, mortality, morbidity and withdrawals, including provision for the risk of adverse deviation.

Income Taxes: The provision for income taxes is based on earnings reported in the financial statements. Deferred income taxes are provided on timing differences between reported earnings and taxable income.

Earnings Per Share: Earnings per share are based on the weighted average number of shares of common stock outstanding. The tax benefit obtained from payment of dividends to an Employee Stock Ownership Plan (ESOP), which is not included in net earnings, is included in the computation of earnings per share. The exercise of outstanding stock options would not result in a material dilution of earnings per share.

Reclassification: Beginning in the fourth quarter of fiscal 1992, certain promotional allowances, which previously were treated as a reduction in gross sales, have been reclassified to marketing expenses. Such promotional allowances amounted to $44,741,000, $32,990,000, and $23,493,000 in F1992, F1991 and F1990, respectively. All financial information has been restated to conform to this presentation.

TANDY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2-Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Tandy and its wholly owned subsidiaries, including its credit and insurance subsidiaries. Investment in 20% to 50% owned companies are accounted for on the equity method. The Company's fiscal year ends on June 30. Significant intercompany transactions are eliminated in consolidation.

Foreign Currency Translation: In accordance with the Financial Accounting Standards Board's (the "FASB's") Statement No. 52, balance sheet accounts of the Company's foreign operations are translated from foreign currencies into U.S. dollars at year-end or historical rates while income and expenses are translated at the weighted average exchange rates for the year. Translation gains or losses related to net assets located outside the United States are shown as a separate component of stockholders' equity. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included in net income. Such foreign currency transaction gains approximated $10,869,000, $11,755,000 and $3,250,000 for fiscal 1992, 1991 and 1990, respectively. These gains have been recognized as a reduction in selling, general and administrative expense in the accompanying consolidated statements of income. The fiscal years of some foreign operations end in May to facilitate their inclusion in the consolidated financial statements.

Change in Accounting Principle—Extended Warranty and Service Contracts: Tandy's retail operations offer extended warranty and service contracts on products sold. These contracts generally provide extended warranty coverage for periods of 12 to 48 months.

The FASB issued Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts" in December 1990. This bulletin requires revenues from sales of extended warranty and service contracts to be recognized ratably over the lives of the contracts. Costs directly related to sales of such contracts are to be deferred and charged to expense proportionately as the revenues are recognized.

During the fourth quarter of fiscal 1991, the Company elected to adopt this technical bulletin on a retroactive basis to the beginning of fiscal 1991 by restating the previously reported three quarters. The method of adoption included the application of this accounting change to all existing contracts outstanding at July 1, 1990 and to all contracts entered into during fiscal 1991. Prior to the adoption of this technical bulletin, the Company had recognized a portion of the extended warranty and service contract revenues immediately, deferred the remaining revenues which were recognized ratably over their contract lives and expensed associated costs as incurred.

The effect of this change for fiscal 1991 was to decrease income before the cumulative effect of the change in accounting by $3,708,000 ($.05 per share). The cumulative effect of the change on prior years, net of income taxes of $5,471,000, was to decrease 1991 net income by $10,619,000 ($.14 per share).

If this accounting method had been in effect at the beginning of fiscal 1990, net sales and operating revenues, net income and net income per average common and common equivalent share would have been $4,479,357,000, $288,033,000 and $3.52, respectively.

Cash and Short-Term Investments: Cash on hand in stores, deposits in banks and short-term investments with original maturities of three months or less are considered cash and cash equivalents.

Short-term investments are carried at cost, which approximates market value.

Accounts Receivable and Allowance for Doubtful Accounts:

Credit Operations—The customer receivables of the credit operations are classified as current assets, including amounts which are contractually due after one year. This is consistent with retail industry practices.

Finance charges, late charges and returned check fees arising from the Company's private label credit cards are recognized in income, as earned, as a reduction of interest expense. The Company's policy is to write off accounts after 210 days past the initial billing date without payment of the amount due or whenever deemed uncollectible by management, whichever is sooner. Collection efforts continue subsequent to write off.

The Company is charged a fee by an outside accounts receivable processing service for establishing new accounts. These initial direct costs are capitalized and amortized on a straight-line basis over a period of 84 months, the estimated life over which the account will be used by a customer. These cost are shown in the accompanying consolidated balance sheets as a part of the related accounts receivable. Amortization of these loan origination costs are included as a reduction of interest income in the accompanying consolidated statements of income. Costs to process accounts on an ongoing basis are expensed as incurred.

Other Customer Receivables—An allowance for doubtfuls accounts is provided when accounts are determined to be uncollectible.

Concentrations of credit risk with respect to customer receivables are limited due to the large number of customers comprising the Company's base and their dispersion across many different geographic areas of the country.

Inventories: Inventories are stated at the lower of cost (principally based on average cost) or market value.

Postretirement Benefits: The Company has no material postretirement benefits as defined in FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Fair Value of Financial Instruments: The FASB issued Statement No. 107, "Disclosure about Fair Value of Financial Instruments", in December 1991. This statement, which is required to be adopted in fiscal 1993, requires disclosure of the fair value of financial instruments for which it is practicable to estimate fair value. The Company did not adopt this standard in fiscal 1992 and has not determined the impact it may have on the Company's financial statement disclosures.

Income Taxes: Income tax provisions are based on earnings reported for financial statement purposes, adjusted for transactions that do not enter into the computation of income taxes payable. As discussed in Note 13, Tandy is not required to adopt FASB's Statement No. 109, "Accounting for Income Taxes", until the beginning of its 1994 fiscal year.

Net Income per Average Common and Common Equivalent Share: Net income per average common and common equivalent share is computed by dividing net income less the Series B convertible stock dividends, net of taxes, by the weighted average common and common equivalent shares outstanding during the year. The Series B convertible stock dividends, net of taxes, were $4,911,000 in fiscal 1992 and $4,538,000 in fiscal 1991. As the Series C PERCS mandatorily convert into common stock, they are considered outstanding common stock and the dividends are not deducted from net income for purposes of calculating net income per average common and common equivalent share. Fully diluted earnings per common and common equivalent share are not presented since dilution is less than 3%.

ACCOUNTING CHANGES

APB Opinion No. 20 "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." Table 1-8 lists the accounting changes disclosed in the 1992 annual reports of the survey companies.

As indicated in Table 1-8, many survey companies chose to conform to the requirements of *Statement of Financial Accounting Standards No. 109* and *Statement of Financial Accounting Standards No. 106* prior to the effective dates of such pronouncements. Both *SFAS No. 109* and *SFAS No. 106* are effective for fiscal years beginning after December 15, 1992. Table 1-8 also indicates that 21 survey companies adopted *Statement of Financial Accounting Standards No. 112* which is effective for fiscal years beginning after December 15, 1993.

Of the 244 companies adopting SFAS *No. 109,* 231 companies did not restate prior year financial statements and 13 companies did restate prior year financial statements. Of the 198 companies adopting *SFAS No. 106,* 194 companies immediately recognized the accumulated postretirement benefit obligation and 4 companies are recognizing the obligation over a 20 year period.

Examples of accounting change disclosures follow.

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1992	1991	1990	1989
Income taxes:				
SFAS 109 adopted	244	16	—	
SFAS 96 adopted	—	16	16	31
Postretirement benefits	198	39	2	1
Pension costs:				
Actuarial assumptions	121	151	122	189
SFAS 87 adopted	—	1	19	57
Postemployment Benefits	21	—	—	—
Inventories:				
LIFO discontinued	4	3	3	2
LIFO adopted	3	2	1	2
Capitalization of costs formerly expensed	2	3	—	4
Other	—	3	3	3
Depreciable lives	6	4	5	4
Depreciation method	3	5	3	3
Reporting entity	5	1	6	29
Other—described	17	17	13	17

CHANGE IN ACCOUNTING ESTIMATES

AMPCO-PITTSBURGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 11—Change in Accounting Estimate:

Effective January 1,1992, the Corporation revised its estimate of the useful lives of certain machinery and equipment. Previously, all machinery and equipment, whether new when placed in use or not, were in one class and depreciated over 15 years. The change principally applies to assets purchased new when placed in use. Those lives are now extended to 20 years. These changes were made to better reflect the estimated periods during which such assets will remain in service. The change had the effect of reducing depreciation expense and increasing net income by approximately $991 ($.10 per share).

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

1 (In Part): Significant Accounting Policies

Property, Plant and Equipment

Property, plant, and equipment are carried at cost and are being depreciated principally on a straight-line basis over the estimated useful lives of the assets which generally range from 20 to 40 years for buildings and improvements and from 3 to 12 years for machinery and equipment. In 1992, the Company extended the estimated useful lives of machinery and equipment at its Swiss subsidiary, based upon the current low rate of utilization. The effect of this change was to reduce 1992 depreciation expense and net loss by $921 or $.19 per share. Repair and maintenance costs are charged against income while renewals and betterments are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in income. At December 26, 1992, land and buildings with a book value of $9,080 were pledged as collateral for mortgage loans of $18,599.

REPUBLIC GYPSUM COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment—Depreciation and amortization are provided generally by the straight-line method over the estimated useful lives of the assets. During the year ended June 30, 1991, the Company recorded a $649,000 reduction to depreciation expense relating to excess depreciation expense recorded in prior years.

In addition, effective October 1, 1990, the Company extended the estimated useful lives of certain fixed assets to conform to the Company's actual experiences with fixed asset lives. The aggregate effect of these two changes was to decrease depreciation for the year ended June 30, 1991, by approximately $2,899,000 (a reduction in net loss for the year ended June 30, 1991, of approximately $1,913,000, or approximately $.18 per share, assuming a benefit for federal income taxes computed at the statutory rate of 34%). The extension of estimated useful lives decreased depreciation for the year ended June 30, 1992, by approximately $2,500,000 (an increase in net income of approximately $1,650,000, or $.16 per share, assuming a provision for federal income taxes computed at the statutory rate of 34%).

CHANGE IN REPORTING ENTITY

CROWN CORK & SEAL COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E (In Part): Investments

During 1992, the Company determined that it had operational and financial control over its joint venture investment located in China. Accordingly, the Company has consolidated the financial results of this joint venture in 1992. The effect on the Company's financial position is not significant. There was no effect on consolidated 1992 net income and prior periods have not been restated for this change in reporting entity.

CHANGE IN ACCOUNTING PRINCIPLES

Income Taxes

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Taxes on Income: The Company adopted Statement of Financial Accounting Standards (SFAS) 109 "Accounting for Income Taxes," in 1992. This statement supersedes SFAS 96, "Accounting for Income Taxes." Deferred income taxes reflect the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end. No deferred income taxes have been provided for the income tax liability which would be incurred on repatriation of the undistributed earnings of the Company's foreign subsidiaries because the Company intends indefinitely to reinvest these earnings outside the United States. General business credits are accounted for by the flow-through method.

3 (In Part): Taxes On Income

As discussed in Note 1, the Company adopted SFAS 109 in 1992 and elected to apply the provisions of SFAS 109 retroactively to January 1, 1989. Accordingly, the beginning balance of retained earnings as of January 1, 1990 has been restated to reflect a decrease of $6.8 million to $904.0 million. In addition, the financial statements for the years ended December 1991 and 1990, the unaudited quarterly data presented in Supplementary Financial and Statistical Information section for 1991 and certain information contained in the Five Year Selected Financial and Statistical Data section for 1991, 1990 and 1989 have been restated to comply with the provisions of SFAS 109.

The following summarizes the impact of applying SFAS 109 on net income and earnings per share:

For the Years Ended December 31,	1991	1990
(In millions, except per share amounts)		
Net earnings as previously reported	$46.0	$149.1
Effect of SFAS 109	—	(13.3)
As restated	$46.0	$135.8
Net earnings per common share as previously reported	$1.12	$ 3.60
Effect of SFAS 109	—	(0.32)
As restated	$1.12	$ 3.28

HILLENBRAND INDUSTRIES, INC.

Statement of Consolidated Income

(Dollars in thousands except per share data)

Year Ended	Nov. 28, 1992	Nov. 30, 1991	Dec. 1, 1990
Income before cumulative effect of a change in accounting principle	$105,523	$89,187	$75,678
Cumulative effect of change in method of accounting for income taxes	10,747	—	—
Net income	$116,270	$89,187	$75,678

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

1 (In Part): Summary of Significant Accounting Policies

Income Taxes

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

The Company has elected early adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109) and has applied the provisions prospectively in 1992.

The adoption of SFAS 109 changes the Company's method of accounting for income taxes from the deferred method (APB 11) to an asset and liability method. Previously the Company deferred the past tax effects of timing differences between financial reporting and taxable income. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

The adjustments to the December 1,1991 balance sheet to adopt SFAS 109 netted to $10.7 million. This amount is reflected in 1992 net income as the effect of a change in accounting principle. It primarily represents the impact of adjusting deferred taxes to reflect the current tax rate of 34% as opposed to the higher tax rates that were in effect when the deferred taxes were originally recorded.

INTERFACE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part) Taxes on Income

Effective December 30, 1991, the Company adopted the provisions of SFAS 109. Accordingly, for the year ended January 3, 1993, all disclosures are in accordance with the new rules. Under the provisions of SFAS 109, the Company elected not to restate prior years' consolidated financial statements. The cumulative effect of initial adoption on prior years' retained earnings was not significant. Additionally, the effect of the adoption of SFAS 109 upon income before taxes for fiscal 1992 was not significant.

MORTON INTERNATIONAL, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Effective July 1, 1991, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes." Since the Company had adopted FASB Statement No. 96, "Accounting for Income Taxes" effective July 1, 1987, the adoption of the new accounting statement had no effect on the tax provision or net income for fiscal 1992.

THIOKOL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Income Taxes

On June 30, 1992, the Company adopted SFAS No.109 "Accounting for Income Taxes," effective July 1, 1991. The new standard of accounting replaces SFAS No. 96, which the Company adopted July 1, 1987.

The cumulative effect of adopting Statement 109 is immaterial since the recognized benefit of deferred tax assets for the Company remained unchanged from SFAS No. 96. As permitted under the new rules, prior period and prior year financial statements have not been restated.

Postretirement Benefits

ASHLAND OIL, INC.

Statements of Consolidated Income

Years Ended September 30

	1992	1991	1990
	(In thousands except per share data)		
Income (loss) before the cumulative effect of accounting changes	$(68,298)	$144,998	$182,059
Cumulative effect of accounting changes—Note A	(267,442)	—	—
Net income (loss)	$(335,740)	$144,998	$182,059

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Accounting Changes

In September 1992, Ashland announced its decision to adopt Financial Accounting Standards (FAS) Board Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and FAS 109 "Accounting for Income Taxes," both effective as of October 1, 1991. Previous 1992 interim period results were restated as a result of the adoption. FAS 106 requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when benefits are paid, as Ashland historically had done. The adoption of FAS 106 resulted in a net charge to income of $278,795,000 ($415,017,000 before tax), or $4.76 per share, for the cumulative effect of the change in accounting principle for periods prior to 1992, which were not restated. In addition, the adoption of FAS 106 resulted in a decrease in income before the cumulative effect of accounting changes for 1992 of $26,026,000 ($39,328,000 before tax), or $.44 per share. However, as a result of plan changes effective January 1, 1993, Ashland's postretirement benefit costs are expected to return to pre-1992 levels in 1993. Adoption of FAS 109, which supersedes FAS 96 which Ashland adopted effective October 1, 1987, resulted in a net credit to income of $11,353,000, or $.19 per share, for the cumulative effect of the change in accounting principle for periods prior to 1992, which were not restated. FAS 109 allowed recognition of deferred tax benefits upon adoption of FAS 106, that would not have been allowed under FAS 96. Otherwise, the adoption of FAS 109 did not have a significant effect on income before the cumulative effect of accounting changes.

FINA, INC.

Consolidated Statements of Operations

Three years ended December 31, 1992	1992	1991	1990
	(in thousands, except per share amounts)		
Earnings before cumulative effect of accounting change	$24,138	$42,008	$125,543
Cumulative effect to January 1, 1992 of change in accounting for postretirement benefits other than pensions, net of income tax benefit of $17,680 (note 7)	(34,320)	—	—
Net earnings (loss)	$(10,182)	$42,008	$125,543

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Employee and Postretirement Benefits

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions" (Statement 106), which establishes a new accounting principle for the cost of retiree health care and other postretirement benefits. Prior to 1992, the Company recognized these benefits on the pay-as-you-go basis. The effect of adopting Statement 106 for the year ended December 31, 1992 was to increase net periodic postretirement benefit cost by $1,500,000, decrease earnings before cumulative effect of accounting change by $990,000 ($.06 per share) and increase net loss by $35,310,000 ($2.26 per share). Postretirement benefit cost was $3,574,000 in 1991 and $3,009,000 in 1990 which were recorded on the pay-as-you-go basis.

THE BFGOODRICH COMPANY

Consolidated Statement of Income

Year Ended December 31	1992	1991	1990
	(Dollars in millions, except per share amounts)		
Income (loss) from continuing operations before cumulative effect of change in method of accounting	$(9.4)	$(80.6)	$115.8
Income from discontinued operations	—	—	20.5
Cumulative effect to January 1, 1992, of change in method of accounting for postretirement benefits other than pensions *(Note A)*	(286.5)	—	—
NET INCOME (LOSS)	$(295.9)	$(80.6)	$136.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note A (In Part): Significant Accounting Policies

Changes in Accounting Methods: Effective January 1, 1992 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109—"Accounting for Income Taxes," which supersedes SFAS No. 96 which the Company adopted in 1988. SFAS No. 109 permits recognition of certain deferred tax benefits. At the date of adoption of SFAS No. 109, there was no material effect on the results of operations.

In October 1992, BFGoodrich announced its decision to adopt SFAS No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" retroactive to January 1, 1992. Previous 1992 interim period results were restated as a result of the adoption. SFAS No. 106 requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, should be recognized as an expense as employees render service instead of when claims are incurred, as BFGoodrich historically had done. The adoption of SFAS No. 106 resulted in a net charge to income of $286.5 ($434.0 before tax), or $11.21 per share. In addition, the adoption of SFAS No. 106 resulted in a decrease in income before the cumulative effect of change in method of accounting for 1992 of $7.5 ($11.4 before tax), or $.29 per share.

Utilization of SFAS No. 109 to account for income taxes allowed recognition of deferred tax assets upon adoption of SFAS No. 106 that would not have been allowed under the Company's prior method of accounting for income taxes.

KELLOGG COMPANY

Consolidated Earnings and Retained Earnings

Year ended December 31,

	1992	1991	1990
	(Dollars in millions, except per share amounts)		
Earnings before cumulative effect of accounting change	$682.8	$606.0	$502.8
Cumulative effect of change in method of accounting for postretirement benefits other than pensions—$1.05 a share (net of income benefit of $144.6)	(251.6)		
Net earnings—$1.81, $2.51, $2.08 a share	$431.2	$606.0	$502.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Nonpension postretirement benefits

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards (FAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This standard requires that the estimated cost of postretirement benefits, principally health care, be accrued over the period earned rather than expensed as incurred.

The transition effect of adopting FAS 106 on the immediate recognition basis, as of January 1, 1992, resulted in a charge of $251.6 million ($1.05 per share) to 1992 earnings, net of approximately $144.6 million of income tax benefit. In addition, application of FAS 106 during 1992 decreased earnings before the cumulative effect of the accounting change by $18.1 million, net of tax, or $.08 per share. The Company adopted FAS 106 on a worldwide basis; however, costs associated with subsidiaries outside of the United States are insignificant.

PACCAR, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (millions of dollars)

A (In Part): Summary of Accounting Policies

Accounting Change: Effective January 1, 1992, the Company adopted Financial Accounting Standards (FAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Adoption of this FAS did not have a material impact on the Company. See Note H for further information. Effective January 1, 1991, the Company adopted FAS No. 96, "Accounting for Income Taxes." Prior years' data have not been restated. See Note J for further information.

H (In Part): Retirement Plans

The Company has unfunded postretirement medical and life insurance plans covering approximately one-half of all U.S. employees which reimburse retirees for approximately 50% of their medical costs from retirement to age 65 and provide a nominal death benefit. Effective January 1, 1992, the Company adopted Financial Accounting Standards Board Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The accumulated postretirement benefit obligation (APBO) at adoption was $14.6 of which the Company had accrued $4.5. The net unrecorded liability of $10.1 will be recognized over 20 years.

During 1992, the Company recognized $2.3 of expense related to postretirement benefits consisting of service cost, interest cost and transition amortization of $.7, $1.1, and $.5, respectively. In 1991 and 1990 the Company recognized net postretirement benefit expense of $2.4 and $.5, respectively. As of December 31, 1992, the APBO was $16.0 of which $4.5 relates to current retirees and $2.6 relates to active employees eligible to retire. The accrued liability as of December 31, 1992 was $6.0. A discount rate of 8% and a long-term medical inflation rate of 7% was used in calculating the APBO. A 1% increase in the medical inflation rate assumption would increase the APBO as of December 31, 1992 by approximately $1.9 and the 1992 expense provision by approximately $.3.

QUANEX CORPORATION

Consolidated Income Statements

Years Ended October 31,	1992	1991	1990
	(In thousands, except per share amounts)		
Income before cumulative effect of accounting change	$6,195	$12,440	$28,020
Cumulative effect of accounting change for postretirement welfare benefits net of related income tax benefit of $18,181 in 1992	(25,108)	—	—
Net income (loss)	$(18,913)	$12,440	$28,020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Postretirement Benefits Other Than Pensions

Effective November 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("FAS 106") on the immediate recognition basis. Under this accounting method, the Company records the cost of these benefits during an employee's years of service versus on a pay-as-you-go basis upon retirement. FAS 106 is not required to be adopted by the Company until fiscal 1994. The after-tax cumulative effect on prior years as of November 1, 1991 for this change in accounting for retiree medical and life insurance plans reduced fiscal 1992 first quarter earnings by $25,108,000. The effect on Income Before Cumulative Effect of Accounting Change for fiscal year 1992 was a pre-tax charge of $2,660,000. Prior year financial statements have not been restated.

Postemployment Benefits

MERCK & CO., INC.

Consolidated Statement of Income

Years Ended December 31	1992	1991	1990
	($ in millions except per share amounts)		
Income Before Cumulative Effect of Accounting Changes	$2,446.6	$2,121.7	$1,781.2
Cumulative Effect of Accounting Changes:			
Postretirement benefits other than pensions	(370.2)	—	—
Income taxes	(62.6)	—	—
Postemployment benefits	(29.6)	—	—
Net Income	$1,984.2	$2,121.7	$1,781.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Other Postretirement and Postemployment Benefits

The Company provides health-care (in excess of Medicare) and life insurance benefits for eligible active and retired employees, principally in the United States. Prior to 1992, the Company recognized the present value of such health-care costs at the employees' retirement and recognized and funded the cost of life insurance benefits over employees' working lives.

In the fourth quarter, the Company adopted the provisions of Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, effective January 1, 1992. This Statement requires accrual over the employee service period of the expected costs of providing postretirement health-care and life insurance benefits.

The cumulative effect at January 1, 1992 of adopting Statement No. 106 reduced Net income by $370.2 million, net of $255.2 million of income tax benefits. The effect of this change reduced 1992 Income before cumulative effect of accounting changes by $38.9 million, net of $26.7 million of income tax benefits. The cost of postretirement benefits other than pensions was $90.4 million in 1992, $24.7 million in 1991 and $18.1 million in 1990. The cost of health-care and life insurance benefits for active employees was $116.3 million in 1992, $102.9 million in 1991 and $92.9 million 1990.

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Also, in the fourth quarter, the Company adopted the provisions of Statement No. 112, Employers' Accounting for Postemployment Benefits. This Statement requires an accrual method of recognizing postemployment benefits such as disability-related benefits.

The cumulative effect at January 1, 1992 of adopting Statement No. 112 reduced Net income by $29.6 million, net of $20.4 million of income tax benefits. The effect of this change on 1992 Income before cumulative effect of accounting changes was not material.

14 (In Part): Taxes on Income

In the fourth quarter, the Company adopted the provisions of Statement No. 109, Accounting for Income Taxes, effective January 1, 1992. The Statement requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. The cumulative effect of this change to Janaury 1, 1992, reduced Net income by $62.6 million. The effect of this change on 1992 Income before cumulative effect of accounting changes was not material. Prior to 1992, provisions were made for deferred income taxes where differences existed between the time that transactions affected taxable income and the time that these transactions entered into the determination of income for financial statement purposes.

Inventories

CHAMPION ENTERPRISES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Inventories

A summary of inventories by component, at February 29, 1992 and March 1, 1991 follows:

	1992	1991
	(Dollars in thousands)	
Raw material	$12,089	$15,341
Work-in-process	1,997	1,996
Finished goods	8,536	9,575
	$22,622	26,912

During the fourth quarter of fiscal 1992, the Company changed its method of accounting for inventory from the Last-In-First-Out (LIFO) method to the First-In-First-Out (FIFO) method. Management believes that the FIFO method provides a more meaningful presentation of the Company's financial position, including significant financial statement amounts and ratios, as well as shareholders equity. As required by generally accepted accounting principles, the Company has retroactively adjusted prior years financial statements for this change. The effect of the restatement was to increase retained earnings at March 4, 1989 by $10,522,000. The restatement reduced net income in 1991 by $2,120,000, or $.31 per share, and increased the net loss in 1990 by $517,000, or $.07 per share.

UNITED FOODS, INC. (FEB)

Statements of Stockholders' Equity

	Retained earnings
Balance, February 28, 1989 previously reported	$26,858,000
Restatement for change in inventory pricing method from LIFO to FIFO (Note 1)	5,976,000
Balance, February 28, 1989 as restated	32,834,000

NOTES TO FINANCIAL STATEMENTS

Note 1: Inventories

Inventories are summarized as follows:

	February 29 or 28	
	1992	1991
Finished products	$33,393,000	$42,450,000
Raw materials	2,872,000	3,390,000
Growing crops	1,757,000	1,692,000
Merchandise and supplies	1,851,000	1,533,000
	$39,873,000	$49,065,000

In February 1992, the Company elected to change its method of inventory valuation for substantially all finished product and raw material inventories of the Company's Pictsweet Frozen Foods division from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The Company believes the FIFO method will produce a better matching of current costs and current revenues due to the extended time span required to pass on seasonal and cyclical fluctuations in costs to retailers and consumers. The Company has also applied to the Internal Revenue Service to change to the FIFO method of inventory valuation for income tax reporting purposes.

The effect of the change in accounting method on income for the year ended February 29, 1992 and the restatement of income as previously reported for fiscal years ended February 28, 1991 and 1990 is:

	Increase (decrease)		
	1992	1991	1990
Effect on:			
Income from continuing operations	$1,720,000	$(34,000)	$ (55,000)
Extraordinary item	—	—	(2,212,000)
Net income	1,055,000	(34,000)	(2,767,000)
Earnings (loss) per share:			
Income from continuing operations	$ 0.13	$ 0.00	$ (.04)
Extraordinary item	—	—	(.17)
Net income	0.08	0.00	(.21)

Reporting Period For Foreign Subsidiaries

MINNESOTA MINING AND MANUFACTURING COMPANY

Consolidated Statement of Income

For the Years Ended December 31, 1992, 1991 and 1990	1992	1991	1990
	(Amounts in millions, except per-share data)		
Income Before Cumulative Effect of Accounting Changes	$1,236	$1,154	$1,308
Cumulative Effect of Accounting Changes	3	—	—
Net Income	$1,233	$1,154	$1,308

NOTES TO FINANCIAL STATEMENTS

Accounting Changes

Effective January 1, 1992, 3M's international companies changed their reporting period from a fiscal year ending October 31 to a calendar year ending December 31. The change was made to aid worldwide business planning, increase efficiency and reflect the global nature of the company's business. The international companies' results of operations for the period November 1 to December 31, 1991, are shown in the Consolidated Statement of Income as a cumulative effect of an accounting change. The cash flows of the international companies for the 14-month period November 1, 1991 to December 31, 1992, are reflected in the Consolidated Statement of Cash Flows.

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the cost of providing postretirement benefits be accrued over an employee's service period. In implementing this standard, the company was required to accrue the unfunded obligation. The company had accrued and funded—under a different actuarial methodology—a substantial amount of these benefits since 1977. As a result, the ongoing impact from the adoption of SFAS No. 106 is not expected to be material to the company's financial statements. In implementing this standard, the company elected to record the transition obligation using the immediate recognition option.

Also effective January 1, 1992, the company adopted SFAS No. 109, "Accounting for Income Taxes." This statement requires an asset and liability approach for financial accounting and reporting of income taxes. Under this approach, deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. Changes in enacted tax rates will be reflected in the tax provision as they occur.

Adoption of these accounting changes, in aggregate, did not have a material impact on 1992 results of operations. The company estimates that these accounting changes had no material impact on net income previously reported in 1991 and 1990.

The table below shows the components of the cumulative effect of accounting changes.

	1992	
	Amount	Per Share
	(Millions, except per-share data)	
Cumulative effect of change in:		
Reporting period for international companies, net of $25 million in taxes (including tax benefits from revaluation of certain fixed assets in Italy)	$100	$ 0.46
Accounting for other postretirement benefits, net of $107 million in taxes	(183)	(0.84)
Accounting for income taxes	80	0.36
Total	$ (3)	$(0.02)

Advertising Costs

FUQUA INDUSTRIES, INC.

Consolidated Statements of Operations

Years Ended December 31,	1992	1991	1990
In thousands except per share amounts)			
Income (Loss) before Cumulative Effect of Change in Accounting Principle	$10,565	$(50,821)	$(235)
Cumulative Effect of Change in Accounting Principle	1,034	—	—
Net Income (Loss)	$11,599	$(50,821)	$(235)
Earnings (Loss) Per Share of Common Stock			
Primary			
Continuing operations before extraordinary item	$ .64	$ (3.08)	$ (.06)
Extraordinary item	—	—	.05
Cumulative effect of change in accounting principle	.06		
Net Income (Loss)	$ .70	$ (3.08)	$ (.01)
Pro forma Effect Assuming the Change in Accounting Principle is Applied Retroactively:			
Net Income (Loss)	$10,565	$(50,667)	$ (34)
Net Income (Loss) Per Share	$ .64	$ (3.07)	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Change in Accounting Principle

Effective January 1, 1992, Qualex changed its method of accounting for the cost of its proof advertising program to recognize these costs at the time the advertising is placed by the customer. Under the proof advertising program, Qualex reimburses certain advertising costs incurred by its customers up to a percentage of sales to that customer. Qualex previously accrued such costs at the time of the initial sale. Qualex believes that this new method is preferable because it recognizes advertising expense as it is incurred rather than at the time of the initial sale to the customer. The adjustment of $1,034,000, net of income taxes of $1,437,000 and minority interest of $1,033,000, is included in income for 1992 to apply retroactively the new method. The pro forma amounts presented in the consolidated statements of operations reflect the effect of the retroactive application of applying the new method and related taxes and minority interest.

Precious Metal Value

HANDY & HARMAN (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E (In Part): Sales, service revenues and future contracts

A high percentage of the sales prices for the Company's precious metals products (see "The Company's Business," Page 18) is the value of the precious metals content. Changes in the unit sales price of such precious metals result in corresponding changes in sales and cost of sales.

In the first quarter of 1992 the Company changed its method of accounting to include in both sales and cost of sales the precious metal value of sales of fabricated products if the customer purchased the precious metal from the Company, whether or not the precious metal is sold at the same time as the fabricated product. Prior to 1992, the Company excluded the precious metal value from both sales and cost of sales, if the precious metal was sold separately from the fabricated product. The Company believes that this change in method is preferable because it conforms to the predominate industry practice and provides a more appropriate presentation of the level of sales activity of the precious metal segment. This change in accounting method has been applied by retroactively restating the financial statements for prior periods as required by generally accepted accounting principles. The effect of this change was to increase both sales and cost of sales by $87,513,000, $69,074,000, and $100,156,000 for the years ended 1992, 1991 and 1990, respectively. This change has no effect on gross profit or net income.

Turnaround Costs

TOSCO CORPORATION

Consolidated Statements of Operations

	Years Ended December 31,		
	1992	1991	1990
	(Thousands of Dollars Except Per Share Data)		
Income (loss) before cumulative effect of accounting changes	$(90,658)	$75,364	$123,210
Cumulative effect of changes in accounting for:			
Income taxes			
Continuing operations	56,000		
Discontinued operations	(43,000)		
Turnarounds, net of taxes	3,203		
Net income (loss)	$(74,455)	$75,364	$123,210

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Charges and Turnarounds

Financing charges related to obtaining or refinancing of debt are deferred and amortized over the expected life of the related debt using the effective interest method.

Turnaround costs (which consist of complete shutdown and inspection of major processing units at intervals of more than one year for repairs and replacements) are deferred and amortized over the period to the next scheduled unit turnaround. To provide for a better matching of turnaround costs with revenues, Tosco changed its accounting for turnaround costs, effective January 1, 1992, to one that results in the deferral and subsequent amortization of turnaround costs incurred on all significant processing units. The cumulative effect of this accounting change was an increase in earnings of approximately $3,203,000 (net of income taxes of approximately $2,138,000) or $.11 per share. Excluding the cumulative effect, this change increased net income for 1992 by approximately $3,994,000 or $.14 per common share. Pro forma net income and income per share from continuing operations, if the accounting change for turnaround costs had been retroactively applied, are as follows:

	Year Ended December 31, 1991	1990
As reported:		
Income from continuing operations (in thousands)	$68,102	$154,346
Fully-diluted earnings per share	$ 2.12	$ 4.94
Pro forma amounts:		
Income from continuing operations (in thousands)	$73,470	$158,275
Fully-diluted earnings per share	$ 2.29	$ 5.07

Future Accounting Changes

NACCO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M (In Part): Income Taxes

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 becomes effective for fiscal years beginning after December 15, 1992. Therefore the Company will adopt SFAS 109 effective January 1, 1993. The two alternatives for adoption are recording a one-time cumulative effect adjustment or retroactively applying this standard and restating prior years. The Company has chosen to retroactively apply SFAS 109 because the adjustments required primarily relate to recent acquisitions. This approach will increase net goodwill as of January 1, 1993, approximately 5.0%; however, the impact on stockholders' equity and prior years' net income will not be material.

Note P: Postemployment Benefit Plans

In November 1992, Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" was issued. The Company will be required to adopt this new method of accounting for benefits paid to former or inactive employees after employment but before retirement no later than 1994. This new standard requires, among other things, that the expected costs of these benefits be recognized when they are earned or become payable when certain conditions are met rather than the current method which recognizes these costs when they are paid. The Company does not expect this standard to materially impact its financial condition or results of operations when it is adopted and has not yet decided if it will adopt this standard prior to the required effective date.

TEMPLE-INLAND INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pending Accounting Policy Changes

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes." Under the guidelines, companies are required to adopt the liability method for computing deferred income taxes no later than 1993. The estimated cumulative effect of implementing the new standard, using current tax rates, will be to reduce the deferred tax liability by approximately $125 million.

In December 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The new standard will require employers to switch from pay-as-you-go to the accrual accounting for postretirement benefits (primarily medical coverage) no later than 1993. The estimated cumulative effect of adopting the new standard will be to record a liability of $115 million and a deferred tax asset of $40 million.

The Company presently expects to adopt both these statements in 1993. The net cumulative effect will increase net income and shareholders' equity by an estimated $50 million or 90 cents per share. The Company does not anticipate a significant impact on future earnings except that the effective tax rate will more closely match the statutory rate.

WALGREEN CO. (AUG)

SUMMARY OF MAJOR ACCOUNTING POLICIES

Income Taxes

The Company provides federal and state income taxes on items included in the Consolidated Statements of Earnings regardless of the period when such taxes are payable. Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial reporting purposes. These timing differences principally result from the use of accelerated methods of depreciation for income tax purposes.

Adoption of Financial Accounting Standards Board Statement No. 109 "Accounting for Income Taxes" issued in February 1992 is required by fiscal 1994. The Statement requires the adjustment of deferred and current income tax assets and liabilities to reflect current tax rates rather than tax rates in effect at the time the assets and liabilities arose. The Company may elect to restate previously issued financial statements or reflect the cumulative effect of the change in the year of adoption. The Company has not decided when it will adopt SFAS 109; however, based on a preliminary review, a favorable cumulative impact on financial position of between $10 and $14 million is expected.

Retirement Benefits

The principal retirement plan for employees is the Walgreen Profit-Sharing Retirement Trust, to which both the Company and the employees contribute. The Company's contribution, which is determined annually at the discretion of the Board of Directors, has historically related to pre-tax income. The profit-sharing provision was $31,525,000 in 1992, $28,632,000 in 1991 and $26,903,000 in 1990.

The Company provides certain health and life insurance benefits for retired employees who meet eligibility requirements, including age and years of service. The cost of retiree benefits is primarily expensed as benefits are paid and amounted to $2,097,000 in 1992, $2,036,000 in 1991 and $1,566,000 in 1990.

By fiscal 1994, the Company will be required to adopt the Financial Accounting Standards Board Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Statement requires accrual of the present value of the expected cost of retiree medical benefits during the employees' service period. The Company may recognize the accumulated postretirement benefit obligation immediately or may amortize the transition obligation over the average remaining service period of the active participants. The accumulated postretirement benefit obligation is estimated to be between $70 and $100 million depending upon alternative actuarial assumptions which can be used to calculate the obligation. The incremental annual expense is estimated to range from $6 to $10 million, if the transition obligation is recognized immediately, and from $10 to $15 million, if the transition obligation is amortized. Annual cash expenditures will not be affected by this accounting change in the year of adoption or any other year. The Company is assessing the manner and timing for adopting this statement.

The Company has deferred compensation plans which permit directors and certain management employees the right to defer a portion of their compensation. The participants earn interest on deferred amounts depending on various factors defined in the plans. Although not linked to the plans, the Company has purchased life insurance on the participants and other key employees to fund the distributions under these and other benefit plans.

CONSOLIDATION POLICIES

Accounting Research Bulletin No. 51 states in part:

1. The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more branches or divisions. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies.

5. Consolidated statements should disclose the consolidation policy which is being followed. In most cases this can be made apparent by the headings or other information in the statements, but in other cases a footnote is required.

Effective for financial statements for fiscal years ending after December 15, 1988, *Statement of Financial Accounting Standards No. 94* amends *ARB No. 51* by requiring the consolidation of subsidiaries having nonhomogeneous operations. Consequently, with rare expection, the survey companies consolidate nonhomogeneous operations. Table 1–9 shows the nature of nonhomogeneous operations consolidated by the survey companies.

Examples of consolidation practice disclosures follow.

TABLE 1-9: NONHOMOGENEOUS OPERATIONS CONSOLIDATED

	Number of Companies			
	1992	1991	1990	1989
Credit	54	56	59	69
Insurance	35	31	36	33
Leasing	11	13	9	11
Banks	6	10	7	8
Real Estate	16	21	21	15

Consolidation Includes All Subsidiaries

ACTION INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation: The consolidated financial statements include the accounts of Action Industries, Inc. and its wholly-owned subsidiaries (the Company). This includes the accounts of Action Nicholson Color Company (ANC) subsequent to February 1992 when the Company purchased the remaining 50% of the outstanding common stock of ANC. Previously ANC was accounted for as an equity investment. All significant intercompany accounts and transactions have been eliminated.

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Consolidation—The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned except Precision Measurement Incorporated (PMI). On October 1, 1990, a minority shareholder of PMI exercised his option to sell an additional 10% of the shares of PMI to the company in exchange for 32,662 shares of Common stock of the company having a market value of $485,847 on the date of transfer. As of December 31, 1992, the company owns 90% of PMI. The company has the option to buy and the minority shareholder has the option to sell the remaining 10% interest in PMI for $278,325 in cash or 27,400 shares of the company's Common stock as of December 31, 1992.

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control is temporary and investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. All significant intercompany transactions have been eliminated.

CHIQUITA BRANDS INTERNATIONAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany balances and transactions have been eliminated. Discontinued operations (see Note 3) have been deconsolidated and prior year financial statements have been restated accordingly.

Investments representing minority interests are accounted for by the equity method when Chiquita has the ability to exercise significant influence in the investees' operations; otherwise, they are accounted for at cost. At December 31, 1992 and 1991, investments in food-related companies of $43 million and $37 million, respectively, were accounted for using the equity method. At December 31, 1992, the carrying value of these investments exceeded Chiquita's share of the fair value of the investees' net assets at date of acquisition by approximately $14 million. Such excess is being amortized over 40 years.

DANA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principles of Consolidation

Dana's consolidated financial statements include all significant domestic and international subsidiaries, including its wholly-owned financial subsidiary, DFHI. Affiliated companies (20% to 50% Dana ownership) are generally recorded in the consolidated financial statements using the equity method of accounting. Operations of subsidiaries and affiliates outside North America are generally included for periods ended within two months of Dana's year end to ensure preparation of consolidated financial statements on a timely basis. Less than 20%-owned companies are included in the consolidated financial statements at the cost of Dana's investment. Dividends, royalties and fees from these affiliates are recorded in Dana's consolidated statements when received.

International Operations

Local currencies are used as the functional currencies except in highly inflationary countries such as Brazil. The following is a summary of the significant financial information of Dana's consolidated international subsidiaries:

	December 31 1992	1991	1990
		$ in thousands	
Assets	$ 987,925	$ 994,168	$1,038,220
Liabilities	424,513	447,375	464,135
Net sales	1,301,230	1,205,478	1,432,440
Net income including translation losses of $24,246 in 1992, $18,762 in 1991 and $40,334 in 1990	29,144	1,716	65,267
Dana's equity in—			
Net assets	434,798	428,117	449,961
Net income (loss)	14,692	(1,672)	47,598

Dana's historical cost investment in these international subsidiaries was $211,383,000 at December 31, 1992.

Dana has equity interests (20% to 50% ownership) in a number of affiliated companies in South America, Asia and other areas of the world. The following is a summary of the significant financial information of affiliated companies accounted for on the equity method:

	December 31 1992	1991	1990
		$ in thousands	
Current assets	$ 452,779	$ 443,221	$ 400,970
Other assets	298,028	364,022	300,864
Current liabilities	338,850	264,161	216,061
Other liabilities	165,917	208,309	186,911
Shareholders' equity	246,040	334,773	298,862
Net sales	1,042,539	1,066,870	848,165
Gross profit	219,739	231,648	193,511
Net income	81,833	79,497	63,411
Dana's equity in—			
Net assets	101,413	135,560	122,731
Net income	26,582	33,287	29,465

Cumulative undistributed earnings of international subsidiaries for which U.S. income taxes, exclusive of foreign tax credits, have not been provided approximated $248,280,000 at December 31, 1992. Management intends to permanently reinvest undistributed earnings of international subsidiaries and accordingly no U.S. income taxes have been provided on these undistributed earnings. If the total undistributed earnings of international subsidiaries had been remitted in 1992, a significant amount of the additional tax provision would be offset by foreign tax credits.

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Principles of consolidation

The accounts of Reynolds Metals Company and majority-owned subsidiaries are included in the consolidated financial statements after elimination of intercompany transactions and profits and losses. Investments in associated (20% to 50% owned) companies are carried at cost, adjusted for the Company's equity in their undistributed net income. Unincorporated joint ventures are production facilities which have no marketing or sales activities and are accounted for on an investment cost basis adjusted for the Company's share of the non-cash production charges of the operation.

A.O. SMITH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Consolidation and basis of presentation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries including the Corporation's agricultural businesses which are being held for sale or liquidation. As more fully described in Note 3, certain prior periods have been restated to reflect the agricultural businesses as continuing operations. In addition, certain reclassifications have been made to the financial statements for prior years to conform to the presentation for 1992.

3 (In Part): Agricultural Businesses

In 1984, the Board of Directors approved a strategic plan to concentrate the Corporation's resources in nonagricultural businesses and withdraw from the agricultural market. The strategy included plans to sell A. O. Smith Harvestore Products, Inc. (Harvestore), a wholly-owned manufacturing subsidiary, and to sell or phase out AgriStor Credit Corporation (AgriStore), a wholly-owned finance subsidiary. A provision of $89.6 million was made for the costs associated with the discontinuance. By 1986, the Corporation believed that the continued deterioration of the agricultural economy and economic loss litigation would not permit the disposition of Harvestore and AgriStore for at least another five years and an additional provision of $70.0 million was made.

For financial statement purposes, from 1984 through 1991, the Corporation accounted for Harvestore and AgriStor as discontinued operations. During this period, the agricultural economy continued to experience difficult times. Although it continued to be management's intent to withdraw from the agricultural businesses as soon as practical, the disposition of Harvestore and AgriStor has not occurred. Due to the uncertainties which continue to impact the farm sector, it is not possible to predict when the sale of Harvestore will occur. The Corporation is continuing to phase out AgriStore's operations in an orderly manner.

In connection with a Proxy Statement filed for a special meeting of stockholders held on January 26, 1993, the Securities and Exchange Commission reviewed the Corporation's financial statements and, in reviewing the extended period of time that had transpired, believed it appropriate to classify these units as continuing operations beginning in 1986. As a result, the Corporation has classified its agricultural businesses as continuing operations. The accompanying financial statements and all notes have been presented on this basis.

THE TORO COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies and Related Data

Basis of Consolidation—The accompanying consolidated financial statements include the accounts of The Toro Company and all of its domestic and foreign subsidiaries. The investments in 50% or less-owned companies are carried at cost plus equity in undistributed earnings. The accounts of foreign subsidiaries, which are not material, have been adjusted to conform to U.S. accounting principles and practices and converted to appropriate U.S. dollar equivalents. All material inter-company accounts and transactions have been eliminated in consolidation.

Consolidation Includes Nonhomogeneous Operations

AMOCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Principles of consolidation—The operations of all significant subsidiaries in which the corporation directly or indirectly owns more than 50 percent of the voting stock are included in the consolidated financial statements. The corporation also consolidates its proportionate share of assets, liabilities, and results of operations of oil and gas joint ventures and undivided interest in pipeline companies. Investments in other companies in which less than a majority interest is held are generally accounted for by the equity method.

5. Amoco Credit Corporation

Amoco Credit Corporation (Credit) is a wholly owned finance subsidiary of the corporation. Credit is primarily engaged in the business of financing certain accounts and notes receivable of the corporation through the issuance of commercial paper and other short-term borrowings. The financial information of Credit included in the consolidated financial statements is provided in the following table:

	1992	1991	1990
	Millions of dollars		
For the years ended December 31:			
Revenues	$ 71	$ 82	$ 79
Net income	$ 31	$ 38	$ 31
At December 31:			
Assets, principally accounts receivable	$321	$385	$403
Liabilities, principally short-term borrowings	$219	$320	$346
Shareholders' equity	$102	$ 65	$ 57

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Consolidation and Financial Statement Presentation (In Part)

The consolidated financial statements of Chrysler Corporation (the "Company") and its consolidated subsidiaries ("Chrysler") include the accounts of all significant majority-owned subsidiaries and entities over which Chrysler has a controlling financial interest. Intercompany accounts and transactions have been eliminated in consolidation. The Supplemental Information, Chrysler (with CFC and Car Rental Operations on an Equity Basis), reflects the results of operations, financial position and cash flows of Chrysler with the Company's investment in Chrysler Financial Corporation, together with its consolidated subsidiaries ("CFC"), and the Company's investments in its short-term vehicle rental subsidiaries ("Car Rental Operations") accounted for an equity basis rather than as consolidated subsidiaries. As a result, the Supplemental Information, Chrysler (with CFC and Car Rental Operations on an Equity Basis), reflects those subsidiaries as investments on the balance sheet and the Company's share of the results of operations of the subsidiaries as a single line item in the statement of earnings. The consolidated financial statements reflect the assets, liabilities and operations of these subsidiaries on a line-by-line basis. Chrysler's earnings and shareholders' equity amounts are the same in the consolidated statements and the Supplemental Information. The Supplemental Information, Financial Services, represents the results of operations, financial position and cash flows of CFC. Because Financial Services and Car Rental Operations are different in nature from the Company's manufacturing operations, management believes that the disaggregated financial data that is presented as Supplemental Information enhances an understanding and analysis of the consolidated financial statements.

The Supplemental Information amounts do not add to the consolidated amounts due to elimination of certain intercompany transactions and reclassifications related to the Car Rental Operations and CFC which are summarized as follows. . .

CONAGRA, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of ConAgra, Inc. and all majority-owned subsidiaries, except certain foreign companies that are not material to the Company. All significant intercompany investments, accounts and transactions have been eliminated.

The investments in and the operating results of 50% or less owned companies and the foreign companies referred to above are included in the financial statements on the basis of the equity method of accounting.

The accounts of two wholly owned subsidiaries, ConAgra Fertilizer Company and United Agri Products, Inc., have been consolidated on the basis of a year ending in February. Such fiscal period corresponds with those companies' natural business year.

The Company's finance businesses, Geldermann, Inc. (a commodity brokerage business) and Monfort Finance Company (a finance company) are included in the consolidated financial statements as required by Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries." Previously, the Company has presented detailed data on these finance businesses. Such data is no longer presented because it is not material. Certain information on the debt financing of these businesses is set forth in Notes 7 and 9.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Following are significant accounting policies in addition to those included in other notes to the consolidated financial statements.

The consolidated financial statements represent the consolidation of all companies in which Deere & Company has a majority ownership. Deere & Company records its investment in each unconsolidated affiliated company (20 to 50 percent ownership) at its related equity in the net assets of such affiliate. Other investments (less than 20 percent ownership) are recorded at cost. Unconsolidated subsidiaries and affiliates at October 31, 1992 consisted primarily of equipment affiliates in Brazil, Mexico and the United States, and a United States reinsurance affiliate. Consolidated retained earnings at October 31, 1992 include undistributed earnings of the unconsolidated affiliates of $39 million. Dividends from unconsolidated affiliates were $2 million in 1992, $6 million in 1991 and $8 million in 1990.

The company's consolidated financial statements and some information in the notes and related commentary are presented in a format which includes data grouped as follows:

Equipment Operations—These data include the company's agricultural equipment, industrial equipment and lawn and grounds care equipment operations with Financial Services reflected on the equity basis. Data relating to the above equipment operations, including the consolidated group data in the income statement, are also referred to as "Equipment Operations" in this report.

Financial Services—These data include the company's credit, insurance and health care operations.

Consolidated—These data represent the consolidation of the Equipment Operations and Financial Services in conformity with Financial Accounting Standards Board (FASB) Statement No. 94. References to "Deere & Company" or "the company" refer to the entire enterprise.

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Consolidation—The consolidated financial statements include the accounts and operations of Ethyl Corporation and all of its subsidiaries (the Company).

Basis of Presentation—The consolidated financial statements present asset and liability, revenue and cost and expense, and cash flow information reported as "Chemicals and Corporate" or "Insurance." "Chemicals and Corporate" includes the accounts and operations of the Chemicals segment and Corporate activities. "Insurance" includes the accounts and operations of the Insurance segment, which consists of First Colony Corporation and its wholly owned consolidated subsidiary, First Colony Life Insurance Company and subsidiaries (First Colony).

In December 1992, the Company sold through an initial public offering approximately 20 percent of its investment in First Colony Corporation, which owns First Colony Life Insurance Company and its consolidated subsidiaries. The equity acquired by the minority shareholders of First Colony Corporation and the proportional earnings since the date of the sale have been accounted for on the equity basis as minority interest in the consolidated financial statements of the Company.

Certain amounts in the accompanying financial statements and notes hereto have been reclassified to conform to the current presentation.

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Principles of consolidation: The consolidated financial statements include the accounts of Fleetwood Enterprises, Inc. and its wholly owned subsidiaries. The term "Company" used herein means Fleetwood Enterprises, Inc. and its subsidiaries, unless otherwise indicated by the context. All material intercompany accounts and transactions have been eliminated.

2. Supplementary Information on Finance, Insurance and Real Estate Subsidiaries

The finance subsidiary provides wholesale and retail financing for the Company's recreational vehicle products. The insurance subsidiary was formed primarily for the purpose of insuring products liability risks of the parent company and its subsidiaries. The real estate subsidiaries were formed for the purposes of participating in site-built housing construction or in the development of planned communities using manufactured housing. As of April 26, 1992, the investment in real estate consisted of raw land, and real estate activities were limited to preliminary planning efforts related to a site-built housing development. Condensed financial information for these subsidiaries, excluding intercompany eliminations, is as follows:

	1992	1991	1990
	Amounts in thousands		
Finance subsidiary:			
Finance receivables (net)	$272,579	$187,573	$233,517
Cash and temporary investments	29,847	21,376	13,533
Other assets	6,507	6,940	6,550
Commercial paper borrowings and long-term debt	233,953	151,603	197,166
Other liabilities	15,078	9,199	5,130
Revenues	36,595	29,505	26,646
Interest expense	14,828	14,470	14,091
Operating costs	13,717	10,336	8,444
Net income	4,815	3,783	2,888
Insurance subsidiary:			
Investments	$ 61,702	$ 54,382	$ 45,739
Other assets	5,311	4,651	5,325
Reserves for losses	37,612	34,426	28,815
Other liabilities	7,058	5,322	5,727
Net premiums	9,133	7,661	7,976
Underwriting income (loss)	1,264	(536)	148
Investment income	3,716	5,033	3,997
Net income	3,059	2,762	2,553
Real estate subsidiaries:			
Land held for future development	$ 6,634	$ 6,517	$ 6,252
Other assets	1,447	1,706	1,966
Notes payable-parent company	795	795	795
Other liabilities	—	39	—
Net income (loss)	(103)	(34)	63

PFIZER INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

The consolidated financial statements include the accounts of Pfizer Inc and all significant subsidiaries. Material intercompany transactions are eliminated.

Financial Subsidiaries

Combined financial data/segment information as of November 30, 1992, 1991 and 1990 applicable to the Company's financial subsidiaries, which include Pfizer International Bank Europe (PIBE), Pfizer International Bank Puerto Rico and a small captive insurance company, are presented below:

Condensed Balance Sheet

	1992	1991	1990
	(Millions of dollars)		
Cash and interest-bearing deposits	$ 63.7	$ 649.6	$ 142.4
Eurosecurities	25.0	139.9	212.2
Loans, net	960.4	1,181.4	1,497.0
Other assets	15.3	25.0	33.3
Total assets	$1,064.4	$1,995.9	$1,884.9
Certificates of deposit and other liabilities	$ 171.5	$ 251.3	$ 267.7
Deferred income	50.2	124.5	241.2
Shareholders' equity	842.7	1,620.1	1,376.0
Total liabilities and shareholders' equity	$1,064.4	$1,995.9	$1,884.9

Condensed Statement of Income

	1992	1991	1990
	(Millions of dollars)		
Interest income	$ 91.3	$ 116.3	$ 122.0
Interest expense	(5.5)	(5.5)	(7.7)
Other income/(expense), net	(4.2)	.2	(4.9)
Net income/Operating profit	$ 81.6	$ 111.0	$ 109.4

These subsidiaries had assets with either maturities of less than one year or variable interest rates totaling $1.1, $2.0 and $1.9 billion at November 30, 1992, 1991 and 1990, respectively.

Investments of the banking subsidiaries generally are recorded at amortized costs and are usually held until maturity.

In 1992, the Company completed the transfer of its banking operation from Puerto Rico to the Republic of Ireland.

Pfizer Research and Development Company (PRDCO) was capitalized in 1992 with a contribution of $1,130 million from Pfizer Pharmaceuticals Production Corporation (PPPC) primarily from liquidating distributions of $982 million received by PPPC from Pfizer International Bank.

SEARS, ROEBUCK AND CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies (In Part)

Basis of presentation

The consolidated financial statements include the accounts of Sears, Roebuck and Co. and all significant domestic and international companies in which the Company has more than a 50% equity ownership.

Included as an integral part of the consolidated financial statements on pages 18 and 19 are the summary of business group data and, beginning on page 40, separate summarized financial statements and notes for each of the Company's continuing business groups as well as the significant accounting policies unique to each group. Dean Witter, Discover & Co. and the Coldwell Banker Residential Services businesses are presented as discontinued operations. Although not a part of the financial statements, also included with the consolidated statements and the summarized group statements are unaudited analyses of operations and financial condition and a ten-year summary of consolidated financial data.

Certain reclassifications have been made in the 1991 and 1990 financial statements to conform to current accounting classifications.

Certain Subsidiaries Not Consolidated

THE COCA-COLA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries except where control is temporary or does not rest with the Company. The Company's investments in companies in which it has the ability to exercise significant influence over operating and financial policies, including certain investments where there is a temporary majority interest, are accounted for by the equity method. Accordingly, the Company's share of the net earnings of these companies is included in consolidated net income. The Company's investments in other companies are carried at cost. All significant intercompany accounts and transactions are eliminated.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

Note 3 (In Part): Investments

The Company owns approximately 52 percent of Coca-Cola Amatil, an Australian-based bottler of Company products. In separate transactions during 1990, Coca-Cola Amatil acquired an independent Australian bottler and the Company's 50 percent interest in a New Zealand bottling joint venture in exchange for consideration that included previously unissued common stock of Coca-Cola Amatil, resulting in a net reduction of the Company's ownership interest from 59.5 percent to 51 percent. The Company's participation in Coca-Cola Amatil's Dividend Reinvestment Plan has increased the Company's ownership interest to its present level. The Company intends to reduce its ownership interest in Coca-Cola Amatil to below 50 percent. Accordingly, the investment has been accounted for by the equity method of accounting.

DIBRELL BROTHERS, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

The accounts of the Company and its consolidated subsidiaries are included in the consolidated financial statements after elimination of significant intercompany accounts and transactions. Fiscal year ends of certain foreign consolidated subsidiaries of the Company range from March 31 to May 31 to facilitate reporting of consolidated accounts. The Company accounts for its investments in certain investee companies under the equity method of accounting. Investments in certain other foreign investees and subsidiaries which are combined with other investments are stated at cost or less than cost since the Company does not exercise significant influence over financial or operating policies and because of restrictions imposed on the transfer of earnings and other economic uncertainties.

MARRIOTT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Basis of Presentation. The consolidated financial statements include the accounts of Marriott Corporation and its subsidiaries and controlled affiliates (collectively, "the company"). Investments in 50% or less owned affiliates over which the company has the ability to exercise significant influence are accounted for using the equity method. The company's equity in net losses of these affiliates is included in corporate expenses. All material intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with the 1992 presentation.

Investments in Affiliates (In Part)

	Ownership Interests	1992	1991
		(in millions)	
Equity investments			
Times Square Hotel Company, owner of the New York Marriott Marquis hotel (foreclosure on 28.7% additional interest will be completed in 1993)	50%	$ 62	$ 58
Other hotel partnerships which own 56 Marriott hotels, 120 Courtyard hotels, 40 Residence Inns and 50 Fairfield Inns operated by the company, including 117 properties located on land leased from the company as of January 1, 1993	1%–50%	32	58
Other	20%–50%	57	52
Receivables, net of amounts due currently of $14 million in 1992 and $9 million in 1991		294	289
		$445	$457

Hotel properties owned by affiliates generally were acquired from the company in connection with limited partnership offerings. The company or its subsidiaries typically serve as a general partner of the partnerships and operate the hotels under long-term agreements. Proceeds from sales of hotels to affiliates totaled $498 million in 1990.

In the 1992 fourth quarter, as a consequence of a partner's default of certain obligations, the company recognized an in-substance foreclosure of the partner's 28.7% interest in the Times Square Hotel Company ("TSHCO"). TSHCO has not been consolidated because the company expects its majority ownership to be temporary. TSHCO total assets and total liabilities of $470 million and $459 million, respectively, and sales and operating expenses (including noncash charges) of $131 million and $156 million, respectively, are included in the 1992 combined summarized affiliate financial data set forth below.

MCDERMOTT INTERNATIONAL, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The consolidated financial statements are presented in U.S. Dollars in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the accounts of McDermott International, Inc. and all subsidiaries and controlled joint ventures, except the investment in a wholly-owned cogeneration facility which was deconsolidated in December 1991 and is accounted for on the equity method as a result of the planned sale of half of the investment. Investments in joint venture and other entities in which McDermott International Inc. has a 20% to 50% interest are accounted for on the equity method, except for remaining commercial nuclear joint venture interests (See Note 14) which are accounted for on a cost basis as McDermott International Inc. no longer exercises significant influence over these joint ventures. Differences between the cost of equity investments and the amount of underlying equity in net assets of the investees are amortized systematically to income. All significant intercompany transactions and accounts have been eliminated. Certain amounts previously reported have been reclassified to conform with the presentation at March 31, 1992. The notes to consolidated financial statements are presented on the basis of continuing operations, unless otherwise stated.

BUSINESS COMBINATIONS

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

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

Paragraphs 50 to 65 and 66 to 96 of *Opinion No. 16* describe the manner of reporting and disclosures required for a pooling of interests and a purchase, respectively.

Table 1–10 shows that in 1992 the survey companies reported 17 business combinations accounted for as a pooling of interests of which 10 such business combinations did not result in a restatement of prior year financial statements. Those companies not restating prior year financial statements for pooling of interests usually commented that the reason for not doing so was immateriality.

Examples of business combinations follow.

TABLE 1-10: BUSINESS COMBINATIONS

	1992	1991	1990	1989
Poolings of Interests				
Prior year financial statements restated	7	7	4	9
Prior year financial statements not restated	10	9	6	9
Total	**17**	**16**	**10**	**18**
Purchase Method	**182**	**160**	**190**	**219**

Pooling of Interests

AMP INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Pamcor

On September 4, 1992, the Company terminated the Pamcor Stock Trust Agreement among the Company, Pamcor, Inc. and Bankers Trust Company. As a result, Pamcor, formerly an affiliate of the Company by way of common shareholders, became a wholly owned subsidiary. Certificates for shares of the company's common stock no longer represent a proportional interest in the shares of Pamcor, nor bear the endorsement of Trustee to that effect.

The termination of the Trust has been accounted for in a manner similar to a pooling of interests and, accordingly, the financial statements for all prior periods have been restated to reflect the elimination of $20,000 of par value of Pamcor common stock previously held in trust. The transaction had no impact upon previously reported net income of the consolidated entities.

UNIFI, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combination

On August 8, 1991, Macfield, Inc. (Macfield) was merged with and into Unifi, Inc. (the Company), and 10,842,429 shares of the Company's common stock were issued in exchange for all of the outstanding common stock of Macfield. The merger was accounted for as a pooling of interests, and accordingly, the accompanying financial statements have been restated to include the accounts and operations of Macfield for all periods prior to the merger.

Prior to the merger, Macfield used a fiscal year ending on the Saturday nearest April 30. Accordingly, the restated financial statements combine the June 30, 1991 and June 24, 1990 financial statements with the April 29, 1991 and April 28, 1990 financial statements of Macfield, respectively. Net sales and net income of Macfield for the two months ended June 30, 1991 were $105.7 million and $2.8 million, respectively, with the net income reflected as an adjustment to retained earnings effective July 1, 1991. Separate results of the combining entities for the two years in the period ended June 30, 1991 are as follows (in 000's):

	June 30, 1991	June 24, 1990
Net Sales:		
Unifi	$441,826	$398,931
Macfield	523,691	489,455
Less intercompany sales	(3,315)	(3,180)
	$962,382	$885,206
Net Income:		
Unifi	$ 38,272	$ 28,293
Macfield	20,250	17,112
	$ 58,522	$ 45,405

Merger Costs and Expenses

In connection with the merger, approximately $24.8 million of merger costs and expenses ($18.4 million net of income taxes, or $.46 per share) were incurred and have been charged to expense in the Company's first quarter of fiscal 1992. These nonrecurring costs and expenses include the following: (a) a payment of $6.6 million made pursuant to an agreement with certain former shareholders of Macfield whereby such shareholders released Macfield and Unifi from liability, if any, to such former shareholders in connection with the repurchase in 1990 by Macfield of shares of Macfield Common Stock owned by such former shareholders; (b) a charge of $6.7 million for noncash compensation expense for the conversion of Macfield book value stock options issued subsequent to January 26, 1988 to the fair value of Unifi common stock received at the date of the merger; (c) costs of $4 million associated with the merger and the related sale of shares; and; (d) a provision of $7.5 million for anticipated nonrecurring merger related activities.

Purchase Method

H.J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisitions

On August 23, 1991 the company completed the acquisition of substantially all of the assets of JLFoods, Inc. (JLFoods) of Eugene, Oregon and certain other related assets from John Labatt Ltd. of Canada for approximately $540 million. The purchase price is subject to adjustment and includes cash paid to John Labatt Ltd. and other direct costs of the acquisition. The acquisition has been accounted for under the purchase method and, accordingly, the operating results of JLFoods have been included in the consolidated operating results since the date of acquisition. JLFoods is a leading supplier of frozen foods to the foodservice industry. The major operating units of JLFoods include Chef Francisco, Oregon Farms, Delicious Foods, Crestar Food Products, Inc., Omstead Foods Ltd., and Halls European Foods Ltd.

The funds used to acquire JLFoods were provided by the company's operations, proceeds from the divestiture of certain of the company's subsidiaries and short-term borrowings. The acquisition resulted in goodwill of $265.6 million and other intangible assets of $122.6 million. These items are being amortized over periods between 5 and 40 years.

The following summary, prepared on a pro forma basis, combines the consolidated results of operations as if JLFoods had been acquired as of the beginning of the periods presented, after including the impact of certain adjustments, such as: amortization of intangibles, increased interest expense on the acquisition debt, and the related income tax effects.

	1992 (Unaudited)	1991 (Unaudited)
	(Dollars in thousands, except per share amounts)	
Sales	$6,721,511	$7,128,778
Net income	$ 635,595	$ 559,289
Net income per share	$ 2.39	$ 2.10

The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been in effect for the entire periods presented. In addition, they are not intended to be a projection of future results and do not reflect any synergies that might be achieved from combined operations.

During 1992, the company also acquired Continental Delights, Inc., a manufacturer of frozen sandwiches, Escalon Packers, Inc., a specialty processor of branded and foodservice tomato products, and two Weight Watchers franchises. Other smaller acquisitions were made. The results of operations of these companies are included in the Consolidated Statement of Income from the acquisition dates forward. Pro forma results of these other acquisitions, assuming they had been made at the beginning of each year presented, would not be materially different from the results reported.

LUKENS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share amounts)

2. Acquisitions

On April 24, 1992, Washington Steel Corporation was acquired for $273,718 in cash. Washington Steel is a stainless steel producer with two production facilities in Pennsylvania and one in Ohio. Also included in the acquisition were seven stainless service centers in the United States and Canada.

The acquisition was accounted for as a purchase with the results of Washington Steel included from the acquisition date. The fair value of assets acquired, including goodwill, was $362,334 and liabilities assumed totaled $88,616. Goodwilll of $31,826 is being amortized over 25 years on a straight-line basis.

The pro forma results listed below are unaudited and reflect purchase price accounting adjustments assuming the acquisition occurred at the beginning of each year presented.

	1992	1991
Net Sales	$1,008,541	1,018,044
Operating Earnings	$ 76,498	44,182
Earnings Before Income Taxes	$ 58,637	22,550
Net Earnings	$ 35,882	13,439
Earnings Per Common Share		
Primary	$ 2.52	.93
Fully Diluted	$ 2.35	.93

PENNZOIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Acquisitions—

Acquisition of Pennzoil Petroleum—

On October 30, 1992, Pennzoil transferred and delivered to Chevron 15,750,000 shares of common stock of Chevron, and Chevron transferred and delivered to Pennzoil all issued and outstanding capital stock of a Chevron subsidiary subsequently renamed as Pennzoil Petroleum, which owns Gulf of Mexico, Gulf Coast, Permian Basin and other domestic oil and gas producing properties. Concurrently, the litigation between Pennzoil and Chevron relating to Pennzoil's purchase of Chevron stock was settled and dismissed.

The exchange of stock was accounted for using the purchase method of accounting, and the results of operations of Pennzoil Petroleum have been included in Pennzoil's consolidated financial statements subsequent to October 30, 1992. As of October 30, 1992, the fair market value of the 15,750,000 shares of Chevron common stock exchanged for the capital stock of Pennzoil Petroleum approximated Pennzoil's historical book value for such shares of $1.06 billion. Accordingly, Pennzoil has used the net book value of the Chevron shares exchanged for purposes of purchase accounting.

Included in the assets of Pennzoil Petroleum at the time of the transfer to Pennzoil was $57.4 million in cash contributed by Chevron to Pennzoil Petroleum immediately prior to closing, representing the net cash flow from Pennzoil Petroleum's operations for the four-month period from July 1, 1992 (the "effective date" of the transaction) to October 30, 1992, after reduction as a result of nonrecurring adjustments of approximately $11 million.

The following unaudited pro forma information has been prepared assuming that the acquisition of Pennzoil Petroleum had occurred at the beginning of the periods presented. Permitted pro forma adjustments include only the effects of events directly attributable to a transaction that are factually supportable and expected to have a continuing impact. Pro forma adjustments reflecting anticipated "efficiencies" in operations resulting from a transaction are, under most circumstances, not permitted. As a result of the limitations imposed with regard to the types of permitted pro forma adjustments, Pennzoil believes that this unaudited pro forma information is not indicative of future results of operations, nor the results of historical operations had the acquisition of Pennzoil Petroleum been consummated as of the assumed dates.

	(Unaudited) 1992	1991
	(Expressed in thousands except per share amounts)	
Revenues	$2,659,032	$2,698,027
Income (loss) before extraordinary item and cumulative effect	$ 42,417	$ (26,511)
Net income (loss)	$ 141,508	$ (75,485)
Earnings (loss) per share	$ 3.49	$ (1.87)
Average shares outstanding	40,582	40,347

SNAP-ON TOOLS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions

On October 2, 1992, the Company acquired Sun Electric Corporation ("Sun"). Sun is primarily engaged in the design, manufacture, marketing and service of diagnostic, test and service equipment, together with information and management systems, for the motor vehicle service industry and for motor vehicle manufacturers. The total purchase price of approximately $115 million was financed with available cash of approximately $40 million and the issuance of debt of approximately $75 million. The acquisition has been accounted for as a purchase, and the results of Sun have been included in the accompanying consolidated financial statements since the date of acquisition. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and the liabilities assumed. This allocation resulted in goodwill of approximately $24 million, which is being amortized over 20 years. The allocation of the purchase price will be finalized during 1993 upon completion of restructuring decisions and asset valuations.

The unaudited consolidated results of operations on a pro forma basis as though Sun had been acquired as of the beginning of 1992 and 1991 are as follows:

	1992	1991
	(Amounts in thousands except per share data)	
Net sales	$1,140,591	$1,102,025
Gross profit	564,951	536,230
Net income	52,480	65,375*
Net income per weighted average common share	1.24	1.56*

*Net income and net income per weighted average common share for 1991 exclude the cumulative effect of an accounting change (Note 1c).

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occured had the Sun acquisition been consummated as of the above dates, nor are they necessarily indicative of future operating results.

SUNRISE MEDICAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Acquisitions

In January 1992 the company purchased all of the outstanding stock of Sopur GmbH (Sopur), a German limited liability company, for approximately $27,400. The purchase price included 92,830 shares of common stock valued at approximately $2,800. Sopur manufactures high-quality custom lightweight wheelchairs and distributes them throughout Germany and 15 foreign countries. The acquisition has been accounted for by the purchase method of accounting. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately $24,900 was recognized as goodwill and is being amortized over 40 years.

In addition, the company completed six smaller acquisitions during fiscal 1992. The acquired companies are involved in low-air-loss beds, retrofit mattresses, patient-lifting devices, control systems for power wheelchairs, standard wheelchairs, and a broad line of patient aids, including crutches, walkers, and commodes. Three companies are based in Europe.

These six acquisitions were purchased for approximately $19,100, consisting of $10,800 in cash; $1,600 of subordinated notes; and 212,868 shares of Sunrise common stock valued at approximately $6,700. The excess of the aggregate purchase price over the fair market value of net assets acquired for these acquisitions of approximately $13,400 was recognized as goodwill and is being amortized over periods from 20 to 40 years.

The operating results of all acquisitions are included in the company's consolidated results of operations from the date of acquisition. The following pro forma financial information assumes the acquisitions occurred at the beginning of 1991. These results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made at the beginning of 1991, or of the results which may occur in the future. Further, the information gathered from some acquired companies are estimates since some acquirees did not maintain information on a period comparable with the company's fiscal year-end.

	(Unaudited) 1992	1991
Net sales	$262,263	$228,457
Net income	$ 13,442	$ 9,218
Earnings per share		
Primary	$1.00	$0.85
Fully diluted	$1.00	$0.77

UNIVAR CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Business Acquisitions

The Corporation and its 31% shareholder, Pakhoed Investeringen B.V. (Pakhoed), entered into an agreement resulting in the formation of Univar Europe, which was incorporated in The Netherlands on December 21, 1990. Univar Europe is 51% owned by the Corporation and 49% owned by Pakhoed. Univar Europe was capitalized in part, with equity and with interest and non-interest bearing foreign currency denominated subordinated debt provided to Univar Europe by the Corporation and Pakhoed. Prior to June 28, 1991, Univar Europe had no operations.

In a two-step transaction the Corporation, through its 51% owned subsidiary, Univar Europe, acquired all of the capital stock of four companies which comprised the Beijer Industrial Distribution Group (BID Group). The transaction included the acquisition on June 28, 1991 of K&K-Greeff (Holdings) Ltd., a British corporation with operations in the United Kingdom; and MB-Sveda AB, a Swedish corporation with operations in Scandinavia. On August 30, 1991, the Corporation completed its acquisition of the BID Group by acquiring Scheller Handel AG, a Swiss corporation with operations in Switzerland; and Benfer Scheller SpA, an Italian corporation with operations in northern Italy. The operations of the acquired companies are comparable to the Corporation's North American industrial chemical distribution activities.

The aggregate purchase price of $59.1 million consisted of cash consideration of $47.7 million, a foreign currency denominated note payable valued at $7.6 million, related expenses of $2.5 million and a foreign currency denominated contract for deferred consideration in an amount to be determined. The future amount of the deferred consideration to be paid will be a minimum of $2.3 million and a maximum of $12.0 million. The exact future amount is to be determined based on earnings of the entities acquired. The consideration is non-interest bearing and is payable in 1995. The discounted future value of the minimum amount is included in long-term debt ($1.6 million at year end). Funding for the Corporation's 51% share of the aggregate purchase price was provided through the sale of 1.9 million shares of the Corporation's common stock to The Dow Chemical Company as described in Note 8.

The acquisition has been accounted for by the purchase method. Accordingly, the costs of the acquisition were allocated to the assets acquired and liabilities assumed based upon their respective fair values. The consolidated statement of operations includes operating results of the subsidiaries acquired since the respective dates of acquisition. The Univar Europe minority shareholder's 49% proportionate interest in the net losses of the acquired subsidiaries is separately stated.

The following unaudited pro forma summary combines the consolidated results of operations of the Corporation and those of the four acquired companies as if the acquisition had occurred at the beginning of 1991 and 1992, after giving effect to certain adjustments, including the depreciation and amortization of the assets acquired based on their fair values, increased interest expense from seller financing and loans provided to Univar Europe by its 49% minority shareholder in connection with the acquisition, income tax effects, and the increase in common shares outstanding. This pro forma summary does not necessarily reflect the results of operations as they would have been if the Corporation and the acquired companies constituted a single entity during such periods and is not necessarily indicative of results which may be obtained in the future.

	Pro Forma Results (Unaudited)	
	1992	1991
	Thousands of dollars, except per share data	
Net sales	$1,735,237	$1,727,972
Net income (loss)	(5,455)	20,947
Net income (loss) per share	$ (0.28)	$ 1.06

During 1992 the Corporation completed certain other acquisitions in the United States and Canada with an aggregate purchase price of $41.5 million.

CONTINGENCIES

Statement of Financial Accounting Standards No. 5 defines a contingency as "an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur." Paragraphs 8–16 of *SFAS No. 5* set forth standards of financial accounting and reporting for loss contingencies. Paragraph 17 of *SFAS No. 5* states the accounting and reporting standards for gain contingencies. Table 1-11 lists various loss and gain contingencies. Commitments and financial instruments are listed in Tables 1-12 and 1-13, respectively.

Examples of contingency disclosures, except for tax carryforwards, follow. Examples of operating loss carryforwards are presented with the discussion of income tax expense.

TABLE 1-11: CONTINGENCIES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Loss Contingencies				
Litigation	366	361	391	379
Environmental	233	197	170	128
Possible tax assessments	57	69	62	52
Insurance	47	40	42	45
Government investigations	30	20	5	5
Other—described	52	62	43	37
Gain Contingencies				
Operating loss carryforward	226	179	152	157
Investment credit carryforward	58	67	97	85
Plaintiff litigation	47	34	39	29
Other—described	15	9	12	10

LOSS CONTINGENCIES

Litigation

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Millions of dollars

Note 17 (in Part): Other Contingent Liabilities and Commitments
In March 1992, an agency within the Department of Energy (DOE) issued a Proposed Remedial Order (PRO) claiming Chevron failed to comply with DOE regulations in the course of its participation in the Tertiary Incentive Program. Although the DOE regulations involved were rescinded in March 1981, following decontrol of crude oil prices in January 1981, and the statute authorizing the regulations expired in September 1981, the PRO purports to be for the period April 1980 through April 1990. The DOE claims the company overrecouped under the regulations by $125 during the period in question. Including interest through December 1992, the total claim amounted to $261. The company has submitted an answer refuting the preliminary determination and does not believe that it has any liability. On February 18, 1993 the DOE responded to Chevron's answer and reiterated the position it took in the preliminary determination. Chevron expects to file a reply to the DOE later this year.

DANAHER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (in Part): Litigation and Contingencies:
A former subsidiary of the Company is engaged in litigation in six states with respect to product liability. The Company sold the subsidiary in 1987. Under the terms of the sale agreement, the Company agreed to indemnify the buyer of the subsidiary for product liability related to tools manufactured by the subsidiary prior to June 4, 1987. The cases involve approximately 3,000 plaintiffs, in state and federal courts in six states. All other major U.S. air tool manufacturers are also defendants. The gravamen of these complaints is that the defendants' air tools, when used in different types of manufacturing environments over extended periods of time, were defective in design and caused various physical injuries. The plaintiffs seek compensatory and punitive damages. The cases are in preliminary stages of discovery and pleading and the Company intends to defend its position vigorously. The Company's maximum indemnification obligation under the contract is approximately $85,000,000. The Company believes it has insurance coverage for all or a substatial part of the damages, if any. The outcome of this litigation is not currently predictable.

In addition to the litigation noted above, the Company is from time to time subject to routine litigation incidental to its business. The Company believes that the results of the above noted litigation and other pending legal proceedings will not have a materially adverse effect on the Company's financial condition.

GRUMMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in thousands except per share date)

Note 12 (in Part): Commitments and Contingencies
On Janaury 28, 1993, a jury sitting in the United States District Court for the District of Massachusetts returned a verdict against Grumman Systems Support Corporation (GSSC), a subsidiary of Grumman Data Systems Corporation, which in turn is a wholly-owned subsidiary of the company, in an action brought against GSSC by Data General Corporation for copyright infringement and misappropriation of trade secrets. Judgment against GSSC was entered in the United States District Court for the District of Massachusetts in the amount of $52,374.

GSSC has been advised that it has substantial defenses and remedies available and it will pursue all available avenues in the post-trial and appellate review processes. While GSSC's ultimate liability in the disposition of this matter is presently difficult to estimate, it is management's belief that the outcome is not likely to have a material adverse effect on the company's financial position.

Other pending litigation relating to matters that are in the ordinary course of the company's business activities, including environmental matters, is not expected to have a material adverse effect on the company's financial position.

LITTON INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in Part): Defense Contracts, Litigation and Contingencies
In March 1989, the U.S. Government intervened in, and assumed principal responsibility for prosecuting, an action filed against a subsidiary of the Company by a former employee of such subsidiary and an additional plaintiff under provisions of the False Claims Act which permit an individual to bring suit in the name of the Government and share in any recovery received. This action disputes the methods by which the costs of computer services provided by a division of the subsidiary to other Litton client divisions are allocated to data processing costs for certain of the U.S. Government contracts being performed in the client divisions. This civil

action is seeking approximately $46 million in compensatory damages allegedly caused by such cost allocation methods during the period from 1982 to 1990. It contends that such damages should be trebled by the Court, and also seeks a civil penalty of up to $10,000 for each affected voucher submitted by the client divisions to the Government under contracts where data processing cost is included as an indirect item of expense. In July 1992, the U.S. District Court ruled that the computer service division's cost accounting system, and its disclosures to the Government pertaining to that system, had violated Government contracts of the Company. The Court did not determine that the violations were done knowingly, that the Government suffered any damage as a result thereof, or that claims made after July 15, 1988, were false. The resolution of these issues at trial will determine the extent of the Company's liability, if any, in this action. The Company maintains that the division's business and accounting practices reduced the costs which would otherwise have been charged to Government contracts. The Company is vigorously defending its actions. The ultimate outcome of the action cannot presently be predicted and no provision for liability has been made in the accompanying consolidated financial statements. If all of the claims for damages and civil penalties were ultimately resolved in favor of the plaintiffs in this action, potential liability could be approximately $650 million.

There are various other litigation proceedings in which the Company is involved. Any liability which the Company may have under many of these proceedings is covered by insurance. The results of litigation proceedings cannot be predicted with certainty; however, in the opinion of the Company's General Counsel, the Company does not have a potential liability in connection with these other proceedings which would have an adverse material effect on the financial condition of the Company.

PENNZOIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (in Part): Commitments and Contingencies

Eaton v. Pennzoil Company—

In December 1992, two former employees of Pennzoil filed a purported class action lawsuit in the United States District Court for the Southern District of Texas, Galveston Division. The suit alleges that one of Pennzoil's deferred compensation plans had been improperly administered because of the absence of an adjustment under the plan for a significant event occurring in 1988 in determining the value of awards under the plan maturing in 1988 and 1990. The plaintiffs allege breach of contract, common law fraud and breach of fiduciary duty and seek compensatory and consequential damages of $40.0 million and punitive damages of $400.0 milliion. Pennzoil believes that the plan was administered properly and that the lawsuit is without merit, and Pennzoil believes that the outcome of this suit will not have a material adverse effect on its financial condition or results of operations.

THE QUAKER OATS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19: Litigation

On December 19, 1990, Judge Prentice H. Marshall of the United States District Court for the Northern District of Illinois issued a memorandum opinion stating that the Court would enter judgment against the Company in favor of Sands, Taylor & Wood Co. The Court found that the use of the words "thirst aid" in advertising *Gatorade* thirst quencher infringed the Plaintiff's rights in the trademark THIRST-AID. On July 9, 1991, Judge Marshall entered a judgment of $42.6 million, composed of $31.4 million in principal, plus prejudgment interest of $10.6 million and fees, expenses and costs of $0.6 million. The order enjoined use of the phrase "THRIST-AID" in connection with the advertising or sale of *Gatorade* thrist quencher in the United States. The Company and its subsidiary, Stokely-Van Camp, Inc., ceased use of the words "thirst-aid" in December 1990. The Company subsequently appealed the judgment. On September 2, 1992, the Court of Appeals for the Seventh Circuit vacated the District Court's judgment. The appellate court affirmed the finding of infringement, but found that the monetary award was an inequitable "windfall" to the Plaintiff. The case was remanded to the District Court for further proceedings. Further appeal or request for rehearing is possible and the Company is reviewing its options. The amount of any liability which might finally exist cannot reasonably be estimated and no provision for loss has been made in the accompanying financial statements.

The Company is not a party to any other pending legal proceedings which it believes will have a material adverse effect on its financial position or results of operations.

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in Part): Commitments and Contingencies

In July of 1991, National Utility Service, Inc. (NUS) filed a complaint against the Company in the United States District Court for the District of New Jersey seeking compensation and damages arising from a contract between the Company and NUS for energy cost saving recommendations. The case is presently in discovery and based upon information obtained during the quarter ended September 27, 1992, the Company was able to quantify the claim and has determined that NUS is seeking approximately $3,800,000 inclusive of prejudgment interest from the Company. The Company intends to vigorously defend the action and strongly contends that no amounts are due to NUS.

SCIENTIFIC INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (in Part): Commitments and contingencies
During August 1985, a former outside salesman filed an amended civil action against the Company. The suit alleges a breach of contract for sales commissions and pleads a second cause of action for an accounting with respect to claims for fees and commissions. The first cause of action was amended to a claim of $152,867, from the original amount of $14,067. The Company believes it has meritorious defenses to the claim. It is the opinion of counsel that the possible exposure of the Company to a successful judgment on behalf of the plaintiff in any substantial amount (i.e., exceeding approximately $25,000) is remote. This suit has been inactive since August 1986.

TANDY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21—Litigation
Effective January 1, 1990, the Company entered into a patent license agreement with Texas Instruments Incorporated ("TI"). Pursuant to this agreement, the Company is required to make substantial royalty payments to TI. The Company has brought an action in U.S. District Court for the Northern District of California for declaratory judgment against TI that the asserted patents are invalid, unenforceable and/or not infringed. TI has counterclaimed for rescission of the license agreement based upon an allegation that the Company fraudulently induced TI to enter into the agreement. If successful, TI's claim could result in a judgment of patent infringement, reasonable royalty damages and injunction as to specified products. TI filed a similar case against the Company in state Chancery Court in Delaware. This action has been stayed pending resolution of the action in California.

TI brought another action, in the U.S. District Court for the Eastern District of Virginia, against the Company and several Virginia Radio Shack stores alleging infringement of six patents. TI has recently moved to amend this complaint to add two additional patents. The action as to the Company has been transferred to the Northern District of Texas. If successful, TI's claims could result in judgments of patent infringement, reasonable royalty damages and injunctions with respect to patents not yet expired.

Tandy is vigorously prosecuting and defending these actions. The Company's liability, if any, is not determinable at this time. It is the opinion of management that the ultimate resolution of these actions will not have a materially adverse effect on the Company's financial position.

In July 1985, Pan American Electronics, Inc., a Radio Shack dealer in Mission, Texas, filed suit against the Company in the 92nd Judicial District Court in Hidalgo County, Texas. Plaintiff recently amended its complaint and currently alleges breach of contract and fraud. The Plaintiff is seeking approximately $36,000,000 in actual damages and $100,000,000 in punitive damages, plus interest and attorneys' fees. A trial date has been set for February 1993. Tandy is vigorously defending this action. The Company's liability, if any, is not determinable at this time. It is the opinion of management that the ultimate resolution will not have a material adverse effect on the Company's financial position.

There are various other claims, lawsuits, disputes with third parties, investigations and pending actions involving allegations of negligence, product defects, discrimination, patent infringement, tax deficiencies and breach of contract against the Company and its subsidiaries incident to the operation of its business. The liability, if any, associated with these matters was not determinable at June 30, 1992. While certain of these matters involve substantial amounts, it is the opinion of management that their ultimate resolution will not have a materially adverse effect on Tandy's financial position or results of operations.

UNC INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. (In Part): Litigation and Contingencies
On April 8, 1992, the Federal Communications Commission ("FCC") took steps to continue a proceeding with respect to retrospective rates charged by the former Western Union to several carriers, including TRT Communications, Inc. ("TRT"), a former subsidiary of the Company. The proceeding is on remand from a federal appeals court which in 1988 vacated an earlier determination by the FCC with respect to such rates on the ground that there was no legal basis for it. If the FCC acts to determine that the rates being sought by the former Western Union are appropriate, and if such determination were upheld following an appeal, the amount that would be payable by TRT, and indemnified by the Company to the purchaser of TRT, including interest to December 31, 1992, would be approximately $7.7 million. Counsel to the Company has opined that the likelihood of recovery by the former Western Union against TRT is remote.

The Company is involved in litigation with respect to a promissory note issued by the Company in July 1981 in connection with the acquisition of Normco Contractors, Inc. ("Normco"), a former subsidiary of the Company that was discontinued in 1984 and sold in 1985. The plaintiff, a former owner of Normco, has brought this action to obtain payment of $2.2 million allegedly due under the note. The Company did not make payment on the note because the company believes that, under the terms of the note and the related purchase agreement, payment was contingent upon Normco attaining certain operating profit levels that were not achieved during the period it was in operation. The plaintiff's motion for summary judgment was granted on March 30, 1992, and has been appealed by the Company. While the ultimate outcome of this litigation cannot be determined at this time, the Company continues to believe that it has meritorious defenses under the terms of the note.

In 1986 the Company sold its subsidiary, National Automatic Tool Company to NATCO, Inc. for cash and notes secured by the assets of the former subsidiary. Following a default by NATCO, Inc. in making payments under the secured notes, the Company exercised its rights in 1990 under its security interest and the assets were surrendered to the company by NATCO, Inc. The Company subsequently liquidated the assets and applied the proceeds to the indebtedness due the Company from NATCO, Inc. A petition under Chapter 7 of the federal bankruptcy code was filed by certain creditors of NATCO, Inc. on July 23, 1991. The Trustee in bankruptcy for NATCO, Inc. filed an action against the Company in October 1992 seeking, among other things, to set aside the transfer of NATCO, Inc.'s assets to the Company on the basis that such transfer was a fraudulent conveyance. Because of the preliminary nature of this action, the ultimate outcome of the litigation cannot be determined at this time. However, the Company believes it had a valid lien on the assets of NATCO, Inc. and intends to defend this action vigorously.

The Company and its subsidiaries are also parties to various other legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business. The Company believes that the disposition of these matters will not have a material adverse effect on the financial position of the Company.

WESTERN DIGITAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingent Liabilities

Legal Claims

The Company was sued in July 1991 in the United States District Court in a purported class action securities lawsuit. The suit asserts that the Company and its Chief Executive Officer made allegedly false and misleading statements about the Company in violation of federal securities law and seeks unspecified damages on behalf of a purported class of shareholders who purchased Western Digital common stock during the period April 1990 through February 1991. The Company believes the lawsuit to be without merit and intends to defend against it vigorously.

The Company was sued in September 1991 in the United States District Court by Amstrad plc, a British computer maker. The suit alleges that disk drives furnished to Amstrad in 1988 and 1989 were defective. Amstrad claims damages of approximately $3.0 million for claimed losses in out-of-pocket expenses, $38.0 million in lost profits and $100.0 million of injury to Amstrad's reputation and loss of goodwill. The Company believes the lawsuit to be without merit and intends to defend against it vigorously. The Company also has filed a counter claim against Amstrad in the amount of $15.0 million

The Company is also subject to certain other legal proceedings and claims arising in connection with its business.

It is management's opinion that the ultimate resolution of the aforementioned claims will not have a material adverse effect on the Company's consolidated financial position.

Environmental Matters

ALLIED-SIGNAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions except per share amounts)

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

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 1992 and 1991, were $71 and $405 million and $60 and $416 million, respectively.

Note 17 (In Part): Commitments and Contingencies

The Company is subject to a number of investigations, lawsuits and claims (some of which involve substantial amounts) arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability and environmental, safety and health matters. In accordance with the Company's accounting policy described in Note 1 of Notes to Financial Statements, generally liabilities are recorded for environmental matters following the completion of feasibility studies or the Company's commitment to formal plans of action. Although the Company does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon future completion of studies, they may be significant to the consolidated results of operations. While the ultimate results of investigations, lawsuits and claims involving the Company cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated financial position of the Company.

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Commitments and Contingencies

Environmental: In connection with the joint venture transaction discussed in Note K, it was necessary to have an independent consultant review environmental issues at the manufacturing facilities of ABI's flooring division in order to comply with the New Jersey Environmental Cleanup Act. As a result of this review, certain environmental issues were identified.

ABI believes that it has made adequate provisions for any costs to be incurred. However, in order to complete the joint venture transaction the organization providing the financing has required that ABI agree to lend or contribute to capital of the joint venture up to $5,000,000 should the costs to resolve these environmental issues exceed $1,500,000 and if the joint venture is not in compliance with its loan covenants. The maximum commitment may be reduced based on the results of a second consultant's opinion, once rendered.

ABI has been notified that it may be responsible for a portion of the response costs relating to certain potential or known environmental contaminations at two other sites. In the first instance, ABI sold the property in 1964 and there have been three other owners between ABI and the present owner. In the other instance, the present occupants assumed ABI's lease and industrial revenue bond obligations for the property in 1982. Although ABI has been requested to share in the response costs, no litigation has been filed. At the present time there is not sufficient information available to determine what the response costs will be, nor sufficient information to determine the extent of ABI's responsibility, if any.

ABI has been named in various other environmental matters. In the opinion of management, none of these matters is expected to have a material adverse effect on ABI's financial position.

AVNET, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Contingent Liabilities

From time to time, the Company may become liable with respect to pending and threatened litigation, taxes and environmental and other matters. During the fourth quarter of 1992, the Environmental Protection Agency (EPA) issued a remedial investigation and feasibility study in connection with the environmental clean-up at a Company-owned site in Oxford, North Carolina for which the Company has been designated a potentially responsible party. The EPA's preliminary estimate of the cost of the clean-up alternative it has recommended is approximately $6.3 million. The Company has engaged environmental consultants to assist it in evaluating the EPA's recommended clean-up alternative and the cost associated therewith. The Company has claims against prior owners and others who are largely responsible for the contamination of the site. Additionally, there are claims under insurance policies in effect during the period when the contamination allegedly took place. However, the Company's ability to obtain contribution from these sources is not ascertainable at this time. It is not anticipated that the costs of the clean-up or any other contingent matters will have a material adverse impact on the Company's financial condition.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. (In Part): Commitments and Contingencies

Environmental proceedings. California judicial and regulatory authorities have suspended the Company's ability to accept decomposable household waste at its Azusa, California landfill. The Company continues to use the facility for the disposal of inert waste while the suspension and related decisions of California authorities are under appeal by the Company. There is substantial risk that pending proceedings, when finally resolved, may limit the types of waste acceptable for disposal so severely that a portion of the Company's investment of approximately $100 million in the Azusa landfill may not be recovered through disposal operations. Although the final outcome of this matter is not presently determinable, the Company intends to pursue all possible alternative uses of the property to maximize its residual value upon conclusion of landfill operations.

The Company and certain subsidiaries are involved in various other environmental matters or proceedings, including original or renewal permit application proceedings in connection with the establishment, operation, expansion, closure and post-closure activities of certain landfill disposal facilities, and proceedings relating to governmental actions resulting from the involvement of various subsidiaries of the Company with certain waste site (including Superfund sites), as well as other matters or claims that could result in additional environmental proceedings.

While the final resolution of any matter may have an impact on the Company's consolidated financial results for a particular reporting period, management believes that the ultimate disposition of these matters will not have a materially adverse effect upon the consolidated financial position of the Company.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Contingencies

Like other petroleum refiners and marketers, the Company's operations are subject to extensive and rapidly changing federal and state environmental regulations governing air emissions, waste water discharges, and solid and hazardous waste management activities. The Company's policy is to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and the amount can be reasonably estimated. While it is often extremely difficult to reasonably quantify future environmental related expenditures, the Company anticipates a substantial capital investment will be required over the next several years to comply with existing regulations. The Company had recorded a liability of approximately $10,485,000 as of December 31, 1992 to cover the estimated costs of compliance with environmental regulations which are not anticipated to be of a capital nature.

Although the level of future expenditures for environmental matters, including clean-up obligations, is impossible to determine with any degree of certainty, it is management's opinion, based in part on the advice of independent counsel (after considering accruals), that when the costs are finally determined, they will not have a material adverse effect on the financial position of the Company.

The Company has been named by the Environmental Protection Agency (EPA) and by several state environmental agencies as a potentially responsible party (PRP) at various federal and state Superfund Sites. The Company's exposure in these matters has either been resolved or is de minimis and is not expected to have a material adverse effect on the financial position of the Company.

FIRST BRANDS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

Other

Pursuant to the acquisition agreement, the Company assumed certain liabilities of Union Carbide, including most environmental liabilities connected with the acquisition of the worldwide home and automotive businesses of Union Carbide at the inception of the Company. To the extent that the Company incurs environmental liabilities which relate to conditions existing or actions taken prior to the closing date or which relate to compliance with any requirement of an environmental law or regulation which existed as of the date of the acquisition agreement, the Company will be entitled to indemnification from Union Carbide for 85% of such liabilities in excess of $10,000,000 (providing such liabilities are asserted and written notice of such assertion is given to Union Carbide within three years of the closing date), up to aggregate expenditures by Union Carbide for such liabilities (and certain other liabilities specified in the acquisition agreement) of $75,000,000. Based upon the facts available to date, while the Company does not believe that its liability will exceed the liability established at the acquisition date, it has notified Union Carbide that the amount may exceed the $10,000,000 liability, thereby triggering Union Carbide's indemnification.

GUILFORD MILLS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share data)

9 (In Part): Commitments and Contingencies:

Since January 1992, the Company has been involved in discussions with the United States Environmental Protection Agency ("EPA") regarding remedial actions at its Gold Mills, Inc. facilities in Pine Grove, Pennsylvania which was acquired in October 1986. Between 1988 and 1990, the Company implemented a number of corrective measures at the facility in conjunction with the Pennsylvania Department of Environmental Resources and incurred approximately $3,500 in costs. Subsequently, the EPA has determined that additional remediation and clean-up at the site is required and is presently negotiating a consent order with the Company which would include future penalties for non-compliance. In the fourth quarter of 1992, a pre-tax charge of $8,000 was provided for the estimated future cost of the additional remediation and is included in restructuring and other costs in the accompanying 1992 statement of income.

The Company has initiated litigation against the former shareholders and other parties involved in the sale of Gold Mills, Inc. to the Company. While the Company believes it has a strong argument to effect the recovery of all or some portion of the past and future environmental remediation costs related to the Pine Grove facilities, no amount for recovery has been recorded.

During the fourth quarter of 1992, the Company also received a Notice of Violation from the North Carolina Division of Environmental Management concerning ground water contamination on or near one of its North Carolina Facilities. The Company has voluntarily agreed to allow the installation of monitoring wells at the site to determine the source of the contaminants, but denies that such contaminants originated from the Company's operations or property. An additional pre-tax charge of $1,250 was provided in the fourth quarter of 1992 to reflect the estimated future costs of addressing this and other environmental matters, including the removal of underground storage tanks at the Company's facilities. At June 28, 1992, environmental accruals amounted to $10,560 of which $9,250 is non-current and is included in other deferred liabilities in the accompanying balance sheet.

The Company also is involved in various litigation arising in the ordinary course of business. Although the final outcome of these legal and environmental matters cannot be determined, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position.

HERCULES INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share)

21 (In Part): Commitments and Contingencies

(c) Environmental:

Hercules has been identified as a potentially responsible party by various Federal and State authorities for cleanup at numerous sites, the most significant being Jacksonville, Arkansas. Potential costs for remediation of the Jacksonville, Arkansas site, where various herbicides were manufactured in the 1960s, 1970s, and early 1980s, are now estimated at between $21,000 and $178,000. Litigation over liability for this site has been pending since 1980.

Hercules has preserved its rights against other potentially responsible parties at the Jacksonville site by bringing a cost-recovery action against them in the pending litigation. These potentially responsible parties are, the U.S. Department of Defense; BASF, A.G. and BASF, USA; Uniroyal Chemical, Ltd. (Canada); Standard Chlorine of Delaware, Inc.; Velsicol Chemical Company; and The Dow Chemical Company. Vertac Chemical Corporation and the State of Arkansas also filed suite against The United States Department of Defense, alleging that it is also a liable party at the site for substantially the same reasons alleged by Hercules.

Hercules has evaluated its potential liability for each operable unit scheduled for remediation at the Jacksonville site. Financial exposure is dependent upon a liability determination and on the allocation of responsibility of defendants by the court. Financial exposure is also dependent on the remediation method selected by the Environmental Protection Agency or ordered by the court. Separate trials of the issues of liability and allocation of liability are scheduled for 1993.

Due to the number of parties involved at most environmental sites, the multiplicity of possible solutions, the evolving technology, and the years of remedial activity required, the company is unable to assess and quantify the extent of its total responsibilities at numerous sites.

The liability for future remediation costs is evaluated on a quarterly basis and management believes that any ultimate liability over the amounts accrued will not materially affect the consolidated financial position of the company.

JOHNSON CONTROLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Contingencies

The Company is also involved in a number of proceedings and potential proceedings relating to environmental matters. At September 30, 1992, the company had an accrued liability of approximately $20 million relating to environmental matters. Because of the uncertainties associated with environmental assessment and remediation activities, our future expenses to remediate the currently identified sites could be considerably higher than the accrued liability. Although it is difficult to estimate the liability of the company related to these environmental matters, the company believes that these matters will not have a materially adverse effect upon its capital expenditures, earnings or competitive position.

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Special Charges

Environmental Costs—

In connection with its Melt Shop operations the Company generates electric furnace dust, which the Environmental Protection Agency (EPA) has designated as a hazardous waste.

Prior to August 1988, with EPA approval, the Company had temporarily stored electric furnace dust on site at the Alton Plant. In 1988 the EPA issued new regulations requiring the Company to treat electric furnace dust prior to disposition or permanent storage.

In 1989 the Company reached an agreement with Elkem Technology to construct a High Temperature Metals Recovery (HTMR) System at the Alton Plant which will treat newly generated dust as well as the existing storage pile and reclaim zinc in the process. The total cost of this project was estimated at $25,000,000, however, the final capital cost will be based on performance tests prior to the Company's assuming control of the operation. At this time the facility is substantially complete and operation is in the commissioning phase and remains under the control of Elkem Technology.

In the second quarter of 1992, management updated its original economic study of the HTMR system. As a result of this evaluation the Company recorded a cost provision in the second quarter of $4,200,000 ($2,604,000 after taxes) which represented the then estimated cost of processing previously accumulated dust in the HTMR system when it is fully operational. It was estimated that these costs will be payable over an approximate ten year period beginning at the time the Company takes control of the operation of the HTMR system. If the assumptions used in making the cost provision in the second quarter are verified by the final performance test of the System, the Company may be entitled to a significant capital cost recovery under its contract with Elkem Technology. See Note 10 for additional discussion of possible contingent liabilities related to this matter.

Note 10 (In Part): Commitments and Contingencies:

In August 1990, the Company received notice that it had been sued by the United States Department of Justice on behalf of the United States Environmental Protection Agency. The government and the Company agreed in 1992 to settle the matter for $300,000, together with a Consent Decree which the parties are continuing to negotiate.

There are also various other claims pending involving the Company and its subsidiaries with respect to environmental, hazardous substance and other matters arising out of the routine conduct of the business. Such claims either have not been reduced to litigation or if suit has been filed are in the discovery stage. Therefore the total liability on pending claims at December 31, 1992, if any, cannot be determined.

The Company believes it has meritorious defenses with respect to all claims and litigation and the ultimate disposition will not materially affect its financial position or results of operations.

The Company has continued to update its economic studies of the HTMR System discussed in Note 6, and in connection with this continuing evaluation has developed a range of estimates of the possible additional cost to process the previously accumulated dust, depending on the final performance level of the HTMR System. These estimates range from no additional cost to $9,800,000 ($6,000,000 after taxes), and take into account the amount accrued in the second quarter. If the performance level of the HTMR System ultimately results in an upward revision to the previous cost estimate and the recording of an accrual in addition to the $4,200,000 recorded in the second quarter, such additional costs would be payable over a period of approximately ten years.

OLIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

There are a variety of legal proceedings, contractual obligations and environmental issues, arising out of its businesses, pending or threatened against the company. Certain of these matters are discussed in Item 3, Legal Proceedings, in the Form 10-K Annual Report, which is available on request from the company. Based upon information presently available, the company believes that any contingent liability in excess of amounts recorded that may result from these matters will not materially affect the company's financial condition. In addition, the company has been identified by the Environmental Protection Agency as a potentially responsible party (along with others, in most cases) at a number of sites under the Comprehensive Environment Response, Compensation and Liability Act of 1980. Estimated remedial expenses for active projects are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. During 1992, $17 million was accrued and charged to income compared to $18 million in 1991 and $60 million in 1990. The Consolidated Balance Sheets include environmental liabilities of $66 million and $90 million at December 31, 1992 and December 31, 1991, respectively for future expenditures to remediate known sites. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement of and the financial capability of other potentially responsible parties and the time periods (sometimes lengthy) over which site remediation occurs. It is possible that some of these matters (the outcome of which is subject to various uncertainties) may be decided unfavorably against the company. At December 31, 1992, the company had estimated additional contingent environmental liabilities of $45 million which were determined in accordance with generally accepted accounting principles.

Possible Tax Assessments

AMOCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Litigation

The Internal Revenue Service (IRS) has challenged the application of certain foreign income taxes as credits against the corporation's U.S. taxes that otherwise would have been payable for the years 1980 through 1982. On June 18, 1992, the IRS issued a statutory Notice of Deficiency for additional taxes in the amount of $466 million, plus interest, relating to those years. The corporation has filed a petition in the U.S. Tax Court contesting the IRS statutory Notice of Deficiency. The corporation also filed a motion for partial summary judgment on the foreign tax credit issue. The U.S. Tax Court has issued an order requiring the IRS to file a written response to the corporation's motion for partial summary judgment. A similar amount of additional taxes is expected to be claimed for years 1983 through 1985 based upon the recently completed IRS audit. Any claims for years subsequent to 1985 would not be as significant as those for prior years. Amoco believes that the foreign income taxes have been reflected properly in its U.S. federal tax returns, and intends to contest the IRS claims. Amoco is confident that it will prevail in the litigation. Consequently, this dispute is not expected to have a material adverse effect on the consolidated financial position of the corporation.

CINCINNATI MILACRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

The Internal Revenue Service has conducted examinations of the company's federal income tax returns for the years 1981 through 1986 and has proposed various adjustments to increase taxable income. For the audit period 1981 through 1983, all but three issues have been resolved. These matters are now being pursued in the U.S. Tax Court. For the audit period 1984 through 1986, certain examination adjustments proposed by the IRS have been protested to the Appellate Division of the IRS and are being vigorously contested. Except for certain inventory valuation adjustments, the total of the adjustments proposed by the IRS for taxes, penalties, and interest through January 2, 1993 relating to these matters, net of tax operating loss carrybacks, amounts to $35 million. The parties are also disputing certain inventory valuation adjustments for which the IRS has proposed additional taxes and interest totaling $27 million, while the company has asserted a claim in the U.S. Tax Court against the IRS for tax refunds and interest amounting to $22 million. In the event that all or most of the IRS's proposed adjustments are sustained, significant additional liabilities would result. However, management and independent tax counsel continue to believe that the company has meritorious defenses to the adjustments proposed by the IRS and a meritorious position with respect to its claim. Management has analyzed all of these matters and has provided for amounts which it currently believes are adequate.

Various lawsuits arising during the normal course of business are pending against the company and its consolidated subsidiaries.

In the opinion of management, the ultimate liability, if any, resulting from these matters will have no significant effect on the company's consolidated financial position. The significance of these matters on the company's future operating results depends on the level of future results of operations as well as on the timing and amount of the ultimate outcomes.

HALLIBURTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

During 1990 through 1992, the Company received notices from the Internal Revenue Service (IRS) asserting deficiencies in Federal corporate income taxes for the Company's 1980–1988 taxable years. Many of the more than 200 proposed separate adjustments to the Company's tax returns were settled in 1992 with no adverse impact to the Company's results of operations or financial position. The remaining IRS asserted deficiencies for the 1980–1988 taxable years total approximately $39 million, excluding any interest. No penalties have been asserted. The Company has filed petitions in the United States Tax Court challenging the entire amount of the IRS asserted deficiencies. The Company believes the ultimate resolution of the case will result in no material impact on the Company's consolidated results of operations or financial position.

SEAGATE TECHNOLOGY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation (In Part)

Tax Deficiency. The Internal Revenue Service (IRS) concluded a field audit of the company's income tax returns for the fiscal years 1983 through 1987. The company received "Notices of Deficiency" for fiscal years 1981 through 1987. Proposed adjustments to income and tax credits in the notices resulted in proposed tax deficiencies of approximately $112,280,000 plus interest. The major proposed adjustment to income in all fiscal years audited related to the allocation of income between the company and its manufacturing subsidiary in Singapore. The company filed a petition with the United States Tax Court contesting the proposed tax deficiencies. The parties are now engaged in the process of preparing briefs for the Court. The company believes that it has meritorious legal defenses to the IRS adjustment and that the outcome of the trial will not have a material adverse effect on the financial condition of the company.

Insurance Coverage

JLG INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation and Other Contingencies (In Part)

The company is a party to personal injury and property damage litigation arising out of incidents involving the use of its products. Annually the company sets its product liability litigation insurance program based on the company's current and historical claims experience and the availability and cost of insurance. The combination of these annual programs constitutes the company's aggregate product liability insurance coverage. The company's program for fiscal year 1992 was comprised of a self-insurance retention of $5.0 million and catastrophic coverage of $10.0 million in excess of the retention. Cumulative amounts estimated to be payable by the company with respect to pending and potential claims for all years in which the company is liable under its self-insurance retention have been accrued as liabilities. Such accrued liabilities are necessarily based on estimates; thus, the company's ultimate liability may exceed or be less than the amounts accrued. The methods of making such estimates and establishing the resulting accrued liability are reviewed continually and any adjustments resulting therefrom are reflected in current earnings.

JACOBS ENGINEERING GROUP INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part):Commitments and Contingencies

Although the Company has historically carried liability insurance with broad scopes of coverage providing significant liability limits, it is presently difficult and costly to obtain insurance with such broad scopes of coverage and limits. This development, while not unique to the Company or its industry, may subject Jacobs to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts.

ROWE FURNITURE CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingencies

Health Insurance Plan

The Company maintains a self-insurance program for that portion of health care costs not covered by insurance. The Company is liable for claims up to $100,000 per family annually, and aggregate claims up to $2,600,000 annually. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting For Post Retirement Benefits Other Than Pensions". The provisions of this statement are effective beginning in the fiscal year ending November, 1994. The Company has not yet determined the effects of adoption of this statement. Since the Company provides such benefits to a minimal number of retirees, management does not expect the application of the pronouncement to have a material effect on the financial condition or results of operations of the Company.

Government Investigations

THE BOEING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Contingencies

The Company is subject to several U.S. Government investigations of business and cost classification practices. One investigation involves a grand jury proceeding as to whether or not certain costs were charged to the proper overhead accounts. No charges have been filed in this matter, and based on the facts known to it, the Company believes it would have defenses if any were filed. The investigations could result in civil, criminal or administrative proceedings. Such proceedings, if any, could involve claims by the Government for fines, penalties, compensatory and treble damages, restitution and/or forfeitures. Based upon Government procurement regulations, a contractor, or one or more of its operating divisions or subdivisions, can also be suspended or debarred from Government contracts if proceedings result from the investigations.

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

Contingencies—Certain claims and lawsuits arising in the ordinary course of business, including claims for patent infringement, have been filed or are pending against the Company. In the opinion of management, all such matters have been adequately provided for, are without merit, or are of such kind that if disposed of unfavorably, would not have a material adverse effect on the Company's consolidated financial position.

The German government has commenced an investigation of the Company's subsidiary, Lambda Physik GmbH and its president, Dr. Dirk Basting, relating to certain government research grants received by Lambda Physik over the past several years totaling approximately DM 8.0 million ($5.4 million). The Company has been advised that a decision will be made sometime prior to the end of February 1993 whether to proceed with the investigation. If the government were to be successful in proving its allegations, it could require Lambda Physik to refund these grants. The Company believes that the government's allegations are without merit, and it will vigorously defend any proceedings that might be instituted. If an adverse decision is made, Lambda Physik intends to appeal to the courts. Pending resolution of this matter, Lambda Physik is ineligible to receive research grants from the German government. No grants were received in fiscal 1992 or 1991. Grants totaling $1,793,100 were received in fiscal 1990. Although the ultimate outcome of this matter cannot be determined at this time, the Company believes that the resolution of this matter will not have a material adverse effect on the Company's financial position or results of operations.

RAYTHEON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Commitments and Contingencies

Defense contractors are subject to many levels of audit and investigation. Among agencies which oversee contract performance are: the Defense Contract Audit Agency, the Inspector General, the Defense Criminal Investigative Service, the General Accounting Office, the Department of Justice, and Congressional Committees. Over recent years, the Department of Justice has convened Grand Juries from time to time to investigate possible irregularities by the company in government contracting. Management believes that such investigations, individually and in the aggregate, will not have any material adverse effect upon the financial condition of the company.

Product Repurchase Agreements

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingent Liabilities

It is customary within the marine industry for manufacturers to enter into product repurchase agreements with financial institutions that provide financing to marine dealers. The Company has entered into agreements which provide for the repurchase of its products from a financial institution in the event of repossession upon a dealer's default. Most of these agreements contain provisions which limit the Company's annual repurchase obligation. The Company accrues for the cost and losses that are anticipated in connection with expected repurchases. Such losses are mitigated by the Company's resale of repurchased products. Repurchases and losses incurred under these agreements have not and are not expected to have a significant impact on the Company's results of operations. The maximum potential repurchase commitments at December 31, 1992 and 1991, were approximately $136.0 million and $147.0 million, respectively.

Unfunded Pension Benefit Liabilities

CERIDIAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data)

N. Commitments and Contingencies

Largely as a result of divestitures and the formation of certain cooperative ventures in recent years, the Company has agreed to incur or retain a variety of contingent liabilities. Generally, these liabilities include secondary liability for requirements for performance of various obligations assumed in some manner by the acquiror, such as customer contracts and leases of facilities and equipment; commitments to purchase products or services; commitments to invest or advance funds; and potential liabilities relating to the divestiture transaction itself, such as purchase price adjustments or representation and warranty obligations. Also, in connection with the spin-off of Control Data Systems, Ceridian agreed to indemnify the U.S. Pension Guaranty Corporation ("PBGC") if the Control Data Systems defined benefit pension plan is terminated in a distress termination and the PBGC is unable to recover the full amount of any unfunded benefit liabilities. The maximum amount of this contingent liability, included in the total below, is $16.0, which will decrease by $4.0 each July 31 beginning in 1996.

The Company monitors all such contingent liabilities and has accrued for those which it believes are probable of payment. Of the remaining contingent obligations, the Company believes that there is a reasonable possibility that it may be exposed to additional estimated losses totalling $34.1 as of December 31, 1992, if third parties fail to meet certain performance requirements. The Company does not anticipate such nonperformance.

CRYSTAL BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In Thousands of Dollars Except Share Data

11 (In Part): Commitments and Contingencies

Approximately 9% of the Company's employees are members of the International Ladies' Garment Workers Union ("ILGWU"). The Company, along with many other employers, makes contributions to the ILGWU National Retirement Fund which is a multi-employer defined pension plan. The Company does not administer or control the plan. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to multi-employer pension plans in the event of such employers' withdrawal from such a plan or upon termination of such a plan. The share of the plan's unfunded vested liabilities allocable to the Company, and for which it may be liable upon withdrawal, was estimated to be $13,860 as of the date of the latest actuarial valuation which was December 31, 1991. The Company, at present, has no intentions of withdrawing from this plan. Costs recognized for the ILGWU plan and a similar plan, the Amalgamated Clothing and Textile Workers of America National Retirement Fund, in which Company employees, due to sales of businesses or assets, ceased to participate in 1992, were $4,796, $5,962 and $5,790 in 1992, 1991 and 1990.

Exchangeability Feature of Zero Coupon Notes

THE WALT DISNEY COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollars in millions, except per share amounts)

5 (In Part): Borrowings

	Effective Interest Rate	Fiscal Year Maturity	1992	1991
Subordinated notes [(a)]	6.2%	2005	$1,041.4	$1,091.9
Medium term notes [(b)]	3.1	1993-1995	390.0	500.0
Securities sold under agreements to repurchase[(c)]	15.6	1993	231.2	127.3
Commercial paper[(d)]	3.2	1993	181.4	128.9
Other[(e)]	7.7	1994-2013	378.4	365.7
	6.6%		$2,222.4	$2,213.8

[(a)] During 1990, the Company issued $2.3 billion zero coupon subordinated notes which resulted in gross proceeds of $965 million. Holders may redeem the notes at their option for the issuance price plus accrued interest at the end of five and ten years, and upon a change in control of the Company, as defined, or at any time exchange the notes for the U.S. dollar equivalent of 19.651 shares of Euro Disney S.C.A. which is listed on the Paris Bourse. The Company has the right to call the notes at their issuance price plus accrued interest. The Company has designated a portion of its Euro Disney S.C.A. shares as a hedge offsetting the contingent liability that may arise due to the exchangeability of the notes. (See Note 13.)

13 (In Part): Commitments and Contingencies

As of September 30, 1992, the potential liability to the Company arising from the exchangeability feature of the Company's zero coupon subordinated notes did not exceed the carrying or accreted value of the notes. (See Note 5.)

Arbitration

INTEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (In Part)

On August 29, 1991, the Company was sued by Advanced Micro Devices, Inc. (AMD) in the U.S. District Court for the Northern District of California, alleging violations of the U.S. antitrust laws and claiming $2 billion damages and requesting treble damages under the antitrust laws. Intel believes the suit to be without merit and has filed motions for dismissal and for summary judgment. Intel's motion to dismiss a significant portion of AMD's allegations was granted on December 17, 1991. No trial date is currently set. Intel intends to continue to defend these allegations vigorously. While the ultimate outcome of these claims cannot be determined at this time, management, including internal counsel, does not believe that the ultimate outcome will have a material adverse impact on the Company's financial position.

In 1987, the Company was served with a demand for arbitration by AMD under which AMD alleged that the Company had breached specific provisions of a technology exchange agreement between the parties and had committed other such acts allegedly injurious to AMD. AMD's demand sought monetary damages of $2.2 billion. In addition, AMD asked the arbitrator to order transfer of certain product technology to AMD. The Company also made certain counterclaims against AMD.

In 1989, the arbitrator issued an initial written decision on one product claim. On October 11, 1990, the arbitrator issued a decision that resolved all remaining liability issues. The latter decision did not require Intel to transfer the Intel386™ microprocessor, the 8087 math coprocessor or any other product to AMD. The decisions did state Intel breached the contract by failing to fulfill covenants of good faith and fair dealing in its relationship with AMD and by failing to transfer the 8087 and timely updates to the 80286. On February 24, 1992, the arbitration proceeding was concluded with the release of the final decision of the arbitrator. In this decision, AMD was awarded $15 million in damages for lost profits and interest and the decision purported to grant rights to the Company's intellectual property, including trade secrets, used by AMD in its imitation 80386 microprocessors. In addition, the arbitrator purported to extend AMD's rights under the 1976 patent license agreement as those rights may be used on its 80386 microprocessor through December 31, 1997. The Company was allowed to retain approximately $23 million in disputed royalties previously paid by AMD under protest. The $23 million in royalty revenue and the $15 million in damages are reflected in the Company's 1992 financial results. The Company filed a petition in Santa Clara County, California Superior Court to set aside those portions of the arbitrator's award which the Company felt were outside the jurisdiction of the arbitrator. AMD brought a motion in the same court to have the arbitrator's award entered as an order of the court. The Superior Court confirmed the arbitrator's award, including the portions which the Company had moved to have set aside. The Company has appealed this ruling with respect to those portions to the California Appellate Court. No hearing date has been set.

Unasserted Claims

TRW INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

The company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, the company is conducting a number of environmental investigations and remedial actions at current and former company locations and, along with other companies, has been named a potentially responsible party for certain waste disposal sites. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably to the company. The company has established accruals for matters that are probable and reasonably estimable including $109 million for environmental matters at December 31, 1992. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial position of the company.

Further, product liability claims may be asserted in the future for events not currently known by management. Although the ultimate liability from these potential claims cannot be ascertained at December 31, 1992, management does not anticipate that any related settlement, after consideration of potential insurance recovery, would have a material adverse effect on the company's financial position.

Retiree Medical Benefits

TERRA INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

The Corporation is contingently liable for retiree medical benefits of employees of coal mining operations sold on January 12, 1993. Under the purchase agreement, the purchaser agreed to indemnify the Corporation against its obligations under certain employee benefit plans. Due to the Coal Industry Retiree Health Benefit Act of 1992, certain retiree medical benefits of union coal miners have become statutorily mandated, and all companies owning 50 percent or more of any company liable for such benefits as of certain specified dates become liable for such benefits if the company directly liable is unable to pay them. As a result, if the purchaser becomes unable to pay its retiree medical obligations assumed pursuant to the sale, the Corporation may have to pay such amount. The Corporation has estimated that the present value of liabilities for which it retains contingent responsibility approximates $13 million at December 31, 1992. In the event that Corporation would be required to assume this liability, mineral reserves associated with the sold coal subsidiary would revert to the Corporation.

Antidumping Petition

VULCAN MATERIALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Other Commitments and Contingent Liabilities

In 1987 the Company formed three jointly owned companies with Industrias ICA, S.A. de C.V., ("Indica"), a principal member of Grupo ICA, one of Mexico's leading diversified industrial entities, to develop and operate a limestone quarry on Mexico's Yucatan peninsula and to import Mexican crushed stone for sale along the U.S. Gulf Coast (the "Crescent Market Project"). The shareholder agreements for these three companies provide that each sponsor will contribute its share of the equity required to fund the project, which is currently estimated to be approximately $69,000,000 each. Through December 31, 1992, the Company contributed to the ventures approximately $60,967,000; Indica contributed a substantially equal pro rata amount. All equity contributions are expected to be made by December 31, 1993. Two of the jointly owned companies have entered into term loan agreements to fund up to $103,613,000 of their investments. The current balance of these loans is $90,546,000. Approximately $5.5 million of the debt at December 31, 1992 currently is expected to be retired by 1993 contributions. The Company and Indica have agreed to guarantee these loans on a several and pro rata basis equal to approximately 50% each. Certain of the loan guarantees will be terminated if and when the project meets defined financial tests. In addition, the Company has approximately $4.4 million outstanding from the three companies at December 31, 1992 as its share of loans to the project.

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An antidumping petition was filed on May 20, 1992, with the International Trade Commission ("ITC"), by two stone producers and a stone distributor in southwest Texas alleging that a U.S. industry was being injured by imports of crushed limestone from Mexico. The companies involved in the Crescent Market Project quarry and crush limestone from Mexico's Yucatan Peninsula for sale along the U. S. Gulf Coast. On June 29, 1992, the ITC, in a 5–0 vote (with one commissioner not participating), determined that there was no reasonable indication that an industry in the United States was materially injured or threatened with material injury by the importation of crushed limestone from Mexico. This ruling has since been appealed to the United States Court of International Trade.

Repayment Of Grants

WANG LABORATORIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Commitments And Contingencies

The Company has received grants from a governmental agency for the construction of a manufacturing facility. Under certain circumstances, such as the sale or abandonment of the facility, the Company could be required to repay certain portions of these grants, which amounted to approximately $15 million at June 30, 1992.

GAIN CONTINGENCIES

Plaintiff Litigation

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Legal Proceedings

In January 1992, the Company commenced a legal action in the U.S. District Court for the Southern District of New York against Ambase Corporation to recover approximately $1.7 million owed to the Company for printing services rendered in 1991. In a response filed in March 1992, Ambase denied any obligations to pay the amounts owed to the Company and in a counterclaim against the Company asserted that as a result of the failure by the Company to complete the printing of certain proxy materials on time, Ambase was damaged in an amount in excess of $23 million. The Company believes this counterclaim is without merit and intends to pursue its action for payment and defend against the counterclaim vigorously. Accordingly, no provision has been made in the Company's financial statements with respect to the counterclaim against the Company. In the opinion of the Company's management, the ultimate resolution of these claims will not have a material adverse effect on the Company's financial position.

W.R. GRACE & CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in millions, except per share amounts

2 (In Part): Asbestos, Environmental and Other Proceedings

Insurance Litigation

Grace's ultimate exposure in respect of its asbestos-related lawsuits and claims will depend on the extent to which its insurance will cover damages for which it may be held liable, amounts paid in settlement and litigation costs. In March 1991, the U.S. District Court for the Southern District of New York held that Grace's primary insurance carriers are obligated to defend and indemnify Grace with respect to damages (other than certain punitive damages), settlement amounts and litigation costs in connection with both personal injury and property damage asbestos claims. The court held that coverage for asbestos property damage was triggered by the "discovery of damage" during the policy period. In December 1991, the Circuit Court for Jackson County, Mississippi also held that Grace's primary and excess insurance carriers are obligated to defend and indemnify Grace, holding that for the purposes of insurance coverage, damage to buildings from asbestos-containing products occurs at the time such products are put in place and that the damage continues as long as the building contains the products (a "continuous trigger"). A similar decision was rendered by a Minnesota state court in November 1992.

In 1992, Grace received $31.2 in reimbursements from insurance carriers for monies expended by Grace in connection with asbestos-related litigation. Grace is still seeking to recover the balance of the payments it has made with respect to asbestos-related litigation from its excess insurers and from insurance companies that sold insurance policies to predecessor companies of Grace. Prior to 1992, Grace received payments totalling $55.8 from two carriers, which represented the aggregate remaining obligation owed to Grace by those carriers for primary level insurance coverage written by them for the period June 30, 1962 through June 30, 1987.

For the period June 30, 1970 through June 30, 1985—the most relevant period for asbestos-related litigation—Grace purchased, on an annual basis, as much as eight levels of excess insurance coverage. In general, excess policies provide that when claims paid exhaust coverage at one level, the insured may seek payment from the carriers at the next higher level. For that 15-year period, the first six levels of excess insurance available from insurance companies that Grace believes to be solvent (based primarily upon reports from a leading independent insurance rating service) provide coverage in excess of $1.5 billion, which is $514.7 or 52% more than the estimated maximum exposure referred to above. If, however, the amount available in the first six levels should prove to be insufficient, Grace has substantial additional coverage available in its two remaining levels of excess coverage. In Grace's opinion, it is probable that recoveries from its excess insurance coverage will be available to satisfy Grace's asbestos-related exposure. Consequently, Grace believes that the resolution of its asbestos-related litigation will not have a material effect on its consolidated financial position or results of operations.

THE LUBRIZOL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 (In Part): Litigation

Separately, on December 4, 1992, the Federal Court of Appeals of Canada ruled in favor of the company in its case against Exxon for infringement of the company's patent pertaining to dispersant, the largest additive component used in motor oils. Damages in this case will be determined at a later date. A reasonable estimation of the company's potential recovery, if any, cannot be made at this time.

McDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Millions of dollars, except share data)

5. Contracts in Process and Inventories

Contracts in process and inventories consist of the following:

December 13	1992	1991
Government contracts in process	$6,535	$7,324
Commercial products in process	5,598	5,387
Material and spare parts	1,091	1,492
Progress payments to subcontractors	1,421	2,107
Progress payments received	(7,415)	(9,037)
	$7,230	$7,273

Substantially all government contracts in process (less applicable progress payments received) represent unbilled revenue and revenue which is currently not billable.

The Navy on January 7, 1991, notified MDC and General Dynamics Corporation (the Team) that it was terminating for default the Team's contract for development and initial production of the A-12 aircraft. On June 7, 1991, the Team filed a legal action to contest the Navy's default termination, assert its rights to convert the termination to one for "the convenience of the Government," and obtain payment for work done and costs incurred on the A-12 contract, but not paid to date. The Navy has agreed to continue to defer repayment of $1.343 billion alleged to be due from the Team as a result of the termination for default of the A-12 program. The agreement provides that it will remain in force until the dispute as to the type of termination is resolved by the pending litigation in the United States Court of Federal Claims or negotiated settlement, subject to review by the U.S. Government annually on December 1, to determine if there has been a substantial change in the financial condition of either Team member such that deferment is no longer in the best interest of the Government.

At December 31, 1992, Contracts in Process and Inventories include approximately $418 million of recorded costs on the A-12 contract. In 1990, MDC established a provision of $350 million for loss on the contract. The amount of the provision is based on MDC's belief that the termination for default will be converted to a termination for convenience, that MDC or the Team will recover a minimum of $250 million in claims, that there is a range of reasonably possible results on termination for convenience and that it is prudent to provide for what MDC believes is the upper range of possible loss on termination for convenience, namely $350 million. In MDC's opinion, this loss provision continues to provide adequately for the reasonably possible reduction in value of A-12 net contracts in process and non-reimbursed supplier termination payments as of December 31, 1992, as a result of termination of the contract for the convenience of the Government. MDC has been provided with an opinion of outside counsel that the Government's termination of the contract for default is contrary to law and fact, that the default is excusable, that the rights and obligations of MDC are the same as if the termination had been issued for the convenience of the Government and that, subject to prevailing that the termination is properly one for the convenience of the Government, the probable recovery by MDC on the claims is not less than $250 million.

If, contrary to MDC's belief, the termination is not deemed to be for the convenience of the Government, it is estimated that an additional loss would be incurred which could amount to approximately $1 billion. MDC believes that the Department of Defense (DoD) will not make an aircraft reprocurement on terms and conditions which would give rise to Team liability for excess costs of reprocurement under a termination for default.

17 (In Part): Commitments and Contingencies

See Note 5, Contracts in Process and Inventories, for a discussion of certain risks on fixed price development contracts including the termination on January 7, 1991, by the Navy of a contract with MDC and General Dynamics Corporation for the development and initial production of the A-12 aircraft.

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Litigation

On September 15, 1992, International Surplus Lines Insurance Company ("ISLIC"), a subsidiary of Crum and Forster, Inc., filed a complaint in the United States District Court for the Southern District of Ohio, Eastern District, in Columbus, Ohio against certain underwriting syndicates at Lloyd's of London and 36 foreign reinsurance companies. The complaint seeks a declaratory judgment that the defendants are obligated to reimburse ISLIC under various reinsurance contracts for approximately $265 million in payments made or to be made to Owens-Corning Fiberglas for asbestos related losses. ISLIC believes that it is entitled to the full payment of these reinsurance recoverables and will vigorously pursue this lawsuit.

Sale of Investment

HERSHEY FOODS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Acquisitions and Divestiture

In May 1992, the Corporation acquired an 18.6% interest in Freia from Orkla a.s, a diversified Norwegian company, for $179.1 million. The investment was accounted for under the cost method in 1992.

In October 1992, the Corporation announced that it was withdrawing its prior bid to acquire the remaining shares of Freia and had tendered its 18.6% interest to Kraft General Foods Holdings Norway, Inc. (KGF). The KGF offer is subject to certain conditions, including approval by the Norwegian government of KGF's ownership of Freia which is expected in the spring of 1993. The price will be adjusted for interest to be earned from the date of tender until payment date. The sale of the Corporation's Freia shares will result in a one-time, pre-tax gain of approximately $80.0 million.

Tax Rate Reductions

HEWLETT-PACKARD COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taxes on Earnings (In Part)

As a result of certain employment and capital investment actions undertaken by the company, income from manufacturing activities in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, for years through 2002. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be $123 million, $118 million and $116 million for 1992, 1991 and 1990, respectively.

COMMITMENTS

Paragraph 18 of *Statement of Financial Accounting Standards No. 5* requires the disclosure of commitments such as those for capital expenditures or an obligation to restrict dividends. Table 1-12 lists various commitments.

Examples of commitments listed in Table 1-12 follow.

TABLE 1-12: COMMITMENTS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Dividend restrictions	379	386	388	384
Capital expenditures	86	86	86	78
Purchase agreements	77	78	81	64
Employment contracts	31	35	40	40
Additional payments in connection with an acquisition	23	24	32	27
Sales agreements	16	15	21	13
Other—described	37	62	58	43

Obligations to Maintain Working Capital Or Restrict Dividends

ALBERTO-CULVER COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Long-Term Debt

Various borrowing arrangements impose restrictions on such items as total debt, working capital, dividend payments, treasury stock purchases and interest expense. At September 30, 1992, the company was in compliance with these arrangements and $68 million of consolidated retained earnings was not restricted as to the payment of dividends and purchases of treasury stock.

DEAN FOODS COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Borrowing Arrangements (In Part)

At May 31, 1992, under the most restrictive provisions of the Company's borrowing arrangements: tangible net worth of at least $175 million, working capital of at least $60 million, and a current ratio of at least 1.25 were required to be maintained; approximately $63 million of retained earnings was unrestricted for the payment of cash dividends and repurchase of common stock; and the Company could not incur total long-term debt in excess of 40% of its total capital.

ECHLIN INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Borrowing Arrangements

The company's RCA and senior note agreements contain restrictive covenants regarding the payment of cash dividends, the maintenance of working capital and shareholders' equity, and the issuance of new debt. Under the most restrictive covenant, cash dividends paid since September 1, 1990 shall not exceed the sum of $45,000,000 plus 60% of cumulative net earnings, as defined, plus 50% of the net proceeds from the sale of common stock of the company since September 1, 1990. The company is in compliance with all covenants of these agreements.

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Shareholders' Equity

Restrictions on Dividends and Redemptions of Capital Stock:

The Company's charter provides that no dividends may be paid and no shares of capital stock acquired for value if there are dividend or redemption arrearages on any senior or equally ranked stock. Exchanges of subordinated serial preferred stock for common stock or other stock junior to such exchanged stock are permitted.

The Company's revolving credit agreement restricts the payment of dividends and redemptions of capital stock. At January 31, 1993, $11,151,000 was available for such payments.

The February 1, 1993 indenture, under which the Company's 10⅜% senior notes due 2003 were issued, limits the payment of dividends and redemptions of capital stock to the sum of $10 million plus (i) 50% of consolidated net income (as defined) after April 30, 1993 and (ii) the aggregate net proceeds (as defined) received from the issuance or sale of capital stock after February 1, 1993.

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Long-Term Debt

Long-term debt as of October 31, 1992 and 1991, consisted of (in thousands):

	1992	1991
Senior notes [(a)]	$12,500	$12,500
Bank term note [(b)]	4,750	5,000
Bank revolving credit facilities [(c)]	16,159	4,507
Economic Development Revenue Bonds, Series 1990 [(d)]	1,000	1,000
Capitalized leases (Note 4)	522	733
Other	355	465
	35,286	24,205
Less unamortized debt issuance costs	172	185
	35,114	24,020
Less current portion	829	569
	$34,285	$23,451

(a) On December 20, 1990, the Company issued Senior Notes in the amount of $12,500,000. The Notes are payable in seven equal annual installments beginning on December 1, 1994, and bear interest at the rate of 10.37% per annum, payable semi-annually. The Notes include restrictive covenants, the most significant of which requires that the Company limit the amount of repurchased common stock and cash dividends and maintain minimum capitalization and certain financial ratios (see Note 10). As of October 31, 1992, future common stock repurchases and cash dividends are restricted and contingent upon the level of future earnings.

(b) On September 9, 1991, the Company entered into a $5,000,000 term loan agreement with a bank. As of October 31, 1992, the term note has an outstanding balance of $4,750,000 payable in annual installments as follows (in thousands):

September 1, 1993	$ 500
September 1, 1994	$ 750
September 1, 1995	$1,000
September 1, 1996	$2,500

The interest rate alternatives (4.7% and 6.69% as of October 31, 1992 and 1991, respectively) and covenants are the same as defined in the bank revolving credit agreement described below (see Note 10).

(c) On September 10, 1990, the Company entered into a revolving credit agreement with a bank which provides for a maximum line of credit of $17,500,000, as amended. Several interest rate alternatives exist under this credit facility (4.7% and 6.69% as of October 31, 1992 and 1991, respectively). The credit agreement includes restrictive covenants, the most significant of which requires that the Company maintain minimum capitalization and certain financial ratios (see Note 10). This agreement expires on March 1, 1995, and as such, related borrowings are classified as long-term as of October 31, 1992.

10. Subsequent Events

On January 15, 1993, the Company received from its lenders waivers and amendments to its loan agreements (see Note 3) to eliminate the non-compliance status of certain financial covenants as of October 31, 1992, and alter requirements during fiscal 1993.

IBP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Long-Term Obligations:

IBP's loan agreements contain certain restrictive covenants which, among other things, (1) require the maintenance of a minimum current ratio, adjusted net worth and debt service coverage ratio; (2) provide for a maximum funded debt ratio; and (3) place certain restrictions on the declaration and payment of dividends and similar distributions. As of December 26, 1992, approximately $74 million of stockholders' equity was available for the payment of dividends and other similar distributions.

JOHNSTON INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Long-Term Financing and Short-Term Borrowings

Covenants and Restrictions

The revolving credit loan and term note agreements require the Company, among other things, to maintain certain financial ratios and specified levels of working capital and tangible net worth, as defined. The agreements also place a limit on total borrowings to the lower of $45,000,000, total stockholders' equity, or an amount computed using a borrowing base formula. Additionally, the Company's restricted investments, defined to include guarantees and advances to affiliates, are limited to the lesser of 20% of total assets or $13,500,000. These agreements also restrict the Company's ability to incur debt, buy or sell assets, pay dividends, and issue or repurchase capital stock. As of June 30, 1992, the Company is restricted from paying cash dividends in excess of $7,446,000.

QUANTUM CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Long-Term Debt and Credit Facilities

The Company's long-term debt instruments contain various covenants which, among other things, restrict the payment of cash dividends on its common stock, restrict the purchase by the Company of its common stock and other restricted payment; limit the incurrence of indebtedness, liens and guarantee obligations, and certain other business activities of the Company and its subsidiaries; and require the Company to meet certain financial tests, including maintenance of a specified level of consolidated adjusted net worth and various financial ratios (as defined). Under the most restrictive of the dividend covenants, the Company may not declare or pay cash dividends or make other restricted payments if the cumulative amount thereof, since January 15, 1989, exceeds the sum of 50% of the cumulative consolidated net income or 100% of the cumulative consolidated net loss (as defined) since January 1, 1989, together with the net proceeds received by the Company from certain issuances of its capital stock since January 15, 1989. Based on results through December 31, 1992, the Company currently has a negative amount of $146.8 million and therefore may not declare or pay cash dividends under such covenant.

TENNECO INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Restrictions on the Payment of Dividends by Subsidiaries

At December 31, 1992, Tennessee Gas Pipeline Company ("Tennessee") and Tenneco Credit Corporation ("TCC"), both wholly-owned consolidated subsidiaries, had retained earnings of $2,480 million and $229 million respectively, of which $605 million and $105 million, respectively, were contractually restricted as to the payment of dividends. The restrictions for Tennessee were contained in indentures under which certain of its notes and debentures have been issued. The TCC restrictions were contained in the investment agreement between TCC and Tenneco Inc. which was entered into in support of various loan agreements of TCC.

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations for information regarding the payment of dividends by Tenneco Inc.

Capital Expenditures

CONSOLIDATED PAPERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Commitments

As of December 31, 1992, the company had capital expenditure purchase commitments outstanding of approximately $17 million.

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands)

5 (In Part): Commitments

Property, Plant and Equipment: During the next year the Company plans to expend approximately $100,000 for property, plant and equipment.

GREIF BROS. CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Capital Expenditure Commitments

During 1992 the Company, through one of its subsidiary companies, Virginia Fibre Corporation, approved capital expenditures for a 325 ton per day recycled paper machine. The commitment to purchase this machine including related building and equipment and additional working capital will total approximately $80 million. It is currently anticipated that the project will be completed by December 1993 and financed from operating cash flow and an available $40 million line of credit. The line of credit is for seven years with an adjustable interest rate tied, at the Company's discretion, to the lower of the bank's prime rate or the London Interbank Offered Rates. Repayment starts in 1995 with no penalty for prepayment. As of October 31, 1992, the Company has entered into contracts and commitments totaling approximately $64 million of which approximately $11.3 million has been expended.

MOLEX INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

7 (In Part): Commitments

(A) Production Equipment

As of June 30, 1992, the Company has entered into firm commitments for capital expenditures of approximately $23,405 for machinery, molds and dies.

Purchase Contracts

LUKENS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share amounts)

Purchase Commitments

At year-end 1992, purchase commitments for capital expenditures were $19,202. In January 1993, the Board of Directors approved an $86,000 expansion project for the Lukens Steel Group facility in Conshohocken, Pennsylvania. The project is expected to become operational in October 1994.

Lukens Steel Company has a long-term contract for the supply of oxygen and related products to its primary facility in Coatesville, Pennsylvania. The contract runs until 2007 and has take-or-pay provisions totaling $35,312 for the remaining term. Annual minimum commitments are $2,478, which can be adjusted for inflation.

UNION CARBIDE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Commitments and Contingencies

The Corporation has entered into three agreements (Plant I, Plant II and Terminal Storage) for the purchase of ethylene-related products and for the availability of terminal storage from facilities located in Canada with terms expiring in 2004, 2014, and 2014, respectively. The purchase prices for the output of Plant I and Plant II are determined on a cost-of-service basis. Total purchases under the Plant I agreement were $43 million, $46 million and $48 million in 1992, 1991, and 1990, respectively. Additionally, Union Carbide Corporation has agreed to fund its portion of any cash deficiency in the Plant I debt service cost. As of Dec. 31, 1992, that debt amounted to $41 million, and projected 1993 interest costs are $4 - million. This debt is part of the fixed and determinable obligation identified below. Purchases under the Plant II agreement are expected to commence in 1994. Terminal Storage is for a 20-year period and is expected to commence in 1994. The minimum purchase price under this agreement will be based on a fixed charge, subject to escalation.

The Corporation has also entered into an agreement to purchase a portion of the output of a U.S. ethylene plant through the year 2000. The purchase price for the output will be based upon market prices subject to certain minimum price provisions. Initial purchases under this agreement were $48 million in 1992.

The Corporation has entered into a three-year agreement to provide for the availability of terminal storage at a domestic location. The minimum purchase price for this agreement will be based on a fixed charge. Purchases amounting to $1 million began in 1992.

The net present value of the fixed and determinable portion of obligations under these purchase commitments at Dec. 31, 1992 (at current exchange rates, where applicable) are presented in the following table.

Millions of dollars	
1993	$ 42
1994	43
1995	79
1996	68
1997	59
1998 to expiration of contracts	240
Total	$531

THE PITTSTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments

At December 31, 1992, the Company had contractual commitments to purchase coal which is primarily used to blend with Company mined coal. Based on the contract provisions these commitments are currently estimated to aggregate approximately $260,057,000 and expire from 1993 through 1998 as follows:

	(In thousands)
1993	$ 81,369
1994	69,669
1995	39,404
1996	25,365
1997	22,125
1998	22,125
	$260,057

Purchases under the contracts were $74,331,000 in 1992, $58,155,000 in 1991 and $58,349,000 in 1990.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 (In Part): Commitments and Contingencies

Under certain timber contracts, title passes as the timber is cut. These are considered to be commitments and are not recorded until the timber is removed. At December 31, 1992 commitments on such contracts, which run through 1997, were approximately $48.2 million.

SPEIZMAN INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Stock Redemption Agreements

The Company has an agreement with its principal stockholder whereby, upon his death, the Company is obligated to redeem a portion of the stock in the Company held by his estate. The redemption price for common stock is to be the fair market value of common stock, less 5%, plus any accrued dividends. In no case will the Company pay out more than the amount of life insurance proceeds received by the Company as result of the death of the stockholder.

At June 27, 1992, there were 991,783 common shares covered by the above agreement. The face value of life insurance carried by the Company under this agreement amounts to $1,150,000. Under this redemption agreement proceeds of the policies, after repayment of policy loans, if any, are to be used (a) first, to bring current any delinquent debts owed by the Company to this stockholder; (b) second, to set aside $200,000 for use by the Company while searching for a replacement for the Company's president; (c) to the extent possible, to repay outstanding loans due this stockholder which are not then currently due; and (d) to the extent possible, to redeem the stock of the stockholder.

The Company entered into an agreement in 1982 for the redemption of 2,341 shares of its 5% Non-Cumulative, Non-Voting Preferred Stock. Redemption, at the rate of 10% each year, was to begin when the Company's net worth exceeded $1,500,000. Redemption was to continue unless the Company's net worth at a subsequent year end fell below $1,200,000. Redemption once halted was to begin again when the Company's net worth reached $1,200,000 at a subsequent year end. The Preferred Stock was to be redeemed at par, $100 per share, plus any unpaid dividends. Each year, 234 shares were to be redeemed. Redemption of 234 shares, total value $23,400, was required in fiscal 1992. During fiscal 1992, the Company elected to accelerate this redemption plan. The 2,341 shares of Preferred Stock having par and redemption values of $234,100 were redeemed by payments totaling $134,100 to the holders of this Preferred Stock. The $100,000 difference was credited to the Company's Additional Paid-In Capital account.

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Potential Acquisition

The Company has entered into a letter of intent to acquire Kellogg Brush Manufacturing Co. and its subsidiaries ("Kellogg") for $33.9 million. The purchase price includes $27.1 million in cash and Ekco Group common stock to be valued at $6.8 million, if the transaction is consummated as contemplated. The acquisition is subject to, among other things, the satisfactory completion by Ekco Group of an accounting, legal and business review of Kellogg, and the execution of a definitive merger agreement.

Kellogg is engaged primarily in the manufacture and sale of a wide variety of household brushes, brooms and mops. Kellogg's products are widely distributed to mass merchandise, grocery and hardware stores, and janitorial supply distributors throughout the United States and Canada. For its most recent fiscal year, which ended March 31, 1992, Kellogg reported net revenues of $35.5 million, income before taxes of $4.1 million, net income of $2.4 million, total assets of $26.3 million and total liabilities of $17.5 million.

DIGITAL EQUIPMENT CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Commitments and Contingencies

On June 26, 1992, the Company entered into an agreement to acquire 20,250,000 shares of Ing. Olivetti & C. S.p.A. common stock for 172.125 billion Italian lire, and an agreement to form a strategic alliance. Payment of approximately $152,000,000, based on the July 31, 1992 rate of exchange, is expected to be made in the first quarter of fiscal year 1993. The Company also has agreed to purchase another 9,500,000 shares of Olivetti common stock on the open market by June, 1993. Provided that certain conditions of the agreements are met, the Company has agreed to purchase an additional 20,250,000 shares of Olivetti common stock, for 172.125 billion Italian lire, by the end of 1994.

JOSTENS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pending Acquisition

In April 1992, the Company announced it had signed a definitive agreement to merge with Wicat Systems, Inc. through the exchange of approximately 4.1 million common shares of the Company for all of the outstanding shares of Wicat. The combination will be accounted for as a pooling of interests and is expected to close in late August 1992. Wicat, which will be combined with Jostens Learning Corporation, is a provider of computer-based educational courseware and computer-based training courseware for the aviation industry and reported sales of $48 million for fiscal 1992. This transaction is expected to result in approximately 8% dilution in earnings per share for fiscal 1992, be slightly dilutive in 1993 and be positive in fiscal 1994 and beyond.

O'SULLIVAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

Capitol Plastics of Ohio, Inc., Acquisition

On September 24, 1992 the Corporation announced that it had signed a Letter of Intent to acquire Capitol Plastics of Ohio, Inc. The Corporation expects to complete this transaction before the end of the first quarter of 1993 pending the completion of its due diligence investigation. Capitol Plastics is a custom injection molding manufacturing company with one plant located in Bowling Green, Ohio. Its principal customers are Honda of America and Chrysler Corporation. Capitol's 1992 sales were approximately $28 million. This acquisition will become part of the plastics products operations segment of O'Sullivan Corporation.

Employment Contracts

ARDEN GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Commitments and Contingent Liabilities:

The Company has an employment agreement with a key executive officer which expires on January 1, 1995. In addition to a base salary, the agreement provides for a bonus based on pre-tax earnings. No maximum compensation limit exists. The compensation expensed in 1992, 1991 and 1990 was $577,000, $437,000 and $875,000, respectively.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Stock Plans and Management Compensation

The Company has employment agreements with certain executive officers that become operative only upon a change in control of the Company, as defined above. In 1989, the Company established a severance plan for all other salaried employees of the Company which also only becomes operative upon a change in control of the Company. Compensation which might be payable under these agreements and the severance plan has not been accrued in the consolidated financial statements as a change in control has not occurred.

CAESARS WORLD, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

Employment and Severance Agreements. The Company has severance agreements with 16 employees (including nine officers) which grant these employees the right to receive up to two times their annual salary and bonus, plus continuation of certain benefits, and acceleration of certain stock options and grants subject to certain maximums under tax law, if there is a change in control of the Company (as defined) and a termination (as defined) of such employees within three years thereafter. The maximum contingent liability for salary and incentive compensation under these agreements is approximately $8,701,000. The Company also has entered into employment agreements with five employees which expire at various dates through January 31, 1995. The aggregate commitment for future salaries, excluding bonuses, under these employment agreements is approximately $1,953,000. The Company also has entered into severance and employment agreements with two officers which contain continual self-renewing terms of five years and three years, respectively, subject to the option of the Company to terminate this self-renewing provision. In addition, these agreements provide these officers the option to terminate their contractual obligations in the event of a change in control or a material breach by the Company. If such change of control had occurred on July 31, 1992, the aggregate contingent liability under these agreements would have been approximately $11,220,000.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies and Commitments (In Part)

Since fiscal 1972, the Company has had employment agreements with its principal officers. Such agreements, which have been revised from time to time, provide for minimum salary levels, adjusted annually for cost-of-living changes, as well as for incentive bonuses which are payable if specified management goals are attained. The aggregate commitment for future salaries at August 1, 1992, excluding bonuses, was approximately $13,000,000.

TRANSTECHNOLOGY CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments

The Company has consulting agreements with certain members of the Board of Directors and former executives. Commitments under such agreements are as follows:

Year ending March 31:	
1993	$ 885,000
1994	720,000
1995	633,000
1996	450,000
1997	225,000
Total	$2,913,000

Additional Payments Related to Acquisitions

THE ALLEN GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Acquisitions and Dispositions

In 1992, the Company acquired Alliance Telecommunications Corporation ("Alliance") for a purchase price of approximately $44,000,000 consisting of $21,600,000 in cash, 270,877 shares of the Company's common stock with a value of $5,800,000 and $16,431,000 of Debentures. Pursuant to the terms of the acquisition, the former shareholders of Alliance may earn additional purchase price consideration in the form of new debentures of the Company based on the attainment of "Net Sales" above specified minimum levels by Alliance's "Microcell Business" (both as defined in the agreement) beginning July 1, 1992 through December 31, 1994. The additional consideration is 80% of the excess of Net Sales of the Microcell Business over stipulated base levels up to the amounts set forth in its "Financial Plan", (as defined in the agreement) and 20% of Net Sales of such Business if and when Net Sales exceed the amounts in such Financial Plan. There is no limit as to the amount of such debentures that may be issued, but their convertibility into shares of the Company's common stock is limited. If Alliance attains the Net Sales set forth in its Financial Plan during the period January 1, 1993 through December 31, 1994, additional consideration could approximate $7,200,000. No additional consideration was earned for 1992. This acquisition has been accounted for under the Purchase Method of accounting; accordingly, Alliance's results of operations have been included in the Company's consolidated financial statements subsequent to the July 30, 1992 acquisition date.

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions

On October 1, 1991 the Company acquired the remaining 17% of outstanding stock of Coherent General, Inc. for $200,000 in cash. On June 11, 1991, the Company acquired 100% of the common stock of Coherent Scientifique, S.A., a former distributor for the Company, for $819,000 in cash. The acquisition has been accounted for as a purchase and $277,000 of goodwill was recorded that will be amortized over five years. The Company is required to make additional payments based upon the achievement of certain sales levels by the subsidiary. Additional estimated amounts of $156,000 were accrued and recorded as goodwill during fiscal 1992 based upon current projections of future sales. Additional estimated amounts (approximately $156,000) may be accrued during fiscal 1993. Coherent Scientifique, S.A. is located in Paris, France.

ELI LILLY AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per-share data)

Note 4: Acquisitions

In 1992, the company acquired Origin Medsystems, Inc. (OMI), a company specializing in devices for use in laparoscopic surgery. The purchase price, including subsequent contingent payments earned through December 31, 1992, totaled $66 million. Depending on the annual performance of OMI and other conditions over the period ending December 31, 1997, additional cash up to $169 million may be paid to holders of OMI common stock. Such additional consideration would be accounted for as goodwill. Goodwill recognized in the acquisition is being amortized over 15 years using the straight-line method. In January 1993, a federal court in California issued a preliminary injunction preventing OMI from selling its safety trocar device based upon alleged patent infringement and alleged trade secret misappropriation claims of a competitor. While this was OMI's largest selling product, OMI sells other products and plans to introduce additional products in 1993.

Also in 1992, the company acquired a controlling interest in Beiersdorf G.m.b.H., a German pharmaceutical company, for an initial purchase price of $33.1 million and additional obligations of up to $64.6 million for additional ownership interests if certain conditions are met. Goodwill recognized in the acquisition is being amortized over 15 years using the straight-line method.

In 1989, the company acquired Devices for Vascular Intervention, Inc. (DVI), which designs, manufactures, and markets atherectomy catheter systems for the treatment of cardiovascular disease. The purchase price, including subsequent contingent payments earned through December 31, 1992, totaled $96 million. Depending on the annual performance of DVI over the period ending December 31, 1993, additional cash or convertible notes up to $106 million may be paid to holders of DVI common stock. Such additional consideration would be accounted for as goodwill. Goodwill recognized in the acquisition is being amortized over 20 years using the straight-line method.

TYLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition (In Part)

On February 20, 1991, the Company completed the purchase of Forest City Auto Parts Company, a privately held retailer of automotive parts and supplies. Forest City was acquired for approximately $26 million with additional payments of up to $6,600,000 over the next five years if certain profit objectives are achieved. The Company paid $660,000 of this amount in the first quarter of 1992 for 1991 performance and paid an additional $660,000 in the first quarter of 1993 for 1992 performance.

Sales Agreements

RYMER FOODS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Commitments and Contingencies

The Company has agreements with certain of its customers to sell merchandise over the next year for specified prices. The Company's aggregate commitment under sales agreements was approximately $28.2 million as of October 31, 1992. There were no outstanding purchase agreements as of October 31, 1992.

Agreement to Form a New Company

AMERICAN CYANAMID COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3, (In Part): Acquisitions, Dispositions, Special Costs

On December 15, 1992, the company announced that it had entered into an agreement to create a new biopharmaceutical company by merging Cyanamid's North American Lederle oncology business with Immunex Corporation, a biopharmaceutical company based in Seattle, Washington. Cyanamid also will contribute $350 million to the new company, which will retain the Immunex name and continue to be headquartered in Seattle. The transaction is subject to the approval of Immunex stockholders and U.S. government agencies under the Hart-Scott-Rodino Act. It is anticipated that Immunex stockholders will vote on the transaction during the second quarter of 1993. If the transaction is approved, it will result, on an unaudited basis, in an estimated dilution of Cyanamid earnings per share of about 35 cents on an annualized basis in 1993 and an estimated one-time charge to net earnings of approximately $350-$400 million relating principally to the write-off of in-process research and development. Immunex stockholders will receive a package of $21 in cash per share, with a total cash value of approximately $380 million, plus one share of new Immunex stock for each share of current Immunex stock held. Cyanamid will own 53.5% of the new Immunex common stock on a fully diluted basis following the merger, with the remaining 46.5% held by Immunex stockholders. There will be approximately 40 million fully diluted shares outstanding after the transaction is completed. Under the terms of the agreement, Cyanamid will be permitted to increase its ownership of Immunex to 70% through purchases of publicly held stock. Cyanamid also will contribute additional cash or other consideration to the new company if sales of products as defined in the Agreement and Plan of Merger do not achieve projected growth levels in the years 1993 through 1997.

8 (In Part): Contingent Liabilities and Commitments

See discussion in Note 3 to Consolidated Financial Statements for information on the proposed merger of Cyanamid's North American Lederle oncology business with Immunex Corporation.

Development and License Agreement

THE UPJOHN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in thousands, except per-share data

I (In Part): Commitments and Other Contingent Liabilities

The company has a development and license agreement with the manufacturer of a blood substitute currently under development. The agreement calls for investments by the company that could aggregate $179,000 over a period of years as certain development milestones are achieved. As of December 31, 1992, the company has invested $50,000. Also, pursuant to the agreement the company has committed to conduct clinical development, which resumed in early 1993.

FINANCIAL INSTRUMENTS

Effective for fiscal years ending after June 15, 1990, *Statement of Financial Accounting Standards No. 105* sets forth disclosure requirements for financial instruments with off-balance sheet risk or concentrations of credit risk. Table 1-13 lists the various off-balance-sheet financial instruments disclosed in the 1992 financial statements of the survey companies. 204 survey companies disclosed concentrations of credit risk.

For entities with total assets exceeding $150 million, *Statement of Financial Accounting Standards No. 107*, effective for fiscal years ending after December 15, 1992, requires disclosures about the fair value of financial instruments recognized and not recognized in the balance sheet. Examples of fair value disclosures for financial instruments recognized and not recognized in the balance sheet follow.

TABLE 1-13: FINANCIAL INSTRUMENTS

	Number of Companies			
	1992	1991	1990	1989
Hedge contracts:				
Foreign currency	228	201	192	52
Interest rate	210	185	142	93
Commodity	47	34	33	33
Guarantees:				
Debt	106	119	110	99
Lease payments	39	39	34	33
Contract performance	25	24	18	21
Support agreements	23	30	34	19
Other	21	23	18	24
Letters of credit	150	164	98	82
Sale of receivables with recourse	70	73	76	68

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Interest Rate Hedges

AMAX INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of dollars unless otherwise indicated and except per share amounts)

1 (In Part): Summary of Accounting Policies

Futures contracts are entered into from time to time to hedge the effect of price changes on commodities the Company produces and sells in its businesses. Gains and losses on contracts which effectively hedge commodities are deferred and included in income as part of those transactions. Gains and losses on other contracts are included in income as incurred.

Interest rate swaps, caps and forward rate agreements are entered into primarily as a hedge against interest exposure of variable rate debt. The differences to be paid or received on swaps, caps and forward rate agreements designated as hedges are included in interest expense as payments are made or received. Gains and losses on other agreements are included in income as incurred.

Foreign exchange contracts are entered into from time to time to offset the effects of exchange rate changes on transactions denominated in foreign currencies. Gains and losses on contracts which effectively hedge foreign currency transactions are deferred and included in income as part of those transactions. Gains and losses on other contracts are included in income as incurred.

7 (In Part): Domestic and Foreign Operations

At December 31, 1992, the Company had foreign exchange contracts for the purchase and sale of $113 million and $28 million, respectively, of foreign currencies at fixed rates, primarily Canadian dollars. The fair value, based upon current market quotes for contracts with similar terms, approximates carrying value.

9 (In Part): Inventories

At December 31, 1992, the Company had various future and forward contractual agreements for the purchase and sale of aluminum, gold, oil and gas. The Company would receive approximately $27 million in excess of carrying value if these agreements were terminated at December 31, 1992. This estimate is based upon current market quotes for contracts with similar terms.

12 (In Part): Long-term Debt Excluding Current Maturities

The Company has commitments permitting borrowings of up to $750 million to finance the construction of the Lauralco project, a primary aluminum reduction facility near Deschambault, Quebec. At December 31, 1992, the Company had borrowed $600 million under this facility. Interest rate swaps have fixed LIBOR at 8.99 percent on $400 million of this debt until October 2000 and approximately 3.4 percent on an additional $100 million until December 1993. Also, a series of interest rate caps limit LIBOR to a maximum of 9 percent through October 1995 on $300 million, October 1996 on $225 million and October 1998 on $150 million.

The Company's debt and related interest rate agreements are susceptible to market fluctuations based on changes in the cost of borrowing. At December 31, 1992, the fair value of the Company's long-term debt is estimated at $1.52 billion. The Company would pay approximately $61 million in excess of carrying value to terminate the related interest rate agreements at December 31, 1992. These estimates are based upon market quotes, where available, or interest rates currently available to the Company for issuance of debt with similar terms and remaining maturities.

13. Proceeds from Sales of Future Production

Proceeds from sales of future production represent amounts payable from coal to be produced from certain properties. At December 31, 1992, the Company's variable rate obligation under these production payments was $364 million (1991–$385 million). Interest is fixed at approximately 4 percent on $150 million through interest rate swaps, whose fair value approximates carrying value. The obligation will be discharged out of coal sale proceeds as follows:

1993	$ 38
1994	42
1995	47
1996	52
1997	57
1998 to 1999	128
	$364

22. Financial Instruments and Off-Balance-Sheet Risk

The Company has entered into foreign exchange contracts (Note 7), commodity futures and forward contracts (Note 9) and interest rate swaps, caps and forward rate agreements (Notes 12 and 13). The Company is exposed to certain losses in the event of non-performance by the counter-parties to these agreements. However, the Company's exposure is not significant.

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Debt

Interest Rate and Currency Swaps—The Company has entered into a number of interest rate swap agreements which have effectively fixed interest rates on $575 million of floating rate debt. Under these agreements, Coastal will pay the counterparties interest at a fixed rate, and the counterparties will pay Coastal interest at a variable rate based on the London Interbank Offered Rate (LIBOR). At December 31, 1992, the weighted average fixed rate payable under these agreements was 9.36%, after giving effect to two interest rate swap agreements that expired in January 1993. Terms expire at various dates through 1995.

The foreign currency exposure relating to certain of the Swiss franc denominated debt of the Company and one of its subsidiaries and Japanese yen denominated debt of the Company has been hedged to maturity, resulting in effective borrowing costs ranging from 8.2% to 11.1%.

Coastal and its subsidiaries have entered into these interest rate and currency swaps with major banking institutions to reduce the impact of interest rate and exchange rate fluctuations with respect to certain floating rate and foreign currency denominated debt. Coastal is exposed to loss if one or more of the counterparties default. Interest rate swap transactions generally involve exchanges of fixed and floating interest payment obligations without exchanges of underlying principal amounts. Similarly, currency swaps involve exchanges of interest payments in differing currencies, but provide for the exchange of principal amounts at maturity, usually through an escrow arrangement to limit credit risk. Consequently, Coastal's exposure to credit loss is significantly less than the contracted amounts.

Neither the Company nor the counterparties are required to collateralize their respective obligations under these swaps. At December 31, 1992, Coastal had no exposure to credit loss on interest rate swaps.

Guarantees—Coastal and certain subsidiaries have guaranteed specific obligations of several unconsolidated affiliates. Such affiliates are generally not required to collateralize their contingent liabilities to the Company. At December 31, 1992, the Company had guaranteed 50% of a construction financing entered into by a partially owned partnership and 100% of a construction financing entered into by a second partnership. The Company's proportionate share of the outstanding principal balances under these guarantees was $45.4 million at December 31, 1992. Other guarantees and indemnities related to obligations of unconsolidated affiliates amounted to approximately $289.8 million as of the same date. The Company anticipates that one of the guaranteed construction loans will be refinanced on a non-recourse basis in 1993 and the other in early 1994. The Company is of the opinion that its unconsolidated affiliates will be able to perform under their respective financings and other obligations and that no payments will be required and no losses will be incurred under such guarantees and indemnities.

Coastal and certain subsidiaries have guaranteed approximately $9.6 million of obligations of third parties under leases and borrowing arrangements. Where possible, the Company has obtained security interests and guarantees by the principals. Cash requirements and losses, if any, under these guarantees are expected to be nominal.

Note 8. Fair Value of Financial Instruments

The estimated fair value amounts of the Company's financial instruments have been determined by the Company, using appropriate market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value, thus, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

(Millions of dollars)	December 31, 1992	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 43.5	$ 43.5
Notes receivable	64.8	64.8
Financial liabilities:		
Short-term debt	221.4	221.4
Long-term debt and currency swaps	4,373.0	4,457.2
Mandatory redemption preferred stock	44.4	44.5
Interest rate swaps and options	64.8	120.0

The carrying value of cash and cash equivalents and notes receivable are a reasonable estimate of their fair value. The estimated value of the Company's long-term debt and mandatory redemption preferred stock is based on interest rates at December 31, 1992 for new issues with similar remaining maturities. The fair market value of the Company's interest rate and foreign currency swaps is based on the estimated termination values at December 31, 1992.

CRANE CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interest Rate Swap Agreements

The company periodically enters into interest rate swap agreements to moderate its exposure to interest rate changes and to lower the overall cost of borrowings. All interest rate swaps are only subject to market risk as interest rates fluctuate.

In April 1992 the company entered into a two year interest rate swap agreement with First National Bank of Chicago which converted $100 million of 8.5% fixed rate debt to LIBOR-based floating rate debt. In July the company entered into an off-market interest rate swap with First National Bank of Chicago which served to monetize the $2.5 million gain realized on the $100 million swap transaction in April. This gain is being amortized over the life of the agreement.

In September 1992 the company entered into a four year interest rate swap agreement with Kidder Peabody, which converted $50 million of 8.5% fixed rate debt to LIBOR-based floating rate debt, which is reset every six months in arrears.

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments was made in accordance with the requirements of SFAS No. 107. The estimated fair value amounts have been determined by the company using available market information and appropriate valuation methodologies.

(In thousands) December 31, 1992	Carrying Amount	Fair Value
Assets:		
Cash and cash equivalents	$ 49,104	$ 49,104
Accounts receivable	157,702	157,702
Investment	10,000	10,000
Liabilities:		
Accounts payable	59,405	59,405
Short-term debt	42,254	42,778
Long-term debt	111,048	121,437
Off-Balance Sheet		
Financial Instruments:		
Unrealized gain on interest rate swap agreements—net	—	739

Cash and cash equivalents, accounts receivable, and accounts payable—the carrying amount of these items are a reasonable estimate of their fair value.

Investment—Crane purchased 100 thousand shares of Mid Ocean Reinsurance Company, Ltd. in November, 1992 for $10 million. The carrying amount is a reasonable estimate of fair value at December 31, 1992. This investment is included in Other Assets on the balance sheet.

Short-term debt and long-term debt—rates currently available to the company for debt with similar terms and remaining maturities are used to estimate the fair value for debt issues that are not quoted on an exchange.

Interest rate swap agreements—the fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from dealers.

THE DIAL CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

N. Financial Instruments with Off-Balance-Sheet Risk and Fair Value of Financial Instruments

Financial Instruments with Off-Balance-Sheet Risk

Dial is a party to financial instruments with off-balance-sheet risk which are entered into in the normal course of business to meet its financing needs and to reduce exposure to fluctuations in interest and foreign exchange rates. These financial instruments include revolving sale of receivable agreements, interest rate swap agreements and foreign exchange forward contracts. The instruments involve, to a varying degree, elements of credit, interest rate and exchange rate risk in excess of the amount recognized in the financial statements.

At December 31, 1992, Dial's subsidiaries have agreements to sell up to $115,000,000 of accounts receivable with a major financial institution under which the financial institution has agreed to invest collected amounts in new purchases, providing a stable level of purchased accounts. The agreements to purchase accounts receivable, which are fully utilized at December 31, 1992, mature in January of each year, but are expected to be extended annually by mutual agreement. They are currently extended to January 1994. Average monthly proceeds from the sale of accounts receivable were $95,700,000, $110,600,000 and $111,700,000 during 1992, 1991 and 1990, respectively. At December 31, 1992 and 1991, $115,000,000 and $103,200,000 of the receivables sold remained outstanding. Dial's exposure to credit loss for receivables sold is represented by the recourse provision under which Dial is obligated to repurchase uncollectible receivables sold subject to certain limitations.

Dial enters into interest rate swap agreements as a means of managing its interest rate exposure. The agreements are with major financial institutions which are expected to fully perform under the terms of the agreements thereby mitigating the credit risk from the transactions. The agreements are contracts to exchange fixed and floating interest rate payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the interest rate swap agreements are accrued consistent with the terms of the agreements and market interest rates.

At December 31, 1992, Dial had the following interest rate swap agreements in effect:

(000 omitted)	Year Entered	Year of Completion	Notional Amount	Cash Proceeds Received[1]
Counter swapped fixing the future net payments against cash proceeds received at a discount rate of:				
7.1%	1991	1996	$100,000	$25,000
10.2%	1988	1995	167,600	58,611
10.4%	1987	1994	65,000	25,742
Used to effectively fix future rates of floating rate obligations at an interest rate of:				
6.5%	1991	1996	100,000	
9.0%	1988	1993[2]	100,000	
9.9%	1988	1994	40,000	3,200

[1] Cash consideration received on the swaps is amortized as an offset to expense from future net swap payments (included in the Statement of Consolidated Income under the caption, "Unallocated corporate expense and other items, net") over the life of the related swap. The unamortized balance of such consideration is included in the Consolidated Balance Sheet under the caption, "Other deferred items and insurance reserves."

[2] Extendible to 1995 at counter party's option.

Dial also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations on operating results. Dial does not engage in foreign currency speculation. The contracts do not subject Dial to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. At December 31, 1992, Dial had approximately $135,000,000 of foreign exchange forward contracts outstanding. Dial's theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the other party. Management believes the risk of incurring such losses is remote as the contracts are entered into with major financial institutions.

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by Dial using available market information and valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that Dial could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair values due to the short-term maturities of these instruments. The carrying amounts and estimated fair values of Dial's other financial instruments at December 31, 1992 are as follows:

(000 omitted)	Carrying Amount	Fair Value
Investments restricted for payment service obligations[1]	$1,004,180	$991,060
Equity and debt investments and notes receivable	108,051	110,352
Debt	(728,527)	(768,249)
Interest rate swaps	(57,709)	(93,622)
Foreign exchange forward contracts	—	4,213

[1] Includes $619,424,000 of cash and cash equivalents which are assumed to approximate fair values due to their short-term maturities.

The methods and assumptions are summarized as follows:

Investments restricted for payment service obligations and equity and debt investments and notes receivable—The fair values of investments were estimated using either quoted market prices or, to the extent there are no quoted market prices, market prices of investments of a similar nature. For notes receivable, the carrying amounts approximate fair values because the rates on such notes are floating rates.

Debt—The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying values of short-term bank loans, commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Interest rate swaps—The fair values were estimated by discounting the expected cash flows using rates currently available for interest rate swaps of similar terms and maturities.

Foreign exchange forward contracts (used for hedging purposes)—The fair value is estimated using quoted exchange rates.

THE DOW CHEMICAL COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Financial Instruments

To meet the reporting requirements of FASB Statement No. 107 ("Disclosures about Fair Value of Financial Instruments"), the Company calculates the fair value of financial instruments and includes this additional information in the notes to financial statements when the fair value is different than the book value of those financial instruments. When the fair value is equal to the book value no additional disclosure is made. The Company uses quoted market prices whenever available to calculate these fair values. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments (such as forwards, options, swaps etc.) which take into account the present value of estimated future cash flows.

NOTES TO FINANCIAL STATEMENTS
In millions, except for share amounts

T. Financial Instruments

The Company is active in various foreign exchange markets to hedge its economic and transaction foreign currency exposures. In addition to the U.S. dollar, the Company trades in most European currencies, as well as the Japanese yen, the Canadian dollar, and Latin American and other Asian-Pacific currencies. At December 31, 1992, the Company had forward contracts outstanding with various expiration dates (primarily in early 1993) to buy $8,081 and sell $8,036 in foreign currencies, after adjustment for master netting agreements. The net difference of $45 represented the unrealized gains on these open contracts at December 31, 1992 based on the foreign exchange rates in effect on that date. This unrealized gain has been reported in the financial statements since these open contracts are marked to market at the end of each reporting period. The Company has certain exposures to credit losses in the event of counterparty nonperformance, but the Company has an active counterparty exposure monitoring program and does not anticipate such losses.

The Company participates in various interest derivative markets to manage its exposure to interest rate fluctuations. The notional principal on all types of interest derivative financial instruments contracts at December 31, 1992, totaled $7,888 with a weighted average remaining life of four years. The notional principal amounts of these instruments reflected the extent of the Company's involvement in the instruments, but did not represent its exposure to market loss. The aggregate fair market value of the unrealized gains and losses on these instruments at December 31, 1992 was $66 in gains, offset by $75 in losses. Of these amounts, $61 in gains and $64 in losses had not yet been reflected in the calculation of earnings per share as they represented hedging activities to be amortized in future reporting periods. The Company used these interest derivative financial instruments to convert some floating rate debt to fixed rate debt and to convert some fixed rate debt to floating rate debt. Similar to foreign exchange contracts, credit loss from counterparty nonperformance was not anticipated.

The Company's global orientation in diverse businesses with a large number of diverse customers and suppliers minimized concentrations of credit risk. No concentration of credit risk existed at December 31, 1992.

GENERAL MOTORS CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Financial Instruments

The Corporation is party to a variety of interest rate and foreign exchange forward contracts (e.g., swap agreements) and options in the management of its interest rate and foreign exchange exposure.

The Corporation enters into interest rate forward contracts as a means of managing its interest rate exposure. The differential to be paid or received under these agreements is accrued consistent with the terms of the agreements and market interest rates.

The Corporation also enters into foreign exchange contracts and options to hedge obligations and accounts receivable or payable denominated in foreign currencies. Gain and losses on the forward contracts are recognized based on changes in exchange rates, as are offsetting foreign exchange gains or losses on such obligations and accounts receivable or payable.

In accordance with the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments, the Corporation has provided fair value estimates and information about valuation methodologies in various notes to the financial statements. The estimated fair value amounts have been determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions and/or estimation methodologies may be material to the estimated fair value amounts.

Other investments and miscellaneous assets reported at December 31, 1992 include various financial instruments (e.g., long-term receivables and real estate mortgages held for resale) having a fair value in excess of reported book value of approximately $149.4 million (excluding amounts related to GMAC receivable sales as discussed in Note 13) based on discounted cash flows, market quotations and other appropriate valuation techniques. Also, certain financial instruments included in other liabilities, such as certain payroll, tax, and interest obligations have carrying values which approximate fair value.

Fair value information presented herein is based on information available at December 31, 1992. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been updated since that date and, therefore, the current estimates of fair value at dates subsequent to December 31, 1992 may differ significantly from the amounts presented herein.

Note 20. Financial Instruments With Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to reduce its exposure to fluctuations in interest and foreign exchange rates and to meet the financing needs of its customers. The financial instruments include commitments to extend credit, forward exchange and interest rate forward contracts (e.g., swap agreements), and options. Those instruments involve, to varying degrees, elements of credit, interest rate, and exchange risk in excess of the amounts recognized in the Consolidated Balance Sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

Foreign Exchange-Forward Contracts and Options

Foreign exchange forward contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. The Corporation uses such contracts to hedge risk of changes in foreign currency exchange rates associated with certain assets and obligations denominated in foreign currency. At December 31, 1992 and 1991, the Corporation held contracts of approximately $11,682 million and $8,859 million, respectively.

To hedge its foreign currency exposure, the Corporation also purchases foreign exchange options which permit but do not require the Corporation to exchange foreign currencies at a future date with another party at a contracted exchange rate. To cover premiums paid on such options, from time to time the Corporation may also write offsetting options at exercise prices which limit but do not eliminate the effect of purchased options and forward contracts as a hedge. At December 31, 1992 and 1991, the Corporation had written foreign exchange options of approximately $2,241 million and $3,442 million, respectively.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences, and was a net liability of approximately $60 million at December 31, 1992. The fair value of foreign exchange options is estimated using active exchange quotations for most options, and pricing models for illiquid options, and was a net asset of approximately $11 million at December 31, 1992. However, such fair values are offset by gains or losses on assets and liabilities hedged by such contracts and options so that there is no significant difference between the recorded value and fair value of the Corporation's net foreign exchange position.

Interest Rate and Mortgage Contracts

The Corporation primarily utilizes interest rate forward contracts or options to manage its interest rate exposure. Interest rate forward contracts are contractual agreements between the Corporation and another party to exchange fixed and floating interest rate payments periodically over the life of the agreements without the exchange of underlying principal amounts. Interest rate options generally permit but do not require the purchaser of the option to exchange interest payments in the future. At December 31, 1992 and 1991, the total notional amount of such agreements with off-balance-sheet risk was approximately $6,620 million and $7,354 million, respectively, and the fair value of such agreements was a net asset of approximately $31 million.

The Corporation has also entered contracts to purchase and sell mortgages or mortgage-backed securities at specific future dates. Such delivery and purchase contracts totaled approximately $2,065 million and $1,188 million, respectively, at December 31, 1992 and $1,644 million and $1,018 million, respectively, at December 31, 1991.

Unused Lines of Credit

The Corporation grants revolving lines of credit to dealers; unused amounts under these lines were $458.1 million at December 31, 1992 and $425.8 million at December 31, 1991. Commitments supported by collateral, generally dealer inventories and real estate, were approximately 55% and 59%, respectively, of the total commitments at December 31, 1992 and 1991. Since many of the commitments are expected to expire without use, total committed amounts do not necessarily represent the Corporation's future liquidity requirements.

Credit Risk

The forward contracts, options, and lines of credit previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, the Corporation minimizes such risk exposure for forward contracts and options by limiting the counterparties to major international banks and financial institutions. Management also reduces its credit risk for unused lines of credit by applying the same credit policies in making commitments as it does for extending loans. Management does not expect to record any losses as a result of counterparty default. The Corporation does not require or place collateral for these financial instruments, except for the lines of credit.

General Motors has business activities with customers, dealers, and associates around the world, and its receivables from and guarantees to such parties are well diversified and, in many cases, secured by collateral. Consequently, in management's opinion, no significant concentration of credit risk exists for the Corporation.

GULF USA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments", requires disclosure of the fair value of certain financial instruments. Cash, accounts receivable, short-term borrowings, accounts payable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments. Marketable securities are recorded in the financial statements at current market values. The fair values of the Company's debt instruments are disclosed in Note 7.

7 (In Part): Long-Term Debt and Credit Agreements

In accordance with Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments", the Company has determined the fair value of its debt instruments as follows:

Subordinated Debentures

The fair value of the 10⅞% and 12½% sinking fund debentures are determined based on market quotes.

Secured Indebtedness

The fair value of secured indebtedness on real estate properties is estimated based on discounted future cash flows at an assumed discount rate of 10%.

Interest Rate Swap Agreements

The fair value of interest rate swap agreements are obtained from dealer quotes. These values represent the estimated amount the Company would receive or pay to terminate agreements taking into consideration current interest rates.

The estimated fair values of the Company's financial instruments are summarized as follows at December 31, 1992:

	Carrying Amount	Fair Value
	(In thousands)	
Subordinated debentures[1]	$ 67,500	$ 32,769
Secured indebtedness	136,635	129,000
Interest rate swap agreements	—	(161)

[1] The fair value of the Company's subordinated debentures at February 26, 1993 was $15.3 million.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on a portion of its floating rate long-term debt. At December 31, 1992, the Company had outstanding one interest rate swap agreement with a commercial bank, having a total notional principal amount of $15.4 million. This agreement effectively changes the Company's interest rate exposure on its $15.4 million floating rate debt due 1995 to a fixed 6.79%. The interest rate swap agreement matures at the time the related debt matures. The Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparty.

Subsequent to year end, the Company entered into a second interest rate swap agreement with a commercial bank having a notional amount of $10.3 million. This agreement effectively changes the Company's interest rate exposure on its $10.3 million floating rate debt due 1995 to a fixed 7.16%.

LOWE'S COMPANIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Long-Term Debt

At January 31, 1993, the Company had outstanding 18 interest rate swap agreements with financial institutions, having a total notional principal amount of $162.3 million. Under 15 agreements with notional amounts of $10 million each, the Company will receive interest payments at an average fixed rate of 6.02% and will pay interest on the same notional amounts at a floating rate based on an interest rate index, currently estimated at 3.50%. These swaps are scheduled to terminate in Fiscal 1995. Two agreements with notional amounts of $5 million each terminated in February 1993. Under the remaining agreement , with an initial amount of $2.3 million, the Company effectively lowers the percent of prime rate that the Company pays on a floating rate industrial revenue bond. This swap will terminate in July 1993. The Company is exposed to credit loss in the event of nonperformance by the banks and financial institutions. However, management does not anticipate such nonperformance.

Note 7. Disclosures about Fair Values of Financial Instruments:

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments. The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	January 31, 1993	
	Carrying Amount	Fair Value
Assets:		
Cash and Short-Term Investments	$ 54,849	$ 54,849
Net Receivables	53,288	53,288
Long-Term Investments	23,270	23,664
Liabilities:		
Accounts Payable	330,584	330,584
Short-Term Debt	3,193	3,193
Long-Term Debt	$335,283	336,286
Off-Balance Sheet Financial Instruments— Unrealized Gains:		
Interest Rate Swaps Agreements	—	$ 2,434

Cash and short-term investments, receivables, accounts payable, and short-term debt—The carrying amounts of these items are a reasonable estimate of their fair value due to their short-term nature.

Long-term investments—The fair value is estimated from quoted market prices for these or similar investments.

Long-term debt—Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues that are not quoted on an exchange.

Interest rate swap agreements—The fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from dealers.

Foreign Currency Hedges

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

FINANCIAL REVIEW

Financial instruments with off-balance sheet risks

The company includes foreign currency options, forward contracts, and interest rate or currency swaps in its selective hedging of foreign currency and interest rate risk exposures. Realized and unrealized gains and losses on contracts that hedge expected future cash flows are recognized in other income and expense. Realized and unrealized gains and losses on contracts that hedge net investment in foreign subsidiaries are recognized in shareholders' equity.

At December 31, 1992, foreign currency options and forward contracts hedging anticipated transactions totaled approximately U.S. $139 million, primarily denominated in European currencies. These options and forward contracts mature within one year.

Estimated market values of $2.7 million for foreign currency options and forward contracts held by the company at December 31, 1992, were included in "Other current assets." The market values of options and forward contracts were obtained from dealer quotes and published foreign currency market rates.

In 1987, the company entered into an interest rate swap agreement to manage its exposure to short-term interest rates. These swaps total $15.0 million, expire in 1994, and provide for the company to pay interest at the 30-day U.S. commercial paper rate and to receive interest at an average fixed annual rate of 10.22%.

In 1987, to hedge certain foreign investments, Armstrong entered into interest rate and currency swap agreements whereby the company swapped U.S. $86.3 million for an equivalent amount of certain European currencies. Of the original amounts exchanged, $49.1 million was repaid in 1992 with the balance to be repaid in 1994. The agreements provide for the company to make average fixed-interest payments of approximately 8.7% while receiving interest at the 30-day U.S. commercial paper rate.

In 1992, the company entered into interest rate swap agreements to manage its exposure to short-term interest rates. These swaps totaled $100 million, expire in 1995, and provide for the company to pay interest at the six-month London interbank offered rate in arrears, and to receive interest at an average fixed rate of about 6.6%.

The counterparties to these instruments are major international financial institutions, and the company continually monitors its position and the credit ratings of the counterparties. The company does not anticipate losses resulting from the credit risk of these institutions.

The carrying values of interest rate and currency swap agreements represent a net liability of $5.3 million, compared with a net liability of $1.9 million at fair value, based on quotes from major financial institutions. The fair values represent the estimated amount the company would have had to pay to terminate these agreements on December 31, 1992.

For reporting purposes, the assets and liabilities of the foreign currency options, forward contracts, and interest rate or currency swaps are offset because the agreements provide for a right of offset.

As of December 31, 1992, the company had provided $36 million in standby letters of credit and financial guarantees. The company's policy does not normally require collateral or other security to support these instruments.

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21—Financial Instruments; Fair Value and Off-Balance-Sheet Risk

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The carrying amount of cash and equivalents, short-term investments and notes payable approximates fair value because of the short maturity of those instruments.

The fair value of other investments and long-term receivables was estimated primarily based on quoted market prices for those or similar investments. At December 31, 1992, the fair value of other investments and long-term receivables approximated carrying value.

The fair value of the Corporation's long-term debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities. At December 31, 1992, the fair value of long-term debt, including long-term debt due within one year, was $7,570 million.

The fair value of foreign currency forward contracts and derivatives was estimated by obtaining quotes from brokers. Fair value of these instruments at December 31, 1992, approximated carrying value.

At December 31, 1992 and 1991, the Corporation had foreign currency forward contracts and foreign cross-currency contracts outstanding, which mature at various dates, to reduce exposure to foreign currency exchange risk. The aggregate contract value of instruments used to buy U.S. dollars in exchange for Australian dollars was approximately $367 million at December 31, 1992. The aggregate value of instruments used to buy U.S. dollars in exchange for British pound sterling was approximately $45 million at December 31, 1992. The aggregate contract value of instruments used to sell European currencies in exchange for Deutsche marks was approximately $20 million and $27 million at December 31, 1992 and 1991, respectively. Additionally, the Corporation had outstanding foreign currency swaps which mature at various dates through 1994, to sell approximately 187 million French francs for $35 million at December 31, 1992 and 202 million French francs for $37 million at December 31, 1991.

At December 31, 1992 and 1991, approximately $405 million and $500 million, respectively, of the Corporation's long-term debt was denominated in foreign currencies. To reduce the exposure to foreign currency fluctuations, the Corporation entered into a swap agreement on an 18 billion yen debt issue due in 1996 which fixes the principal balance at $102 million with an effective rate of 8.14 percent. At December 31, 1992 and 1991, the Corporation had an outstanding interest rate swap on a seven-year credit agreement in the amount of 150 million Dutch guilders due in March 1997. This effectively changed the debt's floating interest rate to a fixed rate of 9.69 percent through November 1993.

The counterparties to these transactions are major international financial institutions; the Corporation does not anticipate nonperformance by the counterparties.

THE BLACK & DECKER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Foreign Currency Translation: The financial statements of the Corporation's subsidiaries outside the United States, except for those subsidiaries located in highly inflationary economies, are generally measured using the local currency as the functional currency. Assets, including goodwill, and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in equity adjustment from translation, a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings. For subsidiaries operating in highly inflationary economies, gains and losses on foreign currency transactions and balance sheet translation adjustments are included in net earnings.

The Corporation has significant foreign investment and it is the Corporation's policy to reduce substantially the effects of fluctuations in foreign currency exchange rates associated with these investments through its exposure management and foreign currency hedging activities. The Corporation enters into foreign exchange forward contracts and foreign exchange option contracts to hedge the effect of foreign currency fluctuations on the financial statements. The foreign exchange contracts are accounted for as hedges of net investments, commitment hedges, and transaction hedges. Gains and losses on hedges of net investments are reported in equity adjustment from translation on the balance sheet. Generally, the gains and losses on commitment hedges are deferred and included in the basis of the transaction underlying the commitment. Gains and losses on transaction hedges are recognized in income and offset the foreign exchange gains and losses on the related transaction.

Fair Value of Financial Instruments: SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," was adopted for the year ended December 31, 1992. This statement requires that fair values be disclosed for most of the Corporation's financial instruments. The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

☐Cash and cash equivalents, trade receivables, certain other current assets, short-term borrowings, and current maturity of long-term debt: The amounts reported in the balance sheet approximate fair value.

☐Long-term debt: Publicly traded debt and interest rate hedges are valued based on quoted market values. The amount reported in the balance sheet for the remaining long-term debt approximates fair value.

☐Foreign exchange contracts: Forward exchange contracts and foreign currency options are estimated using quoted market prices of comparable instruments.

Note 17: Foreign Exchange

At December 31, 1992, the Corporation had foreign currency hedge contracts outstanding to sell forward the United States dollar equivalent of $1,884.4 million of foreign currencies and to buy forward the United States dollar equivalent of $1,014.2 million of foreign currencies denominated in various currencies, including the pound sterling, deutsche mark, Dutch guilder, Canadian dollar, Swedish kroner, Japanese yen, French franc, Italian lire, and Australian dollar. These contracts generally mature during 1993. The aggregate fair value of foreign currency contracts at December 31, 1992, was $32.6 million.

The Corporation is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Corporation evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

CATERPILLAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

3 (In Part): Foreign exchange

The company enters into contracts to buy and sell foreign currencies in the future only to protect the U.S. dollar value of certain currency positions and future foreign currency transactions. The company does not engage in speculation. The gains and losses on these contracts are included in income when the operating revenues and expenses are recognized and, for assets and liabilities, in the period in which the exchange rates change. The cash flows from forward and option contracts accounted for as hedges of identifiable transactions or events are classified consistent with the cash flows from the transactions or events being hedged. Prior to 1992, the company also entered into option contracts and combination option contracts that were designated and effective as hedges of probable anticipated, but not firmly committed, foreign currency transactions. Gains and losses on such transactions were deferred and recognized in income in the same period as the hedged transaction. Although the company continues to enter into option contracts and combination option contracts to hedge future currency transactions, their use is limited to situations in which, according to current accounting requirements, gains and losses may be deferred and recognized concurrent with the hedged transaction.

At December 31, 1992, 1991 and 1990, the company had approximately $1,705, $2,375, and $785, respectively, in contracts to buy or sell foreign currency in the future. At December 31, 1992, the carrying value of such contracts was an asset of $10 and the fair value, based on quoted market prices of comparable instruments, was a liability of $70. The value of the contracts upon ultimate settlement is dependent upon actual currency exchange rates at the various maturity dates, which range from 1993 through 1995.

At December 31, 1992, there were no option contracts hedging anticipated transactions. Included in the total contracts outstanding at December 31, 1991, were $40 of option contracts hedging anticipated sales denominated in foreign currencies. The net gain deferred on such contracts as of December 31, 1991, totaled $5.

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Millions of dollars

Note 6. Financial Instruments

Off-balance sheet risk. The company enters into forward exchange contracts, generally with terms of 90 days or less, as a hedge against some of its foreign currency commitments. Offsetting gains and losses on these contracts are recognized concurrently with the exchange gains and losses stemming from the associated commitments. At December 31, 1992, the company had not recognized gains or losses on forward contracts with a carrying and approximate fair value of $199. At December 31, 1991, of the outstanding forward contracts of $368, the company has not recognized gains or losses on contracts which had a carrying value of $79, and the difference in this carrying value and their fair value at that date was not material.

Concentrations of credit risk. The company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents, marketable securities and trade receivables.

The company's cash equivalents and marketable securities are in high-quality securities placed with a wide array of institutions with high credit ratings. This investment policy limits the company's exposure to concentrations of credit risk.

The trade receivable balances, reflecting the company's diversified sources of revenue, are dispersed among the company's broad customer base worldwide. As a consequence, concentrations of credit risk are limited. The company routinely assesses the financial strength of its customers. Letters of credit are the principal security obtained to support lines of credit or negotiated contracts when the financial strength of a customer is not considered sufficient.

Fair value. At December 31, 1992, the company's long-term debt of $2,684 had an estimated fair value of $2,809. The fair value is based on quoted market prices at December 31, 1992, or the present value of expected cash flows when a quoted market price was not available.

The reported amounts of financial instruments such as Cash Equivalents, Marketable Securities and Short-term Debt approximate fair value because of their short maturity.

CLEVELAND-CLIFFS INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Forward Foreign Exchange Contracts: The Company had $24.0 million and $23.0 million of forward foreign exchange contracts at December 31, 1992 and 1991, respectively, to hedge against fluctuations with the Australian dollar. The fair value of foreign currency exchange contracts which have varying maturity dates to November 30, 1993 is estimated to be $23.0 million, based on the December 31, 1992 forward rates.

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Off-Balance-Sheet Risk, Concentrations of Credit Risk and Fair Value of Financial Instruments

Off-Balance-Sheet Risk. The Company enters into forward exchange contracts to hedge certain foreign currency transactions for periods consistent with the terms of the underlying transactions. The Company does not engage in speculation, nor does the Company typically hedge nontransaction-related balance sheet exposure. While the forward contracts affect the Company's results of operations, they do so only in connection with the underlying transactions. As a result, they do not subject the Company to risk from exchange rate movements, because gains and losses on these contracts offset losses and gains on the transactions being hedged. At December 31, 1992, the Company had $84 million of foreign exchange contracts outstanding, 97% of which were in European, Canadian and Japanese currencies. At December 31, 1991, comparable amounts were $98 million and 99%. The forward exchange contracts generally have maturities that do not exceed six months. The Company's other off-balance-sheet risks are not material.

Concentrations of Credit Risk. Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets into which the Company's products are sold, as well as their dispersion across many different geographic areas. As a result, at December 31, 1992, the Company does not consider itself to have any significant concentrations of credit risk.

Fair Value of Financial Instruments. The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables, debt instruments and foreign currency forward contracts. The book values of cash and cash equivalents, trade receivables and trade payables are considered to be representative of their respective fair values. The Company had approximately $2.1 billion of debt instruments at December 31, 1992, for which the fair value exceeded the book value by approximately 1%. Based on year-end exchange rates and the various maturity dates of the foreign currency forward contracts, the Company estimates the aggregate contract value to be representative of the fair value of these items at December 31, 1992.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Financial Instruments with Off-Balance-Sheet Risk and Significant Group Concentrations of Credit Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to help meet financing needs and to reduce exposure to fluctuating foreign currency exchange rates. The Company is exposed to credit loss in the event of nonperformance by the other parties to the financial instruments described below. However, the Company does not anticipate nonperformance by the other parties. The Company does not generally require collateral or other security to support these financial instruments.

The Company enters into forward currency exchange contracts to hedge against foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. As of December 31, 1992, the Company has forward currency exchange contracts maturing in 1993 which exchange the following currencies: 2 billion Belgian francs, 19 million US dollars, 68 million Swedish krona, 12 million British pounds, and various other currencies. The Company has two forward currency exchange contracts maturing in 1993 to exchange 150 million Swedish krona and 680 Belgian francs against approximately 42 million US dollars to hedge an equity investment in a European subsidiary. Gains and losses on hedges of net investments in foreign subsidiaries are included in income in the year in which the exchange rates change.

As of December 31, 1992, the Company has entered into four interest rate swap agreements to reduce the interest rates on its fixed rate borrowings. These agreements effectively convert an aggregate principal amount of $150 million of fixed rate long-term debt into variable rate borrowings with interest rates ranging from 3.75% to 5.9%. The agreements mature in 1998. The differential interest to be paid or received is accrued as interest rates change and is recognized over the life of the agreements.

The Company has a cross-currency interest rate conversion agreement from Deutsche marks into US dollars to hedge the interest and principal payments of its 7.25% Deutsche mark bonds, due in 2000. The agreement establishes a fixed interest rate of 11.1%.

As of December 31, 1992 and 1991, the Company has no significant group concentrations of credit risk.

17. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and short-term financial instruments

The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term notes receivable

The fair value has been estimated using the expected future cash flows discounted at market interest rates.

Long-term debt

The fair value of the Company's long-term debt has been estimated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities.

Foreign currency swaps and interest swaps

The fair value of foreign currency swaps and interest rate swaps has been estimated by traded market values or by obtaining quotes from brokers.

The estimated fair values of the Company's financial instruments as of December 31, 1992 are as follows:

	Carrying Amount	Fair Value
	(In millions of dollars)	
Cash and short-term financial instruments	$ 783	$ 783
Long-term notes receivables	8	7
Long-term debt	1,018	1,102
Foreign currency swaps and interest rate swaps	—	35

SCHERING-PLOUGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share figures)

Financial Instruments

The following table presents the carrying value and estimated fair value as of December 31, 1992, of the Company's financial instruments reportable pursuant to Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments."

	Carrying Value	Estimated Fair Value
Assets:		
Cash and cash equivalents	$406	$406
Investments	136	136
Foreign currency option contracts	8	12
Liabilities:		
Short-term borrowings	946	946
Long-term debt	184	198
Interest rate swap contracts	3	3
Forward currency contracts	55	62

The estimated fair value of investments, short-term borrowings and long-term debt was based on the quoted market prices of these or similar instruments. The estimated fair value of foreign currency option contracts, interest rate swap contracts and forward currency contracts was based upon quotes from brokers.

The aggregate face value of forward currency contracts, primarily to exchange yen and Swiss francs for dollars, totaled $105.0 and $98.8 at December 31, 1992 and 1991, respectively. These agreements mature at various dates through 2002. At December 31, 1992, the total US dollar amount under foreign currency option contracts to sell Deutschmarks and yen was $354.0. These contracts mature at various dates during 1993. At December 31, 1992, there were outstanding two interest rate swap agreements with notional principal amounts of $650.0 each and two other agreements with notional principal amounts of $950.0 each. At December 31, 1991, there was an interest rate swap contract outstanding with a notional principal amount of $650.0. These contracts mature at various dates through 2012.

Forward currency contracts are used to hedge foreign investments and, in accordance with SFAS No. 52, are recorded at foreign exchange spot rates in effect at year end. Foreign currency option contracts are used to hedge future inventory purchases. Gains on these option contracts are deferred and ultimately reduce the cost of inventory. Interest rate swap contracts are marked to market.

The market and credit risks associated with all financial instruments are not expected to have a material impact on the consolidated operations, cash flow or financial position of the Company.

Commodity Hedges

CATERPILLAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

11. Inventories

Inventories at December 31, by major classification, were as follows:

	1992	1991	1990
Raw materials and work-in-process	$ 505	$ 604	$ 723
Finished goods	1,006	1,150	1,221
Supplies	164	167	161
	$1,675	$1,921	$2,105

Reductions in LIFO inventories decreased cost of goods sold for 1992, 1991, and 1990 by $30, $23, and $8, respectively.

The company has entered into commodity price swap and option agreements to reduce the company's exposure to changes in the price of material purchased from various suppliers resulting from underlying commodity price changes. The results of these hedging transactions become a part of the cost of the related inventory transactions. At December 31, 1992 and 1991, the company had entered into contracts hedging future commodity purchases of approximately $37 and $13, respectively. At December 31, 1992, both the carrying value of the contracts and the fair value, based on quoted market prices, were approximately zero.

CYPRUS MINERALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Company's financial instruments.

The carrying amount of cash equivalents approximates fair value because of the short maturity of cash equivalents. The fair value of long-term receivables is estimated based on expected discounted future cash flows. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The 10⅛% Notes ($150 million carrying amount) are valued at a premium due to the relatively high interest rate. The fair value of price protection contracts composed of copper put options is estimated based on the spot price for the contracts at December 31, 1992. The fair value of lines and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them (face amount $432.5 million). The estimated fair values at December 31, 1992 are as follows:

(In thousands)	Carrying Amount	Fair Value
Cash and Cash Equivalents	$ 89,618	$ 89,618
Long-Term Receivables	6,017	6,017
Price Protection Contracts	5,189	1,250
Long-Term Debt	(232,337)	(252,932)
Lines and Letters of Credit	—	(1,142)
Parent Guarantee-Project Financing	—	(18,640)

The fair value estimates are made at discrete points in time based on relevant market information and information about the financial instruments. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Cyprus has provided a completion guarantee for its 40 percent share of the Bismark zinc mine project financing. This type of instrument is not traded in any market, and it is not practical to estimate the fair value.

Financial Guarantees

THE COCA-COLA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Financial Instruments

Financial instruments at December 31, 1992, consist of the following (in thousands):

	Carrying Value	Fair Value
Current marketable securities	$ 107,380	$ 124,914
Finance subsidiary receivables	125,382	135,271
Long-term receivables and other assets	636,682	635,816
Long-term debt	1,134,858	1,155,646
Foreign currency hedging instruments	102,091	98,747

Cash and cash equivalents

The carrying amount reflected in the balance sheet approximates the fair value for cash and cash equivalents.

Marketable securities, long-term receivables, investments and other assets

The fair values for marketable debt and equity securities, long-term receivables, investments and other assets are based primarily on quoted market prices for those or similar instruments.

Loans, notes payable and long-term debt

The carrying amounts of the Company's loans and notes payable approximate their fair values. The fair values of the Company's long-term debt are based primarily on quoted market prices.

Foreign currency hedging transactions

The Company has entered into foreign currency hedging transactions to reduce its exposure to adverse fluctuations in foreign exchange rates. While the hedging instruments are subject to the risk of loss from changes in exchange rates, these losses would generally be offset by gains on the exposures being hedged. Realized and unrealized gains and losses on those hedging instruments that are designated and effective as hedges of probable anticipated and firmly committed foreign currency transactions are deferred and recognized in income in the same period as the hedged transaction. The fair values of the Company's foreign currency hedging instruments are based on quoted market prices of these or similar instruments, adjusted for maturity differences.

At December 31, 1992 and 1991, the Company had forward exchange contracts, options and other financial market instruments, principally to exchange foreign currencies for U.S. dollars, of $4.9 billion and $2.6 billion, respectively. The Company has entered into foreign currency option contracts to hedge probable anticipated transactions over the succeeding year. The pretax net gain deferred on those contracts was $8 million at December 31, 1992. No amounts were deferred at December 31, 1991.

Guarantees

At December 31, 1992, the Company is contingently liable for guarantees of indebtedness owed by third parties of $124 million, of which $43 million is related to independent bottling licensees. The fair value of these contingent liabilities is immaterial to the Company's consolidated financial statements. In the opinion of management, it is not probable that the Company will be required to satisfy these guarantees.

GENERAL SIGNAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per-share data)

Debt (In Part)

The company entered into interest rate exchange agreements with certain financial institutions to limit its exposure from interest rate volatility. These agreements involve transactions with principal amounts of $150,000 and $175,000 at December 31, 1992 and 1991, respectively, with maturity dates ranging from two to ten years from the date of initial execution and result in a weighted average fixed interest rate of 8.85% and 8.86% at December 31, 1992 and 1991, respectively, on that portion of the company's variable rate debt. The company monitors the risk of default by the swap counterparties and does not anticipate nonperformance.

Foreign Exchange Contracts

The company entered into forward exchange contracts to hedge certain foreign currency transactions for periods consistent with the terms of the underlying transactions. These contracts did not subject the company to currency risk from exchange rate movements, as gains and losses on these contracts are deferred and offset against losses and gains on the underlying transactions. At December 31, 1992, the company had approximately $49,246 of such contracts outstanding.

Fair Values of Financial Instruments

Financial Accounting Standards Board Statement No. 107, "Disclosures about Fair Value of Financial Instruments" (FAS 107), requires disclosure of fair value information about certain financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair values:

Cash and cash equivalents: The carrying amount reported in the balance sheet approximates its fair value.

Short- and long-term debt: The carrying amounts of the company's borrowings under its revolving credit agreements, as well as all short-term borrowings, approximate their fair values. The fair values of the company's long-term debt were estimated using discounted cash flow analysis, based on the company's current incremental borrowing rates for similar arrangements. The fair value of the company's Convertible Subordinated Debentures was based upon quoted market prices.

Foreign currency and interest rate exchange contracts were estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

Financial guarantees and letters of credit were issued by the company in the ordinary course of business as required. The fair value was based upon the face value of the underlying instruments.

The carrying amounts and fair values of the company's financial instruments at December 31, 1992 are as follows:

	Carrying Amounts	Fair Value
Cash and cash equivalents	$ 16,393	$ 16,393
Short- and long-term debt	370,585	370,585
Foreign currency and interest rate exchange contracts	—	11,482
Financial guarantees and letters of credit	—	22,300

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

In December 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 107, "Disclosures about Fair Value of Financial Instruments." This statement requires the disclosure of estimated fair values for all financial instruments for which it is practicable to estimate fair value.

The company has used a variety of methods and assumptions, which were based on estimates of market conditions and risks existing at that time, to estimate the fair value of the company's financial instruments at December 31, 1992. For certain instruments, including cash and cash equivalents, non-trade accounts payable and accruals, and short-term debt, it was assumed that the carrying amount approximated fair value for the majority of these instruments because of their short maturity. Quoted market prices or dealer quotes for the same or similar instrument were used for the majority of marketable securities, long-term investments, long-term debt, forward exchange contracts, and option contracts. Other techniques, such as estimated discounted value of future cash flows, replacement cost, and termination cost, have been used to determine fair value for the remaining financial instruments. These values merely represent a general approximation of possible value and may never actually be realized.

The estimated fair values of the company's financial instruments, both on and off the balance sheet, are summarized below.

	At December 31, 1992	
	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$ 4,446	$ 4,446
Marketable securities	1,203	1,203
Non-trade receivables and loans	4,567	4,605
Long-term investments	168	198
Non-trade accounts payable and accruals	3,348	3,224
Short-term debt	16,467	16,483
Long-term debt	12,853	12,942
Forward exchange contracts	66	111
Option contracts	174	188
Interest rate and currency swap agreements	283	388
Financial guarantees	—	300

Some of the foregoing financial instruments have off-balance-sheet risk. In the normal course of business, the company enters into a variety of forward contracts, options, and swaps in order to limit its exposure to loss resulting from adverse fluctuations in foreign currency exchange and interest rates.

The IBM Corporation receives significant dividends and intracompany royalties from its non-U.S. subsidiaries. Due to the volatility of the currency markets, it is prudent to employ the use of financial hedging instruments to minimize the company's potential exposure on these cash flows.

In addition, in order to raise funds on a more cost-effective basis, the company centrally borrows to meet the consolidated financing requirements of its subsidiaries. The central financing facility in turn provides local currency denominated debt to the individual subsidiaries via currency and interest rate swap agreements.

These instruments are executed with credit-worthy financial institutions, and virtually all foreign currency contracts are denominated in currencies of major industrial countries. Gains and losses on these contracts serve as hedges in that they offset fluctuations that would otherwise impact the company's financial results. Costs associated with entering into such contracts are amortized over the life of the instruments and are not material to the company's financial results.

SFAS 105 requires certain disclosures about financial instruments with off-balance-sheet risk. The following summary of contract or notional (face) amounts outstanding at year-end merely provides an indication of the extent of the company's involvement in such instruments and is being presented for informational purposes only. The company does not anticipate any material adverse effect on its financial position resulting from its involvement in these instruments, nor does it anticipate nonperformance by any of its counterparties.

(Dollars in millions)	1992	1991
Forward exchange contracts	$ 490	$1,002
Option contracts	1,914	915
Interest rate and currency swap agreements	13,690	7,827

The company does not have any significant concentrations of credit risk.

IBM has guaranteed certain loans and commitments of various ventures to which it is a party. Additionally, the company is contingently liable for certain receivables sold with recourse. These commitments, which in the aggregate are approximately $1 billion, are not expected to result in a material adverse effect on the company's financial results.

MURPHY OIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Q—Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, trade receivables, short-term debt, and trade payables—The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments and noncurrent receivables—Of the total reported, disclosure of fair value is not required on $11,560,000 of insurance receivables or on $6,682,000 of investments carried on an equity basis. The carrying amount of the remainder approximates fair value.

Long-term debt including current maturities—The fair value of the Company's long-term debt is estimated based on current rates offered to the Company for debt of the same remaining maturities.

Foreign currency contracts—The fair value of foreign currency contracts is estimated from quotes obtained from brokers.

Financial guarantees and letters of credit—The fair value of these instruments is based on the estimated cost to terminate or otherwise settle these obligations with the counterparties.

The estimated fair value of the company's financial instruments at December 31, 1992 is summarized as follows:

(Thousands of dollars)	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$377,845	377,845
Long-term investments other than insurance receivables and investments carried on an equity basis	9,161	9,161
Short-term debt	2,795	2,795
Long-term debt including current maturities	28,591	31,693
Foreign currency contracts	6,750	6,596
Financial guarantees and letters of credit	75,877	75,877

Note S (In Part): Contingencies

In the normal course of its business activities, the Company is required under certain contracts with various governmental authorities and others to provide letters of credit that may be drawn down if the Company fails to perform under those contracts. At December 31, 1992, letters of credit outstanding amounted to $75,877,000.

Contingent liability under a guaranty and pipeline throughout agreement was $16,617,000 at December 31, 1992.

OGDEN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Commitments and Contingent Liabilities

Ogden and certain of its subsidiaries are contingently liable as a result of transactions arising in the ordinary course of business and are involved in legal proceedings in which damages and other remedies are sought. In the opinion of management, after review with counsel, the eventual disposition of these matters will not have a material adverse effect on Ogden's Consolidated Financial Statements.

Ogden continues as guarantor of surety bonds and letters of credit totaling approximately $16,000,000 on behalf of International Terminal Operating Co. Inc. (ITO). Ogden also continues as guarantor of tax-exempt 8¼% Industrial Revenue Bonds (IRBs), secured by a letter of credit, which expires June 16, 1993, amounting to approximately $36,000,000 on behalf of Avondale Industries, Inc. These IRBs are redeemable at the option of the bondholders or Avondale on June 1, 1993, and annually thereafter through June 1, 2001. The IRBs are subject to a mandatory call for redemption on June 1, 1993, if the existing letter of credit is not replaced or the IRBs otherwise refinanced. If the IRBs are redeemed, Ogden may be required to purchase Avondale preferred stock. In addition, Ogden may also be required to purchase Avondale preferred stock in connection with certain litigation and income tax matters. Ogden has entered into discussions with Avondale concerning the possible extension and amendment of these agreements.

As of December 31, 1992, capital commitments amounted to $41,800,000, which includes commitments for equity investments (over and above restricted funds provided by revenue bonds issued by municipalities) of $20,400,000 for waste-to-energy facilities and $21,400,000 for normal replacement, modernization, and growth in Operating Services and Waste-to-Energy Operations.

23. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair-value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that Ogden could realize in a current market exchange.

The estimated fair value (expressed in thousands of dollars) of financial instruments at December 31, 1992, is as follows:

	Carrying Amount	Estimated Fair Value
Assets:		
Operations Other Than Waste to Energy:		
Cash and cash equivalents	$ 108,519	$ 108,519
Marketable securities	99,938	100,123
Other Assets:		
Noncurrent marketable securities	4,582	4,582
Noncurrent receivables	44,257	42,099
Other	27,092	26,068
Waste-to-Energy Operations:		
Cash	7,938	7,938
Receivables	174,571	180,790
Restricted funds	419,763	424,940
Liabilities:		
Operations Other Than Waste-to-Energy:		
Current portion of long-term debt	4,813	4,813
Accrued expenses	74,147	74,147
Long-term debt	265,007	265,007
Convertible subordinated debentures	151,750	129,838
Waste-to-Energy Operations:		
Revenue bonds	1,582,813	1,668,372
Other borrowings	28,423	14,835
Other liabilities	8,300	6,395
Off Balance Sheet Financial Instruments—Unrealized Gains (Losses):		
Interest rate swap agreement—net		2,226

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

For cash and cash equivalents and accrued expenses, etc., the carrying value of these amounts is a reasonable estimate of their fair value. The fair value of long-term unbilled receivables is estimated by using a discount rate that approximates the current rate for comparable notes. Marketable securities' fair values are based on quoted market prices or dealer quotes. The fair value of restricted funds held in trust is based on quoted market prices of the investments held by the trustee. The fair value of noncurrent receivables is estimated by discounting the future cash flows using the current rates at which similar loans would be made to such borrowers based on the remaining maturities, consideration of credit risks, and other business issues pertaining to such receivables. Other assets, consisting primarily of insurance and escrow deposits and other miscellaneous financial instruments used in the ordinary course of business, are valued based on quoted market prices or other appropriate valuation techniques.

Fair values for short-term debt and long-term debt were determined based on interest rates that are currently available to the Corporation for issuance of debt with similar terms and remaining maturities for debt issues that are not traded or quoted on an exchange. With respect to convertible subordinated debentures, fair values are based on quoted market prices. The fair value of revenue bonds was estimated based on quoted market prices for the same or similar issues. Other borrowings and liabilities are valued by discounting the future stream of payments using the incremental borrowing rate of the Corporation. The fair value of the Corporation's interest rate swap agreement is the estimated amount that the Corporation would receive from the dealer to terminate the swap agreement at the reporting date. The fair value of Ogden financial guarantees provided on behalf of ITO and Avondale Industries, Inc. (see Note 22) would be zero because Odgen receives no fees associated with such commitments.

The fair-value estimates presented herein are based on pertinent information available to management as of December 31, 1992. Although management is not aware of any factors that would significantly affect the estimated fair-value amounts, such amounts have not been compréhensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Fair Value of Financial Instruments

The Corporation adopted SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," effective for the year ended December 31, 1992. SFAS No. 107 requires disclosure of the fair value of all financial instruments, recognized and unrecognized, in the Consolidated Balance Sheet, with the exception of certain financial instruments which have been excluded from the scope of SFAS No. 107.

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value are as follows:

Cash and Short-Term Investments.

The carrying amount is a reasonable estimate of the fair value because of the short maturity of those instruments.

Investments and Long-Term Receivables.

The fair values of some investments are estimated based on quoted market prices for those or similar investments. The fair values of other types of loans are estimated by discounting the future cash flows using the current rates at which similar loans would be made with similar credit ratings and for the same remaining maturities. For those investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Additional information pertinent to the value of unquoted investments is provided below.

Long-Term Debt.

The fair value of the Corporation's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current notes offered to the Corporation for debt of the same remaining maturities.

Standby Letters of Credit and Financial Guarantees.

The fair values of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counter parties at the reporting date. The Corporation has guaranteed the borrowings of certain subsidiaries totaling $100.3 million. There is no market for these guarantees and they were issued without explicit cost. Therefore, it is not practicable to establish their fair value.

The estimated fair values of the Corporation's financial instruments as of December 31, 1992, are as follows (in millions):

	Carrying Amount	Fair Value
Cash and short-term investments	$251.2	251.2
Price protection arrangements (copper price guarantees)	1.8	1.8
Investments and long-term receivables (including amounts due within one year) for which it is:		
—practicable to estimate fair value	12.6	15.1
—not practicable to estimate fair value	20.3	—
Long-term debt (including amounts due within one year)	415.9	421.6

It is not practicable to estimate the fair value of investments in certain untraded foreign companies carried at historic cost. The Corporation's largest cost basis investment is its 16.25 percent interest in Southern Peru Copper Corporation, which is carried at a book value of $13.2 million. For the year ended December 31, 1992, that company reported total assets of $723.3 million, common shareholders' equity of $388.8 million, revenues of $550.5 million and net income of $45.6 million.

THE UNITED STATES SHOE CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (in Part): Commitments and Contingencies

Contingencies—The company is contingently liable as a guarantor of 393 leases in 36 states and the District of Columbia relating to customer facilities and certain leases that were assigned in connection with various dispositions. As of January 30, 1993, approximately 91% of the guaranteed aggregate minimum rentals were concentrated with seven primary obligors. Leases guaranteed by the company related to customer facilities and dispositions expire between 1993 and 2003 and minimum rentals aggregate $56.7 million for the eleven-year period. The company does not hold security for these guarantees.

It is not practicable to estimate the fair value of lease guarantees since quoted prices are not readily available and valuation techniques would not be practicable due to the number of primary obligors, inherent differences in the primary obligors' credit risk and the varying lease terms.

The company has entered into severance compensation agreements with certain of its executives. Such agreements provide for the payment over a two year period to these executives of amounts up to three times their average annual compensation plus continuation of certain benefits, if a change in control (as defined) is followed within two years by a termination (as defined) of employment. The maximum contingent liability of the company pursuant to all such agreements is approximately $14.3 million at January 30, 1993.

Letters Of Credit

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Financial Instruments

At December 31, 1992, the Corporation has $494,500,000 of interest rate conversion agreements maturing through 2002, $265,000,000 of foreign currency exchange contracts maturing in 1993 and $91,000,000 in letters of credit outstanding. These financial instruments and the Corporation's cash and cash equivalents and accounts receivable (including receivables related to petroleum trading activities) may at times be concentrated with certain counterparties or groups of counterparties. The credit worthiness of counterparties is subject to continuing review and full performance is anticipated.

The Corporation values financial instruments as required by FAS No. 107, Disclosures about Fair Value of Financial Instruments. The carrying amounts of cash and cash equivalents, short-term debt and variable-rate long-term debt approximate fair value. The Corporation estimates the fair value of its fixed-rate long-term debt generally using discounted cash flow analysis based on the Corporation's current borrowing rates for similar types of debt. Interest rate conversion agreements and foreign currency exchange contracts, which are entered into to protect the Corporation from unfavorable interest rate and exchange rate fluctuations, are valued based on current termination values or quoted market prices of comparable contracts.

The carrying amounts of the Corporation's financial instruments generally approximate their fair values at December 31, 1992, except for fixed-rate long-term debt, interest rate conversion agreements and foreign currency exchange contracts where fair value or termination costs exceed the recorded carrying amount by approximately $150 million.

DSC COMMUNICATIONS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

In accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the following methods and assumptions were used by the Company in estimating its fair value disclosures for the Company's financial instruments:

Cash and cash equivalents

The carrying amount reported for cash and cash equivalents approximates its fair value.

Investment security

The fair value of an investment security, which is included in "Other noncurrent assets" in the Consolidated Balance Sheets, is based on a quoted market price.

Long-term receivables

The carrying amount of the Company's long-term receivables, which primarily relate to sales-type leases, approximates fair value based upon comparable credit risks and interest rates which incorporate such risks.

Debt

The carrying amounts of the Company's borrowings under its senior unsecured debt arrangement and other debt approximates their fair value due to recent renegotiation of the senior unsecured debt in December, 1992 and the other debt containing market interest rates. The subordinated convertible debentures are based on quoted market values.

Forward foreign exchange contracts, letters of credit and guarantees

The fair values of the Company's off-balance sheet instruments are based on current settlement values (forward foreign exchange contracts); and fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing (guarantees and letters of credit). The difference between these contract values and the fair value of these instruments is not material at December 31, 1992.

The carrying amounts and fair values of the Company's significant financial instruments at December 31, 1992 are as follows (in thousands):

	Carrying Amount	Fair Value
Cash and cash equivalents	$69,839	$69,839
Investment security	1,164	3,260
Long-term receivables	23,093	23,093
Debt:		
Senior unsecured debt	25,000	25,000
7.75% subordinated convertible debentures	71,490	84,709
8.00% subordinated convertible debentures	36,611	31,806
Other	7,308	7,308

Commitments and Contingencies (In Part)

Contingent Liabilities

The Company periodically sells customer receivables and operating leases under agreements which contain recourse provisions (including $13,115,000 of receivables sold in 1991). At December 31, 1992, $7,306,000 of the receivables previously sold are subject to recourse provisions that would require the Company to repurchase up to 100 percent of the outstanding receivable balance upon customer default. Additionally, the Company could be obligated to repurchase other receivables and operating leases which were sold on a partial recourse basis, the terms of which allow the Company to limit its risk of loss to approximately $8,863,000 at December 31, 1992. Customer guarantee reserves for estimated losses from repurchases of receivables under the recourse provision of the sale agreements are included in "Accrued liabilities" in the Consolidated Balance Sheets.

The Company enters into forward foreign exchange contracts to hedge certain Japanese yen denominated receivables and certain firm Japanese yen denominated contracts for delivery of products and services. At December 31, 1992, the Company had forward foreign exchange contracts of $26,735,000 to hedge future Japanese yen receipts. Gains and losses related to the forward contracts are recognized as part of the cost of the underlying transactions being hedged. Forward foreign exchange contracts generally have maturities of one year or less and contain an element of risk that the counterparty may be unable to meet the terms of the agreement. However, the Company minimizes such risk exposure by limiting the counterparty to major financial institutions. Management believes the risk of incurring such losses is remote and any losses therefrom would be immaterial.

The Company was also contingently liable at December 31, 1992 for $5,457,000 related to letters of credit under performance obligations to customers.

GOULDS PUMPS, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Financial Instruments

During 1992, the Company adopted SFAS No. 107, which requires the disclosure of the fair value of certain financial instruments. In addition to the financial instruments described in Notes 1 and 6, the Company, in the normal course of business, is a party to various other financial instruments with off-balance sheet risk. Estimated fair value amounts for all financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies.

Notes receivable. The Company holds a $5,000,000 note receivable from Wheatly TXT Corp., the noncurrent portion of which is included in other assets. The carrying amount at December 31, 1992 which represents the face value of the note receivable is a reasonable estimate of its fair value. The interest rate is variable and during 1992, the Company recognized $310,000 of interest income on this note.

Long-term debt. The carrying value of long-term debt is a reasonable estimate of its fair value as interest rates are variable, based on the prevailing market rates.

Foreign currency exchange and option contracts. As part of its currency hedging, the Company utilizes forward exchange and option contracts to minimize the impact of currency fluctuations on transactions. At December 31, 1992, the Company and its subsidiaries hold contracts for $7,966,000 for the purchase or sale of Canadian and other currencies in 1993. The fair value of these foreign currency contracts is estimated based on quoted market prices for similar contracts. The unrealized gain on these contracts at December 31, 1992 is $214,000.

Letters of credit. At December 31, 1992, the Company has letters of credit outstanding totaling $4,899,000 which guarantee various trade activities. The contract amount of the letters of credit is a reasonable estimate of their fair value as the value for each is fixed over the life of the commitment.

No material loss is anticipated due to nonperformance by the counterparties to these agreements.

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Financial Instruments:

Off-Balance Sheet Risk

As collateral for performance and advances on long-term contracts and to ceding insurers, the Company is contingently liable under standby letters of credit and bonds in the amount of $219.0 million and $200.1 million at December 31, 1992 and 1991 respectively. These standby letters of credit and bonds are generally in force from one to three years for which the Company pays fees to various banks and insurance companies that generally range from .25 to 1 percent per annum of their face value. If the Company were required to obtain replacement standby letters of credit and bonds as of December 31, 1992 for those currently outstanding, it is the Company's opinion that the replacement costs for such standby letters of credit and bonds would not significantly vary from the present fee structure.

At December 31, 1992 and 1991, the Company had $6.0 million and $10.0 million, respectively, of forward foreign currency exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts generally mature within 12 months and are principally with banks.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, insurance related assets, and accounts receivable. The Company places its temporary cash investments ($39 million at December 31, 1992 and $119 million at December 31, 1991) and insurance related investments ($65 million at December 31, 1992 and $47 million at December 31, 1991) with high quality institutions and, by policy, limits the amount of credit exposure to any one institution. Except for the U.S. and foreign government agencies, concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. Generally, the Company does not require collateral or other security to support customer receivables.

Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Investments

The fair values of investments are estimated based on quoted market prices for those or similar investments.

Long-term debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Foreign currency exchange contracts

The fair value of foreign currency exchange contracts (used for hedging purposes) is estimated by obtaining quotes from brokers

The estimated fair values of the Company's financial instruments are as follows:

(In thousands)	1992	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 50,366	$ 50,366
Investments:		
Marketable equity securities	6,750	31,894
Other (principally classified as insurance rated assets)	66,860	66,475
Long-term debt	120,503	129,642
Foreign currency exchange contracts	6,022	6,103

HUNT MANUFACTURING CO. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share amounts)

17. Financial Instruments:

Off-Balance Sheet Risk:

Letters of credit are issued by the Company during the ordinary course of business through major domestic banks as required by certain vendor contracts. As of November 29, 1992 and December 1, 1991, the Company had outstanding letters of credit for $1,426 and $552, respectively.

Concentrations of Credit Risk:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments ($4.5 million and $8.3 million at November 29, 1992 and December 1, 1991, respectively) with quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different industries and geographies. Generally, the Company does not require collateral or other security to support customer receivables.

Fair Value:

In 1991 the FASB issued SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." SFAS No. 107 is generally effective for fiscal years ending after December 15, 1992. Accordingly, the Company plans to adopt SFAS No. 107 when required, and will disclose the fair value for all its financial instruments, if practicable.

Receivables Sold With Recourse

PITNEY BOWES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data or as otherwise indicated)

1 (In Part): Summary of Significant Accounting Policies

Foreign currency translation. Assets and liabilities of subsidiaries operating outside the U.S. have been translated at rates in effect at the end of the period, and revenues and expenses were translated at average rates during the period. Net deferred translation gains and losses are accumulated in stockholders' equity.

The company enters into forward foreign exchange contracts primarily to hedge certain firm foreign currency commitments. Gains and losses are deferred and recognized as part of the cost of the underlying transaction being hedged. Gains and losses related to changes in the value of speculative contracts are recognized in income currently. At December 31, 1992, the company had approximately $271.8 million of forward exchange contracts outstanding, maturing through 1996, to buy or sell various currencies.

Foreign currency transaction and translation gains and (losses) were $4.0 million, $0.6 million and $(0.9) million in 1992, 1991 and 1990, respectively.

4 (In Part): Current Liabilities

The company periodically enters into interest rate swap and swap option agreements as a means of managing interest rate exposure. At December 31, 1992, the company had outstanding interest rate swap agreements with notional principal amounts of $1.1 billion. Under the agreements, with terms expiring at various dates from 1993 to 2004, the company exchanges rates between fixed-rate debt with rates ranging from 4.28% to 12.99% and commercial paper rates. The interest differential to be paid or received under swap agreements is recorded on the accrual basis as an adjustment to interest expense. The company has also written interest rate swap options in connection with various debt financings. These options grant the counterparty the option of selecting a fixed or variable interest rate at a future point in time. The company carries these interest rate swap options at market value. At December 31, 1992, the company had swap options outstanding on $270.2 million notional principal amounts.

13 (In Part): Commitments and Contingencies

At December 31, 1992, the company's finance subsidiaries had unfunded commitments of $28.2 million to extend credit to customers. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future liquidity requirements. The company evaluates each customer's credit worthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period.

15 (In Part): Financial Services

The company has sold net finance receivables with varying amounts of recourse in privately-placed transactions with third-party investors. The uncollected principal balance of receivables sold and residual guarantee contracts totaled $551.0 million and $589.1 million at December 31, 1992 and 1991, respectively. These contracts are supported by the underlying equipment value and credit worthiness of customers. Adequate provisions have been made for sold receivables which may be uncollectible.

17. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents, short-term investments, accounts receivable, accounts payable and notes payable. The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities. The fair value of investment securities is estimated based on quoted market prices, dealer quotes and other estimates.

Loan receivables. The fair value of loan receivables is estimated based on quoted market prices, dealer quotes or by discounting future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings.

Long-term debt. The fair value of long-term debt is estimated based on quoted dealer prices for the same or similar issues.

Interest rate swap and swap option agreements and foreign currency exchange contracts. The fair values of interest rate swaps, swap options and foreign currency exchange contracts are obtained from dealer quotes. These values represent the estimated amount the company would receive or pay to terminate the agreements taking into consideration current interest rates, the credit worthiness of the counterparties and current foreign currency exchange rates.

Residual and conditional commitment guarantee contracts. The fair value of residual and conditional commitment guarantee contracts is based on the projected fair market value of the collateral as compared to the guaranteed amount plus a commitment fee generally required by the counterparty to assume the guarantee.

Commitments to extend credit. The fair value of commitments to extend credit is estimated by comparing current market conditions taking into account the remaining terms of existing agreements and present credit worthiness of the counterparties.

Transfer of receivables with recourse. The fair value of the recourse liability represents the estimate of expected future losses. The company periodically evaluates the adequacy of allowances and estimates of expected losses, if the resulting evaluation of expected losses differs from the actual allowance, adjustments are made to the allowance.

The estimated fair value of the company's financial instruments is as follows:

December 31, 1992	Carrying Value*	Fair Value
Investment securities	$ 17,381	$ 17,445
Loan receivables	180,850	185,953
Long-term debt	(1,185,728)	(1,231,980)
Interest rate swaps	(5,858)	(45,202)
Interest rate swap options	(10,998)	(10,998)
Foreign currency exchange contracts	76	1,056
Residual and conditional commitment guarantee contracts	(2,431)	(3,692)
Commitments to extend credit	(61)	(2,166)
Transfer of receivables with recourse	(11,141)	(11,141)

*Carrying value includes accrued interest and deferred fee income.

USX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Sales of Receivables

Accounts receivable—USX has entered into agreements to sell certain accounts receivable subject to limited recourse. Payments are collected from the sold accounts receivable, the collections are reinvested in new accounts receivable for the buyers; and a yield based on defined short-term market rates is transferred to the buyers. Collections on sold accounts receivable will be forwarded to the buyers at the end of the agreements in 1993 and 1995, in the event of earlier contract termination or if USX does not have a sufficient quantity of eligible accounts receivable to reinvest in for the buyers. Sales of accounts receivable averaged $703 million, $704 million and $850 million per month in 1992, 1991 and 1990, respectively. At December 31, 1992, the balance of sold accounts receivable that had not been collected was $695 million. Buyers have collection rights to recover payments from an amount of outstanding receivables equal to 120% of the outstanding receivables purchased on a nonrecourse basis; such over-collateralization cannot exceed $150 million. USX does not generally require collateral for accounts receivable, but significantly reduces credit risk through credit extension and collection policies, which include analyzing the financial condition of potential customers, establishing credit limits, monitoring payments and aggressively pursuing delinquent accounts. In the event of a change in control of USX, as defined in the agreements, USX may be required to forward payments collected on sold accounts receivable to the buyers.

Loans receivable—USX Credit, a division of USX, sold certain of its loans receivable subject to limited recourse during a revolving period ended December 1992. USX Credit continues to collect payments from the loans and transfer to the buyers principal collected plus yield based on defined short-term market rates. In 1992, 1991 and 1990, USX Credit net sales (repurchases) of loans receivable totaled $(24) million, $85 million and $252 million, respectively. At December 31, 1992, the balance of sold loans receivable subject to recourse was $342 million. USX Credit is not actively seeking new loans at this time. USX Credit is subject to market risk through fluctuations in short-term market rates on sold loans which pay fixed interest rates. USX Credit significantly reduces credit risk through a credit policy, which requires that loans be secured by the real property or equipment financed, often with additional security such as letters of credit, personal guarantees and committed long-term financing takeouts. Also, USX Credit diversifies its portfolio as to types and terms of loans, borrowers, loan sizes, sources of business and types and locations of collateral. As of December 31, 1992, and December 31, 1991, USX Credit had outstanding loan commitments of $32 million and $90 million, respectively. In the event of a change in control of USX, as defined in the agreement, USX may be required to provide cash collateral in the amount of the uncollected loans receivable to assure compliance with the limited recourse provisions.

Estimated credit losses under the limited recourse provisions for both accounts receivable and loans receivable are recognized when the receivables are sold consistent with bad debt experience. Recognized liabilities for future recourse obligations of sold receivables were $1 million and $2 million at December 31, 1992 and December 31, 1991, respectively.

23. (In Part): Contingencies and Commitments

Guarantees

Guarantees by USX of the liabilities of affiliated and other entities totaled $258 million at December 31, 1992, and $297 million at December 31, 1991. In the event that any defaults of guaranteed liabilities occur, USX has access to its interest in the assets of the affiliates to reduce losses. As of December 31, 1992, the largest guarantee for a single affiliate was $118 million.

At December 31, 1992, and December 31, 1991, USX's pro rata share of obligations of LOOP INC. and various pipeline affiliates secured by throughput and deficiency agreements totaled $216 million and $227 million, respectively. Under the agreements, USX is required to advance funds if the affiliates are unable to service debt. Any such advances are prepayments of future transportation charges.

24. Fair Value of Financial Instruments

Effective December 31, 1992, USX adopted SFAS No. 107, which requires disclosing fair value to the extent practicable for financial instruments which are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement. The following table summarizes financial instruments by individual balance sheet account:

	December 31, 1992	
(In millions)	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 57	$ 57
Receivables	924	924
Long-term receivables and other investments[a]	166	364
Total financial assets	$1,147	$1,345
Financial liabilities		
Notes payable	$ 47	$ 47
Accounts payable	2,099	2,099
Accrued interest	129	129
Long-term debt (including amounts due within one year)	6,156	6,242
Total financial liabilities	$8,431	$8,517

[a] The difference between carrying value and fair value principally represents the subordinated note related to the earlier sale of 56% economic interest in Transtar which is carried at no value due to the highly leveraged nature of the transaction.

The fair value of financial instruments classified as current assets or liabilities approximate carrying value due to the short-term maturity of the instruments. Fair value of long-term receivables and other instruments was based on discounted cash flows or other specific instrument analysis. The fair value of long-term debt instruments was based on market prices where available or current borrowing rates available for financings with similar terms and maturities.

USX's unrecognized financial instruments consist of receivables sold subject to limited recourse, commitments to extend credit and financial guarantees. It is not practicable to estimate the fair value of these forms of financial instrument obligations. For details relating to sales of receivables and commitments to extend credit see Note 11, page 44. For details relating to financial guarantees see Note 23, page 51.

Commitments To Extend Credit

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in millions (except per share amounts)

R. Financial Instruments

AT&T uses various financial instruments in the normal course of its business. These financial instruments include commitments to extend credit, letters of credit, guarantees of debt, interest rate swap agreements and foreign currency exchange contracts.

By their nature, all such instruments involve risk, and the maximum potential loss may exceed amounts recognized in the Consolidated Balance Sheets. As is customary for these types of financial instruments, AT&T usually does not require collateral or other security from other parties to the instruments. However, because AT&T controls the credit risk of these instruments through credit approvals, limits and monitoring procedures, management believes that allowances for losses are adequate.

The notional or contractual amounts of these commitments and other financial instruments are shown on a table on page 38.

Commitments to Extend Credit

AT&T is engaged in the general-purpose credit card business through AT&T Universal Card Services Corp., a wholly owned subsidiary. Under an agreement with the Universal Bank, a subsidiary of Synovus Financial Corporation that issues the cards, AT&T purchases essentially all cardholder receivables.

Letters of Credit

Letters of credit are purchased guarantees that ensure AT&T's performance or payment to third parties in accordance with specified terms and conditions.

Guarantees of Debt

From time to time, AT&T guarantees the debt of certain unconsolidated joint ventures, principally those engaged in real estate development and management.

Interest Rate Swap Agreements

AT&T enters into interest rate swap agreements to manage exposure to changes in interest rates by more closely matching the maturity of its debt to that of its finance asset portfolio. The agreements generally involve the exchange of fixed or floating interest payments without the exchange of the underlying principal amounts.

Foreign Exchange

AT&T enters into foreign currency exchange contracts, including forward, option and swap contracts, to reduce exposure to foreign currency exchange risk.

Fair Values of Financial Instruments

The following table shows the carrying or notional amounts and estimated fair values of material financial instruments used by AT&T in the normal course of its business.

The fair values of Universal Card finance receivables are reasonably estimated as the carrying amount. These receivables accrue interest at a prime-based rate. The fair value of all other finance receivables is estimated by discounting future cash flows using current market rates.

The fair values of debt excluding capital leases are estimated based principally on the rates currently available to AT&T for debt with similar terms and maturities. In many instances, these rates can be determined from market quotes.

The notional amount of commitments to extend credit is the amount of additional receivables AT&T would have to purchase if all Universal Card accounts were utilized to the extent of their maximum credit limits. Actual cardholder credit utilization is usually only a fraction of available credit.

The fair values of letters of credit are estimated on the basis of the fees paid to obtain the obligation.

The fair values of guarantees of debt and interest rate swap agreements are the estimated costs to terminate these agreements.

The fair values of foreign exchange contracts are estimated using market quotes.

The fair values of the off-balance sheet instruments shown in the table below are negligible.

	1992 Carrying Amount	1992 Fair Value	1991 Carrying Amount
Balance Sheet Instruments			
Finance receivables other than leases	$ 7,983	$ 7,988	$ 5,092
Debt excluding capital leases	15,902	16,126	15,245

	1992 Notional Amount	1991 Notional Amount
Off-Balance Sheet Instruments		
Commitments to extend credit	$39,934	$28,439
Letters of credit	455	290
Guarantees of debt	271	283
Interest rate swap agreements	1,713	1,511
Foreign exchange forward contracts	972	807
Foreign exchange swap contracts	369	312
Foreign exchange option contracts	35	404

THE BOEING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

Note 15. Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, primarily commercial aircraft customers, and to reduce its own financing exposure. These commitments can include extensions of credit, direct credit guarantees, tax benefit transfers, foreign government expropriation guarantees, interest rate swaps, and agreements with other financing parties to participate in long-term receivables with interest rate terms different from those of the related receivable.

Irrevocable financing commitments related to aircraft on order, including options, for delivery through 1999 totaled $4,440 as of December 31, 1992. The Company anticipates that not all of these commitments will be utilized and that it will be able to arrange for third-party investors to assume a portion of the remaining commitments, if necessary.

The Company's exposure to credit and market-related losses related to direct credit guarantees, tax benefit transfers, and foreign government expropriation guarantees totaled $34 as of December 31, 1992.

The Company has entered into interest rate swaps with third-party investors whereby the interest rate terms differ from those of the original receivable. These swaps related to long-term receivables that totaled $314. In addition, participation in the Company's long-term receivables by third-party investors with interest rate terms different from the original receivable totaled $91.

Note 17. Disclosures about Fair Value of Financial Instruments

Cash equivalents and short-term investments

The carrying value of cash equivalents and short-term investments are representative of fair value because of the short maturity of those instruments.

Accounts receivable and accounts payable

Certain receivable balances will be collected over an extended period; consequently, the fair value of accounts receivable is estimated to be lower than the carrying value by $50 as of both December 31, 1992, and 1991, reflecting a discounted value due to the deferred collection. The carrying value of accounts payable is estimated to be approximate fair value.

Customer financing notes receivable

There are generally no quoted market prices available for customer financing notes receivable. The net fair value of such notes is estimated to approximate the net carrying value based upon interest rates and risk-related rate spreads as of December 31, 1992.

Long-term debt

The carrying amount of long-term debt was $1,793 and $1,317 as of December 31, 1992, and 1991, respectively. The fair value of long-term debt, based on current market rates for debt of the same risk and maturities, was estimated at $1,880 and $1,400 as of December 31, 1992, and 1991, respectively. The Company's long-term debt, however, is generally not callable until maturity.

Financial instruments with off-balance-sheet risk

With regard to financial instruments with off-balance-sheet risk delineated in Note 15, it is not practicable to estimate the fair value of future financing commitments, and all other commitments are estimated to have only a nominal fair value. The terms and conditions reflected in the outstanding guarantees and commitments for financing assistance are not materially different from those that would have been negotiated as of December 31, 1992.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Airline Industry and Customer Financing Assets

The competitive commercial aircraft engine market often requires customer financing commitments. These commitments may be in the form of guarantees, secured debt or lease financing. The Corporation's customer financing activities include leasing aircraft under operating lease agreements and subleasing the aircraft to customers, primarily under lease agreements cancelable within one to four years upon notice by the customer. At December 31, 1992, rental commitments under those long-term noncancelable leases aggregated $360 million ($30 million in each of the years 1993 through 1997). At December 31, 1992, the Corporation had commitments to finance or arrange financing for approximately $2.0 billion of commercial aircraft. The Corporation cannot currently predict the extent to which these commitments will be utilized, since certain customers may be able to obtain more favorable terms using traditional financing sources. From time to time, the Corporation also arranges for third party investors to assume a portion of its commitments. However, should all current commitments be exercised as scheduled, the maximum amounts that will be disbursed are as follows: $545 million in 1993, $190 million in 1994, $400 million in 1995, $400 million in 1996, $400 million in 1997 and $80 million in 1998 and beyond. If exercised, the financing arrangements will be secured by assets with fair values exceeding the financed amounts.

At December 31, 1992, the Corporation had approximately $513 million of residual value and other guarantees relating to various commercial aircraft engine customer financing arrangements. These guarantees may extend for fifteen years or more and may be used by the customers to obtain more favorable financing terms than would otherwise be available. Where applicable, the estimated fair market value of the assets securing these guarantees equaled or exceeded the related guarantee amount, after considering existing allowances of $77 million, at December 31, 1992. As with financing commitments, the Corporation may arrange for third party investors to assume a portion of its guarantees.

Note 12: Fair Value of Financial Instruments

FAS 107, "Disclosures about Fair Value of Financial Instruments," requires the determination of fair value for certain of the Corporation's assets, liabilities and contingent liabilities. When practicable, the following methods and assumptions were used to estimate the fair value of those financial instruments included in the following categories:

Cash and short-term cash investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Investments and receivables due after one year: The fair values of some investments and receivables are estimated based on quoted market prices for those or similar instruments. For other investments and receivables for which there are no quoted market prices, an approximation of fair value is based upon projected cash flows discounted at an estimated current market rate of interest.

Customer financing assets: The fair values of customer financing assets are estimated based upon projected cash flows discounted at an estimated current market rate of interest.

Long-term debt: The fair value of the Corporation's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Interest rate swap agreements: The fair value of interest rate swaps (used for hedging purposes) is the estimated amount that the Corporation would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

Foreign currency contracts: The fair value of foreign currency contracts (used for hedging purposes) is estimated by obtaining quotes from brokers.

Financing commitments: A reasonable estimate of fair value could not be made without incurring excessive costs. Additional information pertinent to the valuation of these commitments is provided below.

It is estimated that, except for the financing commitments described below, the carrying value of all of the Corporation's financial instruments approximate fair value at December 31, 1992.

It was not practicable, without incurring excessive cost, to estimate the fair value of the Corporation's financing commitments totaling $2.0 billion at December 31, 1992. The fair value of such commitments would be based upon the amount a third party would charge for assuming the Corporation's obligation under the commitments. Additional information pertaining to these commitments is included in Note 5.

Put And Call Agreements

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (In Part): Commitments and Contingent Liabilities

Put and Call Agreements

In December 1988, James River and Occidental Forest, Inc. ("OFI") entered into an agreement providing for put and call arrangements on OFI's 77% ownership interest in Diamond. Beginning in November 1993, OFI will have the right to sell its interest in Diamond to James River for a total consideration of approximately $198 million. Beginning in November 1994, James River will have the right to acquire the remaining interest in Diamond for the same price.

James River is also a party to put and call arrangements in connection with Jamont, in which the Company currently has a 43% indirect ownership interest. James River and Rayne Holdings Inc. ("Rayne"), a British Virgin Islands company, each own 50% of Jamont Holdings N.V. ("Holdings"), which owns 86% of Jamont. James River and Rayne are parties to a put and call agreement that provides various options by which James River may purchase Rayne's interest in Holdings (the "Option Shares"). James River has the option, exercisable until June 15, 1996, and again between September 1, 1996 and June 15, 1998, to purchase either 80% or 100% of the Option Shares at escalating amounts pursuant to a formula (the "Formula Price"). In addition, Rayne may put 80% of the Option Shares to James River during July and August 1996 and the remaining 20% during July and August 1998 at a proportionate value equal to the then Formula Price. If it has not otherwise been acquired, James River also has the option to purchase the remaining 20% of the Option Shares during September 1998 for 20% of the then Formula Price. The Formula Price of approximately $580 million in December 1992 for 100% of the Option Shares approximated the underlying book value of the interest in Holdings. In connection with this put and call agreement, the Company has obtained a letter of credit securing the contingent obligation to purchase 80% of the Option Shares.

James River has an option to purchase the 50% interest in the Naheola Partnership owned by CRSS at fair value. CRSS also has an option to put its interest in the partnership to James River at fair value; however, this option may only be exercised (i) if the facility becomes subject to regulation as a public utility, (ii) if production levels at the Naheola mill fall below certain levels due to the Company's shifting of production to other mills, or (iii) if the Naheola mill is sold to a competitor of CRSS. Management believes the probability of the occurrence of any of these events is remote.

It is not practicable to estimate the fair value of these put and call arrangements as they relate to untraded entities, and their ultimate values will be affected by future operating performance and market conditions. Management believes, however, there is only a minimal risk that the assets that are subject to fixed price puts will be worth substantially less than the specified purchase prices, excluding the potential impact of currency risk, if any.

Right To Receive Royalty Payments

TALLEY INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. Long-term receivables and Realty debt instruments have been issued in connection with the Company's discontinued real estate operations and as a result of foreclosure, forfeiture and renegotiation of such instruments in conjunction with the constant evaluation of the real estate portfolio it is believed that the fair value of such instruments, as they have been restructured or renegotiated, approximates the carrying value of these instruments.

On November 20, 1992 the Company completed the restructuring of substantially all of the Company's debt as more fully explained in the long-term debt note to the financial statements. Consequently, at December 31, 1992 the estimated fair value of long-term debt is approximately equal to the carrying value.

In February, 1988 the Company entered into a $25,000,000, seven-year, 8.92% interest rate swap agreement. The Company receives or pays interest based on LIBOR, as determined in 6-month intervals. Net payments or receipts under the agreement are recorded as adjustments to interest expense. The counterparty to the swap agreement is a major international financial institution and accordingly the Company does not anticipate a loss in connection therewith. At December 31, 1992 the negative market-to-market value is estimated to be $2,548,000.

The Company has the right to receive royalty payments under a license agreement executed in April, 1989 in connection with the sale of its airbag operations to TRW, Inc. Under the agreement, the Company is entitled to receive royalties for the twelve-year period commencing May 1, 1989 and ending April 30, 2001. The rates at which these royalties are to be paid are: $1.10 for each airbag unit manufactured and sold anywhere in the world by TRW and its subsidiaries (this amount increases by $.01 per unit on May 1 of each year of the royalty term); 75% of the per-unit amount specified above for each inflator manufactured and sold anywhere in the world by TRW and its subsidiaries; and $.55 for each airbag unit supplied by companies other than TRW for use in a vehicle manufactured or sold in North America.

The fair value of the royalty stream is dependent upon automobile production, the number of vehicles produced with airbag systems and the market share of TRW, Inc.; accordingly, the fair value cannot be estimated. Royalties recognized in the year ending December 31, 1992 were $5,566,000.

Financial Instruments Of Nonhomogeneous Operations

AMERICAN BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Franklin Life Insurance Company (In Part)

Disclosure about Fair Value of Financial Instruments

In accordance with FAS Statement No. 107, "Disclosures about Fair Value of Financial Instruments," information is provided about the fair value of certain financial instruments for which it is practicable to estimate that value. For purposes of FAS No. 107, the estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value amounts disclosed represent management's best estimates of fair value. In accordance with FAS No. 107, this disclosure excludes certain insurance policy-related financial instruments and all nonfinancial instruments. The aggregate fair value amounts presented are not intended to represent the underlying aggregate fair value of Franklin.

The methods and assumptions used to estimate fair value are as follows:

Fair value for fixed maturity securities is determined from quoted market prices, where available. For fixed maturity securities not actively traded, fair value is estimated by discounting cash flows and using current interest rates considering credit ratings and the remaining terms to maturity.

Fair value for equity securities is based on quoted market prices.

Fair value for mortgage loans is estimated by discounting cash flows and using current interest rates on similar real estate loans considering credit ratings and the remaining terms to maturity.

Fair value for investment-type insurance contracts is estimated by reducing the policyholder liability for applicable surrender or mortality charges, if any.

Fair value for commitments to extend credit, principally mortgage loans, is calculated using current interest rates that approximate the amount a willing buyer would pay to acquire a similar instrument. The amount of commitments to extend credit at December 31, 1992 was $90 million, which approximates fair value.

Fair value for accrued investment income approximates the carrying amount.

Policy loans have no stated maturity dates and are an integral part of the related insurance contract. Accordingly, it is not practicable to estimate a fair value.

The estimated fair value of Franklin's financial instruments at December 31, 1992, for which it is practicable to estimate that value, is as follows:

(In millions)	Carrying Amount	Fair Value
Fixed maturities	$4,286.9	$4,599.0
Equity securities	252.5	252.5
Mortgage loans	436.0	449.6
Liabilities for investment-type contracts, principally individual and group annuities	(1,517.9)	(1,444.0)

GENERAL ELECTRIC COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 29. Fair Values of Financial Instruments

As required under generally accepted accounting principles, financial instruments are presented in the accompanying financial statement—generally at either cost or fair value, based on both the characteristics of and management intentions regarding the instruments. Management believes that the financial statement presentation is the most useful for displaying the Company's results. However, SFAS No. 107—"Disclosure About Fair Value of Financial Instruments" requires disclosure of an estimate of the fair value of certain financial instruments. These disclosures disregard management intentions regarding the instruments, and therefore, management believes that this information may be of limited usefulness.

Apart from the Company's own borrowings and financial instruments of Kidder, Peabody, relatively few of the Company's financial instruments are actively traded. Thus, fair values must often be determined by using one or more models that indicate value based on estimates of quantifiable characteristics as of a particular date. Because this undertaking is, by nature, difficult and highly judgmental, for a limited number of instruments, alternative valuation techniques indicate values sufficiently diverse that the only practicable disclosure is a range of values. Users of the following data are cautioned that limitations in the estimation techniques may have produced disclosed values different from those that could have been realized at December 31, 1992. Moreover, the disclosed values are representative of fair values only as of December 31, 1992, inasmuch as interest rates, performance of the economy, tax policies and other variables significantly impact fair valuations. For GECS, marketable securities carried at market value, reverse repurchase agreements, repurchase agreements and other receivables have been excluded as their carrying amounts and fair values are approximately the same.

Values were estimated as follows:

Marketable securities—other. Based on quoted December 31, 1992, market prices or dealer quotes for actively traded securities. Value of other such securities was estimated using quoted market prices for similar securities.

Time sales, loans and related participations. Based on quoted market prices, recent transactions, market comparables and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers at December 31, 1992.

Investments in associated companies. GECS' investments are based on market comparables, recent transactions and/or discounted future cash flows as of December 31, 1992. These equity interests were generally acquired in connection with financing transactions and, for purposes of this disclosure, fair values were estimated. GE's investments (aggregating $1,301 million as of December 31, 1992) comprise many small investments, many of which are located outside the United States, and generally involve joint ventures for specific, limited objectives; determination of fair values is impracticable.

Other financial instruments. Based on recent comparable transactions, market comparables, discounted future cash flows, quoted market prices, and/or estimates of the December 31, 1992, cost to terminate or otherwise settle obligations to counterparties.

Borrowings. Based on December 31, 1992, quoted market prices or market comparables. Fair values of interest rate and currency swaps are included in the effects of counterparty creditworthiness.

Financial guaranties of insurance affiliates. Based on future cash flows, considering expected renewal premiums, claims, refunds and servicing costs, discounted at a market rate.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1992, are as follows.

Assets (liabilities) *(In millions)*	Carrying Amount	Estimated Fair Value
GE		
Cash and equivalents	$ 1,189	$ 1,189
Marketable securities—other	32	32
Other financial instruments	832	869
Borrowings	(6,868)	(6,991)
GECS		
Cash and equivalents	1,940	1,940
Marketable securities—other	11,224	11,634
Time sales, loans and related participations	36,131	37,420-36,240
Investments in associated companies	1,720	2,295-2,180
Other financial instruments	2,430	2,545-2,405
Borrowings[a]	(75,140)	(76,400)
Financial guaranties of insurance affiliates	(1,036)	200-55

[a] Proceeds from borrowings are invested in a variety of GECS activities, including both financial instruments, shown in the preceding table, as well as leases, for which fair value disclosures are neither required nor reasonably estimable. When evaluating the extent to which estimated fair value of borrowings exceeds the related carrying amount, users should consider that the fair value of the fixed payment stream for long-term leases would increase as well.

FINANCIAL INSTRUMENTS RECOGNIZED IN BALANCE SHEET

AMERICAN CYANAMID COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Financial Instruments—The carrying values of the company's financial instruments at December 31, 1992, approximate their estimated fair values. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount approximates fair value due to the short-term maturity of these instruments.

Marketable securities and other investments and advances

The fair value of marketable securities and other investments and advances held for investment purposes are based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities and investments.

Short-term borrowings

The carrying amount approximates fair value due to the short-term maturity of these instruments.

Funded debt

The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the company for debt of the same remaining maturites.

Foreign currency contracts

The carrying amount approximates fair value as all forward foreign exchange contracts are revalued monthly based on current exchange rates, hedge known, firm future commitments and are substantially all less than six months in length.

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Financial Instruments

Ashland participates in the financial derivatives markets to manage its exposure to interest rate fluctuations. Forward rate agreements (FRAs) and interest rate swaps are used to convert certain floating rate debt to fixed rate debt and vice versa. At September 30, 1992, Ashland's holdings of financial derivatives were not significant. Ashland is theoretically exposed to credit losses in the event of counterparty nonperformance, but does not anticipate any such losses.

The following methods and assumptions were used by Ashland in estimating its fair value disclosures for significant financial instruments. Fair values of cash equivalents approximate their carrying amount because of the short maturity of those investments. The fair value of investments of captive insurance companies are estimated based on quoted market prices or, if market prices are not available, on the present value of the underlying cash flows discounted at Ashland's estimated incremental borrowing rates.

The carrying amounts and fair values of Ashland's significant financial instruments at September 30, 1992 are as follows.

(In thousands)	Carrying Amount	Fair Value
Cash and cash equivalents	$ 53,284	$ 53,284
Investments of captive insurance companies	168,200	178,635
Short-term debt	235,468	235,468
Long-term debt (including current portion)	1,467,985	1,581,716

DELUXE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Marketable Securities—Marketable securities consist of debt securities carried at cost. The fair value of such securities, based on quoted market prices, at December 31, 1992, was $105,832,000.

Consolidated Statements of Cash Flows—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Long-term Investments—Long-term investments consist principally of cash surrender values of insurance contracts, preferred stocks, and notes receivable. Such investments are carried at cost or amortized cost which approximate their fair value. Fair values are estimated using discounted cash flow analyses based on current market interest rates for similar types of investments.

5 (In Part): Lease and Debt Commitments

Long-term debt was as follows at December 31 (dollars in thousands):

	1992	1991
8.55% unsecured and unsubordinated notes due February 15, 2001	$100,000	$100,000
Other	21,030	12,218
Total long-term debt	121,030	112,218
Less amount due within one year	5,508	1,643
Total	$115,522	$110,575

In February 1991, the Company issued $100 million of 8.55% unsecured and unsubordinated notes due February 15, 2001. The notes are not redeemable prior to maturity. The fair value of these notes is estimated to be $109 million, based on quoted market prices for similar issuances.

Other long-term debt consists principally of mortgage notes and industrial revenue bonds. The obligations bear interest rates of 7.8% to 12.0% and are due through 2010. Carrying value approximates fair value for these obligations based on estimates using current market interest rates and discounted cash flow analyses.

FOSTER WHEELER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(In Thousands of Dollars, Except per Share Amounts)

15. Financial Instruments and Foreign Exchange Contracts

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Short-term Investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term Investments

The fair values of some investments are estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair market value could not be made without incurring excessive costs. Additional information pertinent to the value of an unquoted investment is provided below.

Long-term Debt

The fair value of the Corporation's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Foreign Currency Contracts

The fair value of foreign currency contracts (used for hedging purposes) is estimated by obtaining quotes from brokers.

The estimated fair values of the Corporation's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
Cash and short-term investments	$270,669	$270,669
Long-term investments for which it is:		
Practicable to estimate fair value	800	950
Not practicable	4,500	—
Long-term debt	(439,578)	(448,500)
Foreign currency contracts	(8,767)	(8,767)

It is not practicable to estimate the fair value of an investment representing the preferred stock of a public company because this stock is not traded; that investment is carried at its original cost of $4,500 in the consolidated balance sheet. At the end of September 1992 (latest available financial statement of this public company), the total assets reported were $54,063 and the stockholders' equity was $14,065. Revenues were $70,354 and net income was $4,027 for nine months.

As of December 25, 1992, the Corporation had $160,900 of forward exchange contracts outstanding, approximately 62% of which were in European currencies and 33% were in Canadian currency. These forward exchange contracts mature between 1993 and 1995. Primarily, these contracts require the Corporation's foreign subsidiaries to sell United States dollars and to purchase local currency.

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash equivalents and trade receivables.

The Corporation places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Corporation's customer base, and their dispersion across different businesses and geographic areas. As of December 25, 1992 and December 27, 1991, the Corporation had no significant concentration of credit risk.

GENERAL HOST CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents

The carrying value amount approximates fair value because of the short maturity of those investments.

Marketable securities

The carrying value amount approximates fair value because they are recorded at the lower of cost or market and declines in market below cost that are other than temporary are charged to operations.

Other investments

The Company's other investments represent investments in untraded companies. Based upon the Company's review of the financial statements of these companies the carrying amount approximates fair value.

Long-term debt

The fair value of the Company's long-term debt is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The estimated fair values of the Company's financial instruments at January 31, 1993 are as follows:

(In thousands)	1992	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 51,185	$ 51,185
Marketable securities	26,808	26,808
Other investments	3,927	3,927
Long-term debt	262,014	276,336

MAPCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments.* The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, receivables and accounts payable: The carrying amounts reported in the balance sheet for cash and cash equivalents, receivables and accounts payable approximate their fair value.

Advance royalties: The fair value of the Company's advance royalty payments, which represents royalty payments paid in advance of mining by a subsidiary of the Company and recovered as actual mining takes place, is estimated based on discounted cash flow analyses using the Company's incremental borrowing rate as the discount rate.

Long and short-term debt: The carrying amounts of commercial paper and other variable-rate debt instruments approximate their fair value. The fair values of fixed-rate long-term debt are estimated using discounted cash flow analyses, based on the company's incremental borrowing rates for similar types of borrowing arrangements.

Retiree medical payments and supplemental benefits: The carrying amounts reported in the balance sheet for retiree medical payments and supplemental benefits approximate their fair value.

Insurance accruals: The fair value of the insurance accruals, which represent contractual obligations to pay cash in the future, is estimated based on a discounted cash flow analysis using MAPCO's incremental borrowing rate as the discount rate.

The carrying amounts and fair values of the Company's and its subsidiaries' financial instruments at December 31, 1992 are as follows (in millions):

	Carrying Amount	Fair Value
Cash and cash equivalents	$ 55.7	$ 55.7
Receivables (less allowance for doubtful accounts)	236.2	236.2
Long-term receivables	5.2	5.2
Advance royalties	45.2	27.5
Accounts payable	266.9	266.9
Long and short-term debt	684.0	686.2
Retiree medical benefits	5.6	5.6
Supplemental benefits	7.6	7.6
Insurance accruals	39.1	35.3

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 1992. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

MAXUS ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Eight. Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-Term Investments

The Company's short-term investments are comprised of securities purchased under repurchase agreements, U.S. Treasury notes and short-term, highly-liquid investments, with maturities greater than ninety days, but not exceeding one year. With the exception of the U.S. treasury notes, the carrying amount approximates fair value because of the short maturity of these instruments. The fair value of the U.S. Treasury notes is based on year-end quoted market prices.

Long-Term Investments

The Company has stock investments and long-term notes receivable, for which no quoted market prices are available. A reasonable estimate of fair value could not be made without incurring excessive costs.

Additionally, the Company has guaranteed a non-recourse loan by Magma-Thermal Power Project, secured only by the Company's equity interest in the Geysers. The fair value of the non-recourse variable rate loan is equal to face value.

Restricted Cash

The Company's restricted cash is invested in short-term, highly-liquid investments. The carrying amount approximates fair value because of the short-term maturity of these investments.

Securities Sold Under Repurchase Agreements

The Company has entered into agreements to sell and repurchase U.S. Treasury notes. The carrying amount approximates fair value because of the short maturity of these instruments.

Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Redeemable Preferred Stock

The fair value of the Redeemable Preferred Stock is based on the comparable yield to the Company's publicly-traded $4.00 Preferred Stock.

The estimated fair values of the Company's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
Assets		
Cash and short-term investments	$ 6.8	$ 6.8
Short-term investments:		
U.S. Treasury notes	121.2	121.5
Other	89.5	89.5
Long-term investments:		
Stock investments and notes receivable	11.5	11.5
Non-recourse loan	40.0	40.0
Restricted cash	124.7	124.7
Liabilities		
Securities sold under repurchase agreements	88.0	88.0
Long-term debt	829.4	849.2
Redeemable Preferred Stock	250.0	263.1

CONCENTRATION OF CREDIT RISK

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Description of Business and Summary of Significant Accounting Policies

Business and Credit Concentrations

The Company's customers are not concentrated in any specific geographic region, but are concentrated in the road construction business. No single customer accounted for a significant amount of the Company's sales, and there were no significant accounts receivable from a single customer. The Company reviews a customer's credit history before extending credit. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. To reduce credit risk, the Company generally requires a down payment on large equipment orders.

The Company had short-term notes receivable due from customers included in accounts receivable of $1,669,000 and $220,000 at December 31, 1992 and 1991, respectively.

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

M. Financial Instruments & Concentrations of Credit Risk

Financial Instruments

The Company enters into forward foreign currency exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its global contractual exposures. The effect of this practice is to minimize variability in the Company's operating results arising from foreign exchange rate movements. The Company does not engage in foreign currency speculation. The Company's foreign exchange contracts do not subject the Company to risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the assets, liabilities, and transactions being hedged. At September 30, 1992, the Company had $25,699,000 of foreign exchange contracts outstanding. The forward exchange contracts generally have maturities which do not exceed six months. See Note A for information on the Company's accounting policy on forward exchange contract gains and losses.

Concentrations of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk consist principally of trade receivables. International tire manufacturers comprise a significant portion of the Company's Carbon Black business customer base. At September 30, 1992, the Company's Carbon Black business had trade receivables of approximately $50,302,000 from international tire manufacturers. Although the Company's exposure to credit risk associated with nonpayment by tire manufacturers is affected by conditions or occurrences within the tire industry, trade receivables from the international tire manufacturers were current at September 30, 1992, and no manufacturer exceed 9% of the Company's receivables at that date.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

A. Company's Business and Concentrations of Credit Risk—Helca Mining Company and its subsidiaries (the Company) are engaged in mining and mineral processing. Sales of metals products are made principally to domestic and foreign custom smelters and custom metal traders. Industrial minerals are sold principally to domestic manufacturers and wholesalers. Sales to significant metals customers, as a percentage of total sales of metals products, were as follows:

	1992	1991	1990
Custom smelters	37.5%	26.9%	27.8%
Custom metal traders:			
Customer A	21.3%	15.2%	13.2%
Customer B	16.5%	21.8%	17.9%
Customer C	14.0%	11.8%	16.4%
Customer D	7.7%	13.7%	6.1%

During 1992, 1991 and 1990, the Company sold 26%, 17%, and 21% of its producs to companies in foreign countries, respectively.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company places it cash and temporary cash investments with high credit quality institutions. At times such investments may be in excess of the FDIC insurance limit. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments (In Part)

Concentrations of credit risk

Financial instruments that potentially subject the company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable.

The company maintains cash and cash equivalents, short- and long-term investments and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographies throughout the world, and company policy is designed to limit exposure to any one institution. The company performs periodic evaluations of the relative credit standing of these financial institutions, which are considered the the company's investment strategy.

Concentrations of credit risk with respect to trade accounts receivable are generally diversified due to the large number of entities comprising the company's customer base and their dispersion across many different industries and geographies. The company performs ongoing credit evaluations of its customers' financial condition, utilizes flooring arrangements with third-party financing companies and requires collateral, such as letters of credit and bank guarantees, in certain circumstances.

The company distributes a significant portion of its products through third-party distributors and as a result maintains individually significant receivable balances from major distributors. If the financial condition and operations of these distributors deteriorate below critical levels, the company's operating results could be adversely affected. At October 31, 1992 the ten largest distributor receivable balances collectively represented about 8% of total accounts and notes receivable.

JOHNSON PRODUCTS CO., INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Concentration of Credit Risk: Accounts receivable potentially exposes the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105 "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk."

The Company provides credit, in the normal course of business, to a large number of distributors and retailers concentrated in the health-and-beauty aid business. The Company's ten largest customers accounted for approximately 50% of net sales in 1992 and approximately 58% of gross accounts receivable at August 31, 1992. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (In Part): Commitments and Contingencies

Concentration of credit risk

The Company sells its products to agricultural, industrial, construction, commercial, original equipment manufacturers and retail distributors primarily in the midwestern and southwestern regions of the United States. The Company performs ongoing credit evaluations of its customers's financial condition and , generally, requires no collateral from its customers. The Company's ten largest customers accounted for approximately 30% of sales in 1990, 31% in 1991 and 33% in 1992 and approximately 35% and 39% of notes and accounts receivable at December 31, 1991 and 1992, respectively.

KUHLMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Significant Group Concentrations of Credit Risk

As of December 31, 1992, the Company had approximately $11,100,00 in receivables from electrical utility customers involved in the generation, transmission or distribution of electricity. At December 31, 1992, there were no other significant group concentrations of credit risk.

LEE ENTERPRISES, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Financial instruments and risk concentration:

The forward contracts discussed above subject the Company to market risk from exchange rate movements because the contracts offset gains and losses on customer contracts based on anticipated sales volumes at prices denominated in foreign currencies. Accordingly, the forward contracts are marked to market monthly with the resulting gains and losses included in the results of operations.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash investments. The Company places its cash investments with high-credit-quality financial institutions and currently invests primarily in U.S. government obligations that have maturities of less than one year. The Company believes no significant concentration of credit risk exists with respect to these cash investments.

McDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Millions of dollars, except share data)

4 (In Part): Finance Receivables and Property on Lease

Concentration of Credit Risk. MDC provides a diversified range of financing and leasing arrangements through its wholly owned subsidiary, MDFS, to customers and industries throughout the United States, the United Kingdom and to a lesser extent, other countries.

MDFS' financing and leasing portfolio consists of the following:

December 31	1992		1991	
Commercial aircraft financing:				
MDC commercial jet transports on lease	$ 769	42.7%	$ 604	27.6%
Other commercial aircraft on lease	247	13.7%	320	14.6%
	1,016	56.4%	924	42.2%
Other commercial and industrial financing:				
Real estate	147	8.2%	199	9.1%
Transportation services	98	5.4%	138	6.3%
Motor freight transportation and warehousing	67	3.7%	93	4.2%
Furniture and home furnishings	43	2.4%	53	2.4%
Transportation equipment	39	2.2%	53	2.4%
Other	391	21.7%	657	30.1%
	785	43.6%	1,193	54.5%
Full service leasing—truck services			72	3.3%
Total Portfolio	$1,801	100.0%	$2,189	100.0%

The single largest commercial aircraft financing customer accounted for $136 million (7.5% of total portfolio) in 1992 and $137 million (6.3% of total portfolio) in 1991. The five largest accounted for $460 million (25.5%) and $462 million (21.1%) in 1992 and 1991, respectively. Certain reclassifications were made to prior year amounts to conform to current year classifications.

There were no significant concentrations by customer in MDFS' other commercial and industrial financing portfolio.

MDC holds title to all leased equipment and generally has a perfected security interest in the assets financed through note and loan arrangements.

MONSANTO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

The more significant concentrations in Monsanto's trade receivables at year-end were:

	1992	1991
U.S. agricultural product distributors	$175	$141
European agricultural product distributors	149	176
Pharmaceutical distributors worldwide	315	332
Customers in the Commonwealth of Independent States	75	77

Management does not anticipant incurring losses on its trade receivables in excess of established allowances.

NORTEK, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Operating Segment Information and Concentration of Credit Risk

The Company predominantly operates in one industry segment, Residential and Commercial Building Products. No single customer accounts for 10% or more of consolidated net sales. More than 90% of net sales and identifiable segment assets are related to the Company's domestic operations.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different geographical regions. At December 31, 1992, the Company had no significant concentrations of credit risk.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk

At August 31, 1992, the Company had forward contracts and options for the sale of various European currencies totaling $78.5 million maturing from September, 1992, to April, 1993.

The Company's financial intruments subject to credit risk are primarily trade accounts receivable and cash and cash equivalents. Generally, the Company does not require collateral or other security to support customer receivables. The Company had the following significant concentrations of financial instruments subject to credit risk:

August 31,	1992	1991
	(In thousands)	
United States	$110,403	$69,104
Italy	$ 78,261	$73,120
Central Europe and C.I.S.	$ 3,342	$19,138

Within the United States, the majority of the Company's business is conducted with individual farm operators located throughout the country. The majority of the Company's business in Italy is transacted with distributors and cooperatives. In Central Europe and the Commonwealth of Independent States (C.I.S.), the Company conducts business primarily with government-sponsored companies and agencies.

RAYTECH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except share data)

Note R. Concentration of Trade Receivables and Financial instruments

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of trade receivables. The primarly businesses of the Company's U.S. subsidiaries are the automotive and heavy duty equipment markets and the related aftermarkets within the United States. As of January 3, 1993, the Company had uncollateralized receivables with two heavy duty equipment customers approximating $2,700. During fiscal 1992, sales to these customers amounted to approximately $27,224, which represents 21% of the Company's revenues. The Company performs ongoing credit evaluations of its customers' financial conditions but does not require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

TRW INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Concentrations of credit risk—At December 31, 1992 and 1991, accounts receivable in the Automotive segment were $558 million and $645 million, respectively, and accounts receivable in the Space & Defense segment, principally from agences of the U.S. Government, were $634 million and $585 million, respectively. The company generally does not require collateral from its customers. The company had established receivable allowances of $21 million and $25 million at December 31, 1992 and 1991, respectively.

SUBSEQUENT EVENTS

Events or transactions which occur subsequent to the balance sheet date but prior to the issuance of the financial statements and which have a material effect on the financial statements should be either recorded or disclosed in the financial statements. Section 560 of *Statement on Auditing Standards No. 1* sets forth criteria for the proper treatment of subsequent events. Table 1-14 lists the subsequent events disclosed in the 1992 financial statements of the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-14: SUBSEQUENT EVENTS

	Number of Companies			
	1992	1991	1990	1989
Debt incurred, reduced or refinanced	85	95	66	47
Business combinations pending or effected	56	43	36	44
Discontinued operations	36	36	23	44
Litigation	31	43	43	28
Capital stock issued or purchased	14	23	9	12
Stock splits or dividends	8	23	15	9
Stock purchase rights	4	5	6	10
Employee benefit plans	16	17	25	19
Other—described	56	54	61	55

Debt Incurred, Reduced Or Refinanced

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On February 1, 1993, pursuant to the shelf-registration statement described in Note 9, the Company issued $100 million of 7⅜% Notes due February 1, 2003. The Notes will bear interest at 7⅜% payable semiannually on February 1 and August 1 of each year, commencing on August 1, 1993. The Notes are not redeemable prior to maturity. The net proceeds will be used to repay, in part, revolving credit bank borrowings which, at December 31, 1992, totaled $520 million and had interest rates averaging 3.86%.

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Subsequent Event

On July 17, 1992, the Company issued a call for redemption of the 8.25% Convertible Subordinated Debentures to take place on August 19, 1992. Of the $47,241,000 debentures outstanding at June 27, 1992, $46,772,000, or 99%, were converted into the Company's common stock at $16 per share or 62.5 common shares for each $1,000 face amount of debentures. This conversion resulted in the issuance of $2,923,195 common shares. If the conversion had occurred at the beginning of fiscal 1992, primary earnings per share would not have been affected.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18—Subsequent Events

In February 1993, the Company issued $100,000,000 of notes at 6⅞% per annum, which are not redeemable prior to maturity in 2003. The proceeds from these notes will be used to redeem $68,000,000 of the company's outstanding 8.05% Debentures due 2004 and for general corporate purposes.

WILLAMETTE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Long-Term Debt

Subsequent to December 31, 1992 the Company issued $100 million, 7%, five-year notes and used a portion of the proceeds to prepay, without penalty, the $75 million, 9.875% notes. The remaining net proceeds were used to repay short-term debt outstanding and for general corporate purposes. In February 1993, the Company filed a $150 million shelf registration with the Securities and Exchange Commission.

ALCO STANDARD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On October 15, 1992, the Company acquired 49.9% of the stock of IMM Office Systems GmbH, a European distributor of office products, for $122.5 million. The Company entered into a credit agreement with four banks to borrow up to DM180 million, or the U.S. dollar equivalent. The Company used this facility to finance a portion of the investment. The agreement expires on January 15, 1994. A facility fee of 1/8% per annum is charged for this commitment. Loans under the agreement may be made under a selection of prime, DM Eurocurrency or Eurodollar rate formulas.

CALMAT CO (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Subsequent Events:

On February 26, 1993, the Company obtained amendments to its credit agreements related to certain financial covenants. The Company had been out of compliance with these financial covenants at December 31, 1992 and had received waivers from the lenders involved. These amendments were retroactive to December 31, 1992 and, therefore, have been reflected within these financial statements.

During January 1993, the Company entered into five interest rate swap agreements with a aggregate notional amount of $34.0 million for which it will pay a weighted-average rate of 6.7%. These agreements expire at various dates from 1997 through 2000.

Effective January 1, 1993, the Company amended its postretirement benefits program resulting in more stringent eligibility requirements, reduced life insurance benefits and greater contributions on the part of retirees. The effect of these changes was to reduce the Accumulated Postretirement Benefit Obligation from $10.0 million to $7.6 million. Disclosures within these financial statements reflect these amendments.

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Debt

At December 27, 1992, the company had two committed credit line facilities (the Previous Agreements) providing for a total commitment through June 30, 1993 of $750 million. Generally, these facilities were maintained to back up the company's commercial paper borrowings. There were no borrowings outstanding under the Previous Agreements, and no commercial paper borrowings outstanding, at December 27, 1992.

On February 8, 1993, the Previous Agreements were cancelled and replaced with a new loan agreement (the 1993 Facility) with a group of banks which provides for a commitment of $2.5 billion through February 4, 1994. The primary purpose of the 1993 Facility is to back up the company's commercial paper borrowings. At March 1, 1993, the company had no borrowings outstanding under the 1993 Facility, and had commercial paper borrowings outstanding of approximately $1.5 billion, principally related to the acquisition of the Fort Worth Division of General Dynamics Corporation (see Note 2). These commercial paper borrowings are short-term borrowings. The company intends to refinance a significant portion of these borrowings with intermediate and long-term debt. Under the terms of the 1993 Facility, the $2.5 billion commitment will be reduced to $1 billion as long-term debt is issued. Borrowings under the 1993 Facility would be unsecured and bear interest, at the company's option, at rates based on the Euro-dollar rate or a bank base rate (as defined).

Business Combinations

ALLEGHENY LUDLUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Subsequent Event

On March 12, 1993, the Company and Athlone Industries, Inc. announced the signing of a letter of intent for the Company to acquire Athlone for the equivalent of $17.50 per share. The Company will exchange shares of its stock for all of the approximately 6,008,000 outstanding shares of Athlone. The exchange ratio will be determined by dividing $17.50 by the average of the closing prices of the Company's stock for the fifteen day trading period ending two days prior to closing. In any case, the Company will issue not more than 0.57302 nor less than 0.42363 of a Company share for each Athlone share. The Company will account for the transaction as a purchase, if consummated. The proposed transaction is subject to a number of conditions, including the execution of a definitive agreement, approval by the Boards of Directors of both companies, approval by the shareholders of Athlone and clearance by governmental regulatory authorities. Athlone is primarily a manufacturer of specialty steels in plate form. Its largest subsidiary, Jessop Steel, is located in Washington, Pennsylvania.

ALLIANT TECHSYSTEMS INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Subsequent Event

On April 29, 1992, the Company jointly announced with Olin Corporation an agreement in principle under which Olin would exchange its Ordnance Division and Physics International Company, including approximately $65 million of debt, for 2.82 million shares of the Company's common stock. If the proposed transaction is completed, Olin would hold approximately 22 percent of the Company's outstanding common stock. The transaction is subject to certain conditions, including the negotiation of a definitive agreement, obtaining regulatory approvals and third-party consents, and obtaining the approval of the Company's shareholders at a meeting later this year.

Olin's Ordnance Division and Physics International Company had combined revenues of $371 million, operating profit of $29 million, and net income of $14 million, for the calendar year ended December 31, 1991. These businesses employ approximately 2,200 people.

CINCINNATI MILACRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

On February 1, 1993, the company completed the acquisition of GTE Valenite Corporation (Valenite) for $69 million in cash and $11 million of assumed debt. Valenite, with 1992 sales of $262 million, is a leading producer of consumable industrial metal cutting products. The acquisition, which will be accounted for under the purchase method, was financed principally through the sale of $50 million of accounts receivable and borrowings under a new $85 million committed revolving credit facility.

On February 16, 1993, the company announced its intention to issue 4.5 million additional common shares in a public offering that is expected to be completed during the second quarter of 1993.

CORNING INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Events

In January 1993, Corning entered into a definitive agreement with Unilab Corporation which contemplates that Corning will acquire 100% of certain Unilab facilities (with gross revenues of approximately $85 million) in exchange for a majority of the Unilab shares owned by Corning, the assumption of approximately $70.0 million of Unilab debt, and Corning's investment in J.S. Pathology PLC.

The proposed transaction is subject to regulatory approval and approval by the Unilab stockholders. The transaction is expected to be completed in the second quarter of 1993. The accounting treatment will be determined at the closing date. At present, the transaction is not expected to have a material impact on Corning's financial statements.

GENUINE PARTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. (In Part): Acquisitions

On January 29, 1993, the Company completed its merger of Berry Bearing Company and certain affiliated companies into the Company. The Berry Companies distribute industrial replacement parts and related supplies throughout the Midwestern United States. The Company issued 9,586,531 shares of common stock for all of the outstanding common stock of the Berry Companies. This transaction will be accounted for as a pooling of interests.

Pro forma unaudited results of operations assuming the merger had occurred on January 1, 1990 are as follows:

	1992	1991	1990
	(In thousands except per share data)		
Net sales	$4,016,751	$3,673,736	$3,660,443
Net income	236,970	223,964	223,723
Net income per common share	1.91	1.81	1.79

THORN APPLE VALLEY, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent event:

On June 26, 1992, the Company purchased substantially all of the equipment, inventory, materials and supplies of Suzannah Farms, Inc., a producer of consumer packaged and deli cooked hams and related meat products which operated in Pennsauken, New Jersey. Suzannah Farms had net sales in the year ended December 31, 1991 of approximately $38 million. The Company has moved production of the Suzannah line of products to its Deli & Smoked Meats Division in Detroit, Michigan.

WETTERAU INCORPORATED (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On June 9, 1992, Wetterau jointly announced with Super Valu Stores, Inc. (subsequently renamed SUPERVALU INC.) that they have entered into a letter of intent for a merger whereby Wetterau would be acquired by SUPERVALU INC. and become a wholly owned subsidiary of SUPERVALU INC. Under the merger terms, but immediately prior to the merger, Wetterau's common shareholders would receive in a taxable spinoff a pro rata distribution of 70 percent of the shares of Wetterau's Shop 'n Save subsidiary, with the remaining 30 percent of Shop 'n Save shares retained by Wetterau. Upon merging, Wetterau's common shareholders also would then receive, in a taxable transaction, $30.20 per share in cash from SUPERVALU INC.

On June 30, 1992, Wetterau and SUPERVALU INC. entered into a revised letter of intent whereby Wetterau's common shareholders would receive, in a taxable transaction, $30.25 per share in cash from SUPERVALU INC., but there would be no distribution of shares of Wetterau's Shop 'n Save subsidiary as contemplated by the original letter of intent dated June 8, 1992.

On July 24, 1992, Wetterau and SUPERVALU INC. entered into an agreement and plan of merger in which Wetterau shareholders would receive, in a taxable transaction, $30.25 per share in cash from SUPERVALU INC. The transaction is subject to approval by holders of two-thirds of the outstanding shares of Wetterau's common stock and by regulatory authorities.

Discontinued Operations

R.R. DONNELLY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On January 25, 1993, Sears Roebuck and Co., a customer, announced its decision to discontinue catalog operations by year-end 1993. In response to Sears' announcement, the Company has announced it will incur a one-time charge of $60 million (net of the associated tax benefit) during the first quarter of 1993. The charge will primarily cover the cost of closing the Company's manufacturing facility in Chicago, Illinois, where the Company printed the Sears' catalogs. Management believes that the loss of this work, which accounts for approximately one and one-half percent of the Company's total revenues, will have no ongoing material effect on operating results.

ERLY INDUSTRIES INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20—Subsequent Event

Due to continuing operating losses resulting from low margins and uncertainty about future U.S. rice exports, Comet ceased payments in January 1992 on a $16 million non-recourse obligation secured by its rice plant in Greenville, Mississippi. In July 1992, the facility was sold through foreclosure sale resulting in a gain of $1,023,000 (net of estimated shut-down and relocation expenses) which will be reported in fiscal 1993.

To facilitate analysis, the accompanying pro forma condensed balance sheet gives effect to the disposal of the Greenville, Mississippi rice facility as though the disposition had occurred at March 31, 1992.

	Pro Forma Condensed Balance Sheet March 31, 1992 (In thousands)		
	As Reported	Proforma Adjustments	Proforma (Unaudited
Assets:			
Rice facility, net (disposed July 1992)	$ 14,031	($14,031)	$ —
All other current assets	111,340		111,340
Net property, plant and equipment	32,564		32,564
Other non-current assets	38,791		38,791
	$196,726	($14,031)	$182,695
Liabilities and Stockholders' Equity:			
Debt related to rice facility	$ 16,054	($16,054)	$ —
All other current liabilities	154,447	1,000	155,447
Long-term debt	14,722		14,722
Subordinated debt	9,638		9,638
Other long-term items	1,844		1,844
Stockholders' equity	21	1,023	1,044
	$196,726	($14,031)	$182,695

PRAB ROBOTS, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21—Subsequent Events

During December 1992, the Company entered into an agreement to sell one of its lines of robots, including all equipment, inventory and three year convenant not to compete for $300,000 cash, and a non-interest bearing note of $600,000. The note receivable is payable in 12 monthly payments of $25,000 beginning in March 1993, followed by 20 monthly payments of $15,000 beginning in March 1994 and concluding in October 1995. The present value of the interest-free note at October 31, 1992 with an assumed discount rate of 9% is approximately $532,000. The book value of the assets sold totaled approximately $440,000. This transaction will result in a gain of $32,000 from the sale of inventory and equipment, plus income of $120,000 from the covenant not to compete in the year ended October 31, 1993. The transaction will also result in income of $120,000 for the years ended October 31, 1994 and 1995 due to straight-line amortization of the covenant not to compete over its useful life. The interest free note is collateralized by real estate with an appraised value less liens of approximately $551,000 and the personal guarantee of the purchaser limited to $100,000.

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On January 22, 1993, the Company signed a letter of intent to sell its Sundstrand Data Control division (SDC) to Rockwell International Corporation for approximately $225 million. The sale is subject to the execution of a definitive agreement corporate and regulatory approval, and other customary conditions. The Company expects the sale to result in a significant nonrecurring gain. SDC had revenues of $193.6 million, $215.3 million and $218.9 million for the years of 1992, 1991 and 1990, respectively. Since the decision to sell this division was made subsequent to December 31, 1992, the results for SDC have not been reflected as discontinued operations in the financial statements presented in this Annual Report.

Sale of Assets

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Subsequent Event (Unaudited)

On December 31, 1992, the Company sold its Pepperell, Massachusetts specialty papers mill to Merrimac Paper Company. This mill had been held for sale pursuant to the 1990 restructuring program.

In February 1993, the Company announced that it expects to receive approximately $47 million upon the redemption of the SCI exchangeable preferred stock. The redemption will occur as the result of the proposed acquisition of SCI by a third party. The anticipated proceeds represent the current face value of the preferred stock, as previously adjusted based on SCI's operating results.

THE WILLIAMS COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Events

In a January 1993 public offering, Williams sold 5.2 million units in the Williams Coal Seam Gas Royalty Trust. The net proceeds of the offering were approximately $95 million and the sale resulted in a pretax gain of $42 million, which will be reported in the first quarter of 1993. The Trust owns defined net profits interests in the developed coal-seam properties in the San Juan Basin of New Mexico and Colorado, which were conveyed to the Trust by Williams Production. An additional 4.5 million units may be sold by Williams in the future.

Subsequent to December 31, 1992, Williams signed a letter of intent to sell its 540-mile intrastate natural gas pipeline system and other assets in Louisiana. Williams should receive approximately $170 million in cash and realize a gain, based on terms of the letter of intent.

The operations from the coal-seam properties and the Louisiana intrastate natural gas businesses represented approximately 16 percent and 3 percent of Williams' 1992 revenues and net income, respectively.

Litigation

ADOLPH COORS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Subsequent Event

During the fourth quarter of 1991, the Company was named with 37 other defendants in a lawsuit filed in U.S. District Court. The current plaintiffs are the City and County of Denver, Waste Management of Colorado, Inc., and Chemical Waste Management, Inc. The suit seeks recovery of $20 million in Lowry costs and a declaratory judgment that defendants are liable for all prior and future site costs.

In April 1993, the Company reached an agreement in principle with the plaintiffs to resolve the Company's CERCLA liabilities at Lowry. A definitive agreement is currently being finalized for execution by the parties. The initial payments are based upon an assumed present value of $120 million in total site remediation costs. The agreement provides for the Company to pay a varying share of costs if the total is in excess of this amount. The Company does not believe that significant cost overruns are likely. Under the proposed agreement, the Company would pay its funds into a trust to be applied to site remediation and operating and maintenance costs. The anticipated payments would be made in annual installments beginning in 1993. None of these payments is expected to be material to the Company's cash flow or financial position. The terms would not result in any adjustment to the $30 million reserve established in 1990. See Note 9.

SYNTEX CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Contingencies

Between August 25 and September 29, 1992, the company, several of its principal officers, a former principal officer and current director, an outside director and an investment banking firm, were named as defendants in at least eight separate complaints filed in the federal District Court for the Northern District of California by certain shareholders who claim to represent a class of shareholders that purchased shares of the company's common stock between November 25, 1991, and May 26, 1992.

The complaints are based on provisions of federal securities laws and seek equitable relief and unspecified damages for losses allegedly resulting from, among other things, improper disclosure.

The company believes that the securities litigation lacks merit and intends to contest it vigorously. Although the securities litigation is in a preliminary stage and the outcome cannot be predicted with certainty, it is the opinion of management, based upon the advice of counsel and other considerations, that the securities litigation will not have a material adverse effect on the company's consolidated financial position.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21—Subsequent Event

On March 5, 1993, the jury in the case of *Angelina Hardwood Lumber Company v. Prairie Producing Company* returned a verdict awarding plaintiff $22 million in actual damages and $50 million in punitive damages. The trial court is situated in Angelina County, Texas. Unocal, as successor to Prairie Producing Company, believes that the verdict is without merit and intends to appeal if it cannot obtain relief in the trial court prior to the entry of a judgement.

IMC FERTILIZER GROUP, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Florida Power and Light Dispute

In December 1990, the Company was notified by Florida Power and Light (FPL), a major contract customer for uranium oxide, that it had taken two of its nuclear power plants out of operation for major modifications estimated to take about a year and therefore should be excused from taking product under its related uranium supply contracts with the Company. FPL also alleged that the Company overcharged FPL in prior periods under these contracts. An interim price was agreed upon by the Company and FPL for product shipped subsequent to the completion of the modifications discussed above in order to facilitate shipment of product pending the resolution of the overcharge claim. In addition, the Company identified seven previous instances in which the Company believes FPL improperly claimed it was excused from performance because of circumstances which allegedly constituted force majeure under the contracts. At June 30, 1992 the Company had recorded in other assets a receivable of $8.8 million related to these matters.

All of these claims were submitted to arbitration, as required under the contracts. The arbitration hearing concluded July 28, 1992.

On August 13, 1992 a ruling was issued awarding the Company $16.9 million in settlement of all the issues described above. The related gain of $8.1 million will be recorded in the quarter ending September 30, 1992.

Capital Stock Issued Or Redeemed

ALBERTSON'S, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

On March 10, 1993, the Company purchased 10,988,160 shares of Albertson's common stock from the estate of J.A. Albertson for $517.5 million, approximately $47.10 per share. Bridge financing was used to initially fund the purchase. The Company intends to repay the bridge financing with proceeds from the reissue of 5,200,000 shares pursuant to a public offering which should result in net proceeds to the Company of approximately $265 million and borrowings under medium-term notes of approximately $252 million. The medium-term notes are expected to consist of approximately $77 million three-year, $85 million five-year and $90 million seven-year notes. The weighted average rate of these notes is expected to be approximately 5.6%. The remaining 5,788,160 shares are expected to be retired.

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21. Subsequent Events

On February 10, 1993, the Company completed a public offering of 52 million shares of newly issued common stock for proceeds of approximately $1.95 billion, net of expenses. Chrysler plans to contribute approximately $1.1 billion of the net proceeds to its pension fund. The balance of the proceeds will be retained by Chrysler for general corporate purposes and, depending upon prevailing economic conditions and Chrysler's financial outlook, Chrysler may contribute some or all of the balance of the net proceeds to its pension fund by December 31, 1993.

On February 1, 1993, the final stage of the sale of substantially all of the net assets of the consumer and inventory financing businesses of Chrysler First was completed for aggregate cash proceeds of $2.2 billion. On February 1, 1993, CFC also sold certain assets of its commercial leasing and lending subsidiary, Chrysler Capital Corporation, for $116 million. Proceeds from these sales approximated the net carrying value of the assets sold, and were used to reduce CFC's outstanding indebtedness. All of the assets sold by Chrysler First and Chrysler Capital Corporation were classified as "Assets held for sale" in Chrysler's consolidated balance sheet at December 31, 1992 (see Note 3—Assets held for sale).

As of February 3, 1993, the scheduled reductions of $1.35 billion under CFC's New Bank Facility and $855 million under CFC's U.S. receivable sale agreement were accomplished. As of February 3, 1993, CFC had credit facilities and receivable sale agreements in the U.S. and Canada aggregating $10.53 billion, reduced from $12.74 billion at December 31, 1992 (see Note 7—Debt).

CROWN CORK & SEAL COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

S. Subsequent Events

On February 18, 1993, the Company announced that its CONSTAR International subsidiary had signed a letter of intent with Wellman, Inc. to acquire Wellman's 50% interest in Wellstar Acquisition, B.V. for consideration of approximately $33 million. Wellstar Acquisition B.V. currently holds 87.44% of Wellstar Holding, B.V. Wellstar is a lending European manufacturer of polyethylene terephthalate (P.E.T.) preforms and bottles, including P.E.T. returnable bottles with two plants in the Netherlands, and one each in England, France and Hungary. The purchase is expected to be completed in March 1993.

On January 7, 1993, the Company completed a purchase of 2,536,330 shares of its Common Stock, representing approximately 2.9% of the shares then outstanding, from CCL Industries Inc. ("CCL") for $84.8 million (which amount represents a purchase price to the the Company of $33 per share, plus an adjustment computed at a rate of 3.5% per annum between August 17, 1992 and January 7, 1993), pursuant to an agreement entered into by the parties in August 1992.

On December 18, 1992, the Company announced that it had signed a definitive merger agreement providing for the acquisition of Van Dorn Company for $21.00 per share, representing an aggregate consideration in the Company's common stock and cash of approximately $175 million. The total cash paid by the Company for the Van Dorn shares will be limited to 20% of the aggregate merger consideration. At the closing of the merger, the Company has an agreement to sell Van Dorn's Plastic Machinery Division to an affiliate of Mannesmann Demag AG for approximately $79 million in cash subject to certain adjustments. The purchase is expected to be completed in April 1993.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Subsequent Events

On February 10, 1993, Occidental called for redemption on March 15 all of the outstanding $590 million principal amount of its $10^7/_8$% Senior Notes due in 1996, at a redemption price of 100 percent of the principal amount, together with accrued interest.

On February 18, 1993, Occidental issued 11,500,000 shares of $3.875 cumulative convertible preferred stock in a private placement for net proceeds of approximately $563 million, which are being applied to reduce long-term indebtedness. The shares, which are not subject to any sinking fund or mandatory redemption requirement, have a liquidation preference of $50 per share, plus accrued and unpaid dividends, and are convertible at any time after March 30, 1993, into shares of common stock at an initial conversion price of $22.76 per share of common stock.

Stock Splits

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18: Subsequent Event

On February 9, 1993, the Board of Directors of the Company voted a two-for-one split of the Company's common stock, to be effected in the form of a stock dividend, payable to shareholders of record on April 30, 1993. The split is contingent upon shareholder approval of a proposal to amend the Company's articles of incorporation to increase the number of authorized shares of common stock from 150,000,000 to 300,000,000. The results of the shareholder vote will be announced at the annual meeting of shareholders, scheduled to be held on April 5, 1993. Had the additional shares resulting from the proposed stock split been outstanding throughout all of 1992, 1991 and 1990, net income (loss) per share would have been as follows:

	1992	1991	1990
Pro forma net income (loss) per share	$(4.61)	$.81	$(.33)

Financial information contained elsewhere in this report has not been adjusted to reflect the impact of the proposed common stock split.

The Board also declared a twenty percent increase in the common stock dividend, effective with the regular second quarter dividend.

Employee Benefits

CONAGRA, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Subsequent Event—Commitment

On July 23, 1992, the Company announced it is establishing a $700 million Employee Equity Fund (EEF), a newly formed trust, to pre-fund future stock-related obligations of the Company's compensation and benefit plans. The EEF is a vehicle for supporting existing, previously approved employee plans which use ConAgra common stock and does not change those plans or the amounts of stock expected to be issued for those plans.

ConAgra will fund the EEF with $700 million of ConAgra common stock sold to the EEF. Half of this stock will be newly issued by ConAgra. ConAgra will purchase the other half in the open market with the proceeds from a $350 million public debt offering.

The EEF is expected to have a modest positive effect on earnings per share and return on common equity and no effect on credit ratings. The sale of common stock to the EEF, the purchase of common stock on the open market and the issuance of new long-term debt will result in an approximate $350 million increase in debt with an offsetting reduction to common stockholders' equity.

Formation Of Joint Venture

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K: Subsequent Event—Formation of Corporate Joint Venture

In December of 1992, ABI entered into an agreement to form a joint venture to combine the operations of ABI's flooring division (Division) with those of Congoleum Corporation (Congoleum). Under terms of the agreement, which was completed in March 1993, ABI received $14,600,000 in cash, $5,000,000 mandatory redeemable preferred stock and common stock representing approximately 40% of the joint venture in exchange for the net assets of the Division. The Board of the joint venture will be comprised of six directors, three appointed by ABI and three by Congoleum. The joint venture agreement and a shareholder agreement between ABI and Congoleum provide for control to be vested in the Board, not in the shareholders.

The Division manufactures vinyl flooring tile and Congoleum manufactures sheet vinyl flooring. The joint venture will produce both products as do the other major suppliers of vinyl flooring products.

ABI will account for its investment on the equity basis. Accordingly, ABI's investment will be reported as a single number in its balance sheet and its proportionate share of the joint venture operating results will be reflected as a single item in the income statements. The following amounts related to the Division are included in ABI's financial statements for the year ended December 31, 1992.

Sales	$71,466,000
Division income	1,360,000
Assets	30,382,000
Liabilities	10,829,000

Contingency

FLEMING COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event (Unaudited)

On March 22, 1993, the company learned that the assignee of certain real property leases, of which a subsidiary of the company is the lessee, had declared bankruptcy. The company cannot presently predict its actual ultimate obligation in this matter. However, the future minimum lease payment obligations could be as much as $15 million (unaudited) based on preliminary estimates.

Fiscal Year Change

JOHN FLUKE MFG. CO., INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting Period. The Company utilizes a 52/53-week fiscal year ending on the last Friday in September. In November 1992, the Company announced it is changing its fiscal year to a 52/53-week fiscal year ending on the last Friday in April. Fiscal 1993 will be a seven-month year ending on April 30, 1993.

Lease Agreements

KEVLIN CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Events

Obligations under Capital Lease

Subsequent to May 31, 1992, the Company entered into two capital leases, which are related to the fiscal 1992 acquisitions, for equipment used in the manufacturing process. These lease agreements are for terms of one to three years. The minimum future obligations for these leases are $93,000, $54,000 and $46,000 for 1993, 1994 and 1995, respectively.

Commitments and Contingencies

Subsequent to May 31, 1992, the Company entered into two operating leases, which are related to the fiscal 1992 acquisitions, for additional facility space. These lease agreements are for terms of three to seven years. The first operating lease, entered in June 1992, is for a 6,684 square foot facility located at 1911 G Associates Lane, Charlotte, North Carolina, that now houses the Company's Flow Vision, Inc. subsidiary's sales and service facilities and expires in February 1999. The second operating lease, entered also in June 1992, is for a 15,000 square foot facility located at 240 Ballardvale Street, Wilmington, Massachusetts, that now houses all of the Company's MAST Microwave Division operations and expires in November 1995. The minimum future obligations for these leases are summarized below:

Year Ended	Amount
May 31, 1993	$ 86,000
May 31, 1994	98,000
May 31, 1995	103,000
May 31, 1996	62,000
May 31, 1997	43,200
Thereafter	75,600

Tax Refund

MANVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 27—Subsequent Event (unaudited)
As a result of a retroactive change in income tax regulations regarding the payment of add-on minimum tax and the treatment of certain tax preference items for the years 1976 through 1986, the Company is entitled to a federal income tax refund plus accrued interest. A refund and related interest totaling $31.4 million was received in the first quarter of 1993 and will be recorded as income in 1993.

Purchase Of Asset

NEUTROGENA CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In thousands except share and per share amounts

Note 11—Subsequent Event
(A) On November 23, 1992, the Company purchased land in Toulon, France for $734. The Company intends to build a manufacturing plant on the land, which is expected to produce a limited number of products to support a portion of its future European business growth.

(B) On December 15, 1992, the Company purchased a property located near the Company's Los Angeles manufacturing facilities at a purchase price of $1,950.

Contract Termination

QUAKER STATE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Event
As part of the plan to exit the coal business (see Note 3), on February 11, 1993, the company signed an agreement with Pennsylvania Electric Company and New York State Electric and Gas Company which terminated the coal supply contract between the Helen Mining Company and the utilities' Homer City Generating Station and resulted in the announcement of the closure of the Helen mine. The financial effect of terminating the contract and closing the mine was provided for in the loss on disposition of the coal operations included in the Consolidated Statement of Operations for the year ended December 31, 1992.

Environmental Hazard

REPUBLIC GYPSUM COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Contingent Liabilities and Commitments
Subsequent to June 30, 1992, in connection with preparations for a warehouse addition to its paperboard mill located in Commerce City, Colorado, a suburb of Denver, the Company detected the presence of a subsurface concentration of petroleum hydrocarbons during routine soil borings in the area of planned construction. Testing to ascertain the scope, magnitude and source of this condition has commenced and is continuing. Additional action may be required to respond to this situation, but at this time the Company has not determined the materiality of this matter, if any, to business operations or operating results.

Loan To Another Company

SCOPE INDUSTRIES (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes Receivable and Subsequent Event
On July 2, 1992, subsequent to the fiscal year end, the Company loaned SiMETCO, Inc. $1,650,000. Under the terms of the promissary note, interest is payable each month at a rate that exceeds the prime rate as established by Bank of America. Principal installment payments are due beginning July 1, 1996 and conclude July 1, 1998. As a condition of the loan, the Company received warrants to purchase 1,500,000 shares of SiMETCO's common stock.

Public Offering Of Subsidiary Stock

TRIBUNE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Changes in Operations and Unusual Items

QUNO Initial Public Offering

On February 17, 1993, the Company's newsprint subsidiary, QUNO Corporation, sold 9 million shares of common stock in an initial public offering. At the conclusion of the offering, the Company holds 8.8 million or 49%, of the voting common shares and 4.2 million non-voting common shares for a combined total of 59% of QUNO's total 22 million outstanding common shares. The Company also holds a $138.8 million subordinated debenture, convertible into 11.7 million voting common shares of QUNO. As the Company's voting interest in now less than 50%, the Company will account for its investment in QUNO using the equity method of accounting beginning in 1993.

At closing, QUNO used the net proceeds of approximately $100 million from the stock offering plus proceeds of approximately $80 million from QUNO's new bank financing agreement to repay a portion of its intercompany borrowings owed the company. The net price per share realized from the offering was approximately the same as the Company's carrying value per share of its investment in QUNO. In April 1993, QUNO plans to use additional proceeds of approximately $80 million from its new bank financing agreement to repay its New Zealand dollar notes which are guaranteed by the Company (see Note 5).

The following unaudited pro forma consolidated financial position data assumes the QUNO common share offering had occurred on December 27, 1992 and that the proceeds of the share offering and related debt transactions had been used to reduce debt:

	December 27, 1992	
(In thousands)	As Reported	Pro Forma (unaudited)
Assets:		
Investment in QUNO	$ —	$ 277,466
Net properties	1,073,943	606,061
All other assets	1,677,627	1,532,985
Total assets	$ 2,751,570	$ 2,416,512
Liabilities and stockholders' investment:		
Total debt	$ 840,971	$ 580,971
All other liabilities	998,710	923,652
Stockholders' investment	911,889	911,889
Total liabilities and stockholders' investment	$2,751,570	$2,416,512

RELATED PARTY TRANSACTIONS

Statement of Financing Accounting Standards No. 57 specifies the nature of information which should be disclosed in financial statements about related party transactions. In 1992, 161 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Company and Investees

ECHLIN INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Related Party Transaction:

In March 1992, the company notified Champion Parts, Inc. (Champion), a company in which Echlin has a 16% ownership interest, of its intention to exercise the market value protection clause included in the March 1987 Stock Purchase Agreement with Champion. As a result, Echlin reduced its investment in Champion by $2,400,000 and recorded a note receivable which is payable in quarterly installments of $200,000 commencing in July 1992. The note bears interest at 1% over the prime rate.

McGRAW-HILL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investment in Rock-McGraw, Inc.

Rock-McGraw owns the company's headquarters building in New York City. It is owned 45% by the company and 55% by Rockefeller Group, Inc.

The company currently occupies a significant portion of the rentable space. The lease is for 30 years ending in the year 2002 and includes renewal options for two additional 15-year periods. The company is paying Rock-McGraw gross annual rentals of $18.2 million (including various escalation payments) for the occupied space. In addition, the company is committed for annual rentals of $19.3 million for space which it has sublet. Over the lease term, the company is recovering a portion of the rentals through its share of earnings of Rock-McGraw.

A summary of significant financial information for Rock-McGraw follows:

(In millions)	1992	1991	1990
Revenue	$ 47.7	$ 51.1	$50.0
Net income	4.7	6.5	6.4
Depreciation expense (straight-line)	4.0	3.6	3.6
Total assets	170.9	164.4	
Mortgage payable	38.5	42.2	
Total liabilities	$ 56.3	$ 56.5	

The building is financed by an $8^1/_8$%, 25-year mortgage repayable in quarterly installments of $.9 million plus interest with the balance of $18.3 million due at maturity in 1998.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15—Related Party Transactions

The Company sells linerboard and corrugating medium to MacMillan Bathurst, a 50 percent owned non-consolidated affiliate, and to Empaques de Carton Titan, S.A. ("Titan"), a 49 percent owned non-consolidated affiliate. Additionally, the Company purchases market pulp from Power Consolidated (China) Pulp, Inc. ("PCCPI"), a 50 percent owned non-consolidated affiliate of the Company. PCCPI owns 50 percent of the Celgar Pulp Company, which operates a market pulp mill in British Columbia. Transactions under all of these agreements are primarily at market prices.

The following table summarizes the transactions between the Company and its non-consolidated affiliates and the payable and receivable balances outstanding at the end of each year.

	Year ended December 31,		
(In millions)	1992	1991	1990
MacMillan Bathurst:			
Sales to	$67.3	$79.4	$76.0
Net receivable from	9.8	6.1	7.0
Titan:			
Sales to	$13.4	$16.1	$19.7
Net receivable from	12.8	14.3	16.9
Management fee from	1.0	.8	.8
PCCPI:			
Purchases from	$ .5	$ 1.1	$ 2.1
Net payable to	.2	—	—

TEXAS INSTRUMENTS INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Inventories (In Part)

To secure access to additional semiconductor plant capacity, TI has entered into three joint ventures formed to construct and operate semiconductor manufacturing capacity. Upon formation of the ventures TI contributed technology and cash to acquire minority interests and entered into long-term inventory purchase commitments with each joint venture. Under the agreements, TI will purchase the output of the ventures at prices based upon percentage discounts from TI's average selling prices. Certain venturers have the right to buy a portion of the output from TI. Under certain circumstances, TI may increase its ownership and potentially acquire a majority interest in the ventures. Under the ventures' financing arrangements, the venturers have provided certain debt and other guarantees. At December 31, 1992, TI was contingently liable for an aggregate of $61 million of such guarantees. In 1992, inventory purchases from the ventures aggregated $66 million. Receivables from and payables to the ventures were $4 million and $15 million at December 31, 1992. Purchases prior to 1992 were insignificant. TI purchases will continue to increase as the ventures' production facilities are completed and output qualification is attained.

Transactions Between Company and Major Stockholders

CUMMINS ENGINE COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Related Parties

In 1990, Ford Motor Company and Tenneco Inc. each purchased from Cummins 1.6 million shares of the company's common stock. The shares were purchased pursuant to separate investment agreements between Cummins and the investors. Both Ford and Tenneco have agreed to certain voting, standstill and other provisions and each has the right to designate a representative to the company's Board of Directors. The company also entered into an option agreement with Ford pursuant to which Ford has the right, exercisable until 1996, to purchase up to 1.48 million additional shares of the company's common stock at a price equal to 120 percent of the market price of the common stock for the 30 trading days prior to the exercise of the option but for no less than $62.50 per share.

Cummins' sales of diesel engines and parts and related products to Ford approximated $182 million in 1992, $56 million in 1991 and $85 million in 1990. In addition, Cummins' purchases of gasoline engines and parts from Ford approximated $3 million in all three years. At December 31, 1992 and 1991, the company had accounts receivable outstanding of approximately $20 million and $7 million, respectively, with Ford. Cummins and Case Corporation, a subsidiary of Tenneco Inc., are partners in the manufacture of midrange diesel engines at Consolidated Diesel Company. In 1992, 1991 and 1990, Cummins' sales of heavy-duty and midrange diesel engines, components, service parts and related products and services to Case and other subsidiaries of Tenneco approximated $52 million, $61 millon and $66 million, respectively. Cummins' purchases from Case approximated $1 million in 1992 and $7 million in both 1991 and 1990. At December 31, 1992 and 1991, the company had accounts receivable outstanding of approximately $6 million and $10 million, respectively, with subsidiaries of Tenneco.

In 1990, the company entered into an agreement with J.I. Miller and other members of the Miller family whereby the company redeemed $67.3 million of convertible preferred stock for $67.3 million in cash and redeemed $37.4 million of convertible preferred stock in exchange for 580,247 shares of common stock issued from treasury shares. The convertible preferred stock was issued initially in 1989.

Transaction Between Company and Officers/Directors

ARDEN GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Related Party Transactions:
A director of the Company is associated with a law firm that rendered various legal services for the Company. The Company and its subsidiaries paid the firm approximately $717,000, $797,000 and $268,000 during 1992, 1991 and 1990, respectively, for legal services.

The Company presently holds three notes receivable for a total of $1,516,250 from an officer/director of the Company. Two notes arose from transactions in 1979 and 1980 whereby the Company loaned the officer/director money to purchase an aggregate of 200,000 shares of the Company's Class A common stock at the then fair market value. These notes, one of which bears interest at the rate of 6% per annum and the other of which bears interest at rates ranging from a minimum of 6% to a maximum of 9%, are due in full on January 1, 1995 and are collateralized by a second deed of trust on real property. A third loan for $1,000,000 was made to the officer/director in 1992 and related to his exercise in 1991 of an option to purchase 100,000 shares of the Company's Class A common stock. The note relating to the loan in 1992 is due on January 1, 1995, bears interest at 6% per annum and is collaterized by the Class A common stock purchased in 1991. The amount of the receivable is shown on the balance sheets as a reduction in equity, and reflects the above amount discounted for the difference between the face value interest rate and the market rate at the transaction dates.

DEP CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Related-party transactions:
Operating expenses for the years ended July 31, 1992, 1991 and 1990 include $372,000, $178,000, and $152,000, respectively, paid or accrued to legal firms affiliated with a director and stockholder of the Company. The Company paid consulting fees of $120,000 for the years ended July 31, 1992 and 1991 to a director and stockholder of the Company.

ELCOR CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transaction
In November 1991, an investor group, which consisted of three members of the Company's Board of Directors, including the Chairman and President of the Company, and one unrelated individual, purchased a 48% interest in the Company's Revolving Credit Facility and Term Loan at a discount from a bank acting on behalf of the F.D.I.C.; and 100% of the bank's Letter of Credit Facility. There was no change in the payment schedule, interest rate, covenants or other material terms of these agreements. However, the investor group agreed to share the discount with the Company in the event that the debt was refinanced, which was accomplished in June 1992, when a major regional bank purchased all loans, commitments and letter of credit obligations from the private investor group. As a result of these transactions, the Company recorded a $1,915,000 pretax extraordinary gain on the early extinguishment of long-term debt. During fiscal 1992, the Company paid interest expense totalling $149,000 a related parties.

Tax Sharing Agreement

RIVERWOOD INTERNATIONAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21 (In Part): Related Party Transactions
The Company receives a portion of its corporate and other related services from Manville. These services and amounts are summarized as follows:

Tax Sharing Agreement
The Company has entered into a Tax Sharing Agreement with Manville to provide for (i) the payment of taxes for periods during which Manville and the Company are included in the same consolidated group for U.S. federal, state or local income tax purposes, (ii) the cooperation of the parties in realizing certain tax benefits and (iii) the conduct of tax audits and various related matters.

U.S. federal and state income tax amounts to be paid to Manville for 1992 total approximately $17.1 million. Income taxes payable to Manville were $2.3 million and $34.8 million as of December 31, 1992 and 1991, respectively, and are included in Income Taxes in the consolidated balance sheets.

INFLATION ACCOUNTING

Effective for financial reports issued after December 2, 1986, *Statement of Financial Accounting Standards No. 89* states that companies previously required to disclose current cost information are no longer required to disclose such information.

Many of the survey companies include a discussion of inflation in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Section 2: Balance Sheet

BALANCE SHEET TITLE

Table 2-1 summarizes the titles used to describe the statement of assets, liabilities and stockholders' equity.

TABLE 2-1: BALANCE SHEET TITLE

	1992	1991	1990	1989
Balance Sheet	559	559	559	557
Statement of Financial Position	36	36	35	37
Statement of Financial Condition	5	5	6	6
Total Companies	**600**	**600**	**600**	**600**

BALANCE SHEET FORMAT

Balance sheet formats include the account form, the report form, and the financial position form. The account form shows total assets on the left-hand side equal to the sum of liabilities and stockholders' equity on the right-hand side. The report form shows a downward sequence of either total assets minus total liabilities equal to stockholders' equity or total assets equal to total liabilities plus stockholders' equity. The financial position form, a variation of the report form, shows noncurrent assets added to and noncurrent liabilities deducted from working capital to arrive at a balance equal to stockholders' equity.

Effective for fiscal years ending after December 15, 1988, *Statement of Financial Accounting Standards No. 94* requires that companies consolidate subsidiaries having nonhomogeneous operations. This requirement resulted in certain survey companies presenting an unclassified balance sheet (16 companies in 1992) or a balance sheet classified as to industrial operations but showing assets and liabilities of nonhomogeneous operations as segregated amounts (12 companies in 1992). Prior to the effective date of *SFAS No. 94*, the survey companies, with rare exception, presented classified balance sheets.

TABLE 2-2: BALANCE SHEET FORMAT

	1992	1991	1990	1989
Report form	421	412	406	404
Account form	178	187	192	195
Financial position form	1	1	2	1
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 lists the balance sheet captions used by the survey companies to describe cash. As indicated in Table 2-3, the most frequently used caption is cash and cash equivalents. Examples of balance sheet captions for cash follow.

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1992	1991	1990	1989
Cash	94	96	123	134
Cash and cash equivalents	396	391	361	336
Cash and equivalents	43	34	30	22
Cash includes certificates of deposit or time deposits	9	10	10	10
Cash combined with marketable securities	56	66	73	93
No amount for cash	2	3	3	5
Total Companies	**600**	**600**	**600**	**600**

AMETEK, INC. (DEC)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents (Notes 1 and 9)	$ 59,138	$ 34,871
Marketable securities	56,480	72,445
Receivables, less allowance for possible losses of $2,392 in 1992 and $2,451 in 1991	107,130	112,518
Inventories	91,043	94,430
Other current assets	5,684	4,885
Total current assets	319,475	319,149

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents, Securities and Other Investments

All highly liquid investments with maturities of three months or less when purchased are cash equivalents. Cash equivalents and fixed income marketable securities (primarily U.S. Government securities), are carried at the lower of cost or market. Marketable equity investments of an insurance subsidiary are carried at market value, and unrealized gains and losses are recognized in stockholders' equity. Other fixed income investments are carried at cost, which approximates market.

9. Fair Value of Financial Instruments

The recorded amount of cash, cash equivalents and marketable securities approximates fair value.

The estimated fair values of the Company's other financial instruments are compared below to the recorded amounts at December 31, 1992.

	(In thousands)	
	Recorded Amounts	Estimated Fair Value
Other investments	$ 19,919	$ 23,091
Total long-term debt	206,922	212,366
Forward currency and commodity contracts	—	11,282

The fair values of securities and other investments are based on quoted market value. The fair value of long-term debt is estimated based on borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of forward currency and commodity contracts (used for hedging purposes) is based on quotes from brokers for comparable contracts.

AMERICAN CYANAMID COMPANY (DEC)

	1992	1991
	($ millions)	
Current assets		
Cash and cash equivalents	$ 345.7	$ 337.0
Marketable securities and time deposits, at cost	125.9	82.9
Accounts receivable, less allowance for doubtful accounts of $41.5 in 1992 and $38.2 in 1991	1,124.2	1,072.0
Inventories	856.5	801.1
Total current assets	2,452.3	2,293.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Cash and Cash Equivalents—Securities with maturities of three months or less when purchased are considered to be cash equivalents.

Financial Instruments—The carrying values of the company's financial instruments at December 31, 1992, approximate their estimated fair values. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount approximates fair value due to the short-term maturity of these instruments.

Marketable securities and other investments and advances

The fair value of marketable securities and other investments and advances held for investment purposes are based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities and investments.

Short-term borrowings

The carrying amount approximates fair value due to the short-term maturity of these instruments.

Funded debt

The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the company for debt of the same remaining maturities.

Foreign currency contracts

The carrying amount approximates fair value as all forward foreign exchange contracts are revalued monthly based on current exchange rates, hedge known, firm future commitments and are substantially all less than six months in length.

ARMATRON INTERNATIONAL, INC. (SEP)

	1992	1991
Current Assets:		
Cash and cash equivalents (including securities purchased under agreements to resell of $1,000,000 in 1992 and $4,400,000 in 1991)	$ 3,050,000	$ 5,235,000
Trade accounts receivable (less allowance for doubtful accounts of $295,000 in 1992 and $301,000 in 1991)	2,782,000	4,314,000
Inventories	5,507,000	4,766,000
Prepaid and other current assets	173,000	536,000
Total Current Assets	11,512,000	13,851,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents

The Company invests excess funds in short-term, interest-bearing obligations, including reverse repurchase agreements and commercial paper. On September 30, 1992 and 1991, the Company purchased $1,000,000 and $4,400,000 respectively, of U.S. Government securities under agreements to resell on October 1, 1992 and 1991, respectively. At September 30, 1992, the Company held $2,000,000 in commercial paper which matured in October 1992. Due to the short-term nature of these investments, the Company did not take possession of the securities, which were instead held in the Company's safekeeping account at a bank.

The Company has no requirements for compensating balances. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

RHÔNE-POULENC RORER INC. (DEC)

	1992	1991
	($ millions)	
Current Assets		
Cash and cash equivalents	$ 39.5	$ 135.8
Short-term investments, at cost	6.6	28.6
Trade accounts receivable less allowances of $66.6 (1991: $56.6)	736.4	716.6
Inventories	531.3	550.7
Other current assets	424.5	352.4
Total current assets	1,738.3	1,784.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Cash and Cash Equivalents and Time Deposits

The Company considers cash on hand, cash in banks, certificates of deposit, time deposits and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents. Investments with a maturity period of greater than three months but less than one year are classified as short-term investments. Certain mortgage-backed certificates, repurchase obligations and certificates of deposit with maturities of more than one year are classified as long-term deposits. Due to the short maturity period of short-term investments and the variable rate nature of long-term deposits, the carrying amount of these instruments approximates their fair values.

SCIENTIFIC INDUSTRIES, INC. (JUN)

	1992	1991
Current assets:		
Cash	$224,900	$ 70,800
Trade accounts receivable, less allowance for doubtful accounts of $7,400 in 1992 and 1991	220,300	238,200
Costs and estimated earnings in excess of billings on uncompleted contracts of $11,500		1,600
Inventories	400,700	375,100
Prepaid expenses	17,100	14,600
Total current assets	863,000	700,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of significant accounting policies:

Cash:

The Company maintains all of its cash balances in one institution. These balances are insured by the Federal Deposit Insurance Corporation up to $100,000.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents (Notes 1 and 15)	$ 17,025	$ 24,042
Accounts receivable, less allowances for discounts and doubtful accounts of $5,321 (1991—$4,518)	83,788	78,314
Inventories	153,198	178,556
Prepaid taxes based on earnings	1,233	1,136
Deferred income taxes	2,427	2,314
Prepaid expenses and other current assets	7,646	7,131
Total current assets	265,317	219,493

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

15. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt

The fair value of the Corporation's long-term debt is estimated based on the current rates offered to the Corporation for debt of the same remaining maturities.

Interest rate swap agreements

The fair value of interest rate swaps (used for hedging purposes) is the estimated amount that the Company would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates.

The estimated fair values of the Corporation's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
	(Dollars in Thousands)	
Cash and cash equivalents	$ 17,025	$ 17,025
Long-term debt	$(151,459)	$(154,940)
Unrecognized financial instruments:		
Interest rate swaps:		
In a net receivable position	$ —	$ 643
In a net payable position	$ —	$ (1,328)

TESORO PETROLEUM CORPORATION (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 46,869	62,710
Short-term investments	20,021	—
Receivables, less allowance for doubtful accounts of $2,587 ($6,069 in 1991)	77,173	104,172
Inventories:		
Crude oil, refined products and merchandise	70,875	69,614
Materials and supplies	3,636	4,761
Prepaid expenses and other	9,803	5,935
Total Current Assets	228,377	247,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. During 1992, the Company began investing in short-term debt securities with original maturities in excess of 90 days. These investments are classified as short-term investments on the Company's Consolidated Balance Sheet. Cash equivalents and short-term investments are stated at cost, which approximate market value.

In 1992, the Company adopted a policy to classify outstanding checks as reductions of cash rather than accounts payable. Prior period amounts have been reclassified to conform to the current policy.

MARKETABLE SECURITIES

Statement of Financial Accounting Standards No. 12 requires that marketable equity securities (as defined in the Statement) be carried at lower of aggregate cost or market value. *SFAS No. 12* also specifies information which the financial statements should disclose about marketable equity securities. Effective for fiscal years beginning after December 15, 1993, *Statement of Financial Accounting Standards No. 115* will supersede *SFAS No. 12. SFAS No. 115* requires that, except for debt securities classified as "held-to-maturity securities," investments in debt and equity securities should be reported at fair value.

Chapter 3, paragraph 9, of *Accounting Research Bulletin No. 43* requires that marketable securities, other than those within the scope of *SFAS No. 12*, be carried at cost unless "market value is less than cost by a substantial amount and it is evident that the decline in market value is not due to a mere temporary condition." Paragraph 9 also states that the market value of marketable securities carried at cost should be disclosed.

Statement of Financial Accounting Standards No. 105 defines marketable securities as financial instruments. *Statement of Financial Accounting Standards No. 107*, effective for fiscal years ending after December 15, 1992, requires that the fair value of marketable securities be disclosed. Of the 116 survey companies disclosing the fair value of marketable securities, 88 companies stated that fair value approximated the carrying amount and 28 companies stated that fair value was based on market quotes.

Table 2-4 shows the carrying bases at which marketable securities are included in the balance sheet. Examples of marketable security presentations follow.

TABLE 2-4: MARKETABLE SECURITIES—BASES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Cost				
Approximates market	138	156	164	175
No reference to market	19	7	6	12
Market value disclosed	9	5	6	4
Lower of cost or market	35	30	42	42
Market value	3	—	2	2

Cost Which Approximates Market

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1992	1991
	($000)	
Assets		
Cash and cash equivalents	$1,692,761	$2,064,603
Marketable securities	289,603	—
Accounts receivable less allowances (1992—$38,905 and 1991—$37,419)	1,250,541	1,024,163
Inventories	944,568	842,044
Other current assets	374,604	188,247
Total Current Assets	4,552,077	4,119,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Marketable Securities consist of U.S. government or agency issues and corporate bonds and are stated at cost, which approximates fair value. The fair values are estimated based on quoted market prices.

CAPITAL CITIES/ABC (DEC)

	1992	1991
	($000)	
Current assets		
Cash and short-term cash investments	$ 686,928	$ 726,045
Short-term investments	510,845	610,258
Accounts and notes receivable (net of allowance for doubtful accounts of $35,114 in 1992 and $38,302 in 1991)	820,115	841,440
Program licenses and rights	524,453	426,705
Other current assets	190,294	219,443
Total current assets	2,732,635	2,823,891

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Short-Term Investments—Short-term investments consist of highly liquid U.S. Government instruments with original maturities in excess of three months and are carried at cost, which approximates market. Short-term investments which have a maturity of three months or less at the time of purchase are considered cash equivalents. The carrying amount of the short-term investments and cash equivalents approximates market value due to their short maturity.

DEERE & COMPANY (OCT)

	1992	1991
	($ millions)	
Assets		
Cash and cash equivalents	$ 216.8	$ 278.5
Marketable securities carried at cost	954.1	856.6
Receivables from unconsolidated subsidiaries and affiliates	21.8	17.8
Dealer accounts and notes receivable—net	2,945.7	2,958.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketable Securities

Marketable securities are held by the insurance and health care subsidiaries. Fixed maturities, consisting of corporate bonds, government bonds and certificates of deposit, are carried at amortized cost and generally held to maturity. Equity securities, consisting of common and preferred stocks, are carried at cost. Realized gains or losses from the sales of marketable securities are based on the specific identification method.

The value of marketable securities at October 31 in millions of dollars follows:

	1992		1991	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed maturities	$906	$ 974	$780	$837
Equity securities	40	43	65	65
Other	8	12	12	14
Marketable securities	$954	$1,029	$857	$916

The carrying value and market value of fixed maturities in millions of dollars follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
October 31, 1992:				
United States government and its agencies	$305	$ 21	$ 1	$325
States and municipalities	213	16	1	228
Corporate	375	33	1	407
Other	13	1		14
Fixed maturities	$906	$ 71	$ 3	$974
October 31, 1991:				
United States government and its agencies	$217	$ 16		$233
States and municipalities	196	17		213
Corporate	350	25	$ 3	372
Other	17	1	2	19
Fixed maturities	$780	$ 60	$ 3	$837

The contractual maturities of fixed maturities at October 31, 1992 in millions of dollars follows:

	Carrying Value	Market Value
Due in one year or less	$ 35	$ 36
Due after one year through five years	117	125
Due after five years through 10 years	189	204
Due after 10 years	565	609
Fixed maturities	$906	$974

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Proceeds from the sales of fixed maturities were $18 million in 1992 and $34 million in 1991. Gross gains of $1 million in 1992 and $12 million in 1991 and gross losses of none in 1992 and $4 million in 1991 were realized on those sales.

FANSTEEL INC. (DEC)

	1992	1991
Current Assets		
Cash and cash equivalents	$13,775,779	$15,417,493
Marketable securities	10,070,284	—
Accounts receivable, less allowance of $324,000 in 1992 and 1991	16,117,854	16,911,553
Income tax refunds receivable	855,255	7,624,000
Inventories		
Raw material and supplies	2,932,016	4,330,685
Work-in-process	12,698,640	19,522,221
Finished goods	4,812,000	5,916,401
	20,442,656	29,769,307
Less:		
Progress billings	—	3,649,313
Allowance to state certain inventories at LIFO cost	7,772,461	12,195,673
Total inventories	12,670,195	13,924,321
Prepaid expenses (including deferred income taxes)	2,486,522	4,439,982
Total Current Assets	55,975,889	58,317,349

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part):Significant Accounting Policies

Marketable Securities represent a U.S. Treasury Note, at 5.875%, due May 15, 1995. The note is carried at cost plus accrued interest and amortized discount. Market value at December 31, 1992 was approximately $10,231,000.

JOHNSON & JOHNSON (DEC)

	1992	1991
	($ million)	
Current assets		
Cash and cash equivalents	$ 745	589
Marketable securities, at cost (Note 18)	133	203
Accounts receivable, trade, less allowances $143 (1991, $136)	1,855	1,763
Inventories	1,742	1,702
Deferred taxes on income	327	238
Prepaid expenses and other receivables	621	438
Total current assets	5,423	4,933

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 (In Part): Financial Instruments

Disclosures about Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. The fair value of current and non-current marketable securities, long-term debt and foreign interest rate and currency swap agreements (used to hedge third party debt issues) were estimated based on quotes obtained from brokers for those or similar instruments. The fair value of foreign interest rate and currency contracts (used for hedging purposes) and long-term investments were estimated based on quoted market prices at year-end.

The estimated fair value of the Company's financial instruments are as follows:

	1992	
(Dollars in Millions)	Carrying Amount	Fair Value
Cash and cash equivalents	$ 745	745
Marketable securities—current	133	134
Marketable securities—non-current	355	361
Long-term investments	48	75
Long-term debt and related interest rate and currency swap agreements	1,807	1,850
Foreign interest rate and currency contracts receivable	—	40

POLAROID CORPORATION (DEC)

	1992	1991
	($ millions)	
Current assets		
Cash and cash equivalents	$ 109.1	$ 162.9
Short-term investments	80.4	82.3
Receivables, less allowances of $18.2 in 1992 and $17.4 in 1991	493.0	476.1
Inventories	586.3	524.3
Prepaid expenses and other assets	82.0	94.3
Total current assets	1,350.8	1,339.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Short-term Investments:

Short-term investments are highly liquid investments with maturities of more than three months when purchased, and are carried at cost, which approximates market.

2 (In Part): Supplemental Information

Fair Value of Financial Instruments:

The carrying amounts of cash, cash equivalents, short-term investments, trade receivables, short-term debt, and trade payables approximate fair value because of the short maturity of these financial instruments. The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. At December 31, 1992, the estimated fair value of the Company's long-term debt was $711.4 million, which was carried at $666.9 million.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates.

THE WASHINGTON POST COMPANY (DEC)

	1992	1991
	($000)	
Current assets		
Cash and cash equivalents	$ 86,840	$106,122
Marketable securities	241,429	174,238
Accounts receivable, net	128,368	138,604
Inventories	20,258	19,563
Program rights	17,842	17,314
Other current assets	30,238	16,378
	524,975	472,219

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Marketable Securities. Marketable securities consist of debt instruments that mature over 90 days from the purchase date and are stated at cost plus accrued interest, which approximates fair value.

B. Marketable Securities

The company's marketable securities at January 3, 1993, and December 29, 1991, include the following (in thousands):

	1992	1991
U.S. Government and Government agency obligations	$221,398	$ 87,397
State obligations	—	20,673
Commercial paper	20,031	66,168
	$241,429	$174,238

Lower Of Cost Or Market

ALLEGHENY LUDLUM CORPORATION (DEC)

	1992	1991
	($000)	
Current Assets:		
Cash and cash equivalents	$ 51,437	$ 2,645
Short-term investments	72,115	—
Trade receivables, less allowances for doubtful accounts of $3,235 and $3,547)	95,538	92,770
Inventories	235,259	284,513
Prepaid expenses and other current assets	5,161	4,937
Total Current Assets	459,510	384,865

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Short-term Investments

Short-term investments are carried at the lower of aggregate cost or market and include short-term to intermediate-term investments managed by third-party portfolio managers.

Note 7—Fair Value of Financial Instruments

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments.

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Short-term investments

The fair values are based on quoted market prices or other fair value estimates as provided by third-party portfolio managers.

Debentures

The fair value of the 5⅞% convertible subordinated debentures is based on quoted market prices.

Long-term debt

The fair values of long-term debt obligations are established from the market value of each issue if available or from market values of similar issues.

The carrying amounts and fair values of the Company's financial instruments at January 3, 1993 are as follows:

(In thousands of dollars)	Carrying Amount	Fair Value
Cash and cash equivalents	$46,437	$ 46,437
Short-term investments	72,115	72,115
5⅞% convertible subordinated debentures	100,000	103,000
Long-term debt	45,564	45,232

MAXXAM INC. (DEC)

	1992	1991
	($ millions)	
Current assets:		
Cash and cash equivalents	$ 81.9	$ 105.1
Marketable securities	70.6	54.1
Receivables:		
Trade, net of allowance for doubtful accounts of $3.5 and $5.7 at December 31, 1992 and 1991, respectively	196.0	178.9
Other	114.4	68.8
Inventories	503.0	574.1
Prepaid expenses and other current assets	67.3	112.0
Total Current Assets	1,033.2	1,093.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions of dollars)

1 (In Part): Summary of Significant Accounting Policies

Marketable Securities

Marketable securities portfolios are carried at the lower of cost or market at the balance sheet date. The cost of the securities sold is determined using the first-in, first-out method. Market values are determined based on quoted prices. The cost of securities held at December 31, 1992 and 1991 was $72.6 and $55.8, respectively. The market values of such securities at December 31, 1992 and 1991 were $70.6 and $54.1, respectively. Gross unrealized gains and losses at December 31, 1992 were $2.7 and $4.7, respectively. Included in investment, interest and other income for each of the three years ended December 31, 1992 were: 1992—net realized losses of $6.0 and net unrealized losses of $.3; 1991—net realized losses of $1.0 and the recovery of $.3 of net unrealized losses; and 1990—net realized losses of $26.6 and the recovery of $22.6 of net unrealized losses. Net unrealized losses represent the amount required to reduce the short-term marketable securities portfolios from cost to market value at the balance sheet date.

ROBBINS & MYERS, INC. (AUG)

	1992	1991
Current assets:		
Cash and cash equivalents	$ 1,997,357	$31,372,886
Marketable securities	22,096,625	0
Accounts receivable, less allowances	13,416,795	15,663,628
Inventories	7,294,165	3,959,308
Prepaid expenses	485,669	369,030
Deferred taxes	489,249	0
Total Current Assets	45,779,860	51,364,852

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Marketable Securities

Marketable securities, which consist of equity securities, U.S. Government obligations and short-term investment funds are stated at the lower of cost or market. Unrealized losses on marketable securities are charged to income. Realized gains or losses are determined on the specific identification method and are reflected in income. Short-term investment funds represent temporary cash balances resulting primarily from the timing of investment transactions.

Marketable Securities

At August 31, 1992 marketable securities consist of the following:

(in thousands)	
Equity securities	
Common stocks	$ 7,272
Preferred stocks	4,411
U.S. Government obligations	5,719
Short-term investment funds	4,695
	$22,097

Marketable securities had an aggregate cost of $22,233,000 at August 31, 1992. A valuation allowance in the amount of $136,000 has been recorded to reduce the carrying amount of the portfolio to market value. The valuation allowance is included in the determination of net income for the year.

Net realized gains on sales of securities included in the determination of net income amounted to $391,000. At August 31, 1992, gross unrealized gains and gross unrealized losses pertaining to equity securities were $241,000 and $377,000 respectively.

CURRENT RECEIVABLES

Table 2-5 summarizes both the descriptive titles used in the balance sheet to describe trade receivables and the types of receivables, other than trade receivables, which the survey companies most frequently showed as current assets. Examples of receivables shown as current assets follow.

RECEIVABLES OTHER THAN TRADE RECEIVABLES

Contracts

KAMAN CORPORATION (DEC)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents	$ 2,455	$ 3,299
Accounts receivable	178,673	170,369
Inventories	140,796	132,408
Other current assets	12,657	3,894
Total current assets	334,581	309,970

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands)

Accounts Receivable

Accounts receivable consist of the following:

	December 31, 1992	1991
Trade receivables, net of allowance for doubtful accounts of $1,234 in 1992, $1,198 in 1991	$ 51,107	$ 45,976
U.S. Government contracts:		
Billed	45,108	48,644
Recoverable costs and accrued profit—not billed	35,805	36,150
Commercial contracts:		
Billed	10,924	7,675
Recoverable costs and accrued profit—not billed	35,729	31,924
Total	$178,673	$170,369

Recoverable costs and accrued profit—not billed represent costs incurred on contracts, including contract retentions, which will become billable upon future deliveries or completion of engineering and service type contracts. Management estimates that approximately $36,000 of such costs and accrued profits at December 31, 1992 will be collected after one year.

TABLE 2-5: CURRENT RECEIVABLES

	1992	1991	1990	1989
Trade Receivable Captions				
Accounts receivable	237	234	232	239
Receivables	147	151	158	149
Trade accounts receivable	136	135	124	103
Accounts and notes receivable	80	80	86	109
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Contracts	57	56	54	56
Tax refund claims	51	64	56	50
Investees	31	30	28	25
Finance	25	24	25	28
Sale of assets	10	5	1	8
Employees	7	6	8	10
Installment notes or accounts	5	7	6	7

LITTON INDUSTRIES, INC. (JUL)

	1992	1991
	($000)	
Current assets:		
Cash and marketable securities	$ 354,036	$ 758,324
Accounts receivable less allowance for doubtful accounts of $35,515 (1992) and $33,460 (1991) (Note D)	1,088,327	1,036,978
Inventories less progress billings	805,593	805,314
Prepaid taxes on income and other expenses	373,969	311,674
Total Current Assets	2,621,925	2,912,290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Accounts Receivable and Inventories

Following are the details of accounts receivable:

(thousands of dollars)	July 31 1992	1991
Receivables related to long-term contracts		
Amounts billed		
U.S. Government	$ 153,663	$ 124,531
Other	107,505	146,243
Unbilled recoverable costs and accrued profit on progress completed and retentions		
U.S. Government	186,770	136,020
Other	127,296	98,789
	575,234	505,583
Other receivables, principally from commercial customers	513,093	531,395
	$1,088,327	$1,036,978

Of the retentions balance and amounts not billed at July 31, 1992, $180.4 million is expected to be collected in fiscal year 1993 with the balance to be collected in subsequent years, as contract deliveries are made and warranty periods expire. Other receivables includes $249.5 million related to the Company's resource exploration services business at July 31, 1992.

TRANSTECHNOLOGY CORPORATION (MAR)

	1992	1991
Current Assets:		
Cash and cash equivalents	$ 798,000	$ 8,100,000
Accounts receivable:		
United States Government	4,090,000	8,099,000
Commercial (net of allowance for doubtful accounts of $268,000 and $959,000)	16,314,000	27,944,000
Income tax receivable	1,123,000	507,000
Inventories	32,407,000	53,231,000
Prepaid expenses and other current assets	5,674,000	5,061,000
Deferred income taxes	4,514,000	5,005,000
Net assets of discontinued businesses	8,881,000	—
Total current assets	73,801,000	107,947,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Accounts Receivable

Accounts receivable from the United States Government represent billed receivables and substantially all amounts are expected to be collected within one year. The Company has no amounts billed under retainage provisions of contracts.

Income Tax Refund Claims

CATERPILLAR INC. (DEC)

	1992	1991
	($ millions)	
Current assets:		
Cash and short-term investments	$ 119	$ 104
Receivables—trade and other	2,190	2,009
Receivables—finance	758	664
Refundable income taxes (note 9)	86	154
Deferred income taxes and prepaid expenses	709	718
Inventories	1,675	1,921
Total current assets	5,537	5,570

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

9 (In Part): Income taxes

Refundable income taxes at December 31, 1992, of $86 resulted from the carryback of tax credits from prior years for U.S. federal income tax purposes. Refunds related to these carrybacks will not be collected prior to final settlement of the relevant tax returns with the IRS.

BIOPLASTY, INC. (JUL)

	1992	1991
Current Assets		
Cash and cash equivalents	$1,541,362	$ 9,093,322
Short-term investments	1,750,000	1,100,000
Accounts receivable	603,327	1,654,721
Refundable income taxes (Note 10)	533,624	
Inventories	570,037	1,827,305
Prepaid expenses	398,008	101,203
Deferred income taxes		185,000
Total current assets	5,396,358	13,961,551

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Income Tax

Approximately $534,000 of federal and state income tax refunds are recorded in the accompanying financial statements as of July 31, 1992 as a result of carrying back the net operating loss (NOL) generated in 1992 to recoup taxes paid in the three previous years. As of July 31, 1992, the Company has NOL carryforwards of approximately $2,700,000 and $3,100,000 for domestic and foreign income tax purposes, respectively. In addition, the Company has taken certain net tax deductions of approximately $4,100,000 for financial reporting purposes which are not deductible for tax purposes until paid. These tax NOLs are available to reduce future taxable income. The future use of the carryforwards is subject to certain limitations, including expirations beginning in fiscal years 2007 and 1995 in U.S. and foreign jurisdictions, respectively. In addition, the Company acquired NOL carryforwards of approximately $1,225,000 for income tax purposes in its acquisition of BMI. Future use of these carryforwards is subject to certain additional limitations, including expirations beginning in fiscal 2002.

Receivables From Investees

CLEVELAND-CLIFFS INC (DEC)

	1992	1991
	(In Millions)	
Current Assets:		
Cash and cash equivalents	$128.6	$ 95.9
Trade accounts receivable (net of allowance, 1992-$20.8 and 1991-$3.1)	27.4	37.1
Receivables from associated companies	14.9	15.7
Product inventories	49.4	35.4
Deferred income taxes	17.7	10.3
Other	11.2	11.3
Total Current Assets	249.2	205.7

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current Assets:		
Cash and cash equivalents	$ 85	$ 213
Marketable securities, at cost that approximates market	5	86
	90	299
Receivables—		
Trade, net of allowances of $22 in 1992 and $17 in 1991	700	1,353
Joint ventures, partnerships and other	287	264
Inventories	817	783
Prepaid expenses and other	351	150
Total current assets	2,245	2,849

ROHM AND HAAS COMPANY (DEC)

	1992	1991
	($ Millions)	
Current assets		
Cash and cash equivalents	$ 91	$ 208
Accounts receivable, net—Note 9	549	473
Inventories	437	343
Prepaid expenses and other assets	180	117
Total current assets	1,257	1,141

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Accounts Receivable, Net

(Millions of dollars)	1992	1991
Customers	$493	$424
Unconsolidated subsidiaries and affiliates	20	20
Employees	7	6
Other	41	33
	561	483
Less allowance for losses	12	10
Total	$549	$473

The carrying value approximates fair value because of the short maturity of these receivables.

SUPER VALU STORES, INC. (FEB)

	1992	1991
	($000)	
Current Assets		
Cash	$ 1,546	$ 1,547
Receivables, less allowance for losses of $11,636 in 1992 and $16,605 in 1991	198,121	192,510
Note receivable from ShopKo	181,167	—
Inventories	745,138	666,168
Other current assets	37,298	24,669
Total current assets	1,163,270	884,894

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. Investment in ShopKo

On October 16, 1991, ShopKo, the company's mass merchandise discount subsidiary, completed a sale of 17,250,000 shares of its common stock at $15 per share in an initial public offering. This sale generated net proceeds to the company of $240.8 million and a gain of $84.1 million, reducing the company's ownership in ShopKo to 46 percent.

In conjunction with the ShopKo public offering, the company agreed to continue its previous lending arrangement with ShopKo on a formalized basis. Under this credit agreement ShopKo may borrow from the company on a revolving loan basis an aggregate amount not to exceed $240 million through February 29, 1992, reduced to $225 million thereafter through February 27, 1993. The agreement further provides that if ShopKo obtains other indebtedness, such proceeds shall be applied to reduce any principal balance owed to the company, to the extent loans are outstanding, and the company's commitment to lend funds to ShopKo will be reduced by the principal amount of such indebtedness. The revolving loan bears a floating interest rate which is a function of the reference rate announced from time to time by First Bank National Association. In March 1992, the outstanding principal balance was paid off and the company's future commitment to lend funds to ShopKo was reduced to $25 million.

The company and certain of its subsidiaries have also entered into certain other agreements with ShopKo including, but not limited to, a master corporate services agreement, a pharmacy management agreement and a Twin Valu management and supply agreement. These amounts are not significant and are included in selling, general, and administrative expenses in the Consolidated Statements of Earnings.

The following table summarizes the significant transactions between the company and ShopKo:

(In thousands)	1992	1991	1990
Sales to ShopKo	$27,493	$29,919	$34,739
Interest income	16,838	21,336	20,070

Summarized financial information of ShopKo is as follows:

(In thousands)	1992	1991	1990
Sales	$1,648,427	$1,520,545	$1,420,300
Gross profit	449,701	415,426	393,985
Net earnings	49,589	45,080	42,562

(In thousands)	1992	1991
Current assets	$ 260,352	$ 260,090
Non-current assets	445,223	432,006
Current liabilities	181,584	190,543
Non-current liabilities	204,490	228,121

Related Parties

JOHNSTON INDUSTRIES, INC. (JUN)

	1992	1991
Current Assets:		
Cash and cash equivalents	$ 3,878,000	$ 4,474,000
Accounts and notes receivable, net allowance of $667,000 and $271,000	15,651,000	15,121,000
Notes receivable and accrued interest from stockholders	5,994,000	
Inventories	22,071,000	19,025,000
Deferred income taxes	167,000	142,000
Prepaid expenses and other	2,839,000	1,096,000
Total current assets	50,600,000	39,858,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Receivables from Related Parties

During 1992, the Company approved a secured revolving note with Redlaw Industries, Inc., a stockholder, up to a maximum of $5,600,000 payable on demand. The $5,600,000 may be either by direct loan or letters of credit. As of June 30, 1992, $5,325,000 had been loaned directly and $275,000 was in the form of a letter of credit. The note bears interest at the Company's interest rate on its revolving credit loans (See Note 8) plus ½ of 1%. In September 1992, Redlaw made a $1,200,000 payment on the loan and advised the Company that it expects to repay the entire remaining balance out of the proceeds of current rights offerings. Redlaw has committed to the Company to so apply the rights offerings proceeds and should the proceeds not be adequate to repay the indebtedness in full to sell sufficient shares of Company stock owned by Redlaw to provide funds to repay the balance by November 30, 1992.

The Company also loaned $400,000 to a director and officer of the Company during 1992. This loan bears interest at 8.75%.

At June 30, 1992, accounts receivable and prepaid expenses include approximately $404,000, net of allowance of $325,000, and $173,000, respectively, from Polylok Corporation (an affiliate).

Finance Receivables

THE COCA-COLA COMPANY (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 955,608	$1,058,250
Marketable securities, at cost	107,380	58,946
	1,062,988	1,117,196
Trade accounts receivable, less allowances of $32,512 in 1992 and $34,567 in 1991	1,055,170	933,448
Finance subsidiary receivables	30,466	36,172
Inventories	1,018,621	987,764
Prepaid expenses and other assets	1,080,432	1,069,664
Total Current Assets	4,247,677	4,144,244

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Finance Subsidiary

Coca-Cola Financial Corporation (CCFC) provides loans and other forms of financing to Coca-Cola bottlers and customers for the acquisition of sales-related equipment and for other business purposes. The approximate contractual maturities of finance receivables for the five years succeeding December 31, 1992, are as follows (in thousands):

1993	$30,466
1994	21,753
1995	20,731
1996	31,288
1997	9,904

These amounts do not reflect possible prepayments or renewals.

In connection with the 1991 acquisition of Sunbelt Coca-Cola Bottling Company, Inc. by Coca-Cola Bottling Co. Consolidated (Consolidated), CCFC purchased 25,000 shares of Consolidated preferred stock for $50 million, provided to Consolidated a $153 million bridge loan and issued a $77 million letter of credit on Consolidated's behalf. Consolidated redeemed the 25,000 shares of preferred stock for $50 million plus accrued dividends in 1992. Consolidated also repaid all amounts due under the bridge loan in 1992. The Company beneficially owns a 30 percent economic interest and a 23 percent voting interest in Consolidated.

Finance receivables at December 31, 1991, also include $68 million due from Coca-Cola Enterprises (substantially all of which were assumed by Coca-Cola Enterprises upon its acquisition of Johnston). In 1992, substantially all of these notes were repaid by Coca-Cola Enterprises.

GENERAL MOTORS CORPORATION (DEC)

	1992	1991
	($ Millions)	
Assets:		
Cash and cash equivalents	$ 7,789.9	$ 4,281.9
Other marketable securities	7,485.3	5,910.5
Total cash and marketable securities	15,275.2	10,192.4
Finance receivables—net (Note 13)	67,032.7	81,373.8
Accounts and notes receivable (less allowances)	6,476.7	6,498.5
Inventories (less allowances)	9,343.6	10,066.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Finance Receivables—Net

The composition of finance receivables outstanding at December 31, 1992 and 1991 is summarized as follows:

(Dollars in millions)	1992	1991
Domestic		
Retail	$30,060.4	$42,174.0
Wholesale	17,904.5	18,631.1
Leasing and lease financing	3,816.9	6,483.0
Term loans to dealers and others	4,890.1	4,977.9
Total domestic	56,671.9	72,266.0
Foreign		
Retail	8,066.6	10,491.9
Wholesale	5,178.4	5,129.4
Leasing and lease financing	1,831.9	1,111.8
Term loans to dealers and others	316.4	358.7
Total foreign	15,393.3	17,091.8
Total finance receivables	72,065.2	89,357.8
Less		
Unearned income	4,215.5	6,723.0
Allowance for financing losses	817.0	1,261.0
Total finance receivables—net	$67,032.7	$81,373.8

Retail, lease financing, and leasing receivables payments past due over 30 days aggregated $72.3 million and $131.7 million at December 31, 1992 and 1991, respectively. Term loans to dealers and others past due over 30 days aggregated $145.9 million at December 31, 1992 and $100.4 million at December 31, 1991.

The aggregate amount of total receivables maturing in each of the five years following December 31, 1992 is as follows:

1993—$43,339.0 million; 1994—$13,006.0 million; 1995—$8,501.7 million; 1996—$4,885.0 million; 1997—$1,716.1 million; and 1998 and thereafter—$617.4 million.

The following table presents an analysis of the allowance for financing losses for 1992 and 1991.

(Dollars in millions)	1992	1991
Allowance for financing losses at beginning of the year	$1,261.0	$1,292.5
Charge-offs		
Domestic		
Retail	(498.6)	(664.7)
Wholesale	(72.3)	(286.8)
Leasing and lease financing	(2.7)	(36.5)
Total domestic	(573.6)	(988.0)
Foreign		
Retail	(83.5)	(104.7)
Wholesale	(28.2)	(13.1)
Leasing and lease financing	(10.3)	(16.2)
Total foreign	(122.0)	(134.0)
Total charge-offs	(695.6)	(1,122.0)
Recoveries and other	242.1	143.4
Transfer to other nonearning assets	(135.0)	—
Provisions charged to income	144.5	947.1
Allowance for financing losses at end of the year	$ 817.0	$1,261.0

GMAC sold retail finance receivables aggregating approximately $12.5 billion, $3.5 billion, and $1.2 billion in 1992, 1991, and 1990, respectively, through special purpose subsidiaries. These subsidiaries generally retain an investment of no greater than 9% of the total receivables pool and market the remaining portion. The carrying value and fair value of retained investments in sold receivables as of December 31, 1992 are $819.4 million and $822.1 million, respectively, and are recorded in other investments and miscellaneous assets. GMAC continues to service these receivables for a fee. These subsidiaries will absorb all losses related to the sold receivables to the extent of their subordinated investment. In this regard, limited recourse loss provisions related to sold receivables of $267.1 million in 1992, $83.1 million in 1991, and $28.7 million in 1990 have been excluded from GMAC's provision for financing losses, and netted against gains recognized on the sale of receivables. Pretax net gains on such sales, which are recorded in other income, amounted to $321.8 million in 1992, $57.2 million in 1991, and $1.0 million in 1990.

Receivable sales cause the recognition of income on retail contracts, net of servicing fees and related limited recourse loss provisions, in the period the receivables are sold. This results in the pre-tax gains reflected above, and can create variability in quarterly earnings depending on the amount, timing and the net margin between the average yield on and all-in-cost of the sold receivables.

GMAC's retail instalment obligation servicing portfolio at December 31, 1992 amounted to $13.1 billion, compared with $4.7 billion at December 31, 1991 and $1.5 billion at December 31, 1990. Excess servicing assets, net of deferred costs, have a carrying value of $338.9 million compared with a fair value of $441.4 million at December 31, 1992.

The excess of fair value of North American retail, lease financing, and term loan finance receivables over carrying value at December 31, 1992 was $1,288.4 million. Such fair value was estimated by discounting future cash flows using applicable risk-adjusted spreads to the U.S. Treasury curve to approximate current rates applicable to each category of finance receivables. The carrying value of wholesale receivables was assumed to approximate fair value due to the short maturities of such receivables.

TANDEM COMPUTERS INCORPORATED (SEP)

	1992	1991
	($000)	
Current assets		
Cash and equivalents	$148,984	$114,869
Accounts receivable, net of allowances of $13,982 in 1992 and $13,148 in 1991	482,751	447,826
Current portion of lease receivables	59,154	50,393
Inventories	145,842	155,044
Prepaid income taxes	118,616	78,303
Prepaid expenses and other	32,776	26,569
Total current assets	988,123	873,004

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leasing Program (In Part)

The Company offers lease financing of selected products to its customers. Sales-type leases are originated by the Company and either sold on a nonrecourse basis or used as collateral for borrowings from certain third-party financial institutions. In the event of a default by a lessee, recourse by the financial institutions is limited to the collateralized computer equipment and a recourse amount, if any, from a limited recourse pool established as a percentage of each associated group of financed lease transactions. The Company may also be required to participate in remarketing the computer equipment on a "best efforts" basis on behalf of the financial institutions. Collection of the lease receivables is performed by the financial institutions. The following table relates the borrowing and repayment activitiy in the lease-related installment notes to the investment in sales leases:

(In thousands)	1992	1991	1990
Total borrowings, beginning balance	$104,020	$ 92,116	$ 36,918
Current year borrowings	79,096	49,982	81,711
Current year repayments	(53,256)	(38,078)	(26,513)
Total borrowings, ending balance	129,860	104,020	92,116
Leases not funded at year-end	18,329	27,071	11,759
Insured residual values	1,173	1,954	3,118
Investment in sales leases	149,362	133,045	106,993
Less current lease receivables	(59,154)	(50,393)	(32,688)
Lease receivables	$ 90,208	$ 82,652	$ 74,305

Sale of Assets

CLARCOR INC. (NOV)

	1992	1991
	($000)	
Current assets:		
Cash and short-term cash investments	$15,051	$ 9,629
Due on sale of Precision Products Group	20,700	—
Accounts receivable, less allowance for losses of $788 for 1992 and $838 for 1991	27,892	33,172
Inventories	25,007	28,417
Prepaid expenses	1,550	1,484
Deferred income taxes	3,427	2,505
Total current assets	92,627	75,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

L. Discontinued Operations

In June 1991, the Company adopted a plan to dispose of its Precision Products Group (Group). Effective November 30, 1992, the Company sold the Group for $20,700 in cash, with settlement on December 31, 1992, and a $2,500 note receivable, included in other assets. The 8% note receivable, due December 30, 1997, has certain collateral pledged from the buyer, a highly leveraged entity. The sale was recorded as of November 30, 1992 and resulted in a pretax gain of $1,342 after considering estimated costs to be incurred in connection with the sale, operating results through the date of disposition, and including a $686 curtailment gain of certain pension benefits related to the Group. The income tax effects, net of $1,342, which offsets the gain, exceeds the normal statutory tax rate due principally to nontax deductible costs.

Revenues applicable to the Group were $40,698, $38,563 and $44,431 for the years ended November 30, 1992, 1991 and 1990, respectively.

This Group has been reported as Discontinued Operations in the Consolidated Statements of Earnings and Cash Flows. Certain other disclosures and amounts in the footnotes for 1991 and 1990 include amounts related to the Precision Products Group.

NEWELL CO. (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 28,008	$ 42,512
Receivable from sale of business	210,000	—
Marketable securities	—	15,817
Accounts receivable, net	57,795	56,552
Inventories	226,230	215,304
Deferred income taxes	38,991	14,112
Prepaid expenses and other	33,611	29,775
Total Current Assets	594,635	374,072

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions and Divestitures of Businesses

On December 31, 1992, the Company completed the sale of its closures business for a $210.0 million note receivable due and paid January 4, 1993. The Company recognized a net pre-tax gain of $82.9 million on the sale. Sales for this business totaled $160.6 million in 1992 and $162.7 million in 1991.

Installment Receivables

SERVICE CORPORATION INTERNATIONAL (DEC)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents	$ 31,253	$ 38,422
Receivables, net of allowances	182,272	153,809
Inventories	40,577	34,928
Refundable income taxes	—	1,347
Prepaid expenses	4,496	8,085
Total current assets	258,598	236,591

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Supplementary Balance Sheet Information

	December 31,	
(Thousands)	1992	1991
Receivables and allowances:		
Current:		
Trade accounts	$ 69,612	$ 70,362
Installment contracts	53,259	38,923
Notes	74,272	56,452
	197,143	165,737
Less:		
Allowance for contract cancellations and doubtful accounts	7,778	5,143
Unearned finance charges and valuation discounts	7,093	6,785
	14,871	11,928
	$182,272	$153,809
Due after one year:		
Installment contracts	$ 80,401	$ 57,426
Loans and other notes	210,507	136,833
	290,908	194,259
Less:		
Allowance for contract cancellations and doubtful accounts	5,001	8,764
Unearned finance charges and valuation discounts	11,114	10,644
	16,115	19,408
	$274,793	$174,851

Interest rates on installment contracts and notes receivable range from 3.0% to 12.5% at December 31, 1992. Included in loans and other notes receivable are $9,370,000 in notes with officers and employees of SCI and $26,173,000 in notes with other related parties.

Maturities of installment contracts are as follows for the years ending December 31:

1993	$ 53,259
1994	37,903
1995	23,853
1996	14,100
1997	2,855
Thereafter	1,690
	$133,660

Employee

WASTE MANAGEMENT, INC. (DEC)

	1991	1992
	($000)	
Current Assets		
Cash	$ 101,999	$ 6,473
Short-term investments	120,149	61,599
Accounts receivable, less allowance of $48,812 in 1991 and $57,493 in 1992	1,434,442	1,574,798
Employee receivables	12,691	16,396
Parts and supplies	114,522	126,594
Costs and estimated earnings in excess of billings on uncompleted contracts	111,541	379,841
Prepaid expenses	249,300	342,671
Total Current Assets	$2,144,644	$2,508,372

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1992 annual reports of 127 survey companies disclosed either the sale of receivables or the pledging of receivables as collateral. The reporting and disclosure requirements of *Statement of Financial Accounting Standards No. 77,* as amended by *SFAS No. 105,* apply to receivables sold with recourse.

Examples of disclosures made in the reports of the survey companies financing receivables follow. Examples of receivables sold with recourse are also presented in connection with Table 1-13.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1992	1991	1990	1989
Receivables sold to finance subsidiaries	5	9	13	27
Receivables sold to independent entities	80	67	67	48
Receivables used as collateral	45	48	55	39
Total References	**130**	**124**	**135**	**114**
Reference to receivable financing	127	120	131	97
No reference to receivable financing	473	480	469	503
Total Companies	**600**	**600**	**600**	**600**

Receivables Sold

ACCLAIM ENTERTAINMENT, INC. (AUG)

	1992	1991
Current Assets		
Cash	$ 13,686,281	$ 5,627,119
Accounts receivable—net (Note 3)	70,660,818	30,738,565
Inventories	9,428,803	6,087,921
Prepaid expenses	10,460,776	7,708,915
Advance payments to suppliers	4,768,472	4,032,528
Other current assets	3,233,161	2,262,735
Total Current Assets	112,238,311	56,457,783

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Accounts Receivable

Accounts receivable are comprised of the following:

	August 31,	
	1992	1991
Receivables assigned to factor	$44,116,828	$28,526,058
Less advances from factor	2,075,346	15,422,559
Due from factor	42,041,482	13,103,499
Accounts receivable	38,419,127	13,814,069
Other receivables	2,235,209	6,360,997
Allowances for returns and discounts	(12,035,000)	(2,540,000)
	$70,660,818	$30,738,565

Pursuant to the terms of a factoring and letter of credit agreement, which expires in August 1994, the Company and its North American subsidiaries assign substantially all of their accounts receivable to a factor on a preapproved, nonrecourse basis. The factoring charge amounts to 0.7% of the receivables assigned. The Company is permitted to receive advances of up to 70% of receivables assigned as well as certain advances against inventory. Interest is charged at prime plus 0.75% per annum on such advances. The Company's obligations to the factor are collateralized by all of the Company's and its North American subsidiaries' accounts receivable, inventories and equipment. In addition, the Company has agreed to grant a second mortgage on its real estate to the factor.

Included in accounts receivable are amounts due from one European distributor of approximately $20,000,000, which is collateralized by letters of credit.

CHARMING SHOPPES, INC. (JAN)

	1993	1992
	($000)	
Current Assets		
Cash and cash equivalents	$ 98,786	$106,911
Short-term investments—at cost	50,762	0
Accounts receivable (less allowance for doubtful accounts of $3,381)	0	43,996
Merchandise inventories	208,445	186,750
Prepayments and other	75,592	58,551
Total Current Assets	433,585	396,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable

The Company has entered into various agreements whereby it can sell, on a revolving basis, up to $250,000,000 of accounts receivable. Through the end of fiscal 1993, the Company has sold a total of $197,373,000 of which $54,826,000, $92,754,000, and $8,920,000 were sold during the fiscal years ended January 30, 1993, February 1, 1992, and February 2, 1991, respectively. As of January 30, 1993, and February 1, 1992, $197,373,000 and $140,200,000 remained to be collected, respectively. The Company remained contingently liable for approximately $34,521,000 of the sold receivables. The Company has established an accrual of $16,606,000 which management believes is an adequate allowance against any such uncollected receivables. Net accounts receivable finance income is included in selling, general and administrative expenses.

On February 1, 1992, the Company had two outstanding interest rate swap agreements with notional principal amounts totalling $60,000,000. These agreements expired during fiscal 1993. Net receipts or payments under the agreements were recognized as an adjustment to selling, general and administrative expenses.

FEDERAL-MOGUL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Accounts Receivable Securitization

In June 1992, the company entered into an agreement to sell, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable. The agreement expires in February 1997. Accounts receivable in the 1992 consolidated balance sheet exclude $55 million representing receivables sold. The discount related to the sale of receivables under this agreement of $2 million has been classified as a reduction of other income.

The company maintains an allowance for accounts receivable ($8.6 million and $6.2 million at December 31, 1992 and 1991, respectively) based upon the expected collectibility of all trade accounts receivable, including receivables sold.

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

	1992	1991
	($000)	
Current Assets		
Cash	$ 280	$ 517
Accounts and notes receivable, less allowance for doubtful accounts of $1,672 in 1992 and $2,272 in 1991	88,351	87,911
Inventories:		
Finished goods	87,680	84,010
Work in process	9,404	9,859
Raw materials	59,680	51,236
Supplies	52,485	46,216
Subtotal	209,249	191,321
LIFO allowance	(8,257)	(8,527)
Total inventories	200,992	182,794
Deferred tax asset	11,010	—
Other current assets	15,254	20,110
Total Current Assets	315,887	291,332

NOTES TO FINANCIAL STATEMENTS

Note 3 (In Part): Supplemental Balance Sheet Information

Accounts Receivable

In 1991, the Company entered into an agreement which allows for the sale, without recourse, of a fractional interest in a defined pool of trade accounts receivable for up to $75 million. This agreement may be extended by the Company for a period of up to three years from its inception. At January 2, 1993 and December 28, 1991, $75 million had been sold under this agreement and the sale is reflected as a reduction of accounts receivable in the accompanying Consolidated Balance Sheet. The cash proceeds were reported as operating cash flows in the 1991 Consolidated Statement of Cash Flows. The costs of this program, which were $3.4 million in 1992 and $1.9 million in 1991, are based upon the Company's debt ratings and the purchasers' level of investment and borrowing costs and are charged to selling and administrative expenses in the accompanying Consolidated Statement of Income.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3: Accounts and Notes Receivable

(In millions)	1992	1991
Accounts and notes receivable	$1,409.1	$1,366.5
Allowance for doubtful accounts	(55.8)	(51.5)
	$1,353.3	$1,315.0

Throughout the year, the Company sold certain domestic accounts receivable under continuous sale programs. During 1992 the Company decreased the level of net proceeds from sales under these programs to $550.0 million from $580.0 million at December 31, 1991. Under these agreements, undivided interests in designated receivable pools are sold to purchasers with recourse limited to the receivables purchased. Fees paid by the Company under these agreements are based on certain variable market rate indices and are recorded in Other (income) and expense.

The Company sold accounts and notes receivable under these and other agreements, the net cumulative proceeds of which totaled $4.0 billion, $4.0 billion and $3.9 billion during 1992, 1991 and 1990, respectively. At December 31, 1992 and 1991, the balance of the uncollected portion of these receivables was $623.3 million and $663.3 million, respectively.

LADD FURNITURE, INC. (DEC)

	1992	1991
	($000)	
Current assets:		
Cash	$ 1,826	3,505
Trade accounts receivable, less allowances for doubtful receivables, discounts, returns and allowances of $3,517 and $5,874, respectively—*Note 12*	69,843	62,951
Inventories	90,506	80,083
Refundable income taxes	—	7,264
Prepaid expenses and other current assets	7,209	7,712
Total current assets	169,384	161,515

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Dealer Financing Arrangement

The Company has a cancelable financing arrangement whereby certain notes receivable from furniture dealers are assigned with recourse to a bank. The terms of the notes receivable, which are collateralized by inventories held by the furniture dealers, range from 12 to 48 months with interest rates ranging from 6% to prime plus 1¼%. Upon cancellation of the financing arrangement, the bank retains the previously assigned notes receivable and, as such, the notes receivable and related obligations under the dealer financing arrangement are not recorded in the January 2, 1993 and December 28, 1991 consolidated balance sheets. Total notes receivable assigned during fiscal 1992, 1991 and 1990 were approximately $5,304,000, $9,464,000, and $12,136,000, respectively. During 1992, the Company assumed approximately $2,300,000 in notes previously assigned to the bank, and such amount is included in accrued expenses and other current liabilities at January 2, 1993.

At January 2, 1993, the Company was contingently liable for approximately $10,000,000 of receivables transferred with recourse to the bank under the dealer financing arrangement for which the Company maintains an $8,000,000 letter of credit agreement to fund any liabilities which might arise under the program. In the opinion of management, adequate provision for potential losses under the dealer financing arrangement has been included in the allowances for doubtful receivables, discounts, returns and allowances in the accompanying consolidated balance sheets.

SPX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingent Liabilities

The company leases certain offices, warehouses and equipment under lease agreements which expire at various dates through 2011. Minimum rental commitments on these leases are $9,115,000 for 1993, $8,180,000 for 1994, $7,400,000 for 1995, $5,650,000 for 1996, $3,015,000 for 1997 and aggregate $20,490,000 thereafter. Rentals on these leases were approximately $9,312,000 in 1992, $10,794,000 in 1991 and $12,101,000 in 1990.

The company has a leasing program whereby certain lease receivables are sold to financial institutions with limited recourse. In the event of default by a lessee, the financial institution has recourse equal to their net lease receivable. In turn, the company receives the collateralized lease equipment. In 1992, 1991 and 1990, $21,390,000, $18,705,000 and $21,115,000 of lease receivables were sold to financial institutions generating revenues of $1,386,000, $2,936,000 and $2,453,000 which are included in other (income) expense, net. At December 31, 1992 and 1991, financial institutions held lease receivables, which are subject to limited recourse, of $49,235,000 and $41,030,000. Correspondingly, allowances for recourse liabilities, net of recoverable value, were $2,225,000 and $2,000,000 at December 31, 1992 and 1991.

Receivables Used As Collateral

GOTTSCHALKS INC. (JAN)

	1993	1992
	($000)	
Current Assets:		
Cash	$ 1,106	$ 3,337
Receivables:		
Trade accounts, less allowances of $1,233 in 1992 and $1,300 in 1991 (Note 5)	59,508	62,831
Vendor claims, less allowances of $325 in 1992 and $276 in 1991	2,844	1,544
	62,352	64,375
Merchandise inventories	58,777	62,821
Other	8,461	6,413
Total current assets	130,696	136,946

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Debt

The Company has a revolving line of credit agreement with a bank which provides for borrowings of up to $85,000,000 through January 31, 1993 for seasonal inventory purchases and $70,000,000 up to and including May 31, 1993. The agreement is scheduled to expire May 31, 1993 (extended through June 30, 1993), and borrowings under the agreement are due on that date. Interest is charged at 1/8% above the prime interest rate (6.125% at January 30, 1993). At January 30, 1993, $55,100,000 was outstanding on the revolving line of credit. Total borrowings under the line of credit agreement are collateralized by accounts receivable and are limited to specified percentages of outstanding accounts receivable. These percentages, which are not less than 100% of outstanding accounts receivable, increase for seasonal inventory purchases. Additionally, the agreement prohibits the Company from paying dividends on its common stock.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Table 2-7 summarizes the captions used by the survey companies to describe an allowance for doubtful accounts. *APB Opinion No. 12* states that such allowances should be deducted from the related receivables and appropriately disclosed.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1992	1991	1990	1989
Allowance for doubtful accounts	265	273	269	281
Allowance	156	157	150	145
Allowance for losses	28	24	23	26
Allowance for uncollectible accounts	9	9	11	13
Reserve	11	14	13	12
Reserve for doubtful accounts	6	6	7	7
Other caption titles	29	26	24	17
	504	509	497	501
Receivables shown net	14	12	19	14
No reference to doubtful accounts	82	79	84	85
Total Companies	**600**	**600**	**600**	**600**

INVENTORIES

Chapter 4 of *Accounting Research Bulletin No. 43* states that the "primary basis of accounting for inventories is cost. . ." but "a departure from the cost basis of pricing the inventory is required when the utility of the goods is no longer as great as its cost. . . ." Approximately 90% of the survey companies use lower of cost or market, an acceptable basis for pricing inventories when circumstances require a departure from cost, to price all or a portion of their inventories.

Table 2-8 summarizes the methods used by the survey companies to determine inventory costs and indicates the portion of inventory cost determined by LIFO. As indicated in Table 2-8, it is not uncommon for a company to use more than one method in determining the total cost of inventory. Methods of inventory cost determination classified as Other in Table 2-8 include specific identification, accumulated costs for contracts in process, and "current cost."

Sixty-five companies disclosed that certain LIFO inventory levels were reduced with the result that net income was increased due to the matching of older historical cost with present sales dollars. Twenty-seven companies disclosed the effect on income from using LIFO rather than FIFO or average cost to determine inventory cost.

Table 2-9 shows by industry classification the number of companies using LIFO and the percentage relationship of those companies using LIFO to the total number of companies in a particular industry classification.

Examples of disclosure and reporting practices for inventories follow.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1992	1991	1990	1989
Methods				
First-in first-out (fifo)	415	421	411	401
Last-in first-out (lifo)	358	361	366	366
Average cost	193	200	195	200
Other	45	50	44	48
Use of LIFO				
All inventories	23	23	20	26
50% or more of inventories	189	186	186	191
Less than 50% of inventories	91	95	92	99
Not determinable	55	57	68	50
Companies Using LIFO	**358**	**361**	**366**	**366**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1992 No.	1992 %*	1991 No.	1991 %*
Foods:				
Meat products	3	50	3	50
Dairy products	1	50	1	50
Canning	2	50	2	50
Packaged and bulk	8	50	8	53
Baking	1	33	1	33
Sugar, confections	3	100	3	100
Beverages	7	100	7	100
Tobacco products	3	50	3	60
Textiles	16	70	16	70
Paper products	20	95	20	95
Printing, publishing	14	70	12	63
Chemicals	25	78	26	79
Drugs, cosmetics	15	56	15	58
Petroleum	26	87	26	87
Rubber products	6	86	7	88
Shoes—manufacturing, merchandising	5	62	5	62
Building:				
Cement	2	40	2	40
Roofing, wallboard	6	86	6	86
Heating, plumbing	1	25	1	25
Other	11	65	12	67
Steel and iron	14	74	15	75
Metal—nonferrous	10	62	10	59
Metal fabricating	17	81	17	85
Machinery, equipment and supplies	26	79	26	74
Electrical equipment, appliances	9	50	8	42
Electronic equipment	7	19	8	22
Business equipment and supplies	5	20	5	20
Containers	5	71	5	71
Autos and trucks (including parts, accessories)	17	65	18	69
Aircraft and equipment, aerospace	2	17	3	25
Railway equipment, shipbuilding	1	25	1	25
Controls, instruments, medical equipment, watches and clocks	12	50	13	50
Merchandising:				
Department stores	3	100	3	100
Mail order stores, variety stores	2	100	2	100
Grocery stores	13	93	12	92
Other	5	62	5	62
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	35	44	34	43
Total Companies	**358**	**60**	**361**	**60**

*Percent of total number of companies for each industrial classification included in the survey.

FIFO

ALBERTO-CULVER COMPANY (SEP)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents	$ 75,758	80,103
Short-term investments	4,400	4,492
Receivables, less allowance for doubtful accounts (1992-$4,839; 1991-$4,105)	127,767	127,073
Inventories:		
Raw materials	28,758	29,212
Work-in-process	4,703	4,523
Finished goods	164,543	151,512
Total inventories	198,004	185,247
Prepaid expenses	6,420	7,026
Total current assets	412,349	403,941

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Inventories

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

ANALOGIC CORPORATION (JUL)

	1992	1991
	($000)	
Current assets:		
Cash (including time deposits of approximately $11,336 in 1992 and $22,965 in 1991)	$ 11,831	$ 23,132
Marketable securities, at cost which approximates market	60,615	59,060
Accounts and notes receivable, net of allowance for doubtful accounts (1992, $620; 1991, $466)	26,655	26,039
Accounts receivable, affiliate	1,550	781
Inventories	33,968	33,659
Prepaid expenses and other current assets	3,491	2,589
Total current assets	138,110	145,260

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of business operations and significant accounting policies:

(b) Inventories:

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

3. Inventories:

The components of inventory are are follows:

	July 31 1992	1991
Raw materials	$12,800,000	$13,259,000
Work-in-process	15,913,000	14,969,000
Finished goods	5,255,000	5,431,000
	$33,968,000	$33,659,000

BAXTER INTERNATIONAL INC. (DEC)

	1992	1991
	(In Millions)	
Current Assets		
Cash	$ 4	$ —
Cash investments	26	297
Marketable securities, at cost, which approximates market	2	2
Accounts receivable, net of allowance for doubtful accounts of $29 in 1992 and $27 in 1991	1,572	1,480
Notes and other current receivables	95	77
Inventories		
Raw materials	240	242
Work in process	201	195
Finished products	1,191	1,092
Total inventories	1,632	1,529
Short-term deferred income taxes	132	141
Prepaid expenses	126	135
Total current assets	3,589	3,661

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Inventories

Inventories are stated at the lower of cost (principally first-in, first-out method) or market. Market for raw materials is based on replacement costs and for other inventory classifications on net realizable value. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

FEDERAL SCREW WORKS (JUN)

	1992	1991
Current Assets		
Cash	$ 1,355,361	$ 1,163,881
Accounts receivable, less allowance of $25,000	8,034,522	7,082,003
Refundable federal income taxes		432,787
Inventories—Note B:		
Finished products	2,268,094	1,995,365
In-process products	4,452,170	4,008,080
Raw materials and supplies	2,149,306	2,009,084
	8,869,570	8,012,529
Prepaid expenses and other current accounts	795,873	716,146
Total Current Assets	19,955,326	17,407,346

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for certain raw material inventories and by the first-in, first-out (FIFO) method for the remaining inventories.

Note B—Inventories

Inventories at June 30 are summarized as follows:

	1992	1991
LIFO inventories	$1,484,403	$1,212,077
FIFO inventories	7,385,167	6,800,452
	$8,869,570	$8,012,529

The current cost of inventories accounted for by the LIFO method exceeded their correspondiing LIFO cost by approximately $675,000 at June 30, 1992 and $815,000 at June 30, 1991.

SANMARK-STARDUST INC. (JUN)

	1992	1991
	($000)	
Current Assets:		
Cash	$ 475	$ 1,042
Receivables (net of allowance for doubtful accounts and sales allowances of $2,384 in 1992 and $2,545 in 1991)	12,488	14,435
Inventory (Notes 1b and 2)	43,448	42,020
Deferred income tax benefits	515	586
Prepaid expenses and other current assets	1,049	1,367
Total Current Assets	57,975	59,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

b. Inventory—Inventory is stated at lower of cost (first-in, first-out) or market.

2. Inventory

Inventory consists of the following (in thousands):

	June 30, 1992	1991
Raw materials	$15,641	$12,186
Work-in-process	5,648	4,622
Finished goods	22,159	25,212
	$43,448	$42,020

LIFO

ACME-CLEVELAND CORPORATION (SEP)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$28,607	$16,988
Marketable securities—at cost, approximates market	-0-	1,500
Trade receivables less allowances of $1,383 (1,168 in 1991)	22,506	22,998
Inventories—		
Finished goods	9,621	12,886
Work in process	7,733	9,084
Raw materials	7,910	11,237
Total inventories	25,264	33,207
Notes receivable, prepaid expenses, miscellaneous receivables, and other	1,170	1,536
Recoverable income taxes	210	300
Total Current Assets	77,757	76,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies and Practices

Inventories

Inventories are priced at the lower of cost or market. Inventories valued using the last-in, first-out (LIFO) method comprised 62% and 63% of consolidated inventories at September 30, 1992 and 1991, respectively. Inventories not valued by the LIFO method are principally on the first-in, first-out (FIFO) method. If the cost of all inventories had been determined by the FIFO method, which approximates current cost, inventories at September 30, 1992 and 1991 would have been greater by $30,388,000 and $36,765,000, respectively.

During 1992, 1991, and 1990, inventory quantities were reduced at certain locations. These reductions resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of current purchases, the effect of which increased net earnings by $2,484,000, or $.39 per common share, in 1992 and $137,000, or $.02 per common share, in 1990 and decreased the net loss by $224,000, or $.04 per common share in 1991.

BRIGGS & STRATTON CORPORATION (JUN)

	1992	1991
Current Assets:		
Cash and Cash Equivalents	$ 78,942,000	$ 47,071,000
Receivables, Less Allowances of $662,000 and $598,000, Respectively	103,615,000	83,526,000
Inventories		
Finished Products and Parts	44,294,000	36,369,000
Work in Process	25,014,000	24,954,000
Raw Materials	3,181,000	3,717,000
Total Inventories	72,489,000	65,040,000
Future Income Tax Benefits	23,264,000	20,361,000
Prepaid Employee Health Care	127,000	1,231,000
Prepaid Expenses	18,710,000	13,829,000
Total Current Assets	297,147,000	231,058,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories

Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of approximately 90% of total inventories at June 30, 1992, 90% at June 30, 1991 and 89% at June 30, 1990. The cost for the remaining portion of the inventories was determined using the first-in, first-out (FIFO) method. If the FIFO inventory valuation method had been used exclusively, inventories would have been $39,738,000, $38,422,000 and $38,587,000 higher in the respective years. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

During fiscal year 1991, inventory quantities were reduced, which resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in prior years. The effect of this liquidation was to decrease cost of goods sold by $3,552,000 and to increase net income by $2,202,000 or $.15 per share. There were no significant reductions of inventories in the years 1992 and 1990.

DAYTON HUDSON CORPORATION (JAN)

	1993	1992
	($ Millions)	
Current Assets		
Cash and cash equivalents	$ 117	$ 96
Accounts receivable	1,514	1,430
Merchandise inventories	2,618	2,381
Other	165	125
Total Current Assets	4,414	4,032

NOTES TO FINANCIAL STATEMENTS
(in millions of dollars, except per share amounts)

Inventories

Inventories and the related cost of sales are accounted for by the retail inventory accounting method using the last-in, first-out (LIFO) basis. Under this method, the cost of retail sales, as reported in the Consolidated Results of Operations, represents current cost, thereby reflecting the effect of changing prices. The accumulated LIFO provision was $171 million and $162 million at year-end 1992 and 1991, respectively (see page 31 for further discussion of LIFO provision).

LIFO Provision

The following table shows quarterly last-in, first-out (LIFO) expense and its impact on fully diluted earnings per share:

LIFO Expense/(Credit)*	1992		1991		1990	
Quarter *(Unaudited)*	Total	Per Share	Total	Per Share	Total	Per Share
First	$ 13	$ .11	$ 16	$ 13	$15	$ .13
Second	15	.12	13	.11	15	.12
Third	3	.02	3	.02	4	.03
Fourth	(22)	(.18)	(70)	(.59)	(3)	(.03)
Total year	$ 9	$.07	$(38)	$(.32)	$31	$.25

* LIFO expense/(credit) per share is computed on fully diluted average shares outstanding during each period. The sum of quarterly LIFO expense per share may not equal the total-year amount due to the impact of changes in average shares outstanding.

The LIFO provision is adjusted each quarter for changes in estimates of retail inflation rates, inventory levels and markup levels. A final adjustment is recorded in the fourth quarter for the difference between the prior quarters' estimates and actual LIFO expense.

The fourth quarter 1992 LIFO credit was generated primarily due to a lower than expected internally-generated price index at Target. Adopted in 1991, this index captures the inventory valuation impact of lower retail prices resulting from Target's value-pricing strategy. The cumulative effect of this change and the impact for any year prior to 1991 was not determinable. Mervyn's and the Department Store Division use the Bureau of Labor Statistics' Department Stores Inventory Price Index to estimate inventory prices changes.

The higher 1992 LIFO provision as compared with 1991 was primarily due to a higher internal price index at Target, partially offset by lower inflation at Mervyn's and the Department Store Division. The substantial decrease in the 1991 LIFO provision compared with 1990 was due to Target's change to an internal price index and lower retail inflation rates at Mervyn's and the Department Store Division.

LEGGETT & PLATT, INCORPORATED (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 4,022	$ 5,283
Receivables-trade, less allowance of $6,778 in 1992 and $7,651 in 1991	146,459	126,580
Other receivables	10,351	14,188
Inventories		
Finished goods	82,363	76,860
Work in process	22,341	24,797
Raw materials	63,545	63,713
LIFO allowance	(7,156)	(8,088)
Total inventories	161,093	157,282
Other current assets	18,240	18,371
Total current assets	340,165	321,704

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Inventories: All inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for approximately 71% and 66% of the inventories at December 31, 1992 and 1991, respectively. The first-in, first-out (FIFO) method is used for the remainder. The FIFO cost of inventories at December 31, 1992 and 1991 approximated replacement cost.

OXFORD INDUSTRIES, INC. (MAY)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 8,409	$ 19,156
Receivables, less allowance for doubtful accounts of $1,892 and $1,871 in 1992 and 1991, respectively	67,158	59,688
Inventories (Notes A and B)	82,021	66,662
Prepaid expenses	9,847	8,647
Total Current Assets	167,435	154,153

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. Inventories—Inventories are principally stated at the lower of cost (last-in, first-out method, "LIFO") or market.

B. Inventories
The components of inventories are summarized as follows:

$ in thousands	May 29, 1992	May 31, 1991
Finished goods	$37,466	$35,655
Work in process	19,393	12,700
Fabric	19,544	14,275
Trim and supplies	5,618	4,032
	$82,021	$66,662

The excess of replacement cost over the value of inventories based upon the last-in, first-out method was $35,412,000 at May 29, 1992 and $34,292,000 at May 31, 1991.

During fiscal 1992 and 1991, inventory quantities were reduced resulting in liquidation of certain LIFO inventory layers carried at costs which were lower than the costs of current purchases. The effect of the reductions in 1992, recorded primarily in the fourth quarter, was to decrease cost of goods sold by approximately $1,205,000 and to increase net earnings by $735,000 or $.08 per share. The effect of the reductions for fiscal 1991, recorded primarily in the fourth quarter, was to decrease cost of goods sold by approximately $4,115,000 and to increase net earnings by $2,547,000 or $.28 per share.

PRAB ROBOTS, INC. (OCT)

	1992	1991
Current Assets		
Cash	$ 153,010	$ 538,489
Accounts receivable, net of allowance for doubtful accounts of $46,000 in 1992 and $160,000 in 1991	1,627,980	2,596,291
Inventories (Note 2)	1,340,494	1,734,873
Other current assets	123,388	90,592
Assets of discontinued operations	—	32,815
Total current assets	3,244,872	4,993,060

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Inventories—Inventories are stated at the lower of cost or market. Cost is determined by the last- in, first-out (LIFO) method by the parent company and by the first-in, first-out (FIFO) method by its subsidiaries.

Note 2—Inventories
Inventories consist of the following:

	1992	1991
Raw materials	$1,264,646	$2,321,178
Work in process	240,988	171,222
Finished goods and display units	129,406	711,252
Total inventories	1,635,040	3,203,652
Less amount classified as long-term	294,546	1,468,779
Current portion	$1,340,494	$1,734,873

Inventories are stated at the lower of cost determined by the LIFO method or market for Prab Robots, Inc. Inventories for the two wholly-owned subsidiaries, Prab Command, Inc. (U.S.) and Prab Limited (U.K.) are stated on the FIFO method which amounted to $566,000 at October 31, 1991. No inventory is stated on the FIFO method at October 31, 1992. Included in inventory stated at FIFO cost was $32,815 at October 31, 1991 of Prab Command inventory classified as an asset from discontinued operations (see Note 14). If the FIFO method had been used for the entire consolidated group, inventories after an adjustment to the lower of cost or market, would have been approximately $2,000,000 and $3,800,000 at October 31, 1992 and 1991, respectively.

Inventory has been written down to estimated net realizable value, and results of operations for 1992, 1991 and 1990 include a corresponding charge of approximately $868,000, $960,000, and $273,000, respectively, which represents the excess of LIFO cost over market.

Inventory of $294,546 and $1,468,779 at October 31, 1992 and 1991, respectively, shown on the balance sheet as a noncurrent asset represents that portion of the inventory that is not expected to be sold currently.

Reduction in inventory quantities during the years ended October 31, 1992, 1991 and 1990 resulted in liquidation of LIFO inventory quantities carried at a lower cost prevailing in prior years as compared with the cost of fiscal 1992 purchases. The effect of these reductions was to decrease the net loss by approximately $24,000, $157,000 and $90,000 at October 31, 1992, 1991 and 1990, respectively.

Average Cost

ALUMINUM COMPANY OF AMERICA (DEC)

	1992	1991
	(In Millions)	
Current Assets		
Cash	$ 71.8	$ 50.5
Short-term investment, at cost which approximates market	476.4	575.3
Receivables from customers, less allowances: 1992-$17.7; 1991-$17.3	1,250.1	1,256.5
Other receivables	160.1	252.4
Inventories (C)	1,040.4	1,230.9
Prepaid expenses and other current assets	249.5	250.1
Total current assets	3,248.3	3,615.7

NOTES TO FINANCIAL STATEMENTS
(dollars in millions, except share amounts)

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

Inventory Valuation. Inventories are carried at the lower of cost or market, with cost for a substantial portion of U.S. inventories determined under the last-in, first-out (LIFO) method. The cost of other inventories is principally determined under the average cost method.

Inventories

December 31	1992	1991
Finished goods	$ 262.6	$ 289.1
Work in process	350.4	420.5
Bauxite and alumina	160.1	201.6
Purchased raw materials	153.7	200.0
Operating supplies	113.6	119.7
	$1,040.4	$1,230.9

Approximately 56% of total inventories at December 31, 1992 were valued on a LIFO basis. If valued on an average cost basis, total inventories would have been $660.2 and $767.9 higher at the end of 1992 and 1991, respectively. During 1992 certain LIFO inventory quantities were reduced and flowed through cost of goods sold at prior years' lower costs rather than at current costs. The effect of these reductions increased income from operations by $49.9.

BMC INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 9,376	$12,202
Trade accounts and notes receivable, less allowances of $2,002 and $1,849	20,787	21,474
Inventories	31,141	29,823
Other current assets	7,003	6,814
Total Current Assets	68,307	70,313

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share amounts)

1 (In Part): Summary of Significant Accounting Policies

Inventories—are stated at the lower of cost or market. Cost is determined principally on the average cost method.

2. Inventories

The following is a summary of inventories at December 31:

	1992	1991
Raw materials	$ 8,530	$ 9,211
Work in process	5,250	5,285
Finished goods	17,361	15,327
Total inventories	$31,141	$29,823

Production Cost

THIOKOL CORPORATION (JUN)

	1992	1991
	(In Millions)	
Current Assets		
Cash and cash equivalents	$135.8	$197.5
Receivables	196.8	194.2
Inventories	160.6	95.5
Prepaid expenses	5.9	3.0
Total Current Assets	499.1	490.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Inventories

Inventories are stated at the lower of cost or market. Propulsion systems segment inventories represent estimated recoverable costs related to long-term fixed price contracts and include costs incurred for production, allocable indirect, and research and development costs, less related progress payments received. Under the provisions of some contracts, the U.S. Government acquires title to, or a security interest in, certain inventories as a result of progress payments made on contracts and programs. In accordance with industry practice, such costs include amounts which are not expected to be realized within one year. Inventories for the fastening systems segment are determined by the first-in, first-out (FIFO) method.

Note D. Inventories

Inventories are summarized as follows:

	June 30	
(in millions)	1992	1991
Finished goods	$ 44.9	
Raw materials and work-in-process	44.4	$ 24.4
Inventoried costs related to U.S. Government and other long-term contracts	102.8	158.1
Progress payments received on long-term contracts	(31.5)	(87.0)
	$160.6	$ 95.5

Identified Cost

SPEIZMAN INDUSTRIES INC. (JUN)

	1992	1991
Current Assets:		
Cash and cash equivalents	$ 739,594	$ 580,914
Accounts receivable	4,957,320	2,294,110
Inventories (Note 3)	6,318,887	3,229,579
Prepaid expenses and other current assets	561,074	265,779
Total Current Assets	12,576,875	6,370,382

SUMMARY OF ACCOUNTING POLICIES

Inventories

Inventories are carried at the lower of cost or market. Cost is computed, in the case of machines, on an identified cost basis and, in the case of other inventories, on an average cost basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Inventories

Inventories are summarized as follows:

	1992	1991
Machines:		
New	$1,398,020	$ 130,579
Used and rebuilt	2,448,631	856,151
Parts	2,392,539	2,163,357
Raw materials, work-in-process and supplies	79,697	79,492
Total	$6,318,887	$3,229,579

PREPAID EXPENSES

Table 2-10 summarizes the prepaid expense captions appearing in the current asset section of the survey companies' balance sheets. Rarely is the nature of a prepaid expense caption disclosed. Examples of companies disclosing the nature of a prepaid expense caption follow.

TABLE 2-10: PREPAID EXPENSES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Prepaid expenses	174	184	181	193
Prepaid expenses and other current assets	144	137	141	131
Prepaid expenses and deferred taxes	13	11	12	16
Prepaid expenses and advances	6	7	7	7
Prepaid expenses and other receivables	6	7	5	11
Employee benefits	5	5	7	9
Other captions indicating prepaid expenses	19	11	13	17

AULT INCORPORATED (MAY)

	1992	1991
Current Assets		
Cash and cash equivalents	$ 308,910	$ 75,926
Trade receivables, less allowance for doubtful accounts 1992 $67,000; 1991 $21,000	4,193,917	3,506,556
Inventories	3,924,502	2,890,871
Prepaid and other expenses	491,070	486,490
Total current assets	8,918,399	6,959,843

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Prepaid and other expenses

Prepaid and other expenses at May 31, 1992, and June 2, 1991, includes refundable value added tax and refundable custom duties relating to the Korean operations of approximately $208,000 and $398,000, respectively.

BRIGGS & STRATTON CORPORATION (JUN)

	1992	1991
Current Assets		
Cash and cash equivalents	$ 78,942,000	$ 47,071,000
Receivables, less allowances of $662,000 and $598,000, respectively	103,615,000	83, 526,000
Inventories—		
Finished Products and Parts	44,294,000	36,369,000
Work in Process	25,014,000	24,954,000
Raw Materials	3,181,000	3,717,000
Total Inventories	72,489,000	65,040,000
Future Income Tax Benefits	23,264,000	20,361,000
Prepaid Employee Health Care	127,000	1,231,000
Prepaid Expenses	18,710,000	13,829,000
Total Current Assets	297,147,000	231,058,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Prepaid Employee Health Care: During the 1992, 1991 and 1990 fiscal years, the Company made payments to its Voluntary Employee Benefit Association (VEBA). The VEBA is a trust created to provide for payment of employee health benefits. Tax-deductible contributions of $3,800,000 in 1992, $3,700,000 in 1991 and $5,500,000 in 1990 were made to the Trust.

THE TIMES MIRROR COMPANY (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 24,769	$ 34,102
Accounts receivable, less allowances for doubtful accounts and returns of $67,302 and $57,773	553,394	543,759
Inventories	167,168	151,941
Deferred income taxes	53,606	13,772
Prepaid and other	104,071	95,649
Total current assets	903,008	839,223

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Voluntary Employee Beneficiary Association—The company maintains a Voluntary Employee Beneficiary Association (VEBA) trust to fund certain employee health care benefits. At December 31, 1992 and 1991, the VEBA trust balance of $48,895,000 and $45,539,000, respectively, is included in "Prepaid and other."

OTHER CURRENT ASSET CAPTIONS

Table 2-11 summarizes the nature of accounts (other than cash, marketable securities, inventories, and prepaid expense) appearing in the current asset section of the balance sheets of the survey companies. Examples of such other current asset accounts follow.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Nature of Asset				
Deferred income taxes	247	192	178	168
Property held for sale	28	35	47	52
Unbilled costs	23	24	27	29
Advances or deposits	6	10	9	9
Other—identified	29	35	29	28

Deferred Taxes

ASHLAND OIL, INC. (SEP)

	1992	1991
	($000)	
Current assets		
Cash and cash equivalents	$ 53,284	$ 70,700
Accounts receivable (less allowances for doubtful accounts of $18,402 in 1992 and $17,711 in 1991)	1,203,809	1,205,478
Construction completed and in progress—at contract prices	55,069	51,846
Inventories	624,365	660,057
Deferred income tax benefits—Note E	108,446	62,716
Other current assets	65,419	67,827
	2,110,392	2,118,624
Noncurrent liabilities		
Long-term (less current portion)	$1,403,383	$1,289,010
Capitalized lease obligations (less current portion)	41,336	47,552
Accrued postretirement benefits	533,416	105,292
Claims and reserves of captive insurance companies	158,605	141,101
Deferred income taxes—Note E	58,963	312,062
Other long-term liabilities and deferred credits	340,617	287,673
	2,536,320	2,182,690

Note E (In Part): Income Taxes

Deferred income taxes and benefits are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences which give rise to significant deferred tax assets (liabilities) follow.

(In thousands)	1992	1991
Accrued postretirement benefits	$ 208,008	$ 38,477
Environmental and litigation accruals	54,593	19,105
Insurance claims and reserves	46,996	54,999
Alternative minimum tax	28,962	—
Other property related items	25,726	19,380
Bad debts	18,297	11,322
Other items	87,351	57,328
Total deferred tax assets	469,933	200,611
Accelerated depreciation	(360,246)	(380,903)
Intangible drilling costs	(28,096)	(28,812)
Undistributed equity income	(16,025)	(19,257)
Other items	(16,083)	(20,985)
Total deferred tax liabilities	(420,450)	(449,957)
Net deferred tax asset (liability)	$ 49,483	$(249,346)

BAUSCH & LOMB INCORPORATED (DEC)

	1992	1991
	($000)	
Current Assets:		
Cash and cash equivalents	$ 381,364	$ 401,637
Short-term investments, at cost which approximates market	35,409	10,107
Trade receivables, less allowances of $11,834 and $8,907, respectively	277,338	205,262
Inventories	279,825	277,968
Deferred income taxes, less valuation allowance of $10,977 in 1992	30,327	48,904
Other current assets	77,452	70,046
	1,081,715	1,013,924

NOTES TO FINANCIAL STATEMENTS

10 (In Part): Provision for Income Taxes

Deferred income taxes for 1992 reflect the impact of temporary differences between the amounts of assets and liabilities recorded for financial reporting purposes and such amounts as measured in accordance with tax laws. In general, these temporary differences are more inclusive than timing differences recognized under previously applicable accounting principles. The items which comprise a significant portion of deferred tax assets and liabilities for 1992 are as follows:

Dollar Amounts in Thousands	Deferred Tax Assets	Deferred Tax Liabilities
Intercompany profit elimination	$ 10,241	$ —
Depreciation	—	30,800
Amortization	3,564	13,139
Postretirement medical and life insurance benefits	41,252	—
Other benefit plans	5,492	—
Inventory and product allowances	9,316	—
Tax loss carryforwards	8,685	—
Sales and allowance accruals	4,384	—
Vacation accrual	3,867	—
Advertising accruals	4,987	—
State income tax accruals	—	5,936
Other accruals	14,869	15,478
	106,657	65,353
Less: Valuation allowance	10,977	—
Deferred income taxes	$ 95,680	$65,353

Deferred income taxes include the tax impact of net operating loss carryforwards. Realization of these assets is contingent on future taxable earnings in certain non-U.S. tax jurisdictions. In accordance with the provisions of SFAS No. 109, a valuation allowance of $10,977,000 at December 26, 1992 is deemed adequate for these and other items which are not considered probable of realization.

CONCORD FABRICS INC. (AUG)

	1992	1991
Current Assets:		
Cash	$ 1,458,692	$ 1,683,423
Accounts receivable (less estimated doubtful accounts of $1,755,000 in 1992 and $1,520,000 in 1991)	36,189,802	36,010,757
Inventories	23,146,532	25,183,078
Prepaid expenses and other current assets	2,532,953	2,961,767
Deferred income taxes (Note D)	1,486,000	990,000
Total current assets	64,813,979	66,829,025
Property, plant and equipment (at cost, less depreciation and amortization of $5,426,310 in 1992 and $7,964,708 in 1991)	7,341,634	14,068,075
Property, plant and equipment held for sale at estimated disposal value	3,650,000	—
Deferred income taxes (Note D)	205,000	—
Other assets	611,252	502,224
Total	$76,621,865	$81,399,324

NOTES TO FINANCIAL STATEMENTS

Note D (In Part):

(3) Deferred tax assets and liabilities are comprised of the following elements:

	August 30, 1992	September 1 1991
Gross deferred assets:		
Excess of tax over financial statement basis of property, plant and equipment held for sale	$ 586,000	—
Estimated doubtful accounts	689,000	$ 405,000
Excess of tax over financial statement basis of inventory	444,000	589,000
Accruals deductible for tax purposes when paid	443,000	140,000
Gross deferred assets	2,162,000	1,134,000
Gross deferred liabilities—excess of financial statement over tax basis of property, plant and equipment	471,000	858,000
Net deferred taxes	$1,691,000	$ 276,000
Reflected on attached consolidated balance sheet as:		
Current deferred asset—net	$1,486,000	$ 990,000
Non-current deferred asset (liability)—net	205,000	(714,000)
Net deferred taxes	$1,691,000	$276,000

GENERAL SIGNAL CORPORATION (DEC)

	1992	1991
	($000)	
Current Assets:		
Cash and cash equivalents	$ 16,393	$ 18,352
Accounts receivable	267,232	294,441
Inventories	198,387	246,130
Prepaid expenses and other current assets	42,387	26,640
Deferred income taxes	62,992	16,369
Assets held for sale at estimated realizable value	91,069	—
Total current assets	678,460	601,392
Property, plant and equipment, net	237,335	263,650
Intangibles	175,782	217,273
Other assets	106,396	97,343
Deferred income taxes	28,021	—
Total assets	$1,225,994	$1,180,198

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per-share data)

Income Taxes (In Part)

Effective January 1, 1992, the company changed its method of accounting for income taxes from the deferred method to the liability method as required by FAS 109. As permitted under the new rules, prior years' financial statements have not been restated.

The cumulative effect of adopting FAS 109 as of January 1, 1992 was to increase net income by $3,700 and reduce goodwill by $55,300 for the tax effects of acquired deductible temporary differences and operating loss carryforwards.

At December 31, 1992, the company had net operating loss and tax credit carryforwards for income tax purposes of approximately $90,700 and $12,700, respectively, which expire in years 1993 through 2002 and acquired deductible temporary differences of approximately $48,900. These carryforwards and deductible temporary differences resulted from prior year acquisitions. For financial reporting purposes, a valuation allowance of $43,200 has been recognized to offset the deferred tax assets related to these items.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's deferred tax assets and liabilities as of December 31, 1992 are as follows (in thousands):

Deferred tax assets:	December 31, 1992
Acquired tax benefits and basis differences	$ 65,974
Other postretirement employee benefits	61,293
Losses on dispositions and restructuring	34,798
Inventory	11,753
Warranty	4,683
Vacation pay	3,880
Bad debt allowances	2,275
Other	19,151
Total deferred tax assets	203,807
Valuation allowance for deferred tax assets	(43,200)
	160,607
Deferred tax liabilities:	
Accelerated depreciation	29,720
Pension credits	18,659
Other	21,215
Total deferred tax liabilities	69,594
Net deferred tax assets	$ 91,013

STEEL TECHNOLOGIES INC. (SEP)

	1992	1991
Current assets:		
Cash and cash equivalents	$ 596,923	$ 1,616,760
Trade accounts receivable, less allowance for doubtful accounts: 1992, $600,000; 1991, $420,000	21,768,079	19,664,547
Inventories	29,517,359	21,151,122
Deferred income taxes (Note 6)	1,010,000	910,000
Prepaid expenses	73,706	187,532
Total current assets	52,966,067	43,529,961
Total current liabilities	$20,691,029	$21,018,195
Long-term debt (Note 4)	15,626,228	8,686,070
Deferred income taxes (Note 6)	3,308,000	3,156,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes

Deferred income tax expense results from differences in the recognition of revenue and expenses for tax and financial statement purposes. The primary differences giving rise to the Company's deferred tax assets and liabilities are as follows:

	September 30, 1992	
Income tax effects of:	Assets	Liabilities
Accelerated depreciation		$3,235,000
Inventory capitalization	$ 371,000	
Provision for doubtful accounts	228,000	
Pension plan liability	218,000	
Non-deductible liabilities	193,000	
Other, net		73,000
	$1,010,000	$3,308,000

Property Held For Sale

SMITH INTERNATIONAL, INC. (DEC)

	1992	1991
	(In thousands)	
Current Assets:		
Cash and cash equivalents	$ 16,249	$ 18,192
Receivables, less allowance of $4,254 in 1992 and $4,308 in 1991 for doubtful accounts	89,264	92,575
Inventories	77,315	120,874
Prepaid expenses and other	7,163	8,292
Net assets of DDS business sold in 1993 (Note 2)	106,233	—
Total current assets	296,224	239,933

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are expressed in thousands, except where stated in millions)

2. Sale of Directional Drilling Business

On January 14, 1993, the Company agreed to sell its directional drilling systems and services (DDS) business and certain of its subsidiaries and other affiliates to Halliburton Company (Halliburton) for certain shares of Halliburton common stock. The sale was completed in March 1993 and the Company received 6,857,000 shares of Halliburton common stock. The Halliburton common stock is calculated to be worth approximately $240.0 million but is subject to adjustment based upon the trading price of Halliburton common stock. In connection with the DDS sale, the Company has an agreement with an underwriting group to sell the Halliburton common stock received in the sale.

The DDS sale consists primarily of the inventory, rental equipment and plant and equipment Dyna-Drill and Datadril product lines as well as certain downhole tools used in the DDS business. The following table summarizes the net assets as of December 31, 1992 and 1991 of the DDS business sold to Halliburton in March 1993.

	1992	1991
Inventories	$ 26,871	$ 26,585
Rental equipment, net	61,787	61,345
Plant and equipment, net	12,696	14,150
Other current assets	4,350	5,143
Other long-term assets	1,141	1,550
Liabilities assumed	(612)	(812)
Net assets of the DDS business	$106,233	$107,952

The net assets of the DDS business have been classified as a current asset in the accompanying consolidated balance sheet as of December 31, 1992 because of the pending sale.

Management estimates the DDS sale will result in a net gain in a range of $75 million to $90 million to the Company after provision for various expenses, fees, and taxes which are to be incurred as a result of the sale and in performing certain required future services for Halliburton. The expected 1993 net gain also considers an estimate of the results of operations of the discontinued operations during 1993.

The consolidated statements of operations have been restated for all periods to report the net results of the DDS operations as income (loss) from discontinued operations. The DDS business reported revenues of $158.7 million in 1992, $151.1 million in 1991 and $132.2 million in 1990. In 1991, unusual items relating the DDS business totaled approximately $2.8 million (See Note 3). In determining the income (loss) from discontinued operations, interest expense of $5.6 million in 1992, $7.6 million in 1991 and $5.8 million in 1990, has been allocated to the discontinued DDS operations based on the ratio of the estimated net assets to be sold in relation to the sum of the Company's shareholders' equity and the aggregate of outstanding debt at each year end.

WOLVERINE WORLD WIDE, INC. (DEC)

	1992	1991
	($000)	
Current Assets:		
Cash and cash equivalents	$2,375	$2,141
Accounts receivable, less allowances (1992-$2,716; 1991-$2,850)	51,510	54,000
Inventories		
Finished products	36,164	34,412
Raw materials and work-in process	28,100	27,586
	64,264	61,998
Refundable income taxes	3,313	
Deferred income taxes	12,312	5,417
Net current assets of discontinued operations (Note C)	10,994	24,465
Other current assets	2,960	4,457
Total Current Assets	147,728	152,478

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Discontinued Operations

At the end of the third quarter of fiscal 1992, the Company announced its intent to dispose of its Brooks athletic footwear and sports apparel business. The Brooks business consists of sales and distribution operations in the United States, France, Germany and the United Kingdom, sourcing activities, primarily in the Far East, and worldwide licensing and distribution of Brooks brand products. The Brooks distributors in Europe were 33%-owned equity investees from April 3, 1990 until July 1, 1991 when the remaining equity interests were acquired by the Company.

On February 1, 1993, the Company sold all the assets of the Brooks business, excluding the Brooks Europe distribution operations, to an American-Norwegian industrial group for cash of $9 million, short-term notes of $5 million and other notes due in fiscal 1994 through 1996 of $7 million. The notes are collateralized by substantially all of the assets sold including world wide distribution and brand licensing rights. The Company has also negotiated agreements to sell each of its European distributors in exchange for cash and notes of approximately $4.8 million. These sales are expected to be completed during the first quarter of fiscal 1993.

The results of these businesses, which are classified separately as discontinued operations in the accompanying consolidated statements of operations, are summarized as follows:

	1992	1991	1990
	(Thousands of Dollars)		
Net sales	$39,819	$32,696	$28,594
Loss from operations before income taxes	$ (6,711)	$ (1,152)	$ (1,622)
Income taxes (credit)	(1,235)	20	(550)
Loss from operations	$ (5,476)	$ (1,172)	$ (1,072)

The above results for 1992 are through the third quarter, when the decision was made to dispose of the Brooks business. Operating results of discontinued operations for 1992, 1991 and 1990 include allocations of overhead and interest expense. Overhead expense of $370,000, $556,000 and $551,000, respectively, was allocated based upon determination of those costs which were not expected to be incurred by continuing operations after closing. Interest expense of $2,268,000, $1,442,000 and $1,107,000, respectively, was allocated based on debt incurred to finance the discontinued operations since acquisition.

The Company also made charges of $16,300,000 ($9,335,000 after income taxes) during fiscal 1992 to provide for estimated losses on the disposal of the Brooks businesses including anticipated operating losses from the end of the third quarter to the expected dates of sale.

Net assets of discontinued operations are stated at estimated realizable value and consist principally of accounts receivable, inventories and certain intangibles. The amount classified as noncurrent at January 2, 1993 represents the portion of sales proceeds not expected to be collected in fiscal 1993.

Unbilled Costs

BLOUNT, INC. (FEB)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents, including short-term investments of $2,472 and $4,108	$ 6,632	$ 22,331
Accounts receivable, net of allowances for doubtful accounts of $2,478 and $1,082	124,277	144,474
Inventories	65,469	61,868
Costs and recognized profits in excess of billings on uncompleted contracts	3,245	676
Other current assets	22,668	23,287
Total current assets	222,291	252,636

CBI INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Current Assets		
Cash	$ 5,291	$ 8,672
Temporary Cash Investments at cost, which approximates market	32,498	32,236
Accounts Receivable less allowances of $8,000 in 1992 and $8,600 in 1991	236,333	242,867
Contracts in Progress with Earned Revenues exceeding related Progress Billings (Note 1)	67,140	90,003
Inventories		
Raw Material and Supplies	28,373	26,602
Work in Process	5,579	4,796
Finished Goods	27,670	26,231
	61,622	57,629
Other Current Assets	31,276	25,910
	434,160	457,317

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

Revenues from Contracting Services are recognized on the percentage of completion method. Earned revenue is based on the percentage that incurred costs to date bear to total estimated costs after giving effect to the most recent estimates of total cost. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the year in which these changes become known. Earned revenue reflects the original contract price adjusted for agreed upon claim and change order revenue, if any. Losses expected to be incurred on jobs in process, after consideration of estimated minimum recoveries from claims and change orders, are charged to income as soon as such losses are known. Progress billings in accounts receivable are currently due and exclude retentions until such amounts are due in accordance with contract terms. Revenues and related costs are recognized by Industrial Gases and Investments subsidiaries when products are shipped or services are rendered to the customer.

KEVLIN CORPORATION (MAY)

	1992	1991
Current assets:		
Cash and cash equivalents	$2,213,254	$3,371,307
Accounts receivable net of allowance for doubtful accounts of $61,097 in 1992 and $67,067 in 1991	2,335,502	2,084,641
Inventories	1,899,099	1,111,330
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 1)	1,575,268	956,449
Prepaid expenses and other current assets	166,223	244,216
Total current assets	8,189,346	7,767,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

For financial statement purposes, revenues and profits are recorded using the percentage-of- completion method for certain contracts based on the product type, contract size and duration of time to completion. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. Revenues and profits on all other contracts are recorded as shipments are made. If estimated total costs on any of these contracts indicate a loss, the entire amount of the estimated loss is recognized immediately.

Costs and estimated earnings in excess of billings on uncompleted contracts, as reflected on the accompanying consolidated balance sheet, comprise amounts of revenue recognized on contracts for which billings have not been rendered. Billings in excess of costs and estimated earnings on uncompleted contracts comprise amounts of billings recognized on contracts for which costs have not been incurred. In accordance with industry practice, the Company includes in current assets and liabilities amounts realizable and payable under long-term contracts.

STEWART & STEVENSON SERVICES, INC. (JAN)

	1993	1992
	($000)	
Current Assets		
Cash and equivalents	$ 21,939	$ 6,515
Accounts and receivable	143,166	121,030
Recoverable costs and accrued profits not billed	56,693	51,029
Inventories	212,506	233,556
Other	1,234	1,215
Total Current Assets	435,538	413,345

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)

Note 3: Recoverable Costs and Accrued Profits Not Yet Billed

Amounts included in the financial statements which relate to recoverable costs and accrued profits are not yet billed on contracts in process are as follows:

	Fiscal 1992	Fiscal 1991
Costs incurred on uncompleted contracts	$190,670	$ 70,766
Accrued profits	13,117	9,857
	203,787	80,623
Less: Customer progress payments	(164,078)	(55,258)
	$ 39,709	$ 25,365
Included in the statements of financial position:		
Recoverable costs and accrued profits not yet billed	$ 56,693	$ 51,029
Billings on uncompleted contracts in excess of incurred costs	(16,984)	(25,664)
	$ 39,709	$ 25,365

Recoverable costs and accrued profits related to the Tactical Vehicle Systems division include costs of manufacturing and engineering, and allocable overhead costs. Generally, overhead costs include general and administrative expenses allowable in accordance with the United States Government contract cost principles and are charged to cost of goods sold at the time revenue is recognized. General and administrative costs remaining in recoverable costs and accrued profits not yet billed amounted to $9,585 and $2,312 at January 31, 1993 and 1992, respectively. Total general and administrative expense incurred amounted to $70,075, $62,915 and $56,054 in Fiscal 1992, 1991 and 1990, respectively.

The United States Government has a security title to unbilled amounts associated with contracts that provide for progress payments.

In accordance with industry practice, recoverable costs and accrued profits include amounts relating to programs and contracts with long production cycles, a portion of which is not expected to be realized within one year.

Assets of Nonhomogeneous Operations

CONAGRA, INC. (MAY)

	1992	1991
	($ Millions)	
Current assets		
Cash	$ 234.9	$ 83.4
Cash equivalents	119.9	638.5
Receivables, less allowance for doubtful accounts of $42.7 and $42.6	1,290.4	1,283.6
Margin deposits and segregated funds—financial businesses	181.1	250.8
Inventories		
Hedged commodities	641.2	520.2
Other	1,732.7	1,607.2
	2,373.9	2,127.4
Prepaid expenses	171.0	148.4
Total current assets	4,371.2	4,532.1

Investment Interest

HERSHEY FOODS CORPORATION (DEC)

	1992	1991
	($000)	
Current Assets		
Cash and cash equivalents	$ 24,114	$ 71,124
Accounts receivable—trade	173,646	159,805
Inventories	457,179	436,917
Prepaid expenses and other	105,966	76,633
Investment interest	179,076	—
Total current assets	939,981	744,479

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Acquisitions and Divestiture

In May 1992, the Corporation acquired an 18.6% interest in Freia from Orkla a.s, a diversified Norwegian company, for $179.1 million. The investment was accounted for under the cost method in 1992.

In October 1992, the Corporation announced that it was withdrawing its prior bid to acquire the remaining shares of Freia and had tendered its 18.6% interest to Kraft General Foods Holdings Norway, Inc. (KGF). The KGF offer is subject to certain conditions, including approval by the Norwegian government of KGF's ownership of Freia which is expected in the spring of 1993. The price will be adjusted for interest to be earned from the date of tender until the payment date. The sale of the Corporation's Freia shares will result in a one-time, pre-tax gain of approximately $80.0 million.

Film Rights

LEE ENTERPRISES, INCORPORATED (SEP)

	1992	1991
	(In Thousands)	
Current Assets		
Cash and cash equivalents	$ 23,271	$17,224
Temporary investments	24,800	1,100
Trade receivables, less allowance for doubtful accounts 1992 $3,500 and 1991 $3,200	43,786	39,916
Receivables from associated companies	1,852	1,919
Inventories	12,489	13,934
Film rights and other	19,727	20,364
Total current assets	$125,925	$94,457

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Film rights:

Cost of film rights is stated at the lower of cost or estimated realizable value. The total cost of the rights is recorded as an asset and a liability when the program becomes available for broadcast. Cost of film rights is charged to operations utilizing principally accelerated methods. The current portion of film rights represents those rights that will be amortized in the succeeding year.

Advances

SMITHFIELD FOODS, INC. (APR)

	1992	1991
	(In thousands)	
Current assets:		
Cash	$ 1,736	$ 2,650
Accounts receivable less allowances of $390 and $398	36,924	40,319
Inventories	51,495	59,502
Advances to joint hog production arrangement	23,330	—
Prepaid expenses and other current assets	11,849	9,980
Total current assets	125,334	112,451

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Joint Hog Production Arrangement

The Company has an arrangement with affiliates of Carroll's Foods, Inc. ("CFI") to produce hogs for the Company's meat packing plants. The arrangement involves: (1) Smithfield-Carroll's Farms, a partnership owned jointly by the Company and Carroll's Farms of Virginia, Inc. ("CFAV"), which owns the hog raising facilities, and (2) a take-or-pay contract between the Company and Carroll's Foods of Virginia, Inc. ("CFOV"), which leases and operates the facilities, that obligates the Company to purchase all the hogs produced by CFOV. A director of the Company is the president and a director of CFI, CFAV and CFOV. In addition, the Company has a long-term agreement to purchase hogs from CFI at prices which, in the opinion of management, are equivalent to market.

As of May 3, 1992 and April 28, 1991, the Company had investments of $7,803,000 and $7,767,000, respectively, in the partnership which are accounted for using the equity method. In addition, as of May 3, 1992, the Company had $17,795,000 of working capital and construction loans outstanding to the partnership and $5,535,000 of working capital loans outstanding to CFOV. These demand loans are expected to be repaid in the next fiscal year. Shown below is unaudited summarized financial information relative to the partnership.

(In thousands)	1992	1991
Current assets	$ 655	$ 107
Property and equipment	61,923	44,666
Other assets	557	671
	$63,135	$45,444
Current liabilities	$22,049	$4,005
Long-term debt	25,580	26,006
Partners' equity	15,506	15,433
	$63,135	$45,444

Substantially all revenues of the partnership consist of lease payments from CFOV which cover debt service, depreciation charges and other operating expenses. For the fiscal years 1992, 1991, and 1990, revenues were $6,545,000, $5,797,000 and $4,646,000, respectively.

TABLE 2-12: LAND CAPTIONS

	1992	**1991**	**1990**	**1989**
Land	367	366	368	367
Land and improvements	128	122	122	124
Land and buildings	37	35	35	33
Land combined with other identified assets	17	11	13	14
No caption with term land	21	29	27	25
	570	563	565	563
Lines of business classification	30	37	35	37
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1992	**1991**	**1990**	**1989**
Buildings				
Buildings	253	249	249	251
Buildings and improvements	210	211	204	204
Buildings and land or equipment	74	64	66	68
Buildings combined with other identified assets	5	7	9	8
No caption with term buildings	25	32	36	33
	567	563	564	564
Lines of business classification	33	37	36	36
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or equipment	454	447	449	452
Machinery and/or equipment combined with other assets	90	98	104	93
Construction in progress	254	251	249	250
Leasehold improvements	103	101	100	102
Leased assets	71	78	77	73
Automobiles, marine equipment, etc.	64	72	71	74
Furniture and fixtures	48	43	46	47
Assets leased to others	14	17	19	19

TABLE 2-14: ACCUMULATED DEPRECIATION

	1992	**1991**	**1990**	**1989**
Accumulated depreciation	303	298	305	303
Accumulated depreciation and amortization	180	175	163	169
Accumulated depreciation, amortization and depletion	30	41	38	38
Accumulated depreciation and depletion	16	15	16	16
Allowance for depreciation	38	36	37	36
Allowance for depreciation and amortization	20	16	21	16
Other captions	13	19	20	22
Total Companies	**600**	**600**	**600**	**600**

PROPERTY, PLANT, AND EQUIPMENT

Paragraph 5 of APB Opinion No. 12 states:

> Because of the significant effects on financial position and results of operations of the depreciation method or methods used, the following disclosures should be made in the financial statements or in notes thereto:
>
> a. Depreciation expense for the period,
> b. Balances of major classes of depreciable assets, by nature or function, at the balance sheet date,
> c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance sheet date, and
> d. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets.

Tables 2-12 and 2-13 show the assets classified as Property, Plant, and Equipment by the survey companies. Table 2-14 summarizes the descriptive captions used to describe the accumulated allowance for depreciation.

Examples of Property, Plant, and Equipment disclosures follow.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1992	1991
	($000)	
Total current assets	$1,013,497	$ 719,069
Property and Equipment, at cost, less accumulated depreciation and amortization of $1,534,748 and $1,295,478	2,263,653	2,140,203

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property and equipment

Property and equipment are recorded at cost. Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities, including legal, engineering, construction of landfill improvements, cell development costs and the direct costs of Company personnel dedicated for these purposes. Interest is capitalized on landfill permitting and construction projects. Interest capitalized during fiscal years 1992, 1991 and 1990 was $15,812,000, $11,326,000 and $12,383,000, respectively.

Landfill costs, excluding the estimated residual value of land, are typically amortized as permitted airspace of the landfill is consumed. Certain landfill preparation costs related specifically to cell development are amortized as airspace of the related cell is consumed, generally over not more than two to five years. Depreciation of property and equipment, other than landfills, is provided on the straight-line method based upon the estimated useful lives of the assets, generally estimated as follows: buildings, 20 to 40 years and vehicles and equipment, 3 to 12 years.

Expenditures for major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to expense as incurred. During 1992, 1991, and 1990, maintenance and repairs charged to cost of operations were $201,670,000, $195,986,000, and $194,390,000, respectively. When property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

5. Property and Equipment

Property and equipment of continuing operations at September 30, 1992 and 1991, was as follows (in thousands):

	1992	1991
Land and improvements	$ 169,948	$ 149,497
Buildings	298,616	338,149
Landfills	1,167,915	987,791
Vehicles and equipment	2,071,946	1,862,791
Construction-in-progress	89,976	97,453
Total property and equipment	3,798,401	3,435,681
Less accumulated depreciation and amortization	1,534,748	1,295,478
Property and equipment, net	$2,263,653	$2,140,203

Included in property and equipment, net are $128,454,000 and $120,188,000 as of September 30, 1992 and 1991, respectively, related to solid waste landfill market development projects, including landfill permitting costs, for which amortization has not yet commenced. The Company reviews the realization of these projects on a periodic basis.

THE CLOROX COMPANY (JUN)

	1992	1991
	($000)	
Total current assets	$418,250	$502,448
Property, plant and equipment, net	581,460	521,778
Brands, trademarks, patents and other intangibles	479,377	523,967
Investments in affiliates	90,599	73,610
Other assets	45,139	46,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Property, Plant and Equipment

The major classes are (in thousands):

	1992	1991
Land and improvements	$ 53,996	$ 48,453
Buildings	267,599	255,141
Machinery and equipment	430,746	397,536
Construction in progress	113,031	59,421
Total	865,372	760,551
Less accumulated depreciation	283,912	238,773
Net	$581,460	$521,778

Property, plant and equipment are stated at cost, reduced in certain cases by valuation allowances. Depreciation is calculated by the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was $55,316,000 in 1992, $56,708,000 in 1991 and $43,559,000 in 1990.

CONSOLIDATED PAPERS, INC. (DEC)

	1992	1991
	($000)	
Total current assets	$ 184,576	$ 162,261
Investments and other assets		
Investments in affiliates, at cost plus equity in undistributed earnings	27,471	24,715
Other assets	31,431	25,064
	58,902	49,779
Plant and equipment		
Buildings	159,397	114,480
Machinery and equipment	1,608,066	1,170,818
	1,767,463	1,285,298
Less: Accumulated depreciation	589,407	507,532
	1,178,056	777,766
Land and riparian rights	7,235	7,135
Timber and timberlands, net of depletion	20,059	19,420
Capital additions in process	38,139	394,346
	1,243,489	1,198,667
	$ 1,486,967	$ 1,410,707

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Plant and Equipment—Plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets using principally the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

The company's policy is to capitalize interest incurred on debt during the course of major projects that exceed one year in construction. Interest capitalized in 1992 and 1991 was $2 million and $7 million, respectively. Interest capitalized in 1990 was not material.

The cost and related accumulated depreciation of all plant and equipment retired or otherwise disposed of are removed from the accounts. Any gain or loss is included in income.

Maintenance and repair costs are charged to expense as incurred, and renewals and improvements that extend the useful life of the assets are added to the plant and equipment accounts.

Timber and Timberlands—Timber and timberlands are recorded at cost, less amortization for cost of timber harvested. Amortization is computed on the unit-of-production method. Timber carrying costs are expensed as incurred.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1992	1991
	($000)	
Total Current Assets	$245,971	$306,127
Investments and Deferred Charges	53,616	46,034
Property, Plant and Equipment		
Land	45,251	46,301
Petroleum refineries	409,832	348,332
Marketing facilities	177,911	182,299
Pipelines and other equipment	19,247	18,390
	652,241	595,322
Less allowance for depreciation	276,491	259,667
Net Property, Plant and Equipment	375,750	335,655

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Description of Business and Summary of Accounting Policies

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Costs assigned to property, plant and equipment of acquired businesses are based on estimated fair value at the date of acquisition. Depreciation and amortization of plant and equipment are primarily provided using the straight-line method over estimated useful lives.

Routine maintenance, repairs and replacement costs are charged against current operations. At intervals of two or more years, the Company conducts a complete shutdown and inspection of significant units (turnaround) at its refineries to perform necessary repairs and replacements. Costs associated with these shutdowns are deferred and amortized over the period until the next planned turnaround. Expenditures which materially increase values, change capacities or extend useful lives are capitalized.

Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gain or loss is included in income.

EMERSON ELECTRIC CO. (SEP)

	1992	1991
	($ Millions)	
Total current assets	$2,977.0	$2,988.6
Property, plant and equipment		
Land	128.1	116.2
Buildings	773.3	715.5
Machinery and equipment	2,202.7	2,024.6
Construction in progress	148.1	137.5
	3,252.2	2,993.8
Less accumulated depreciation	1,557.7	1,410.4
Property, plant and equipment, net	1,694.5	1,583.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment

The Company records investments in land, buildings, and machinery and equipment at cost. For assets placed in service prior to fiscal 1992, depreciation is computed principally using accelerated methods over estimated service lives. Effective October 1, 1991, the Company began depreciating newly-acquired assets using the straight-line method, which conforms to prevailing industry practice. The effect of the change was not material to the 1992 financial results. Service lives for principal assets are 30 to 40 years for buildings and 8 to 12 years for machinery and equipment.

FLEETWOOD ENTERPRISES, INC. (APR)

	1992	1991
	($000)	
Assets		
Cash	$ 27,681	$ 15,354
Investments	169,381	158,833
Receivables:		
Manufacturing	106,060	91,640
Finance company	268,904	188,568
Inventories:		
Raw materials	72,593	64,467
Work in process and finished products	39,704	29,679
Land held for future development	6,634	6,517
Property, plant and equipment	150,392	143,623
Deferred tax benefits	43,437	37,268
Other assets	30,238	32,541
	$915,024	$768,490

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(e) Depreciation: Depreciation is provided using straight-line or accelerated methods based on the following estimated useful lives:

Buildings and improvements—10-40 years
Machinery and equipment—3-15 years

5. Property, Plant and Equipment

Property, plant and equipment is stated at cost and consists of the following:

Amounts in thousands	1992	1991
Land	$ 10,892	$ 9,530
Buildings and improvements	152,201	139,778
Machinery and equipment	73,717	68,701
Idle facilities, net of accumulated depreciation	10,184	12,563
	246,994	230,572
Less accumulated depreciation	(96,602)	(86,949)
	$150,392	$143,623

Idle facilities include closed plants and certain other properties which are not in current use by the Company. The Company began depreciating these facilities in fiscal year 1992. There were nine idle plant facilities at the end of 1992 and ten in 1991. The Company has no immediate plans to reopen any of these facilities and most are being offered for sale.

The carrying value of idle facilities was $10,184,000 at April 26, 1992 and $12,563,000 at April 28, 1991, net of accumulated depreciation of $4,985,000 and $5,559,000, respectively. In the opinion of management, the carrying values of idle facilities are not in excess of net realizable value.

QUAKER STATE CORPORATION (DEC)

	1992	1991
	($000)	
Total current assets	$ 205,445	$ 143,059
Property, plant and equipment, net of accumulated depreciation and depletion (Note 6)	227,935	308,372
Other assets	75,428	25,484
Total assets other than insurance	508,808	476,915

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

c. Property, plant and equipment, at cost

Costs of buildings and equipment, other than oil and gas producing properties, are charged against income over their estimated useful lives, using the straight-line method of depreciation. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property, plant and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

Costs of oil and gas producing properties are accounted for under the successful efforts method. Lease acquisition costs are capitalized and amortized by the unit of production method based on proved reserves, and equipment and intangible drilling costs are capitalized and amortized by the unit of production method based on proved developed reserves. An additional provision for depreciation and depletion is provided if the net capitalized costs of production properties exceed the discounted future net revenues for proved oil and gas reserves on a company-wide basis, using year-end prices and an annual discount rate of 10%.

Costs of individual oil and gas wells determined to be uneconomical are charged to the allowance for accumulated depreciation and depletion when abandoned, with no gain or loss being recognized until the property group is abandoned. Exploratory costs, associated with dry holes, geological and geophysical costs and annual delay rentals are charged to expense.

Estimated costs of future dismantlement, restoration, reclamation and abandonment of oil and gas producing properties are accrued through a charge to operations on a unit of production basis.

The company capitalizes interest cost as part of constructing major facilities. Interest cost capitalized in 1992, 1991 and 1990 was not material.

6. Property, Plant and Equipment:

Major classes of property, including land and construction work in progress of $41,707,000 in 1992 and $44,606,000 in 1991 are:

(In thousands)	1992	1991
Refining and marketing:		
Refining	$ 95,998	$ 96,359
Marketing	97,556	101,678
Oil and gas production	207,906	203,602
Fast lube	115,188	113,755
Truck-Lite and docks	42,174	45,961
Discontinued coal operations	—	154,986
	558,822	716,341
Less: accumulated depreciation and depletion	330,887	407,969
	$227,935	$308,372

Coal property of $11,016,000 at December 31, 1992, is included in other current assets as assets held for sale (see Note 3).

THE STANDARD REGISTER COMPANY (DEC)

	1992	1991
	($000)	
Total current assets	$ 312,299	$ 292,754
Plant and Equipment		
Buildings and improvements	$ 56,035	$ 56,194
Machinery and equipment	171,837	165,688
Office and rental equipment	34,532	30,155
Total	$ 262,404	$ 252,037
Less accumulated depreciation	109,679	95,427
Depreciated cost	$ 152,725	$156,610
Plant and equipment under construction	13,909	9,928
Land	2,488	2,488
Total plant and equipment	$ 169,122	$ 169,026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plant and Equipment—Land, buildings and equipment, including significant improvements to existing facilities, are stated at cost. Maintenance and repairs are expensed as incurred.

Depreciation—For financial statement purposes, depreciation is computed by the straight-line method at rates adequate to recover the costs of the applicable assets over their expected useful lives. For income tax purposes, depreciation is computed by accelerated methods.

Note 3—Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation. Depreciation for financial reporting purposes was $22,310,000 in 1992, $21,383,000 in 1991 and $20,723,000 in 1990. Depreciation rates are based on estimates of useful lives:

Classification	Years
Buildings and improvements	10-40
Machinery and equipment	5-15
Office equipment	5-15
Rental equipment	3-4
Leasehold improvements	Life of leases

When equipment is retired or has been fully depreciated, its cost and the related accumulated depreciation are eliminated from the respective accounts. Gains or losses arising from the dispositions are reported as income or expense.

INVESTMENTS

APB Opinion No. 18 stipulates that the equity method should be used to account for investments in corporate joint ventures and certain other companies when an investor has "the ability to exercise significant influence over operating and financial policies of an investee even though the investor holds 50% or less of the voting stock." *Opinion No. 18* considers an investor to have the ability to exercise significant influence when it owns 20% or more of the voting stock of an investee. *FASB Interpretation No. 35*, issued to clarify the criteria for applying the equity method of accounting to 50% or less owned companies, lists circumstances under which, despite 20% ownership, an investor may not be able to exercise significant influence.

In addition to investments accounted for by the equity method, many of the survey companies disclosed investments in marketable equity securities and bonds. *Statement of Financial Accounting Standards No. 12* stipulates that marketable equity securities, whether presented as a current or noncurrent asset, should be carried at lower of aggregate cost or market value. Effective for fiscal years beginning after December 15, 1993, *Statement of Financial Accounting Standards No. 115* will supersede *SFAS No. 12. SFAS No. 115*, which does not apply to equity method investments, requires that, except for debt securities classified as "held-to-maturity securities," investments in debt and equity securities should be reported at fair value.

Statement of Financial Accounting Standards No. 105 defines investments in common stock, preferred stock, and debt instruments as financial instruments. *Statement of Financial Accounting Standards No. 107*, effective for fiscal years ending after December 15, 1992, requires that the fair value of such investments, except those accounted for by the equity method, be disclosed. Of the 109 survey companies disclosing fair value, 75 companies stated that fair value was based on market quotes and 34 companies stated that fair value approximated carrying amount.

Examples of investment presentations and disclosures follow.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1992	1991	1990	1989
Equity	238	233	235	236
Cost	101	78	73	83
Lower of cost or market	23	18	22	26

Equity Method

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Consolidated Balance Sheets

	1992	1991
	($ Millions)	
Total Current Assets	$ 998.1	$ 901.2
Investments (Notes 1 and 6)		
Investment in net assets of and advances to equity affiliates	469.1	429.5
Other investments and advances	31.4	37.4
Total investments	500.5	466.9

Consolidated Statements of Income

	1992	1991	1990
		($ Millions)	
Operating Income	$480.5	$435.0	$399.3
Income from equity affiliates net of related expenses (Note 6)	6.7	1.0	7.4
Gain on sale of investment in equity affiliates	9.1	11.6	9.3
Interest expense	89.3	86.0	83.1
Income before Taxes and Extraordinary Item	407.0	361.6	332.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Consolidation Principles

The consolidated financial statements include the accounts of Air Products and Chemicals, Inc., and its majority-owned subsidiary companies (the company). The equity method of accounting is used when the company has a 20% to 50% interest in other companies. Under the equity method, original investments are recorded at cost and adjusted by the company's share of undistributed earnings or losses of these companies.

6. Summarized Financial Information of Equity Affiliates

The following table presents summarized financial information on a combined 100% basis of the principal companies accounted for by the equity method. Amounts presented include the accounts of the following equity affiliates: Carburos Metalicos S.A. (25.5%); Sapio Produzione Idrogeno Ossigeno S.r.L. (49%); American Ref-Fuel of Hempstead (50%); American Ref-Fuel of Essex County (50%); Cambria CoGen Company (50%); Stockton CoGen Company (50%); American Ref-Fuel of Southeastern Connecticut (50%); San-Fu Chemicals (45%); Korea Industrial Gases (48.2%); CryoInfra, S.A. de C.V. (25%); and principally other industrial gas producers.

	1992	1991
	(In millions)	
Current assets	$ 625.1	$ 544.7
Noncurrent assets	2,124.5	1,885.5
Current liabilities	439.7	485.9
Noncurrent liabilities	1,433.9	1,192.3
Net sales	1,062.5	910.3
Sales less cost of sales	668.9	545.7
Net income	64.4	43.3

The company's share of income of all unconsolidated affiliates for 1992, 1991, and 1990 was $24.4 million, $13.5 million, and $16.9 million, respectively. These amounts exclude $17.7 million, $12.5 million, and $19.5 million of related net expenses incurred by the company.

The investment in net assets of and advances to equity affiliates at 30 September 1992 and 1991 included investment in foreign affiliates of $282.5 million and $257.5 million, respectively.

As of 30 September 1992, the amount of investment in companies accounted for by the equity method included goodwill in the amount of $17.1 million which is being amortized into income over periods not exceeding 40 years.

During the first quarter of fiscal 1993, the company increased significantly its minority ownership position in a Mexican affiliate. This affiliate, the largest industrial gas group in Mexico, supplies industrial gases and related products through a nationwide distribution network.

CABOT CORPORATION (SEP)

Consolidated Balance Sheets

	1992	1991
	($000)	
Total current assets	$554,772	$ 494,093
Investments:		
At equity (Note D)	150,811	159,927
At cost	5,729	3,089
Total investments	156,540	163,016

Consolidated Statements of Income

	1992	1991 ($000)	1990
Income from continuing operations before income taxes	$116,599	$ 62,362	$ 63,983
Provision for income taxes	(54,549)	(31,054)	(31,726)
Equity in net income of affiliated companies (Note D)	173	8,517	9,618
Income from continuing operations	62,223	39,825	41,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control is temporary and investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. All significant intercompany transactions have been eliminated.

D (In Part): Investments & Acquisitions

Investments

Investments in net assets of affiliate companies accounted for under the equity method amounted to $150,811,000 and $159,927,000 at September 30, 1992 and 1991, respectively. The combined results of operations and financial position of the Company's equity-basis affiliates are summarized below:

Years ended September 30 *Dollars in thousands*	1992	1991
Condensed Income Statement Information		
Net sales	$674,001	$727,679
Gross margin	142,300	123,848
Net income	2,117	18,594
Equity in net income of affiliated companies	173	8,517
Condensed Balance Sheet Information		
Current assets	$268,870	$267,278
Non-current assets	557,814	494,291
Current liabilities	286,671	267,692
Non-current liabilities	192,476	192,130
Net equity	347,537	301,747

Effective October 1, 1991, the results of the Company's majority-owned subsidiary in Brazil were fully consolidated. During 1991, it was accounted for on an equity basis.

ENGELHARD CORPORATION (DEC)

Consolidated Balance Sheets

	1992 ($000)	1991
Total current assets	$ 568,664	$ 575,627
Investments	112,067	93,724
Property, plant and equipment, less accumulated depreciation, depletion and amortization	491,142	510,016
Other noncurrent assets	107,584	76,744
Total assets	$ 1,279,457	$ 1,256,111

Consolidated Statements of Earnings

	1992	1991 ($000)	1990
Earnings from operations	$142,644	$134,203	$117,826
Equity in earnings of affiliates	7,445	5,024	1,698
Interest expense, net of capitalized amounts	19,067	26,610	33,786
Less contango on futures and forward contracts	(2,836)	(4,952)	(7,982)
Net interest expense	16,231	21,658	25,804
Earnings before income taxes and cumulative effect of accounting changes	133,858	117,569	93,720

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Investments

The Company has investments in affiliates that are accounted for on the equity method. The more significant of these investments are N.E. Chemcat Corporation and M&T Harshaw.

N.E. Chemcat Corporation (N.E. Chemcat) is a publicly-traded Japanese corporation and a leading producer of chemical and automotive catalysts, electronic chemicals and other precious-metals-based products. The Company's ownership interest in N.E. Chemicat is 38.8 percent and, at December 31, 1992 the quoted market value of the Company's investment in N.E. Chemcat was in excess of $85 million. This valuation represents a mathematical calculation based on a closing quotation published by the Tokyo over-the-counter market.

M&T Harshaw (M&T), a joint venture between the Company and Elf Atochem North America, Inc., is a base-metal plating business operating predominantly in the United States, the United Kingdom and Canada. In 1993, the Company sold its share in M&T to its partner for $40 million in cash with the buyer assuming all assets and liabilities. As a result, in the first quarter of 1993, the Company realized an after tax gain of $6.3 million ($.10 per share).

In the first quarter of 1992, the Company acquired for cash the remaining 50 percent of Engelhard Kali-Chemie GmbH, an auto catalyst manufacturer and marketer in Germany. The net assets acquired primarily included fixed assets and debt.

The summarized unaudited financial information below represents an aggregation of the Company's nonsubsidiary affiliates:

Financial Information *(In thousands)*	1992	1991	1990
Earnings data			
Revenue	$445,530	$647,719	$398,047
Gross profit	120,313	120,056	57,372
Net earnings	18,335	15,128	5,137
Company's equity in net earnings	7,445	5,024	1,698
Balance sheet data			
Current assets	$243,043	$306,231	
Noncurrent assets	107,529	117,322	
Current liabilities	105,471	195,688	
Noncurrent liabilities	20,161	20,204	
Net assets	224,940	207,661	
Company's equity in net assets	103,508	85,165	

The Company's share of undistributed earnings of affiliated companies included in consolidated retained earnings was $37.9 million at December 31, 1992. Dividends from affiliated companies were $3.1 million in 1992, $3.2 million in 1991 and $.9 million in 1990.

The Company has other investments, including an investment in precious metal, that are accounted for at cost.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Consolidated Balance Sheets

	1992	1991
	($ Millions)	
Total current assets	$2,245	$2,849
Long-term receivables, net	231	156
Investments in and advances to, net of advances from, affiliates (Notes 1 and 14)	591	697

Consolidated Statements of Operations

	1992	1991	1990
		($ Millions)	
Revenues:			
Net sales and operating revenues—			
Oil and gas operations	$1,822	$ 2,669	$ 3,727
Natural gas transmission operations	2,491	2,349	2,310
Chemical operations	4,198	4,575	5,040
Interdivisional sales elimination	(17)	(95)	(240)
	8,494	9,498	10,837
Interest, dividends and other income	446	199	242
Gains on disposition of assets, net	215	1,177	74
Equity in net income of affiliates	22	10	27
	9,177	10,884	11,180

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The consolidated financial statements include the accounts of Occidental Petroleum Corporation, all majority-owned subsidiaries and Occidental's interests in oil and gas exploration and production joint ventures (Occidental). All material intercompany accounts and transactions have been eliminated. Investments in affiliates, including joint-interest pipelines, are accounted for by the equity method (see Note 14).

The consolidated financial statements have been restated to reflect the coal business as a discontinued operation, as further discussed in Note 3, and previously reported interim results for 1992 have been restated for the adoption of Statement of Financial Accounting Standards (SFAS) No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109—"Accounting for Income Taxes," effective as of January 1, 1992, as further discussed in Note 4.

Unless indicated otherwise, all financial information in the Notes to Consolidated Financial Statements excludes discontinued operations.

In addition, certain financial statements, notes and supplementary data for prior years have been changed to conform to the 1992 presentation.

Note 14. Investments

Investments in affiliates are accounted for under the equity method. At December 31, 1992, Occidental's investments in affiliated companies, which are 50-percent or less owned, consisted primarily of joint-interest pipelines, a 30 percent investment in the common stock of CanadianOxy and a 45 percent nonvoting interest in Trident NGL, Inc. In 1992, Occidental sold 12 million shares of its holding in CanadianOxy. The operations of other affiliated companies, which primarily are 50-percent owned, are in oil and gas, natural gas transmission and chemicals. Affiliates paid dividends of $60 million to Occidental in 1992. Cumulative undistributed earnings since acquisition, in the amount of $80 million, of 50-percent-or-less-owned affiliates have been accounted for by Occidental under the equity method. The aggregate market value of the investment in CanadianOxy, based on the quoted market price for CanadianOxy common shares, was $397 million at December 31, 1992, compared with an aggregate book value of $185 million. Occidental and its subsidiaries' purchases from, and sales to, certain equity method pipeline ventures and affiliated companies were $164 million and $132 million, respectively, during the year ended December 31, 1992. During 1991, Occidental acquired from CanadianOxy an 8 percent interest in the portion of the Masila Block in Yemen on which CanadianOxy had made oil discoveries. In return. CanadianOxy received a 15 percent interest in Occidental's operations on Block 15 in Ecuador.

The following table presents Occidental's proportional interest in the summarized financial information of its affiliates (in millions):

Year ended December 31,	1992	1991	1990
Revenues	$520	$628	$706
Costs and expenses	498	618	679
Net income	$ 22	$ 10	$ 27

Balance at December 31,	1992	1991
Current assets	$223	$223
Noncurrent assets	880	999
Current liabilities	171	146
Noncurrent liabilities	486	489
Redeemable preferred stock	—	6
Stockholders' equity	446	581

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

Consolidated Balance Sheet

	1992	1991
	($ Millions)	
Total current assets	$658	$619
Other assets		
Goodwill, less accumulated amortization of $12 million in 1992 and $8 million in 1991	84	96
Investments in affiliates (Note 8)	49	45
Deferred income taxes	421	416
Other noncurrent assets	68	60
Total other assets	622	617

Consolidated Statement of Income

	1992	1991	1990
		($ Millions)	
Income (Loss) before Provision for Income Taxes	$103	$(759)	$128
Provision (credit) for income taxes	33	(238)	58
Income (Loss) before Equity in Net Income of Affiliates	70	(521)	70
Equity in net income of affiliates (Note 8)	2	6	5
Income (Loss) before Extraordinary Items and Cumulative Effect of Accounting Change	72	(515)	75

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in Affiliates

Investments in affiliates are accounted for using the equity method, under which the Company's share of earnings of these affiliates is reflected in income as earned and dividends are credited against the investment in affiliates when received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investments in Affiliates

At December 31, 1992 and 1991, the Company's affiliates, which generally are engaged in the manufacture of fibrous glass products for the insulation, construction, reinforcements, and textile markets, include:

	Percent Ownership 1992 and 1991
Amiantit Fiberglass Industries, Ltd. (Saudi Arabia)	30.0%
Arabian Fiberglass Insulation Company (Saudi Arabia)	49.0
Asahi Fiber Glass Company, Ltd. (Japan)	28.0
CAE FIberglass, Ltd. (Canada)	25.0
Lucky Fiber Glass Corp. (Korea)	30.0
Siam GRP Industries (Thailand)	20.0
Vitro-Fibras, S.A. (Mexico)	40.0

Summarized financial information for the Company's affiliates:

(In millions of dollars)	1992	1991	1990
At December 31:			
Current assets:	$198	$164	$185
Noncurrent assets	320	231	222
Current liabilities	233	206	241
Noncurrent liabilities	130	58	55
For the year:			
Net sales	455	467	398
Gross margin	82	100	91
Net income	16	27	20

The Company's equity in undistributed net income of affiliates was $27 million at December 31, 1992.

Cost Method

CLEVELAND-CLIFFS INC. (DEC)

	1992	1991
	($ Millions)	
Total Current Assets	$ 249.2	$ 205.7
Properties		
Minerals	15.2	15.2
Plant and equipment	161.7	160.2
	176.9	175.4
Allowances for depreciation and depletion	(141.2)	(139.3)
Total Properties	35.7	36.1
Investments in Associated Companies	167.1	166.5
Other Assets		
Long-term investments	38.2	35.2
Deferred charges	10.7	9.1
Deferred income taxes	5.8	—
Miscellaneous	30.5	26.1
Total other assets	85.2	70.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G—Long-Term Investments

In October 1991, the Company invested $25.0 million in a special nonmarketable issue of preferred stock of Weirton Steel Corporation. The terms of the preferred stock include a 12½% cumulative cash dividend, mandatory redemption at par value of $25.0 million in 2003, certain rights to convert into new equity security issues, and various protective features. The estimated discounted cash flow value of Weirton preferred stock approximates its carrying value at December 31, 1992. Long-term investments also include Australian Government securities which carrying amounts approximate their fair value.

GREIF BROS. CORPORATION (OCT)

	1992	1991
Total current assets	$182,649,998	$188,434,513
Long-term assets		
Cash surrender value of life insurance	2,360,087	2,167,080
Interest in and loan to partnership	1,091,040	7,091,040
Other long-term assets	5,817,827	5,821,901
	9,268,954	15,080,021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Interest in Partnership

The 50% interest in Macauley & Company (the partnership), in which the Company is a limited partner, is accounted for on the cost basis since, as a limited partner, the Company cannot participate in the management of the limited partnership.

Note 2 (In Part): Interest and Loan to Partnership

Effective at the close of business on June 30, 1992, the Company exercised its right under a 1986 option agreement with Macauley & Company (the partnership) to purchase the 280,174 shares of Virginia Fibre Corporation stock from the partnership at $35 per share. This option agreement was granted to the Company in 1986 as further consideration of a $6,000,000 loan the Company made to the partnership. This loan, bearing interest of 9.8%, was due in October 1994. In accordance with the loan agreement, the Company applied the $6,000,000 loan to the purchase price of the stock and paid the balance of $3,806,090 in cash.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

	1992	1991
	($ Millions)	
Total current assets	$ 6,209	$ 5,727
Investments	452	460
Property, Plant and Equipment—Net	4,792	4,666
Other Assets	502	451
Total assets	$11,955	$11,304

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Investments

Investments primarily include assets from captive insurance and banking operations and from venture capital investments. These investments are stated at cost, which approximates fair value.

QUANTUM CHEMICAL CORPORATION (DEC)

	1992	1991
	($ Millions)	
Total current assets	$ 961.8	$ 987.3
Investments in marketable securities (Note 8)	45.2	44.1
Property, plant and equipment, at cost—less accumulated depreciation	1,972.5	1,987.2
Deferred charges and other assets	107.6	105.8
Goodwill and other intangible assets—less accumulated amortization	66.8	74.5
Total assets	$3,153.9	$3,198.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in Marketable Securities

Marketable securities of $32.1 million held by the Company's insurance operations primarily consisted of an investment in a money market fund (stated at cost) and investments in government and corporate bonds (stated at amortized cost); such securities are pledged against $25.0 million of outstanding letters of credit relating to a portion of the Company's insurance programs (see Note 12 "Long-Term Debt and Credit Facilities"). Also included in marketable securities are 283,365 shares of common stock of Chiron Corporation, which have been placed in escrow pursuant to the Indenture with respect to the Company's 6% subordinated exchangeable debentures due 1997-2011. Such debentures were originally exchangeable for Cetus Corporation common stock. In December 1991, Cetus Corporation merged with Chiron Corporation and each share of Cetus common stock was exchanged for .3 share of Chiron Corporation common stock. The pretax gain on such exchange was $10.0 million ($6.5 million net after tax). Holders of such debentures may exchange the debentures for the Chiron shares at the rate of 6.1224 shares per $1000 principal amount of debenture.

The fair values of marketable securities exceeded their carrying value by $4.5 million and $8.4 million at December 31, 1992, and 1991, respectively. The fair values of the marketable securities were estimated based on quoted market prices except for $.9 million carrying value of common and preferred stock of two untraded reinsurance companies for which such cost is believed to approximate fair value.

Lower of Aggregate Cost Or Market Value

LOWE'S COMPANIES, INC. (JAN)

	1993	1992
	($000)	
Total Current Assets	$ 745,554	$ 770,078
Property, Less Accumulated Depreciation	787,197	612,955
Long-Term Investments (Note 7)	23,270	11,350
Other Assets	52,856	46,845
Total Assets	$1,608,877	$1,441,228

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:
Investments—The Company has a cash management program which provides for the investment of excess cash balances in financial instruments which have maturities of up to three years. Investments that are readily convertible to cash within three months of purchase are classified as cash equivalents. Investments with a maturity of between three months and one year are classified as short-term investments. These investments are stated at cost which approximates market. Investments with maturities greater than one year are classified as long-term. These are stated at the lower of cost or market value.

Note 7. Disclosures about Fair Values of Financial Instruments:
The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of *SFAS No. 107, Disclosures about Fair Value of Financial Instruments*. The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	January 31, 1993	
	Carrying Amount	Fair Value
Assets:		
Cash and Short-Term Investments	$ 54,849	$ 54,849
Net Receivables	53,288	53,288
Long-Term Investments	23,270	23,664
Liabilities:		
Accounts Payable	330,584	330,584
Short-Term Debt	3,193	3,193
Long-Term Debt	$335,283	336,286
Off-Balance Sheet Financial Instruments—		
Unrealized Gains:		
Interest Rate Swaps Agreements	—	$ 2,434

Cash and short-term investments, receivables, accounts payable, and short-term debt—The carrying amounts of these items are a reasonable estimate of their fair value due to their short-term nature.

Long-term investments—The fair value is estimated from quoted market prices for these or similar investments.

Long-term debt—Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues that are not quoted on an exchange.

Interest rate swap agreements—The fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from dealers.

SCOPE INDUSTRIES (JUN)

	1992	1991
Total current assets	$ 8,010,211	$10,174,710
Notes Receivable	2,699,439	2,521,223
Property and Equipment at Cost:		
Machinery and equipment	19,965,417	19,286,905
Land, buildings and improvements	10,274,739	9,412,782
	30,240,156	28,699,687
Less accumulated depreciation and amortization	17,909,400	16,657,100
	12,330,756	12,042,587
Other Assets:		
Intangibles	209,600	
Marketable securities, at lower of cost or market (Cost $24,471,704 in 1992 and Market $26,613,780 in 1991—Note 3)	21,060,187	25,094,529
	21,269,787	25,094,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities

The non-current portfolio of marketable securities is stated at the lower of aggregate cost or market at the balance sheet date and consists of common and preferred stocks and bonds. Interest income is accrued as earned.

Realized gains or losses are determined on the specific identification method and are reflected in income. Net unrealized losses on non-current marketable securities are recorded directly in a separate shareowners' equity account except those unrealized losses that are deemed to be other than temporary, which losses are reflected in income.

Note 3: Marketable Securities
Included in Investment and Other Income are recognized gains and losses on marketable securities. Net gains of $363,802, $482,454 and $1,834,871 were recognized in 1992, 1991 and 1990, respectively. The recognized gains and losses were from sales of marketable securities and from recognized losses on securities whose decline in

value was deemed to be other than temporary of $99,972, $393,502 and $20,000 in 1992, 1991 and 1990, respectively.

At June 30, 1992, gross unrealized gains and losses on marketable securities were as follows:

	Non-current
Gross unrealized gains	$ 2,727,285
Gross unrealized losses	(6,138,802)

At June 30, 1992 marketable securities held by the Company include 2,250,000 common shares of Lone Star Industries, Inc. (Lone Star) which were valued at market value of $7,593,750. The shares held represent 13.5% of Lone Star's outstanding common shares. Lone Star is primarily engaged in cement manufacturing and is currently operating under Chapter 11 of the U.S. Bankruptcy Code. On August 17, 1992 Lone Star served a complaint against the Company and others alleging a violation of Securities & Exchange Commission filing requirements, the existence of a non-disclosed investor group and that the Company is an unregistered investment company. Lone Star is seeking injunctive relief and other remedies. The Company denies the allegations and plans to defend vigorously all such claims.

Transfer Of Assets

THE LUBRIZOL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3—Investments in Non-Consolidated Companies

	1992	1991
	($000)	
Investments carried at equity	$ 92,265	$31,046
Investments carried at cost	47,395	21,395
	$139,660	$52,441

Investments carried at equity exceeded the company's equity in the underlying book values by $8.9 million and $7.0 million at December 31, 1992 and 1991. The excess is being amortized over periods not exceeding 7 years. Accumulated amortization of this excess was $7.5 million and $6.5 million at December 31, 1992 and 1991.

Included within investments in non-consolidated companies are marketable equity securities having a book carrying value of $31.2 million in 1992 and $18.6 million in 1991. The fair value of these securities based upon quoted market prices exceeded the book carrying value by $139 million and $106 million at December 31, 1992 and 1991.

Note 16—Agribusiness Transaction

In separate transactions, the company transferred on December 1, 1992, certain of its Agribusiness assets to Mycogen Corporation in exchange for 2,294,590 shares of Mycogen Common Stock and $39.4 million par value of Mycogen Series A Preferred Stock. The remainder of its Agribusiness assets, exclusive of the specialty vegetable oil operations, was transferred to Agrigenetics, L.P., a newly-formed partnership with Mycogen, in exchange for a 49% partnership interest. There was no gain or loss resulting from the transactions.

The company's investment in Agrigenetics, L.P. was recorded at $40.8 million which represents 49% of the net assets transferred and is accounted for by the equity method. The investment in Preferred Stock was recorded at par value of $39.4 million, which was its fair value as agreed by the parties at the transaction date. The investment in Mycogen Common Stock was recorded at $13.1 million which was equivalent to the remaining book value of net assets transferred, and is accounted for by the equity method, since the company now owns approximately 25% of the outstanding Mycogen Common Stock.

The Preferred Stock received by the company pays cumulative dividends of 5% per year through December 1, 1996, and 8½% from December 1, 1996 through December 1, 2000. Such dividends may be paid in cash or in additional shares of Preferred Stock, at Mycogen's option. Mycogen may redeem the Preferred Stock at any time and is required to redeem $10 million par value of the Preferred Stock for cash on December 1, 1993, unless it acquires, with the company's consent, a business or assets complementary to Agrigenetics, L.P. and contributes such business or assets to Agrigenetics, L.P. All Preferred Stock must be redeemed by Mycogen for cash on or before December 1, 2000. The Preferred Stock is convertible into Mycogen Common Stock at the company's option at a price of $17.96 per share of Mycogen Common Stock through December 1, 1996, and $18.71 per share during the period December 1, 1996 through December 1, 2000.

In connection with the transactions, the company entered into a Technology and Development Agreement with Agrigenetics, L.P. whereby the company is required to provide a minimum of $12 million of funding over a five-year period to support the development of plant varieties to produce specialty oils. The company retains exclusive commercial rights with respect to the resulting specialty oils.

The consolidated financial statements include the following summary results of operations of the transferred assets for 1992 (eleven months), 1991 and 1990:

	1992	1991	1990
Total revenues	$ 86,243	$ 87,365	$ 87,512
Total cost and expenses	(91,870)	(90,614)	(93,689)
Other income—net	(518)	1,505	(6,876)
Segment loss	$ (6,145)	$ (1,744)	$(13,053)

NONCURRENT RECEIVABLES

Chapter 3A of *Accounting Research Bulletin No. 43* states that the concept of current assets excludes "receivables arising from unusual transactions (such as the sale of capital assets, or loans or advances to affiliates, officers, or employees) which are not expected to be collected within twelve months." Table 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivable disclosures follow.

TABLE 2-16: NONCURRENT RECEIVABLES

	1992	1991	1990	1989
Caption Title				
Notes Receivable	30	37	41	33
Long-Term Receivables	30	28	33	39
Noncurrent Receivables	10	5	4	9
Other	26	34	25	38
Receivables combined with other investments, deposits, etc.	41	45	47	45
Total Presentations	**137**	**149**	**150**	**164**
Number of Companies				
Presenting noncurrent receivables	132	145	145	158
Not presenting noncurrent receivables	468	455	455	442
Total Companies	**600**	**600**	**600**	**600**

ANACOMP, INC. (SEP)

	1992	1991
	($000)	
Total current assets	$241,024	$238,222
Property and equipment, at cost less accumulated depreciation and amortization of $103,928 and $91,035, respectively	71,282	70,609
Long-term receivables, net of current portion	17,160	18,084
Excess of purchase price over net assets of businesses acquired and other intangibles, net	310,333	318,575
Other assets	41,762	40,572
	$681,561	$686,062

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Long-term Receivables:

Long-term receivables consist of the following:

	September 30,	
(In thousands)	1992	1991
Lease contracts receivable	$17,412	$11,212
Other lease receivables	1,009	934
Notes receivable from asset sales	3,045	8,183
Other	2,236	3,098
	23,702	23,427
Less current portion	(6,542)	(5,343)
	$17,160	$18,084

Other long-term receivables include $1,300,000 and $2,259,000 at September 30, 1992 and 1991, respectively, due from officers.

Lease contracts receivable result from customer leases of products under agreements which qualify as sales-type leases. Annual future lease payments under sales-type leases are as follows:

(In thousands)	Year Ended September 30
1993	$ 6,905
1994	5,759
1995	4,503
1996	2,210
1997	1,568
	20,945
Less deferred interest	3,533
	$17,412

THE BOEING COMPANY (DEC)

	1992	1991
	($ Millions)	
Total current assets	$ 8,087	$ 8,324
Customer financing	2,066	1,183
Property, plant and equipment, at cost	12,293	10,600
Less accumulated depreciation	(5,569)	(5,070)
Deferred income taxes	212	
Other assets	1,058	887
	$18,147	$15,924

NOTES TO FINANCIAL STATEMENTS
(In millions of dollars)

Note 4—Customer Financing

Customer financing balances shown on the Consolidated Statement of Financial Position are net of the amount of participation by other financing parties.

Long-term customer financing, less current portion, at December 31 consisted of the following:

	1992	1991
Notes receivable	$1,305	$ 505
Investment in sales-type leases	111	112
Operating lease aircraft, at cost, less accumulated depreciation of $168 and $126	720	616
	2,136	1,233
Less valuation allowance	(70)	(50)
	$2,066	$1,183

Financing for aircraft is collateralized by security in the related asset, and historically, the Company has not experienced a problem in accessing such collateral.

The operating lease aircraft category includes new and used jet and commuter aircraft, spare engines and spare parts.

Principal payments under notes receivable and sales-type leases for the next five years are as follows:

1993	1994	1995	1996	1997
$229	$347	$64	$65	$32

Certain notes currently bear interest at fixed rates of 5.0% to 12.0% while the remainder are at interest rates which vary with commercial bank prime rates, up to 1.0% above the prime rate.

FUQUA INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Total Current Assets	$ 476,144	$ 450,727
Property, Plant and Equipment		
Land	8,700	10,977
Buildings and improvements	57,490	51,804
Machinery and equipment	343,140	280,578
	409,330	343,359
Less allowances for depreciation	(165,720)	(142,343)
Total Property, Plant and Equipment	243,610	201,016
Notes Receivable from Triton Group Ltd.	31,726	30,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts and Notes Receivable (In Part)

Fuqua has a $32,000,000 loan agreement with Triton Group Ltd., a wholly-owned subsidiary of Intermark, Inc. At December 31, 1992, $31,726,000 was outstanding under the agreement. The loan matures on November 27, 1994 and accrues interest at a rate of prime plus 4%, but in no event less than 10%. The loan is collateralized by 4,338,598 shares of Fuqua common stock which were purchased by Triton Group Ltd. in prior years. The agreement requires Triton to make certain loan reductions in the event the market price of Fuqua common stock declines below a specified level. In addition, Triton granted Fuqua a right of first refusal to purchase Triton's shares in Fuqua upon a proposed sale of such shares (voluntary or involuntary) by Triton. In October 1992, Intermark, Inc. and its wholly-owned subsidiary, Triton Group, Ltd., filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In November 1992, Fuqua agreed to a Consent Order which required Triton to continue making the interest payments under the loan during the bankruptcy proceeding and required the release of a $1,000,000 certificate of deposit which had been held as collateral for the loan. Intermark and Triton filed a proposed Plan of Reorganization and Disclosure Statement on January 29, 1993. Under the Proposed Plan, Intermark and Triton would be able to elect to pay the loan in full, in cash, on the effective date of the Proposed Plan "or as soon as practicable thereafter" or to restructure the terms of the loan to, among other things: (a) reduce the interest rate to prime plus 1%, (b) extend the maturity date to 1997, (c) eliminate the right of first refusal, stockholder agreement and restrictions on merger, and (d) eliminate or revise certain of the other covenants and agreements contained in the loan agreement. Fuqua intends to object to the plan as presently proposed. Fuqua's right to foreclose on the loan has been stayed pending the conclusion of the bankruptcy proceeding. In the opinion of management, the shares held as collateral are, and will continue to be, sufficient to provide for realization of the loan.

LONE STAR INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Total current assets	$264,203	$243,515
Assets held for sale	69,177	58,252
Notes receivable	7,172	11,470
Joint ventures	187,874	171,097
Property, plant and equipment, net	408,271	416,102
Cost in excess of net assets of businesses acquired, net	9,659	10,154
Other assets and deferred charges	6,293	3,847
Total assets	$952,649	$914,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27 (In Part): Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and short-term investments—the carrying amount approximates fair value because of the short maturity of those instruments.

Note receivable—A non-trade note receivable is carried at its expected recoverability which is estimated by using the present value of future cash flows discounted at a rate appropriate with the credit risk involved. It is not practicable to estimate the fair value of this note.

Long-term debt—the fair value of the company's long-term debt is not presently determinable due to the company's Chapter 11 proceedings. The fair value of its long-term debt will be determined as part of the Chapter 11 reorganization process. In addition, as part of the process, certain claims have been filed against the company. While the company believes that amounts accrued represent allowable claims, the actual value of the claims is not determinable until confirmation of the plan of reorganization.

PACCAR INC. (DEC)

ASSETS	1992	1991
	(millions of dollars)	
Manufacturing:		
Current Assets		
Cash and equivalents	$ 235.8	$ 279.6
Trade receivables, net of allowance for losses (1992—$3.0 and 1991—$3.0)	164.4	136.0
Marketable securities	214.3	201.4
Inventories	151.0	151.3
Deferred taxes and other current assets	71.2	74.4
Total Manufacturing Current Assets	836.7	842.7
Investments and other	111.0	99.8
Property, plant and equipment, net	305.2	272.1
Total Manufacturing Assets	$1,252.9	$1,214.6
Financial Services:		
Cash and equivalents	14.6	15.3
Notes, contracts and other receivables, net of allowance for losses (1992—$30.9 and 1991—$31.4)	1,625.1	1,601.8
Less unearned interest	(141.6)	(161.1)
	1,483.5	1,440.7
Equipment on operating leases, net	45.6	42.3
Other assets	12.7	24.7
Total Financial Services Assets	1,556.4	1,523.0
	$2,809.3	$2,737.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (millions of dollars)

C. Notes, Contracts and Other Receivables

The Company's notes, contracts and other receivables are as follows:

	1992	1991
Retail notes and contracts	$ 853.0	$ 787.9
Wholesale financing	96.2	121.9
Direct financing leases	693.3	708.1
Interest and other receivables	13.5	15.3
	1,656.0	1,633.2
Less allowance for losses	(30.9)	(31.4)
	1,625.1	1,601.8
Unearned interest:		
Retail notes and contracts	(48.3)	(58.7)
Direct financing leases	(93.3)	(102.4)
	(141.6)	(161.1)
	$1,483.5	$1,440.7

Terms for substantially all retail notes, contracts, and direct financing leases range up to 60 months. Wholesale financing receivables are generally due within 12 months. Repayment experience indicates some receivables will be paid prior to contracted maturity while other will be extended or renewed.

Annual payment due on retail notes and contracts for the five years beginning January 1, 1993 are $343.0, $249.2, $160.0, $77.9, $22.2, and $0.7 thereafter.

The Company's net investments in direct financing leases of transportation equipment are as follows:

	1992	1991
Minimum lease payments receivable	$651.0	$679.5
Estimated residual values of leased equipment	42.3	28.6
	693.3	708.1
Less unearned interest	(93.3)	(102.4)
Net investment in direct financing leases	$600.0	$605.7

Annual minimum lease payments due on direct financing leases for the five years beginning January 1, 1993, are $228.9, $172.4, $124.7, $79.5, $29.7, and $15.8 thereafter.

The Company's customers are principally concentrated in the transportation industry. Generally, financial services receivables are collateralized by equipment being financed.

TALLEY INDUSTRIES, INC. (DEC)

	1992	1991
Total current assets	$135,199,000	$206,759,000
Long-term receivables, net	12,242,000	10,162,000
Property, plant and equipment, at cost, net of accumulated depreciation of $77,381,000 in 1992 and $73,987,000 in 1991	51,401,000	57,036,000
Intangibles, at cost, net of accumulated amortization of $12,619,000 in 1992 and $12,279,000 in 1991	47,081,000	53,113,000
Deferred charges and other assets	1,835,000	3,108,000
Net assets of discontinued operations	86,437,000	97,033,000
Total assets	$334,195,000	$427,211,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Receivables

A summary of amounts receivable is as follows:

(in thousands)	1992	1991
Notes receivable, including accrued interest and income tax refunds	$12,242	$11,382
Amounts due within one year, included in accounts receivable	—	(1,220)
	$12,242	$10,162

Long-term receivables include income tax receivables of $8,195,000 and two notes totaling $4,047,000. The final maturity of the notes is March 1995 and April 1997 with interest rates of prime and 9.5%, respectively.

Fair Value of Financial Instruments (In Part)

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. Long-term receivables and Realty debt instruments have been issued in connection with the Company's discontinued real estate operations and as a result of foreclosure, forfeiture and renegotiation of such instruments in conjunction with the constant evaluation of the real estate portfolio it is believed that the fair value of such instruments, as they have been restructured or renegotiated, approximates the carrying value of these instruments.

TRIBUNE COMPANY (DEC)

	1992	1991
	($000)	
Net properties	$1,073,943	$1,103,705
Other assets		
Broadcast rights	226,981	242,751
Intangible assets (less accumulated amortization of $135,664 and $126,999)	645,385	618,935
Mortgage note receivable from affiliate	84,486	84,968
Other	146,437	155,503
Total other assets	1,103,289	1,102,157

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Transactions with Affiliate

The Company holds a mortgage note resulting from the sale in 1982 of the New York Daily News building to a limited partnership in which the Company holds a 23% interest. The note, which had an original principal amount of $87.5 million, is due in 1997 and bears interest at 13% plus contingent interest based upon the buildings cash flow and appreciation.

The Company's interest in the limited partnership resulted from an initial contribution of $20.0 million to the partnership in the form of a 14% note originally due December 1992. During 1991, this note was paid by the Company in conjunction with the receipt of $20.0 million from the partnership for a second mortgage note held by the Company, which also originated from the sale of the building to the partnership.

The fair market value of the mortgage note receivable from the partnership at December 27, 1992 is estimated to approximate its book value, using the discounted cash flow method.

WINNEBAGO INDUSTRIES, INC. (AUG)

	1992	1991
	($000)	
Total current assets	$ 81,819	$ 74,560
Property and Equipment, at cost		
Land	1,273	1,278
Buildings	38,591	40,164
Machinery and equipment	70,257	70,305
Transportation equipment	5,525	5,445
	115,646	117,192
Less accumulated depreciation	77,591	74,227
Property and equipment, net	38,055	42,965
Long-Term Notes Receivable, less allowance for doubtful accounts ($1,427 and $771 respectively)	2,910	2,521
Investment in Life Insurance	8,906	6,836
Other Assets	7,306	7,711
Net Assets of Discontinued Operations	765	539
Total Assets	$139,761	$135,132

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Long-Term Notes Receivable

Long-term notes receivable of $2,910,000 and $2,521,000 at August 29, 1992 and August 31, 1991, respectively, are primarily collateralized by dealer inventories and real estate. The notes had a weighted average interest rate of 8.17% and 8.42% at August 29, 1992 and August 31, 1991, respectively, and have various maturity dates ranging through November 1997.

INTANGIBLE ASSETS

APB Opinion No. 17 sets forth requirements as to accounting for intangible assets. *Opinion No. 17* stipulates that all intangible assets acquired after October 31, 1970 or recognized in business combinations initiated after October 31, 1970 be amortized over a period not to exceed 40 years and that "financial statements should disclose the method and period of amortization."

Table 2-17 lists those intangible assets being amortized which are most frequently disclosed by the survey companies. Table 2-17 does not reflect intangible assets not being amortized because such assets were acquired prior to the effective date of *Opinion No. 17.* Table 2-17 also does not reflect intangible pension assets recognized when an entity records a minimum pension liability in accordance with *Statement of Financial Accounting Standards No. 87.* In 1992, 38 survey companies disclosed an amount for intangible assets acquired prior to the effective date of Opinion No. 17 and 54 survey companies disclosed an amount for intangible pension assets.

Table 2-18 summarizes the amortization periods used by the survey companies to amortize intangible assets. It is not uncommon for a company to use more than one period for one type of intangible. For instance, a company may disclose in the Summary of Accounting Policies that it amortizes goodwill over a period not exceeding 40 years and in a subsequent note disclose that it amortizes goodwill related to a certain acquisition over a specified number of years.

Examples of intangible asset disclosures follow.

TABLE 2-17: INTANGIBLE ASSETS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Goodwill recognized in a business combination	383	381	379	367
Patents, patent rights	62	59	62	62
Trademarks, brand names, copyrights	50	48	46	38
Noncompete covenants	21	18	20	11
Licenses, franchises, memberships	17	17	16	19
Other—described	45	42	37	41

TABLE 2-18: AMORTIZATION PERIOD—1992

	Number of Companies				
Period	**Goodwill**	**Patents**	**Trademarks**	**Noncompete**	**Licenses**
40	177	—	6	—	1
"Not exceeding 40"	76	3	3	—	—
25-30	14	—	1	—	1
20	17	—	1	—	—
10-15	13	4	2	4	—
Legal/estimated life	39	38	21	9	6
Other	72	17	16	8	9

Goodwill

BLOUNT, INC. (FEB)

	1992	1991
	($000)	
Total current assets	$222,291	$252,636
Property, plant and equipment, net of accumulated depreciation of $110,787 and $97,398	154,280	147,274
Cost in excess of net assets of acquired businesses, net	63,878	58,727
Net assets of discontinued operations	2,435	13,770
Other assets	23,359	23,912
Total assets	$466,243	$496,319

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cost in excess of net assets of acquired businesses: The excess cost is being amortized by the straight-line method over periods not to exceed 40 years. Amortization expense was $1.9 million, $1.7 million and $1.5 million for 1992, 1991 and 1990 and accumulated amortization was $11.5 million and $9.6 million as of the last day of February 1992 and 1991.

DANAHER CORPORATION (DEC)

	1992	1991
	($000)	
Total current assets	$230,006	$216,149
Property, plant and equipment, net	212,762	206,855
Other assets	6,598	5,107
Excess of cost over net assets of acquired companies, less amortization of $42,295 and $33,358	320,449	306,844
	$769,815	$734,955

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Financial Statements

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

Excess of Cost Over Net Assets of Acquired Companies—This asset is being amortized on a straight-line basis over forty years. $8,940,000, $8,689,000, and $7,300,000 of amortization was charged to expense for the years ended December 31, 1992, 1991, and 1990, respectively.

ETHYL CORPORATION (DEC)

	1992	1991
	($000)	
Total current assets	$ 788,933	$ 573,144
Property, plant and equipment, at cost	1,639,216	1,498,115
Less accumulated depreciation and amortization	(809,442)	(731,448)
Net property, plant and equipment	829,774	766,667
Other assets and deferred charges	160,394	150,003
Goodwill and other intangibles—net of amortization	99,797	80,691
Total assets	$1,878,898	$1,570,505

NOTES TO FINANCIAL STATEMENTS

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

Goodwill & Other Intangibles—Goodwill acquired prior to November 1, 1970, ($1,652,000) is not being amortized. Goodwill acquired subsequently ($92,855,000 net of accumulated amortization) is amortized on a straight-line basis over periods from 10 to 40 years. Other intangibles ($40,250,000 net of accumulated amortization) are amortized on a straight-line basis over periods from three to 20 years. Amortization of goodwill and other intangibles amounted to $10,700,000 for 1992, $6,790,000 for 1991 and $9,008,000 for 1990. Accumulated amortization was $39,307,000 and $28,607,000 at the end of 1992 and 1991, respectively.

LAFARGE CORPORATION (DEC)

	1992	1991
	($000)	
Total current assets	$ 580,142	$ 571,121
Property, plant and equipment, net	982,277	1,056,265
Excess of cost over net assets of businesses acquired, net	43,049	47,303
Other assets	161,973	161,753
Total assets	$1,767,441	$1,836,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting and Financial Reporting Policies (In Part)

Excess of Cost Over Net Assets of Businesses Acquired

The excess of cost over fair value of net assets of businesses acquired is amortized on a straight-line basis over periods not exceeding forty years. The amortization recorded for 1992, 1991, and 1990 was $5.4 million, $6.4 million and $5.5 million, respectively. Accumulated amortization at December 31, 1992 and 1991 was $33.9 million and $28.5 million, respectively.

SONOCO PRODUCTS COMPANY (DEC)

	1992	1991
	($000)	
Property, Plant and Equipment	$614,018	$580,787
Cost in Excess of Fair Value of Assets Purchased	59,003	61,069
Other Assets	108,563	73,364

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share)

Note 7: Cost in Excess of Fair Value of Assets Purchased
Goodwill arising from business acquisitions is amortized on the straight-line basis over periods ranging from 20 to 40 years. Amortization expenses amounted to $3,854 in 1992; $3,450 in 1991 and $4,688 in 1990. Accumulated amortization at December 31, 1992 and 1991, was $22,040 and $19,333, respectively.

Patents

AMETEK, INC. (DEC)

	1992	1991
	($000)	
Total current assets	$319,475	$319,149
Property, plant and equipment, net	185,997	194,112
Other assets (Note 3)	89,267	99,212
	$594,739	$612,473

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Balance Sheet Information

	(In thousands) 1992	1991
Other Assets		
Intangibles, at cost:		
Patents	$ 27,993	$ 28,193
Excess of cost over net assets acquired	18,767	20,827
Other acquired intangibles	39,127	38,520
Less accumulated amortization	(38,980)	(31,611)
	46,907	55,929
Investments	19,919	22,483
Other	22,441	20,800
	$ 89,267	$ 99,212

Patents are being amortized on a straight-line basis over 7 to 14 years. The excess of cost over net assets acquired is being amortized on a straight-line basis over 20 to 30 years. Other acquired intangibles are being amortized on a straight-line basis over 2 to 30 years.

THIOKOL CORPORATION (JUN)

	1992	1991
	($ Millions)	
Other assets		
Costs in excess of net assets of businesses acquired, less amortization	$ 57.8	$59.7
Patents and other intangible assets	23.3	
Other noncurrent assets	35.5	23.2
	116.6	82.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies
Intangibles: Costs in excess of the net assets acquired, which relate to acquisitions prior to 1986, are being amortized on a straight-line basis over periods not exceeding 40 years. Patents and other intangibles arising from the acquisition of Huck International, Inc. are being amortized on a straight-line basis over periods not exceeding 17 years. Accumulated amortization amounted to $20.9 and $17.4 million, at June 30, 1992 and 1991 respectively.

WARNER-LAMBERT COMPANY (DEC)

	1992	1991
	($ Millions)	
Total current assets	$2,176.3	$1,843.7
Investments and other assets	237.5	250.2
Property, plant and equipment	1,507.1	1,350.0
Intangible assets	156.5	158.1
Total assets	$4,077.4	$3,602.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies:
Intangible assets—Intangible assets are recorded at cost and are amortized using the straight-line method over appropriate periods not exceeding 40 years.

Note 7—Intangible Assets:

December 31,	1992	1991
	(In millions)	
Purchased patents, trademarks and other intangibles	$145.0	$138.6
Goodwill	66.0	67.4
	211.0	206.0
Less accumulated amortization	(54.5)	(47.9)
	$156.5	$158.1

Amortization expense for the years 1992, 1991 and 1990 totaled $6.9 million, $6.1 million and $5.8 million, respectively.

Trademarks

BRUNSWICK CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current assets	$ 864.9	$ 761.0
Property		
Land	63.7	62.2
Buildings	349.7	328.2
Equipment	693.0	673.7
	1,106.4	1,064.1
Accumulated depreciation	(571.4)	(531.4)
Property	535.0	532.7
Other assets		
Dealer networks	203.5	235.3
Trademarks and other	88.8	63.3
Excess of cost over net assets of businesses acquired	120.4	122.7
Investments	59.8	45.9
Other assets	472.5	467.2
Assets of continuing operations	1,872.4	1,760.9
Net assets of discontinued operations	35.6	64.1
Total assets	$1,908.0	$1,825.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Intangibles. The costs of dealer networks, trademarks and other intangible assets are amortized over their expected useful lives using the straight-line method. Accumulated amortization was $278.3 million and $244.0 million at December 31, 1992 and 1991, respectively. The excess of cost over net assets of businesses acquired is being amortized using the straight-line method, principally over 40 years. Accumulated amortization was $21.7 million and $17.8 million at December 31, 1992 and 1991, respectively.

DEP CORPORATION (JUL)

	1992	1991
Total current assets	$34,770,000	$30,622,000
Property and equipment, net	15,161,000	14,891,000
Intangible, net	25,847,000	28,178,000
Other assets	398,000	538,000
	$ 76,176,000	$ 74,229,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles

Intangible assets consist primarily of goodwill, trademarks, non-compete agreements and customer lists and are carried at cost less accumulated amortization. Costs are amortized over the estimated useful lives of the related assets (5–40 years). Amortization expense charged to operations for fiscal years ended July 31, 1992, 1991 and 1990 was $1,342,000, $873,000, and $643,000, respectively.

Note 4. Intangibles:

Intangibles consisted of the following:

	1992	1991
Goodwill	$21,748,000	$21,458,000
Trademarks	6,209,000	9,308,000
Other	2,870,000	1,050,000
	30,827,000	31,816,000
Less accumulated amortization	4,980,000	3,638,000
	$25,847,000	$28,178,000

CRYSTAL BRANDS, INC. (DEC)

	1992	1991
	($000)	
Total current assets	$238,308	$350,048
Property, plant and equipment, net	48,294	87,479
Goodwill, net	120,806	139,047
Trademark, trade names and patents, net	59,517	73,146
Other noncurrent assets	11,948	9,717
Total assets	$478,873	$659,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Amortization of Intangibles

Goodwill and trademarks, trade names and patents are as follows:

	January 2, 1993		December 28, 1991	
	Goodwill	Trademarks, trade names & patents	Goodwill	Trademarks, trade names & patents
Subject to 40 yr. straight-line amortization	$103,648	$ 64,797	$119,219	$ 76,266
Subject to 15 yr. straight-line amortization	—	2,773	—	2,773
Subject to 5 yr. straight-line amortization	—	5,463	—	5,463
Not amortized	27,896	—	29,146	—
	131,544	73,033	148,365	84,502
Less: accumulated amortization	(10,738)	(13,516)	(9,318)	(11,356)
	$120,806	$ 59,517	$139,047	$ 73,146
Amortization expense	$ 2,894	$ 3,264	$ 2,986	$ 3,289

Discontinued operations and the sale of assets resulted in the write-off of goodwill and trademarks, trade names and patents of $15,332 and $10,365, (net of accumulated amortization of $1,489 and $1,104), respectively in 1992.

Covenants Not To Compete

HOMEDCO GROUP, INC. (SEP)

	1992	1991
	($000)	
Total current assets	$122,215	$ 57,814
Rental equipment, less accumulated depreciation of $40,099 and $28,224 at September 30, 1992 and 1991	57,978	25,739
Property, equipment and improvements, net	25,254	14,020
Intangible assets, net	21,799	3,030
Other assets	1,738	1,468
	$228,984	$102,071

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Intangible Assets: Intangible assets consist of covenants not to compete and goodwill arising from business combinations (see Note I). The values assigned to intangible assets, based in part upon independent appraisals, are being amortized on a straight-line basis. The covenants are being amortized over their contractual lives which range from two to ten years. Goodwill, representing the excess of the purchase price over the estimated fair value of the net assets of the acquired business, is being amortized over the period of expected benefit of twenty years.

Note C: Intangible Assets

Intangible assets consist of the following:

	September 30, 1992	1991
	(In thousands)	
Covenants not to compete	16,574	2,340
Goodwill	6,087	720
	22,661	3,060
Less accumulated amortization	(862)	(30)
	21,799	3,030

RYKOFF-SEXTON, INC. (APR)

	1992	1991
Other Assets		
Noncompetition and consulting agreements, leasehold interests and other	$ 8,936,000	$12,669,000
Excess of cost over assets acquired	14,865,000	15,271,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Other Assets

Other assets are amortized on the straight-line method over the following periods:

Excess of cost over assets acquired	40 years
Noncompetition and consulting agreements	Term of agreement
Leasehold interests	Life of lease

Accumulated amortization of other assets was $15,988,000 and $17,798,000 as of May 2, 1992 and April 27, 1991, respectively.

Franchises

COCA-COLA ENTERPRISES INC. (DEC)

	1992	1991
	($ Millions)	
Total Current Assets	$ 701	$ 706
Property, plant and equipment		
Land	179	172
Buildings and improvements	594	577
Machinery and equipment	1,851	1,673
	2,624	2,422
Less allowances for depreciation	973	799
	1,651	1,623
Construction in progress	82	83
	1,733	1,706
Franchise and other noncurrent assets	5,651	4,265
	$8,085	$6,677

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principal Accounting Policies (In Part)

Franchise Assets: Franchise assets are stated at cost and are amortized primarily on a straight-line basis over forty years. Accumulated amortization amounted to $577 million and $422 million at December 31, 1992 and 1991, respectively.

TIME WARNER INC. (DEC)

	1992	1991
	($000)	
Property, plant and equipment, net	$3,266	$3,169
Excess of cost over net assets acquired	9,105	8,850
Cable television franchises	3,660	2,924
Music copyrights, record catalogues and other assets	1,777	1,804

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

The costs to acquire cable television franchises, music copyrights, recording artist contracts, record catalogues and other identifiable intangible assets, and the excess of cost over net assets acquired, are being amortized over periods up to forty years using the straight-line method. In 1992, 1991 and 1990, amortization of the excess of cost over net assets acquired amounted to $257 million, $246 million and $252 million, respectively; amortization of cable television franchises amounted to $194 million, $171 million and $179 million, respectively; and amortization of music copyrights, record catalogues and other identifiable intangible assets amounted to $135 million, $139 million and $121 million, respectively. Accumulated amortization of intangible assets at December 31, 1992 and 1991 amounted to $2,021 billion and $1,435 billion, respectively.

Licenses

HASBRO, INC. (DEC)

	1992	1991
	($000)	
Total current assets	$1,116,929	$1,025,249
Property, plant and equipment, net	251,340	225,192
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of $53,514 in 1992 and $41,400 in 1991	484,278	496,120
Other intangibles, less accumulated amortization of $65,497 in 1992 and $59,179 in 1991	206,628	156,102
Other	23,591	47,464
Total other assets	714,497	699,686
Total assets	$2,082,766	$1,950,127

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Depreciation and Amortization

Depreciation and amortization are computed using accelerated and straight-line methods to amortize the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment 3 to 12.

Tools, dies and molds are amortized over a three year period or their useful lives, whichever is less, using an accelerated method. Amortization is credited directly against the cost of assets.

Substantially all costs in excess of net assets (goodwill) of subsidiaries acquired are being amortized on the straight-line method over forty years.

Other intangibles, which include the cost of license agreements, trademarks and copyrights and cost in excess of net assets acquired through the purchase of product rights and licenses, are being amortized over five to twenty years using the straight-line method.

Technology

MICRON TECHNOLOGY, INC. (AUG)

	1992	1991
	($000)	
Total current assets	226,992	213,193
Product and process technology, net	93,953	96,857
Property, plant, and equipment, net	396,280	389,354
Other assets	7,258	6,460
Total assets	$724,483	$705,864

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Product and process technology: Costs related to the conceptual formulation and design of products and processes are expensed as research and development. Costs incurred to establish patents and acquire product and process technology are capitalized. Capitalized costs are amortized on the units-of-production method and on the straight-line method over the shorter of the estimated useful life of the technology, the patent term, or the acquisition agreement, ranging up to 15 years.

Product and Process Technology

Accumulated amortization was $33,276,000 and $23,260,000 as of September 3, 1992, and August 29, 1991, respectively. Amortization of capitalized product and process technology costs charged to operations was $10,016,000 in 1992; $9,488,000 in 1991; and $12,983,000 in 1990.

WESTERN DIGITAL CORPORATION (JUN)

	1992	1991
	($000)	
Total current assets	$302,293	$353,680
Property and equipment at cost, accumulated depreciation and amortization	196,328	228,098
Intangible and other assets, net (Note 2)	33,922	38,662
Total assets	$532,543	$620,440

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Depreciation and Amortization

The cost of property and equipment is depreciated over the estimated useful lives of the respective assets. Depreciation is computed on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the related lease terms. Goodwill and purchased technology are capitalized at cost and amortized on a straight-line basis over their estimated lives which range from five to fifteen years. Start-up costs of manufacturing facilities are capitalized when incurred and amortized on a unit-of-production basis not to exceed a four-year period. These costs are an integral part of the process of bringing manufacturing facilities into full commercial production and therefore beneficial to future periods.

Note 2 (In Part): Supplemental Financial Statement Data

	1992	1991
Intangible and Other Assets		
Purchased technology	$ 24,800	$ 31,271
Goodwill	14,036	14,036
	38,836	45,307
Accumulated amortization	(11,151)	(14,653)
Net intangible assets	27,685	30,654
Other assets	6,237	8,008
	$ 33,922	$ 38,662

Brands

AMERICAN BRANDS, INC. (DEC)

	1992	1991
	($ Millions)	
Total current assets	$3,496.4	$3,920.8
Property, plant and equipment, net	1,406.4	1,472.4
Intangibles resulting from business acquisitions, net	3,104.0	3,284.0
Other assets	631.1	659.6
Total assets	$8,637.9	$9,336.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Intangibles Resulting from Business Acquisitions

Intangibles resulting from business acquisitions, comprising cost in excess of net assets of business acquired, and brands and trademarks, are being amortized on a straight-line basis over 40 years, except for intangibles acquired prior to 1971, which are not being amortized because they are considered to have a continuing value over an indefinite period. Amortization amounted to $84.9 million. $75.9 million and $60.9 million in 1992, 1991 and 1990, respectively. The cumulative amortization amounted to $380.8 million and $319 million at December 31, 1992 and 1991, respectively.

Intellectual Property Rights

THE GILLETTE COMPANY (DEC)

	1992	1991
	($ Millions)	
Total Current Assets	$2,336.2	$2,177.8
Property, Plant and Equipment, at cost less accumulated depreciation	1,075.4	931.4
Intangible Assets, less accumulated amortization	432.1	400.4
Other Assets	346.2	377.1
	$4,189.9	$3,886.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Intangible Assets

Goodwill arising from acquisitions since October 31, 1970, is being amortized primarily over a 40-year period. The remaining goodwill, related to the acquisition of Braun AG, is not being amortized since, in the opinion of management, there has been no reduction in value. Other intangible assets, consisting mostly of dental endorsements and the Wilkinson trademark and intellectual property rights, are being amortized principally over 13 years and 40 years, respectively. Amortization is based on the straight-line method.

Intangible Assets

Goodwill ($43.6 million not subject to amortization)	$398.6	$349.4
Other intangible assets	143.5	141.5
	542.1	490.9
Less accumulated amortization	110.0	90.5
	$432.1	$400.4

Distribution Rights

THE READER'S DIGEST ASSOCIATION, INC. (JUN)

	1992	1991
	($000)	
Total current assets	$1,002,023	$ 913,463
Marketable securities, at cost (market value $559,072 in 1992 and $336,828 in 1991)	471,635	289,096
Other long-term investments	58,363	38,095
Property, plant and equipment, net	253,666	223,695
Intangible assets, net	79,839	90,032
Other noncurrent assets	66,783	50,869
Total assets	$1,932,309	$1,605,250

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share data

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets. Intangible assets reflect the acquisition costs of distribution rights, contracts, subscription lists and other intangible assets as well as the excess of the cost over the fair value of the net assets of several businesses acquired. The acquisition costs of distribution rights, contracts, and subscription lists and other intangible assets are amortized over the estimated useful lives, usually not in excess of six years, and the excess of cost over fair value of businesses acquired is amortized over varying periods, not in excess of 40 years. All intangible assets are amortized using the straight-line method.

4. Intangible Assets

	1992	1991
Distribution rights, contracts, subscription lists and other	$58,857	$59,247
Excess of cost over fair value of net assets of businesses acquired	80,874	78,672
	139,731	137,919
Less: Accumulated amortization	59,892	47,887
	$79,839	$90,032

Technical Documentation

SPECTRUM CONTROL, INC. (NOV)

	1992	1991
	($000)	
Total current assets	$17,393	$13,771
Property, plant and equipment, net	18,551	20,591
Other assets (Note 4)	1,090	856
Total assets	$37,034	$35,218

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

Debt issuance costs are amortized to expense on a straight line basis over the term of the related indebtedness. Preoperating costs, relating to preparing a new production facility for its intended use, are deferred and amortized on a straight line basis over five years. Patents and patent rights are amortized to expense on a straight line basis over periods not exceeding 17 years. Technical documentation, consisting primarily of acquired engineering drawings and manufacturing documentation, is stated at cost and amortized on a straight line basis over five years.

4. Other Assets
Other assets consist of the following:

	November 30	
	1992	1991
	(In thousands)	
Intangible assets		
Debt issuance costs	$ 216	$ 216
Preoperating costs	0	410
Patents and patent rights	456	424
Technical documentation	485	0
	1,157	1,050
Less accumulated amortization	210	442
	947	608
Restricted cash and investments (see Note 6)	28	154
Deferred charges	115	94
	$1,090	$ 856

Data Files

TRW INC. (DEC)

	1992	1991
	($ Millions)	
Intangible assets		
Intangibles arising from acquisitions	$ 552	$561
Capitalized data files	418	377
Other	46	43
	1,016	981
Less accumulated amortization	299	266
Intangible assets—net	717	715
Other assets	314	334

NOTES TO FINANCIAL STATEMENTS

Summary of significant accounting policies (In Part)
Intangible assets—Intangible assets are stated on the basis of cost. Intangibles arising from acquisitions prior to 1971 ($75 million) are not being amortized because there is no indication of diminished value. Intangibles arising from acquisitions after 1970 are being amortized by the straight-line method principally over 40 years. Capitalized data files are amortized by the straight-line method over periods not exceeding 15 years.

Intangible Pension Assets

JOHNSTON INDUSTRIES, INC. (JUN)

	1992	1991
Total current assets	$ 50,600,000	$ 39,858,000
Investments—At equity	10,822,000	7,234,000
Property, Plant, and Equipment—Net	60,859,000	60,561,000
Intangible Asset—Pension	4,281,000	2,876,000
Other Assets	1,323,000	1,029,000
Total Assets	$127,885,000	$111,558,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. (In Part): Employee Benefit Plans
The provisions of Financial Accounting Standards Board Statement No. 87, "Employers' Accounting for Pensions" (SFAS No. 87) require recognition in the balance sheet of an additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets.. At June 30, 1992 and 1991, an additional liability of $4,281,000 and $2,876,000, respectively, and an intangible asset of equal amount are reflected in the consolidated balance sheets. The increase in 1992 was due to changes in the plan provisions for salaried employees including a change in the definition of final average earnings and recognition of past service credit for predecessor employees.

ROBBINS & MYERS, INC. (AUG)

	1992	1991
Total Current Assets	$45,779,860	$51,364,852
Intangible Assets	6,256,586	1,412,772
Other Assets	2,240,226	769,239
Property, Plant and Equipment		
Land and improvements	1,205,678	1,071,075
Buildings	7,717,024	6,464,799
Machinery and equipment	33,817,914	28,699,636
	42,740,616	36,235,510
Less allowances for depreciation	22,699,543	20,524,105
	20,041,073	15,711,405
	$74,317,745	$69,258,268

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Intangible Assets

Intangible assets primarily relate to the excess of the purchase price paid over the value of net assets (goodwill) of businesses acquired. Amortization expense is calculated on a straight-line basis over forty years. Accumulated amortization totaled $397,000 at August 31, 1992 and $330,000 at August 31, 1991. Also included in intangible assets is an asset related to the company's minimum pension liability, as further described in the Retirement Plans Note.

Retirement Plans (In Part)

During 1992 the company recorded $2,397,000 ($1,232,000 in 1991) to recognize the minimum pension liability required by the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." The transaction, which had no effect on income, was offset by recording an intangible asset in the amount of $1,918,000 ($1,232,000 in 1991) and reducing equity by $479,000.

OTHER NONCURRENT ASSET CAPTIONS

Table 2-19 summarizes the nature of assets (other than property, investments, noncurrent receivables, and intangible assets) classified as noncurrent assets on the balance sheets of the survey companies. Examples of other noncurrent asset presentations and disclosures, except assets leased to others, follow. Examples of assets leased to others are presented in connection with Table 2-28.

TABLE 2-19: OTHER NONCURRENT ASSETS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Deferred income taxes	95	34	20	17
Prepaid pension costs	81	87	78	78
Property held for sale	73	60	65	69
Debt issue costs	34	45	35	32
Segregated cash or securities	33	33	39	36
Software	29	35	32	27
Assets of nonhomogeneous operations	29	26	26	25
Assets leased to others	19	25	29	29
Cash surrender value of life insurance	18	18	16	15
Start up costs	17	15	6	5
Other identified noncurrent assets	50	48	50	66

Deferred Income Taxes

ACME METALS INCORPORATED (DEC)

	1992	1991
	($000)	
Current Assets:		
Cash and cash equivalents	$ 49,224	$ 31,734
Receivables, less allowances of $1,081 in 1992 and $741 in 1991	47,091	48,494
Inventories	39,488	41,186
Income taxes receivable		4,589
Deferred income taxes	11,754	6,810
Other current assets	1,303	1,379
Total current assets	148,860	134,192
Investments and Other Assets:		
Investments in associated companies	14,105	14,105
Other assets	7,197	12,709
Deferred income taxes	9,851	
Total investments and other assets	31,153	26,814

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Significant components of the company's deferred tax liabilities and assets at December 27, 1992 are:

	Expressed in thousands
Liabilities	
Property, plant and equipment	$21,656
Miscellaneous	2,774
Gross deferred tax liabilities	24,430
Assets	
Postretirement benefits other than pensions	32,219
Inventory	3,182
Accounts receivable	2,846
Pensions	565
Other employee benefits	2,123
Other assets	647
Miscellaneous	722
Alternative minimum tax credits	3,005
State net operating losses	726
Gross deferred tax assets	46,035
Net deferred tax asset	$21,605

BETHLEHEM STEEL CORPORATION (DEC)

	1992	1991
	($ Millions)	
Total Current Assets	$ 961.4	$ 957.8
Property, Plant and Equipment, less accumulated depreciation of $4,255.1 and $4,129.7	2,804.5	2,864.8
Investments and Miscellaneous Assets	150.2	133.7
Deferred Income Tax Asset—net (Note D)	915.0	—
Intangible Asset—Pensions	239.6	172.0
Total Assets	$5,070.7	$4,128.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Accounting Changes: During 1992, Bethlehem adopted two new Financial Accounting Standards Board Statements, *Accounting for Postretirement Benefits Other Than Pensions* (Statement No. 106) and *Accounting for Income Taxes* (Statement No. 109).

• • • • • • • •

Statement No. 109 requires financial statements reflect deferred income taxes for the future tax consequences of events recognized in different years for financial reporting and tax reporting purposes. Effective January 1, 1992, Bethlehem recorded a $495.0 million ($6.04 per share) net deferred income tax asset as the cumulative effect of a change in an accounting principle. This accounting change also reduced the 1992 net loss by $40.0 million ($49 per share). See Note D.

D (In Part): Taxes

The components of the net deferred income tax asset at January 1 (see Note A) and December 31, 1992 follow:

	1992	
(Dollars in millions)	December 31	January 1
Temporary differences:		
Employee benefits	$ 950	$ 900
Depreciable assets	(290)	(270)
Other	140	130
Total	800	760
Operating loss carryforward	510	460
Deferred income tax asset	1,310	1,220
Valuation allowance	(395)	(345)
Deferred income tax asset—net	$ 915	$ 875

Temporary differences represent the cumulative taxable or deductible amounts recorded in the financial statements in different years than recognized in the tax returns. The employee benefits temporary difference includes amounts expensed in the financial statements for pensions, healthcare, life insurance and other postretirement benefits which become deductible in the tax return upon payment or funding in qualified trusts. The depreciable assets temporary difference represents generally tax depreciation in excess of financial statement depreciation. Other temporary differences represent principally various expenses accrued for financial reporting purposes that are not deductible for tax reporting purposes until paid. At December 31, 1992, Bethlehem had regular tax net operating loss carryforwards of $1.5 billion and alternative minimum tax loss carryforwards of $700 million. Regular federal tax net operating loss carryforward of $420 million expires in 1998 with the balance expiring in varying amounts from 1999 through 2007.

Statement No. 109 requires that Bethlehem record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax assets will not be realized." It further states that "forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years." The ultimate realization of this deferred income tax asset depends on the ability to generate sufficient taxable income in the future. Bethlehem has undergone substantial restructuring and made substantial strategic capital expenditures during the last several years. As a result, Bethlehem has a significantly lower and more competitive cost structure and is in a strong position to take advantage of an economic recovery. In addition, Bethlehem reported net income before income taxes, restructuring charges and extraordinary gains in 1987 through 1990 and incurred higher costs in 1991 relating to unusual repair and start-up costs of certain new facilities. While we believe that the total deferred income tax asset will be fully realized by future operating results together with tax planning opportunities, *e.g.*, control over contributions to our pension trust and selection of future tax depreciation methods, the losses in recent years and a desire to be conservative make it appropriate to record a valuation allowance.

Accordingly, Bethlehem has provided a valuation allowance at January 1 and December 31, 1992, equal to 50% of the total deferred income tax asset related to the operating loss carryforward and the temporary differences exclusive of postretirement benefits other than pensions. The annual financial statement expense for postretirement benefits other than pensions will exceed the annual amount deductible in the tax returns for many years. Furthermore, if Bethlehem has a tax loss in any year in which a tax deduction exceeds a financial statement expense, the tax law currently provides for a 15-year carryforward of that loss against future taxable income. Accordingly, Bethlehem has many years to realize these future tax benefits. We believe, therefore, a valuation allowance is not necessary for the deferred income tax asset related to the temporary difference for postretirement benefits other than pensions.

If Bethlehem is unable to generate sufficient taxable income in the future through operating results or tax planning opportunities, increases in the valuation allowance will be required through a charge to expense (reducing stockholders' equity). On the other hand, if Bethlehem achieves sufficient profitability to use all of the deferred income tax asset, the valuation allowance will be reduced through a credit to expense (increasing stockholders' equity).

CHEMFIX TECHNOLOGIES, INC. (AUG)

	1992	1991
Current Assets:		
Cash and short-term investments	$ 253,991	$ 947,232
Restricted cash	54,900	89,900
Notes receivable	—	37,000
Accounts receivable, trade—less allowance for uncollectible amounts of $383,518 in 1992 and $353,071 in 1991	4,030,890	4,215,892
Other receivables	551,890	320,086
Prepaid expenses	434,556	563,521
Deferred contract costs	332,824	349,552
Deferred tax assets, net	378,041	—
Total Current Assets	6,037,092	6,523,183
Other Assets:		
Excess of cost over fair value of net assets acquired	1,174,344	1,274,166
Deposits and other	209,341	125,646
Deferred contract costs	339,698	592,200
Deferred tax assets, net	1,624,928	—
Investments in and advances to unconsolidated joint ventures-at equity	—	492,353
Investment in NEC	—	159,432
	3,348,311	2,643,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Income Taxes

Deferred income taxes consist of future tax benefits attributable to:

Assets (Liabilities)	August 31, 1992
Federal net operating loss carryforwards	$1,873,895
State net operating loss carryforwards	169,369
Tax credit carryforwards	204,528
Alternative minimum tax carryforwards	53,000
Capital loss carryforwards	298,262
Non-deductible accruals	253,917
Depreciation	(177,843)
Total	2,675,128
Less valuation allowance	(672,159)
Net Deferred Tax Assets	$2,002,969

The valuation allowance principally relates to the various states' operating loss carryforwards, tax credit carryforwards, and capital loss carryforwards. It is the opinion of management that due to the nature of these items or their relatively short useful life, that it is more likely than not these items will expire before the Company is able to realize their benefit. Under the provisions of SFAS 109, the valuation allowance has been allocated between current and noncurrent deferred tax assets on a pro-rata bases.

CYPRUS MINERALS COMPANY (DEC)

	1992	1991
	($000)	
Total Current Assets	$ 583,981	$ 577,535
Properties—At Cost, Net	974,714	1,330,406
Deferred Income Taxes (Note 7)	74,940	—
Other Assets	49,546	57,741
Total Assets	$1,683,181	$1,965,682
Noncurrent Liabilities and Deferred Credits		
Long-Term Debt	$ 232,337	$ 239,229
Deferred Employee and Retiree Benefits	134,772	17,346
Deferred Closure, Reclamation, and Environmental	72,578	37,526
Deferred Income Taxes (Note 7)	20,128	65,221
Other	42,391	37,186
Commitments and Contingencies	—	—
Total Noncurrent Liabilities and Deferred Credits	$ 502,206	$ 396,508

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Income Taxes

The deferred tax liabilities (assets) are comprised of the tax effect of the following at December 31:

(In thousands)	1992	1991	1990
Properties	$ 92,512	$213,692	$198,471
Prepaid Expenses	13,146	11,541	7,179
Accrued Liabilities	(37,574)	(36,894)	(25,219)
Property Valuation Allowances	(44,048)	(22,765)	(20,674)
Regular Tax Net Operating Loss Carryforwards	(47,167)	—	—
Minimum Tax Credits	(82,603)	(53,865)	(36,364)
Percentage Depletion	—	(38,112)	(36,819)
State Tax Deduction	2,683	(6,318)	(6,689)
Cumulative Effect of Accounting Changes for Benefits (Before Minimum Tax Credits)[1]	(47,885)	—	—
Other	(944)	(2,058)	3,549
Valuation Allowance	97,068	—	—
	$(54,812)	$ 65,221	$ 83,434

[1]The Cumulative Effect Net of Minimum Tax is $29,199.

The Company has recorded a deferred tax liability of $20.1 million related primarily to foreign operations. The Company also recorded a deferred tax asset of $74.9 million in 1992. This asset is composed of $225.7 million of deferred tax benefits related to future deductible temporary differences of $551.2 million and minimum tax credit carryforwards of $82.6 million, netted against $136.3 million of tax liabilities related to future taxable temporary differences of $329.8 million, and a valuation allowance of $97.1 million. In order to fully realize the recorded tax asset, the Company will need to generate alternative minimum taxable income of $343.4 million in future years.

The valuation allowance of $97.1 million has been provided to reduce the total tax asset to $74.9 million because it is likely that a portion of the tax asset will not be realized. The net change in the valuation allowance from adoption of SFAS No. 109 on January 1, 1992, was an increase of $90.7 million. The change relates to an increase in the valuation allowance for the minimum tax credit of $76.2 million, the state income tax of $7.9 million, and the tax effect of the difference between temporary differences under the regular tax method and the alternative minimum tax method of $6.6 million.

In January 1993 the U.S. Supreme Court reversed a recent tax case (United States v. Hill). The Company had relied on this case to reduce its tax payments for 1990 and 1991 by approximately $42 million. All or part of this amount plus interest is expected to be repaid in 1993. This payment will have minimal income statement impact as the Company did not previously record this possible benefit.

DRESSER INDUSTRIES, INC. (OCT)

	1992	1991
	($ Millions)	
Current Assets		
Cash and cash equivalents	$ 155.2	$ 277.9
Notes and accounts receivables	627.4	581.0
Less allowances for doubtful receivables	22.4	19.5
	605.0	561.5
Inventories		
Finished products and work in process	498.0	338.0
Raw materials and supplies	46.5	65.9
	544.5	403.9
Deferred income taxes—Note G	71.8	76.5
Prepaid expenses	30.1	23.0
Total Current Assets	1,406.6	1,342.8
Investments and Other Assets		
Investments in and receivables from major joint ventures	406.8	362.9
Investments in INDRESCO	—	399.2
Intangibles	378.8	349.9
Other assets	108.5	120.7
Deferred income taxes—Note G	229.8	25.9
Total Investments and Other Assets	1,123.9	1,258.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Income Taxes

The components of the net deferred tax asset as of October 31, 1992, were as follows (in millions):

	1992
Deferred tax assets:	
Post retirements benefits	$201.2
Warranty accruals	14.1
Restructuring costs	17.3
Insurance accruals	21.0
Bad debt	19.4
Pension	9.0
Deferred compensation	12.8
Net operating loss carryforwards	17.6
Other items	32.7
Valuation allowance	(30.5)
Total deferred tax asset	314.6
Deferred tax liability—Depreciation	(13.0)
Net deferred tax asset	$301.6

Prepaid Pension Costs

THE EASTERN COMPANY (DEC)

	1992	1991
Other Assets		
Goodwill, less accumulated amortization ($54,819 in 1992 and $52,213 in 1991)	$ 71,492	$ 78,099
Patents, licenses and trademarks, less accumulated amortization ($148,729 in 1992 and $139,605 in 1991)	738,330	653,167
Prepaid pension cost—Note 9	1,797,410	1,569,989
Sundry	—	56,304
Noncurrent assets of discontinued operations	739,127	292,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employee Retirement Benefits

Based on the latest actuarial information available, the following table sets forth the funded status of the Company's defined benefit plans at September 30:

	1992	1991
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(17,908,107)	$(18,079,503)
Accumulated benefit obligation	$(17,997,690)	$(18,241,183)
Projected benefit obligation	$(18,812,210)	$(19,136,423)
Plan assets at fair value	24,914,752	25,943,888
Excess of plan assets over projected benefit obligation	6,102,542	6,807,465
Prior service cost not yet recognized in net periodic pension cost	89,120	194,026
Unrecognized net (gain)	(1,720,599)	(2,369,851)
Unrecognized net assets in excess of obligations	(2,673,653)	(3,061,651)
Net pension asset included in other assets in the balance sheet	$ 1,797,410	$ 1,569,989

All of the plans' assets at January 2, 1993 are invested in listed stocks and bonds and pooled investment funds, including Common Stock of the Company having a market value of $3,016,125 at that date.

FIGGIE INTERNATIONAL INC. (DEC)

	1992	1991
	($000)	
Net property, plant and equipment	$351,009	$347,514
Other Assets:		
Investments in affiliates	12,254	2,462
Patents	1,758	1,939
Goodwill	89,347	88,794
Prepaid pension costs	8,422	6,618
Other	134,509	93,536

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Pension and Employee Stock Ownership Plans

The funded status of the Company's domestic and international plans in 1992 and 1991, along with the amounts recognized in the Company's consolidated balance sheets, were as follows:

	1992		1991	
(in thousands of dollars)	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets
Accumulated benefit obligations	$ 23,114	$ 26,994	$ 23,087	$ 22,359
Vested benefit obligations	$ 22,637	$ 24,131	$ 22,395	$ 20,201
Plan assets at fair value	$ 38,490	$ 17,432	$ 38,318	$ 13,088
Projected benefit obligations	(24,193)	(33,104)	(24,345)	(26,506)
Assets over (under) projected benefit obligation	14,297	(15,672)	13,973	(13,418)
Unrecognized net (assets) liabilities at December 31	(6,301)	1,278	(6,957)	1,438
Unrecognized net (gain) loss	(94)	3,591	(960)	887
Prior service cost not yet recognized	571	5,481	611	2,683
Adjustment required to recognize minimum liability	(51)	(4,577)	(49)	(1,614)
Prepaid pension cost (liability) at December 31	$ 8,422	$ (9,899)	$ 6,618	$(10,024)

HERCULES INCORPORATED (DEC)

	1992	1991
	($000)	
Net Property, Plant and Equipment	$1,348,346	$1,476,255
Investments		
Affiliates, at equity	174,910	131,745
Other, at cost or less	103,329	104,351
Total Investments	278,239	236,096
Prepaid pension (Note 12)	218,134	182,778
Deferred charges and other assets	151,130	160,563

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share)

12 (In Part): Pension Benefits

The company's pension plans have assets in excess of the accumulated benefit obligation. Plan assets include equity and fixed income securities and real estate. The following table presents a reconciliation of the funded status of the pension plans to prepaid pension expense.

	December 31, 1992	1991
Plan assets at fair value	$1,290,850	$1,336,011
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (vested, 1992-$931,930; 1991-$856,757)	968,577	881,205
Effect of increase in compensation	170,276	153,212
Projected benefit obligation	1,138,853	1,034,417
Plan assets in excess of projected benefit obligation	151,997	301,594
Unrecognized net loss	197,854	42,935
Unrecognized prior service cost	15,448	12,065
Unrecognized transition asset	(147,165)	(173,816)
Prepaid pension expense	$218,134	$182,778

Property Held For Sale

BAKER HUGHES INCORPORATED (SEP)

	1992	1991
	($000)	
Other assets:		
Property held for disposal	$ 78,797	$ 66,796
Investments	98,493	90,415
Long-term notes receivable	23,095	23,413
Other assets	74,702	58,426
Excess costs arising from acquisitions—less accumulated amortization: 1992, $67,016; 1991, $44,304	857,513	666,147
Total other assets	1,132,600	905,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property held for disposal: Property held for disposal is stated at the lower of cost or estimated net realizable value.

CONCORD FABRICS INC. (AUG)

	1992	1991
Total current assets	$64,813,979	$66,829,025
Property, plant and equipment (at cost, less depreciation and amortization of $5,426,310 in 1992 and $7,964,708 in 1991)	7,341,634	14,068,075
Property, plant and equipment held for sale—at estimated disposal value (Note M)	3,650,000	—
Deferred income taxes	205,000	—
Other assets	611,252	502,224
Total	$76,621,865	$81,399,324

Note M. Loss on Plant Disposition:

The Company has decided to dispose of its Chino, California dyeing and finishing plant and is actively searching for a buyer. The loss on disposition of $3,000,000 (before income tax benefit of $1,180,000) reflected on the statement of operations and retained earnings for the fiscal year ended August 30, 1992 comprises estimated losses upon disposition of the property and equipment and estimated expenses during the disposition period.

ELCOR CORPORATION (JUN)

	1992	1991
	($000)	
Property, plant and equipment, net	$20,671	$23,336
Net Assets of Discontinued Operations—Noncurrent	6,906	7,089
Other Assets	1,283	1,062

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations

On July 12, 1991, the Company completed the sale of certain assets, including all equipment and the delivery fleet, of the two operating plants of Gory Roof Tile. The Company leased both facilities to the acquirer on a long-term basis with options to purchase either or both within a five-year period. This sale discontinued the Company's roof tile business.

The assets sold and assets held for sale or other disposition, net of applicable liabilities of the discontinued business, were reclassified as either current or noncurrent assets in the Consolidated Balance Sheet. Proceeds from the sale totaling $6,500,000 were utilized to reduce long-term debt as of the date of sale. Accordingly, noncurrent assets from discontinued operations and long-term debt were reduced by this amount in the Consolidated Balance Sheet in 1991. Applicable interest on this debt reduction, net of actual interest income earned by the discontinued operation, in the amounts of $560,000 and $580,000 for fiscal years 1991 and 1990, respectively, were allocated to the loss from discontinued operations in the Consolidated Statement of Operations.

The Loss on Disposal amount reflected in the Consolidated Statement of Operations includes a $2,556,000 loss relating to discontinuing Gory Roof Tile and an $873,000 writedown of real estate held for disposition relating to a business segment that was discontinued in fiscal 1986. At June 30, 1992, noncurrent assets of discontinued operations includes $5,664,000 of assets relating to the discontinued roof tile business and $1,242,000 relating to the previously discontinued business segment. At June 30, 1991, the comparable balances were $5,829,000 for the discontinued roof tile business and $1,260,000 for the previously discontinued segment.

TEKTRONIX, INC. (MAY)

	1992	1991
	($000)	
Property, plant and equipment—net	$ 285,554	$ 303,468
Property held for sale	32,449	32,690
Other long-term assets	112,568	102,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Property, Plant and Equipment

Property, plant and equipment are stated at their original cost when acquired. Depreciation for financial accounting purposes is generally provided by accelerated methods over the estimated useful lives of the related assets ranging from 10 to 48 years for buildings and 3 to 10 years for equipment. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the lease term, whichever is less. Property held for sale is stated at the lower of cost or estimated net realizable value and includes certain facilities and land no longer used in the Company's operations or held for future expansion.

UNITED FOODS, INC. (FEB)

	1992	1991
Net Property and Equipment	$48,100,000	$52,599,000
Net Assets of Discontinued Operations (Note 2)	4,831,000	13,408,000
Other Assets	10,729,000	9,415,000

NOTES TO FINANCIAL STATEMENTS

Note 2 (In Part): Discontinued Operations

On June 7, 1991, the Company announced its plans to cease operations of its textile division. The Company terminated its lease of the textile mill on September 15, 1991. Accordingly, the financial statements of the Company have been reclassified to report separately the net assets and operating results of the discontinued operations. Financial results for periods prior to the date of discontinuance have been reclassified to reflect continuing operations.

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At February 29, 1992, net assets of discontinued operations consist of:

Trade and claim receivables	$4,212,000
Note receivable	1,276,000
	5,488,000
Less allowance for possible losses	(929,000)
	4,559,000
Land held for resale	272,000
	$4,831,000

The Company has filed suits to collect the $4,212,000 in trade and claim receivables together with additional claims, in the amount of approximately $6,300,000 which have not been recognized.

During fiscal 1991, the Company entered into processing and loan agreements with a cotton pickery to process fiber for its textile division. On December 31, 1991, the processing agreement was terminated, the repayment terms of the receivable were restructured, and an employment agreement with the pickery's principal owner was terminated for $200,000, which was applied to reduce the receivable.

At February 29, 1992, the remaining $1,276,000 receivable is evidenced by a note from the cotton pickery, bears interest at prime plus one percent (7.5% at February 29, 1992) and is collateralized by commercial real estate and certain other assets. Minimum repayment terms require payments of $5,000 per month through July 1992 that increase to $10,000 monthly in August 1992 until the balance is retired. Additional repayment amounts based upon operating results of the pickery are also required by the agreement.

Debt Issue Costs

DIBRELL BROTHERS, INCORPORATED (JUN)

	1992	1991
Total current assets	$414,171,266	$321,964,725
Investments and other assets		
Equity in net assets of investee companies	11,710,029	14,986,752
Other investments	2,082,851	1,756,587
Notes receivable	490,817	15,838,776
Receivable from investee	—	5,154,062
Advance-net under Stock Purchase Agreement	—	42,672,128
Other	5,604,140	1,558,587
	19,887,837	81,966,892
Intangible assets		
Excess of cost over related net assets of business acquired	12,173,280	14,800,994
Production and supply contracts	49,093,333	8,232,313
Pension asset	2,324,060	3,179,380
	63,590,673	26,212,687
Property, plant and equipment		
Land	14,300,926	12,257,595
Buildings	76,368,547	63,973,431
Machinery and equipment	76,220,217	70,010,994
Allowances for depreciation (deduction)	(36,424,644)	(39,629,172)
	130,465,046	106,612,848
Deferred charges	2,345,178	2,522,512
	$630,460,000	$539,279,664

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Deferred charges primarily relate to the June 3, 1991, issuance of Subordinated Convertible Debentures. These charges totaled $2,846,000 at June 30, 1992, and are being amortized over the life of the debentures. The accumulated amortization at June 30, 1992, is $501,000.

Segregated Funds

MAXUS ENERGY CORPORATION (DEC)

	1992	1991
	($ Millions)	
Total Current Assets	$ 391.2	$ 205.7
Properties and Equipment, less accumulated depreciation and depletion	1,138.3	1,075.2
Investments and Long-term Receivables	87.5	75.4
Restricted Cash	124.7	20.2
Intangible Assets, less accumulated amortization	38.3	39.6
Deferred Charges	31.6	35.4
	$1,811.6	$1,451.5

NOTES TO FINANCIAL STATEMENTS

Note Eight (In Part): Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-Term Investments

The Company's short-term investments are comprised of securities purchased under repurchase agreements, U.S. Treasury notes and short-term, highly-liquid investments, with maturities greater than ninety days, but not exceeding one year. With the exception of the U.S. Treasury notes, the carrying amount approximates fair value because of the short maturity of these instruments. The fair value of the U.S. Treasury notes is based on year-end quoted market prices.

Long-Term Investments

The Company has stock investments and long-term notes receivable, for which no quoted market prices are available. A reasonable estimate of fair value could not be made without incurring excessive costs.

Additionally, the Company has guaranteed a non-recourse loan by Magma-Thermal Power Project, secured only by the Company's equity interest in the Geysers. The fair value of the non-recourse variable rate loan is equal to face value.

Restricted Cash

The Company's restricted cash is invested in short-term, highly-liquid investments. The carrying amount approximates fair value because of the short-term maturity of these investments.

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The estimated fair values of the Company's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
Assets		
Cash and short-term investments	$ 6.8	$ 6.8
Short-term investments:		
U.S. Treasury notes	121.2	121.5
Other	89.5	89.5
Long-term investments:		
Stock investments and notes receivable	11.5	11.5
Non-recourse loan	40.0	40.0
Restricted cash	124.7	124.7
Liabilities		
Securities sold under repurchase agreements	88.0	88.0
Long-term debt	829.4	849.2
Redeemable Preferred Stock	250.0	263.1

Note Twelve—Restricted Cash

At December 31, 1992, the Company had $124.7 million of restricted cash, classified as a non-current asset, of which $94.2 million represents collateral for outstanding letters of credit. Assets held in trust as required by certain insurance policies were $30.5 million in 1992 and $20.2 million in 1991.

Software Development Costs

ICOT CORPORATION (JUL)

	1992	1991
	($000)	
Equipment and leasehold improvements, net	$1,453	$1,142
Software Development Costs, net of amortization of $2,042 in 1992 and $1,617 in 1991	1,953	870

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Software Development Costs

The Company capitalizes internal software development costs in accordance with Statement of Financial Accounting Standards No. 86 (SFAS 86). As of July 25, 1992 and July 27, 1991, capitalized software development costs, net of amortization, were $1,953,000 and $870,000, respectively. The capitalization of these costs begins when a products technological feasibility has been established and ends when the product is available for general release to customers. Amortization is computed on an individual product basis and is the greater of: (a) the ratio of current gross revenues for a product to the total current and anticipated future gross revenues for the product or (b) the straight-line method over the estimated economic life of the product. Currently, the Company is using an estimated economic life of three years for all capitalized software costs. The amount of software development costs capitalized in fiscal 1992, 1991 and 1990 was $1,509,000, $460,000 and $100,000, respectively. The related amortization expense was $426,000, $493,000 and $439,000 for fiscal 1992, 1991 and 1990, respectively.

INTEGRAL SYSTEMS, INC. (SEP)

	1992	1991
Total Current Assets	$5,057,565	$5,175,278
Property and equipment, net of accumulated depreciation	243,248	195,934
Other Assets		
Deposits	180	10,438
Software development costs, net of accumulated amortization	426,361	206,639
Total Assets	$5,727,354	$5,588,289

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Software Development Costs

The Company has capitalized costs related to the development of certain software products. In accordance with Statement of Financial Accounting Standards No. 86, capitalization of costs begins when technological feasibility has been established and ends when the product is available for general release to customers. Amortization is computed on an individual product basis and has been recognized for those products available for market based on the products' estimated economic lives.

4. Software Development

Software development costs consist of the following at September 30, 1992 and 1991:

	1992	1991
Costs incurred	$492,777	$214,907
Accumulated amortization	(66,416)	(8,268)
	$426,361	$206,639

The total amortization expense for the years ended September 30, 1992, 1991, and 1990 is $58,148, $8,268 and $0, respectively.

Cash Surrender Value

DUPLEX PRODUCTS INC. (OCT)

	1992	1991
Other Assets		
Cash surrender value of life insurance policies, less loans of $1,048,000 in 1992 and 1991	$ 495,000	$ 470,000
Notes receivable	1,977,000	1,901,000
Deposits and other	279,000	325,000
	2,751,000	2,696,000

Assets Of Nonhomogeneous Operations

GENERAL CINEMA CORPORATION (OCT)

	1992	1991
	($000)	
Total current assets	$1,293,960	$2,553,246
Property and equipment		
Land, buildings and improvements	683,081	621,092
Fixtures and equipment	470,080	427,148
Book plates	354,280	364,875
	1,507,441	1,413,115
Less accumulated depreciation and amortization	655,870	584,306
Total property and equipment, net	851,571	828,809
Other assets		
Goodwill and other intangibles	415,072	427,991
Other	115,359	98,284
Total other assets	530,431	526,275
Insurance assets		
Fixed maturity securities, at amortized cost (market value $2,371,124 and $1,912,813)	2,226,486	1,809,790
Commercial paper	62,945	172,613
Other investments and cash	72,167	88,604
Premiums, accounts and investment income receivable	61,315	56,934
Deferred policy acquisition costs	138,725	121,175
Other assets	49,483	50,902
Total insurance assets	2,611,121	2,300,018
	$5,287,083	$6,208,348

Net Assets Of Spun-Off Operations

BALL CORPORATION (DEC)

	1992	1991
	($ Millions)	
Total current assets	$619.2	$549.5
Net assets of Alltrista operations	22.1	37.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Spin-Off

In August 1992, the Board of Directors approved in principle a dividend distribution of 100 percent of the common stock of Alltrista Corporation (Alltrista), a wholly owned subsidiary, to holders of Ball Corporation common stock (the Distribution). On or prior to the Distribution date, the company will contribute the net assets of the following businesses to Alltrista: the consumer products, zinc products, metal decorating and services and industrial systems divisions; and the plastics products businesses, comprised of Unimark plastics, industrial plastics and plastic packaging. Following the Distribution, which is expected to occur in the first quarter of 1993, Alltrista will operate as an independent, publicly owned corporation.

The company intends that Alltrista will assume bank indebtedness of the company of approximately $75.0 million. Net assets of Alltrista operations at the Distribution date are expected to be approximately $32 million including increased working capital, and additional capital contribution by Ball, if required. Further information regarding the composition of the net assets of the Alltrista operations is provided below:

(dollars in millions)	1992	1991
Net current assets, excluding debt	$41.6	$56.8
Net noncurrent assets, excluding debt	55.5	70.8
Minority interest	—	(15.1)
Allocated debt	(75.0)	(75.0)
Net assets of Alltrista operations	$ 22.1	$ 37.5

Following is summary income statement data for the Alltrista operations:

(dollars in millions)	1992	1991	1990
Net sales	$268.6	$249.1	$236.4
Earnings before interest and taxes	$ 17.0	$ 11.6	$ 19.2
Allocated interest expense	(5.3)	(6.1)	(6.6)
Provision for taxes on income	(4.9)	(2.6)	(5.0)
Minority interest	(.6)	.7	—
Alltrista net income	$ 6.2	$ 3.6	$7.6

Interest expense allocated to net income from Alltrista operations is based on assumed indebtedness of $75.0 million and Ball Corporation's weighted average interest rates. Debt specifically identified with the company's other operations was excluded in determining the weighted average interest rates.

Net income from Alltrista operations includes costs associated with certain Ball Corporation employee benefit programs. However, the caption net assets of Alltrista operations does not include certain benefit program related assets and liabilities since final determinations have not been made with respect to the individual assets or liabilities to be transferred to Alltrista. Management believes that these items would not have a significant impact on financial condition of the company. Alltrista net income also includes allocated general and administrative expenses related to the Alltrista business of $4.7 million, $4.2 million and $4.3 million for 1992, 1991 and 1990, respectively.

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *Accounting Research Bulletin No. 43*, as amended by *Statement of Financial Accounting Standards No. 6* and *Statement of Financial Accounting Standards No. 78*, discuss the nature of current liabilities. Examples of the various types of current liabilities follow.

TABLE 2-20: SHORT-TERM DEBT

	1992	1991	1990	1989
Description				
Notes or loans				
Payee indicated	83	88	81	86
Payee not indicated	142	153	150	163
Short-term debt or borrowings	97	103	121	131
Commercial paper	62	60	58	50
Other	35	35	38	30
Total Presentations	**419**	**439**	**448**	**460**
Number of Companies				
Showing short-term debt	376	382	386	405
Not showing short-term debt	224	218	214	195
Total Companies	**600**	**600**	**600**	**600**

SHORT-TERM DEBT

Table 2-20 lists the balance sheet captions used by the survey companies to describe short-term notes payable, loans payable, and commercial paper. Such short-term obligations are financial instruments as defined in *Statement of Financial Accounting Standards No. 105. Statement of Financial Accounting Standards No. 107*, effective for fiscal years ending after December 15, 1992 for entities with total assets exceeding $150 million, requires that the fair value of short-term notes payable, loans payable, and commercial paper be disclosed if it is practicable to estimate fair value. Most of the survey companies (128 out of 137) disclosing fair value stated that fair value approximated the carrying amount. Examples of short-term debt disclosures follow.

AMOCO CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current liabilities		
Current portion of long-term obligations	$ 46	$ 737
Short-term obligations	218	370
Accounts payable	2,778	3,186
Accrued liabilities	1,203	1,298
Taxes payable (including income taxes)	740	966
	4,985	6,557

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Short-Term Obligations

Amoco's short-term obligations consist of notes payable and commercial paper. Notes payable as of December 31, 1992, totaled $75 million at an average annual interest rate of 3.6 percent, compared with $78 million at an average annual interest rate of 5 percent at year-end 1991. Commercial paper borrowings at December 31, 1992, were $143 million at an average annual interest rate of 3.5 percent compared with $292 million at an average annual interest rate of 4.6 percent as of December 31, 1991. The carrying value of short-term obligations as of December 31, 1992, approximates estimated fair value.

Bank lines of credit available to support commercial paper borrowings of the corporation amounted to $500 million and $275 million at December 31, 1992 and 1991, respectively. All of these were supported by commitment fees.

The corporation also maintains compensating balances with a number of banks for various purposes. Such arrangements do not legally restrict withdrawal or usage of available cash funds. In the aggregate, they are not material in relation to total liquid assets.

AMPCO-PITTSBURGH CORPORATION (DEC)

	1992	1991
Current liabilities:		
Notes payable to bank	$13,000,000	$14,500,000
Current maturities of long-term debt	1,483,333	1,483,333
Accounts payable	10,483,058	12,110,733
Accrued payrolls and employee benefits	6,209,457	7,464,238
Other	11,522,168	12,561,461
Total current liabilities	42,698,016	48,119,765

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars Stated in Thousands)

Note 5 (In Part): Borrowing Arrangements

In addition to the RCA, the Corporation maintains short-term credit bank lines aggregating $18,700, of which $13,000 was outstanding at December 31, 1992. Generally, the terms of these agreements require the Corporation to maintain compensating balances from 0% to 5% of available credit.

Note 10—Fair Value of Financial Instruments:

As indicated in Note 1, the Corporation has adopted SFAS No. 107, which requires disclosure of fair value to the extent practicable, of certain of the Corporation's financial instruments, both on-and off-balance sheet. The fair value amounts do not necessarily represent the amounts that could be realized in a sale or settlement. The Corporation's financial instruments are comprised principally of its investments in nonmarketable equity securities and its long-and short-term debt. The estimated fair value of nonmarketable equity securities, not accounted for by the equity method, with carrying values aggregating $623, is approximately $4,600 based on the price of a recent sale and an independent appraisal.

The fair value of other financial instruments classified as current assets or liabilities approximate their carrying values due to the short-term maturities of these instruments.

The estimated fair value of the notes payable and long-term debt is approximate to the book value since, in management's opinion and under the terms of the borrowing arrangements, such obligations are subject to fluctuating market rates of interest and can be settled at their face amounts. The Corporation's off-balance sheet financial instruments, consisting principally of remaining financial guarantees related to previously discontinued operations, letters of credit and foreign currency exchange agreements, along with the amounts that would be required to settle them, are not significant.

THE BLACK & DECKER CORPORATION (DEC)

	1992	1991
	($ Millions)	
Short-term borrowings	$ 350.7	$ 187.0
Current maturity of long-term debt	104.6	57.5
Accounts payable	320.9	310.8
Other accrued liabilities	713.9	818.6
Total Current Liabilities	1,490.1	1,373.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part:) Summary of Accounting Policies

Fair Value of Financial Instruments: SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," was adopted for the year ended December 31, 1992. This statement requires that fair values be disclosed for most of the Corporation's financial instruments. The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

Cash and cash equivalents, trade receivables, certain other current assets, short-term borrowings, and current maturity of long-term debt: The amounts reported in the balance sheet approximate fair value.

Long-term debt: Publicly traded debt and interest rate hedges are valued based on quoted market values. The amount reported in the balance sheet for the remaining long-term debt approximates fair value.

Foreign exchange contracts: Forward exchange contracts and foreign currency options are estimated using quoted market prices of comparable instruments.

Note 9: Short-Term Borrowings

Short-term borrowings at December 31, 1992 and 1991, include unsecured money market loans in the amounts of $125.0 million and $95.0 million, respectively, at contracted interest rates based on a margin over the London interbank borrowings rate (LIBOR). These loans are payable on demand with a five-day notice period. Short-term borrowings at December 31, 1992, also include commercial paper of $134.7 million.

Under terms of informal line of credit arrangements, certain of the Corporation's foreign subsidiaries may borrow up to an additional $282.0 million on such terms as may be mutually agreed upon. These arrangements do not have termination dates and are reviewed periodically. No material compensating balances are required or maintained.

Due to seasonal cash requirements, the Corporation's short-term borrowings fluctuated during the year. The average short-term borrowings outstanding during 1992 and 1991 were $334.4 million and $341.1 million, respectively.

CHEVRON CORPORATION (DEC)

	1992	1991
	($ Millions)	
Accounts payable	$3,469	$3,826
Accrued liabilities	2,009	2,248
Short-term debt	2,888	1,706
Federal and other taxes on income	967	1,148
Other taxes payable	502	552
Total Current Liabilities	9,835	9,480

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Millions of dollars

Note 6 (In Part): Financial Instruments

Fair value. At December 31, 1992, the company's long-term debt of $2,684 had an estimated fair value of $2,809. The fair value is based on quoted market prices at December 31, 1992, or the present value of expected cash flows when a quoted market price was not available.

The reported amounts of financial instruments such as Cash Equivalents, Marketable Securities and Short-term Debt approximate fair value because of their short maturity.

Note 14. Short-Term Debt

	At December 31	
	1992	1991
Commercial paper	$4,023	$2,748
Current maturities of long-term debt	89	435
Current maturities of long-term capital leases	24	25
Redeemable long-term obligations		
Long-term debt	320	324
Capital leases	255	255
Notes payable	277	219
	4,988	4,006
Reclassified to long-term debt	(2,100)	(2,300)
Total short-term debt	$2,888	$1,706

Redeemable long-term obligations consist primarily of tax-exempt variable-rate put bonds that are included as current liabilities because they become redeemable at the option of the bondholders during the year following the balance sheet date.

Selected data on the company's commercial paper activities are shown below:

Year	Balance at December 31	Weighted Average Interest Rate at December 31	Maximum Outstanding at Any Month End	Average Amount Outstanding	Weighted Average Interest Rate for the Year
1992	$4,023	3.5%	$4,441	$3,958	3.6%
1991	$2,748	4.8%	$2,748	$1,863	5.7%
1990	$1,362	8.4%	$1,862	$1,405	8.4%

The average amounts outstanding and weighted average interest rates during each year are based on average daily balances outstanding. Amounts used in the above computations include amounts that have been classified as long-term debt during 1992, 1991 and 1990.

HASBRO, INC. (DEC)

	1992	1991
	($000)	
Current liabilities		
Short-term borrowings	$ 64,174	36,084
Trade payables	183,545	152,429
Accrued liabilities	367,666	324,391
Income taxes	85,958	80,904
Total current liabilities	701,343	593,808

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of dollars)

5. Short-Term Borrowings

The Company has available unsecured lines of credit from various domestic and foreign banks approximating $1,500,000. The short-term borrowings outstanding at the end of 1992 and 1991 represent bank borrowings of domestic and foreign units made under these lines of credit and in 1991 was net of $150,000 classified as long-term debt. The Company's working capital needs were fulfilled by borrowing under these lines of credit and through the issuance of commercial paper, both of which were on terms and at interest rates generally extended to companies of comparable credit worthiness. Included as part of the unsecured line is $500,000 available from a revolving credit agreement. This agreement contains certain restrictive covenants with which the Company is in compliance. Compensating balances and facility fees were not material.

14. Fair Value of Financial Instruments

The fair value of cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and accrued liabilities are estimated to approximate their carrying cost because of the short maturity of these instruments.

The fair value of the Company's convertible notes, based on a recent market price, is estimated to approximate $196,000 compared to a carrying value of $150,000. The fair value of the remaining long-term debt approximates its carrying value of $56,189 as substantially all is variable rate and is repriced quarterly. The estimated fair value of the Company's foreign exchange contracts, based on dealer quotations, is substantially the same as the notional value of approximately $50,000.

Estimates of the fair values of financial instruments are subjective in nature and involve uncertainties and judgements and, as such, cannot be determined with precision. Any changes in assumptions would effect these estimates.

TOKHEIM CORPORATION (NOV)

	1992	1991
	($000)	
Current liabilities:		
Current maturities of long-term debt	$ 955	$ 1,457
Long-term obligations in technical default classified as current	—	24,409
Notes payable to banks	27,986	47,769
Accounts payable	13,088	12,432
Accrued expenses	15,723	13,736
Total current liabilities	57,752	99,803

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except dollars per share)

4. Notes Payable to Banks

At November 30, 1992, notes payable to banks aggregated $27,986 and an unused line of credit available aggregated $9,700 under a secured credit agreement established in May, 1992. Availability of the unused line of credit is subject to borrowing base requirements and compliance with loan covenants. The weighted average interest rate on borrowings in 1992 was 8.32%. The range of domestic and foreign effective interest rates at November 30, 1992 was 8.00% to 12.75%.

At November 30, 1991, notes payable to banks aggregated $47,769, consisting of borrowings under an unsecured revolving credit agreement established in July, 1991 and certain informal lines of credit bearing interest at prevailing or negotiated rates. The weighted average interest rate on borrowings in 1991 was 6.66%. The range of effective rates at November 30, 1991 was 6.43% to 9.50%.

At November 30, 1991, the Company was not in compliance with financial covenants arising under the revolving credit agreement and entered into negotiations with the banks participating in both the revolving credit agreement and the informal lines of credit to restructure the Company's borrowing arrangements into one comprehensive agreement involving all participant banks.

On May 29, 1992, the Company executed a Credit, Agency, and Guaranty Agreement with a consortium of banks to consolidate $45,000 and $2,500 of existing, previously unsecured short-term loans and standby letters of credit, respectively, and certain long-term debt agreements as described in Note 5. In addition, the agreement provided $9,700 of revolving credit beginning June 1, 1992 through January 31, 1993. The agreement, which matures April 15, 1994, consolidated both an existing revolving credit agreement and informal lines of credit. The agreement contains a pledge of all the unencumbered domestic assets of the Company and its subsidiaries, including but not limited to accounts receivable, inventory, equipment, and real estate; a second lien on all other domestic assets as available; a pledge of the common stock of each domestic subsidiary and a guarantee of debt by each domestic subsidiary; a pledge of a portion of the common stock of the Company's foreign subsidiaries and negative pledges of the remaining common stock and all unencumbered assets of the foreign subsidiaries. Net proceeds, or portions thereof, from certain potential sales of assets, operations, or Company securities must be applied as a permanent reduction of the loan facility. Borrowings bear interest at a rate of 2% above the agent bank's prime rate. The agreement contains restrictions and financial covenants including those relating to indebtedness, net worth, and capital expenditures and prohibits the payment of cash dividends on common stock over the life of the agreement.

Subsequent to November 30, 1992, an amendment to the agreement was executed, which principally provided additional flexibility with respect to certain covenants and waived any technical defaults of those covenants which existed at November 30, 1992 through the effective date of the amendment, in exchange for a modification of the borrowing base advance rate and a $2,000 permanent reduction in the committed facility. In addition, interest rates will increase by one-half of one percent at June 30 and November 30, 1993 unless certain debt reduction targets are met.

WAL-MART STORES, INC. (JAN)

	1993	1992
	($000)	
Current liabilities:		
Commercial paper	$1,588,825	$ 453,964
Accounts payable	3,873,331	3,453,529
Accrued liabilities	1,042,108	829,381
Accrued federal and state income taxes	190,620	226,828
Long-term debt due within one year	13,849	5,156
Obligations under capital leases due within one year	45,553	34,917
Total Current Liabilities	6,754,286	5,003,775

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of dollars)

Note 2 (In Part): Commercial Paper and Long-Term Debt

Information on short-term borrowings and interest rates follows:

	Fiscal year ended January 31,	
	1993	1992
Maximum amount outstanding at month-end	$2,315,200	$1,013,000
Average daily short-term borrowings	1,183,562	280,573
Weighted average interest rate	3.5%	5.6%

At January 31, 1993, the Company had committed lines of credit of $750,000 with 11 banks and informal lines of credit with various banks totalling an additional $1,010,000, which were used to support short-term borrowings and commercial paper. Short-term borrowings under these lines of credit bear interest at or below the prime rate.

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The fair value of the Company's long-term debt approximates $3,357,000 based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of the short-term borrowings approximates fair value.

TABLE 2-21: TRADE ACCOUNTS PAYABLE

	1992	**1991**	**1990**	**1989**
Accounts payable	418	411	396	399
Trade accounts payable	122	135	107	103
Accounts payable combined with accrued liabilities or accrued expenses	44	37	81	83
Other captions	16	17	16	15
Total Companies	**600**	**600**	**600**	**600**

TRADE ACCOUNTS PAYABLE

All the survey companies disclosed the existence of amounts owed to trade creditors. As shown in Table 2-21, such amounts were usually described as *Accounts Payable* or *Trade Accounts Payable*.

DIBRELL BROTHERS, INCORPORATED (JUN)

	1992	1991
Current liabilities		
Notes payable to banks	$180,092,390	$132,844,554
Accounts payable:		
Trade	33,573,884	33,620,578
Officers and employees	21,259,215	20,636,883
Other	8,044,914	12,314,729
Advances from customers	3,123,063	1,040,550
Accrued expenses	33,520,029	17,531,899
Income taxes	9,208,656	1,256,611
Long-term debt current	3,582,147	2,575,699
Total current liabilities	292,404,298	221,821,503

THE DOW CHEMICAL COMPANY (DEC)

	1992	1991
	($ Millions)	
Current liabilities		
Notes payable	$ 687	$1,222
Long-term debt due within one year	591	351
Accounts payable:		
Trade	1,500	1,653
Other	583	733
Taxes on income	218	324
Deferred income taxes payable—current	75	—
Dividends payable	200	195
Accrued and other current liabilities	1,787	1,657
Total current liabilities	5,641	6,135

THE MEAD CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current liabilities:		
Notes payable	$	$ 45.0
Accounts payable:		
Trade	256.5	237.8
Affiliated companies	27.0	28.5
Outstanding checks	81.2	81.4
Accrued wages	92.5	88.4
Taxes, other than income	58.0	57.4
Other current liabilities	204.0	196.4
Current maturities of long-term debt	10.7	11.4
Total current liabilities	729.9	746.3

TABLE 2-22: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Description				
Salaries, wages, payrolls, commissions	297	292	295	300
Compensation and/or Benefits	207	204	199	190
Pension or profit-sharing contributions	86	77	73	91
Compensated absences	18	16	17	15
Other	39	33	33	41
Number of Companies				
Disclosing employee related liabilities	499	495	491	487
Not disclosing	101	105	109	113
Total Companies	**600**	**600**	**600**	**600**

EMPLOYEE RELATED LIABILITIES

Table 2-22 shows the nature of employee related liabilities disclosed by the survey companies as current liabilities. Examples of captions describing employee related liabilities follow.

ALCO STANDARD CORPORATION (SEP)

	1992	1991
	($000)	
Current Liabilities		
Current portion of long-term debt	$ 8,170	$ 11,808
Notes payable	1,565	1,424
Trade accounts payable	355,667	293,682
Accrued salaries, wages and commissions	72,966	50,130
Deferred revenues	94,874	88,616
Other accrued expenses	154,257	117,237
Total current liabilities	687,499	562,897

CLARK EQUIPMENT COMPANY (DEC)

	1992	1991
	($000)	
Current Liabilities		
Notes payable	$ 23,821	$ 57,311
Accounts payable and accrued liabilities	118,195	226,979
Income taxes payable	3,320	4,295
Accrued postretirement benefits	19,000	17,800
Deferred income taxes	963	—
Current installments on long-term debt	21,570	21,271
Total current liabilities	186,869	327,656
Long-term borrowings	186,629	216,949
Other non-current liabilities	90,508	106,336
Accrued postretirement benefits	229,903	230,100
Deferred income taxes	12,195	1,410
Total liabilities	706,104	882,451

NOTES TO FINANCIAL STATEMENTS

Postretirement Health Care and Life Insurance Benefits (In Part)

The Company does not fund its postretirement benefit plans. The following table presents a reconciliation of the APBO to the liability for such costs recognized in the Company's balance sheet as of December 31, 1992 and 1991:

	Amounts in millions 1992	1991
Accumulated Postretirement Benefit Obligation (APBO):		
Retirees	$236.6	$205.0
Fully eligible active participants	14.3	15.1
Other active participants	18.0	27.8
Total APBO	268.9	247.9
Unrecognized net loss from changes in assumptions	(20.0)	—
Accrued postretirement benefit cost	$248.9	$247.9

The change in the APBO from December 1991 to December 1992 relates to net actuarial losses of $32.6 million and the net gain of benefit plan and other changes of $12.6 million. The actuarial losses were incurred relative to changes in census data and assumptions associated with the per capita claims cost. These losses were partially offset by gains for plan changes resulting from the incorporation of managed care and prescription drug programs into the plans for active employees and certain retirees, as well as changes in the health care trend and discount rates for the 1992 valuation. No amortization of the actuarial losses is yet required, while the positive impacts of the plan changes are generally being amortized over a 13-year period.

LEE ENTERPRISES, INCORPORATED (SEP)

	1992	1991
	($000)	
Current Liabilities		
Current maturities of long-term debt	$20,363	$25,022
Accounts payable	15,116	15,558
Compensation and other accruals	34,094	23,370
Income taxes payable	7,322	4,427
Unearned income	9,096	8,548
Total current liabilities	$85,991	$76,925

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Other Information

Compensation and other accruals consist of the following:

September 30,	1992	1991	1990
		(In Thousands)	
Compensation	$11,484	$7,895	$ 8,114
Deferred compensation, current portion	7,749	1,208	3,527
Vacation pay	3,572	3,391	3,266
Retirement and stock purchase plans	2,302	1,936	1,815
Interest	3,034	3,274	1,447
Other	5,953	5,666	2,986
	$34,094	$23,370	$21,155

LOCKHEED CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current liabilities		
Short-term borrowings	$ 30	$ 29
Accounts payable	758	667
Salaries and wages	296	327
Income taxes, including deferred amounts of $35 million in 1992 and $188 million in 1991	75	231
Customers' advances in excess of related costs	442	645
Current portion of long-term debt	323	223
Current portion of accumulated retiree medical benefit obligation	106	
Other liabilities	551	591
Total current liabilities	2,581	2,713
Long-term debt	1,328	1,401
Accumulated retiree medical benefit obligation	803	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Benefit Plans

Under SFAS 106, actual medical benefit payments to retirees reduce Lockheed's accumulated retiree medical benefit obligation, and any trust funding reduces the unfunded portion of this obligation on the company's consolidated balance sheet. An analysis of the status of the retiree medical benefit plans, as of the beginning and end of fiscal 1992, follows:

In millions	December 27, 1992	December 30, 1991
Plan assets at fair value	$ 63	$ 16
Actuarial present value of benefit obligation:		
Retirees	$585	$587
Employees eligible to retire	160	177
Employees not eligible to retire	195	192
Accumulated retiree medical benefit obligation	940	956
Unrecognized net gain (loss)	32	
Net unfunded retiree medical benefit obligation	$909	$940

Retiree medical benefit calculations were made using a discount rate of 8.25 percent, an expected long-term average earnings rate on plan assets of 8 percent, and medical trend rates of 13 percent and 10 percent, respectively, for pre-65 and post-65 retirees, declining to ultimate trend rates of 6 percent and 2 percent, respectively, by the year 2012. An increase of one percentage point in the assumed medical trend rates would result in an accumulated retiree medical benefit obligation of $1.1 billion at December 27, 1992, and a 1992 net retiree medical benefit cost under SFAS 106 of approximately $106 million. The company believes that the cost containment features it has previously adopted and the funding approaches under way will allow it to effectively manage its retiree medical expenses, but it will continue to monitor the costs of retiree benefits and may further modify the plans if circumstances warrant.

THE TIMKEN COMPANY (DEC)

	1992	1991
	($000)	
Current Liabilities		
Accounts payable and other liabilities	$152,877	$169,442
Accrued pension contributions	12,523	28,852
Salaries, wages and payroll taxes	57,047	57,448
Commercial paper	71,730	70,865
Short-term debt	64,423	64,116
Taxes, other than income taxes	14,511	13,677
Income taxes	6,468	5,606
Current portion of long-term debt	10,885	3,540
Total Current Liabilities	390,464	413,546

INCOME TAX LIABILITY

Table 2-23 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

TABLE 2-23: CURRENT INCOME TAX LIABILITY

	1992	1991	1990	1989
Income taxes	341	347	358	358
Taxes—type not specified	44	44	36	43
Federal and state income taxes	22	19	23	13
Federal income taxes	11	12	14	22
Federal, state, and foreign income taxes	9	9	8	8
U.S. and foreign income taxes	7	8	9	15
Federal and foreign income taxes	5	10	4	7
Other captions	16	13	20	18
No current income tax liability	145	138	128	116
Total Companies	**600**	**600**	**600**	**600**

GOULDS PUMPS, INCORPORATED (DEC)

	1992	1991
	($000)	
Current liabilities:		
Current maturities of debt	$ 24,379	$ 19,795
Trade payables	40,244	34,365
Compensation and commissions	20,733	20,961
Income taxes payable	1,438	2,259
Dividends payable	4,216	4,173
Deferred tax liability	1,257	—
Restructuring accrual	3,204	—
Other	19,171	20,036
Total current liabilities	114,642	101,589

TYSON FOODS, INC. (SEP)

	1992	1991
	($000)	
Current Liabilities:		
Note payable		$ 10,000
Current portion of long-term debt	$ 98,996	127,909
Trade accounts payable	208,364	200,950
Accrued salaries and wages	80,209	104,487
Federal and state income taxes payable	14,661	20,633
Accrued interest payable	6,017	32,555
Other current liabilities	57,578	53,545
Total Current Liabilities	465,825	550,079

CURRENT AMOUNT OF LONG-TERM DEBT

Table 2-24 summarizes the descriptive balance sheet captions used to describe the amount of long-term debt payable during the next year.

TABLE 2-24: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1992	1991	1990	1989
Current portion of long-term debt	218	221	211	202
Current maturities of long-term debt	191	201	198	193
Long-term debt due or payable within one year	53	50	52	52
Current installment of long-term debt	35	33	35	37
Current amount of long-term leases	44	47	46	48
Other captions	4	10	11	13

FEDERAL SCREW WORKS (JUN)

	1992	1991
Current Liabilities		
Accounts payable	$2,501,635	$1,729,809
Payroll and employee benefits	3,301,051	2,116,871
Dividend payable	108,993	112,526
Federal income taxes	176,757	
Taxes, other than income taxes	1,139,856	910,858
Accrued pension contributions	717,519	695,000
Other accrued liabilities	461,945	422,269
Current maturities of long-term debt	400,000	400,000
Total Current Liabilities	8,807,756	6,387,333

H.B. FULLER COMPANY (NOV)

	1992	1991
	($000)	
Current Liabilities:		
Notes payable	$ 18,052	$ 24,577
Current installments of long-term debt	2,154	4,423
Accounts payable—trade	86,610	72,636
Accrued payroll	22,487	17,683
Accrued employee benefits	4,857	5,350
Other accrued expenses	26,198	22,160
Income taxes payable	8,059	5,959
Total current liabilities	168,417	150,788

OTHER CURRENT LIABILITIES

Table 2-25 summarizes other identified current liabilities. The most common types of other current liabilities are taxes not combined with federal income taxes, accrued interest payable, and costs related to discontinued operations.

TABLE 2-25: OTHER CURRENT LIABILITIES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Taxes other than Federal income taxes	138	149	150	146
Interest	137	139	140	132
Estimated costs related to discontinued operations	114	91	88	72
Dividends payable	88	84	83	97
Insurance	79	83	78	64
Warranties	51	48	48	41
Customer advances, deposits	49	54	58	53
Deferred revenue	48	53	47	40
Advertising	40	33	27	30
Deferred taxes	33	34	44	43
Billings on uncompleted contracts	28	25	25	29
Environmental costs	27	23	N/C	N/C
Due to affiliated companies	14	19	14	16
Other—Described	100	104	103	98

N/C—Not Compiled.

Taxes Other Than Federal Income Taxes

AVON PRODUCTS INC. (DEC)

	1992	1991
	($ Millions)	
Current liabilities		
Debt maturing within one year	$ 37.3	$ 144.0
Accounts payable	365.2	315.9
Accrued compensation	62.0	71.6
Other accrued liabilities	247.7	217.9
Sales and other taxes	94.0	92.0
Income taxes	196.6	189.5
Total current liabilities	1,002.8	1,030.9

FORD MOTOR COMPANY (DEC)

	1992	1991
	($ Millions)	
Trade payables	$ 7,943.9	$ 7,019.9
Other payables	1,631.2	1,912.2
Accrued liabilities (Note 10)	9,983.4	9,910.4
Income taxes payable	317.7	394.7
Debt payable within one year	1,248.7	2,579.6
Total current liabilities	21,124.9	21,816.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Liabilities—Automotive

Current Liabilities

Included in Automotive accrued liabilities at December 31 were the following:

(in millions)	1992	1991
Dealer and customer allowances and claims	$6,265.8	$6,394.1
Employee benefit plans	1,224.5	1,648.9
Postretirement benefits other than pensions	594.7	186.7
Salaries and wages	440.8	173.8
Social Security, state and local taxes	368.5	432.2
Other	1,089.1	1,074.7
Total accrued liabilities	$9,983.4	$9,910.4

PRAB ROBOTS, INC. (OCT)

	1992	1991
Current Liabilities		
Current portion of long-term debt—Related party	$ 71,209	$4,000,000
Current portion of long-term debt—Other	11,518	271,477
Notes payable	—	732,554
Accounts payable	441,104	984,591
Customer deposits	101,264	28,797
Accrued interest	690	790,500
Salaries and wages	174,643	122,865
Commissions	124,626	167,072
Other accrued expenses (Note 20)	336,874	335,050
Total current liabilities	1,261,928	7,432,906

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20—Other Accrued Expenses

	October 31	
	1992	1991
Accrued warranty	$122,000	$ 62,000
Accrued royalty	80,224	—
Accrued pension and profit sharing	67,397	62,728
Accrued property tax	18,462	18,411
Other accrued expenses	48,791	191,911
Total	$336,874	$335,050

Costs/Liabilities Related To Discontinued Operations

ANACOMP, INC. (SEP)

	1992	1991
	($000)	
Current liabilities		
Current portion of long-term debt	$ 48,163	$ 63,435
Accounts payable	57,683	35,108
Accrued compensation, benefits and withholdings	17,393	15,675
Accrued income taxes	11,868	17,457
Accrued costs related to discontinued operations	1,498	4,456
Other accrued liabilities	62,080	67,128
Total current liabilities	198,685	203,259

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Xidex:

In December, 1989, Anacomp adopted a plan to dispose of the Flexible Disk and Rigid Oxide Disk Divisions which had been acquired as part of Xidex Corporation in August 1988. In March 1990, Anacomp sold the Flexible Disk Division. The Rigid Oxide Disk division was phased out during fiscal year 1991. The remaining net tangible assets (property and equipment of $9,729,000 at September 30, 1992) have been segregated in the accompanying Consolidated Balance Sheets under the caption "Net assets held for disposition." "Accrued costs related to discontinued operations" includes estimated future losses and operating expenses to be incurred prior to final disposition of these assets. The activity during 1992 and 1991 related to "Accrued costs related to discontinued operations" is as follows:

	September 30,	
(In thousands)	1992	1991
Balance as of beginning of year	$4,456	$ 13,967
Costs and losses from operations of discontinued operations	(3,375)	(10,177)
Reclassification of other valuation allowances for discontinued operations	417	666
Balance as of end of year	$1,498	$ 4,456

APPLE COMPUTER, INC. (SEP)

	1992	1991
	($000)	
Current liabilities:		
Notes payable	$ 184,461	$148,566
Accounts payable	426,936	357,084
Accrued compensation and employee benefits	142,382	119,468
Income taxes payable	78,382	14,857
Accrued marketing and distribution	187,767	136,712
Accrued restructuring costs	105,038	162,365
Other current liabilities	300,554	277,999
Total current liabilities	1,425,520	1,217,051

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring of Operations

In the third quarter of 1991, the Company initiated a plan to restructure its operations worldwide. In connection with this plan, the Company recorded a $197.5 million charge to operating expenses ($122 million, or $1.02 per share, after taxes) during the third quarter. The restructuring charge for 1991 included $114.5 million of estimated facilities, equipment, and other expenses and $83 million of estimated employee-related expenses associated with the consolidation, relocation, and termination of certain operations and employees. The Company continues to phase in the 1991 restructuring plan. Spending associated with certain actions of the plan may extend well beyond the implementation of the actions. For example, lease payments under noncancelable leases generally extend for some period of time beyond the closing of the facilities.

JOHN FLUKE MFG. CO., INC. (SEP)

	1992	1991
	($000)	
Current Liabilities		
Short-term debt	$ 781	$ 704
Accounts payable	7,521	9,659
Accrued liabilities	18,194	16,667
Accrued liabilities related to restructuring	6,799	10,546
Income taxes payable	470	505
Current maturities of long-term obligations	292	44
Total Current Liabilities	34,057	38,125

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Restructuring

In the fourth quarter of 1991, the Company accrued $10.8 million in connection with the announcement of a board-approved restructuring initiative. This resulted in an after tax charge of $6.9 million or $1.00 per share. The Company is focusing its future efforts on the compact, professional test tool market, which necessitates discontinuing products and internal processes that are not consistent with that objective. The restructuring charge includes inventory write-offs, fixed asset write-offs and personnel costs. These restructuring accruals are expected to be used over the next two years as plans are implemented.

In 1992, charges against restructuring included inventory write-offs for discontinued products, the costs of consolidating the U.S. sales and service operations and preliminary costs of restructuring the strategic alliance with Philips Electronics N.V. (see Note 10).

LACLEDE STEEL COMPANY (DEC)

	1992	1991
	($000)	
Current Liabilities:		
Accounts payable	$27,062	$33,609
Accrued compensation	8,100	6,240
Current portion of long-term debt	928	946
Taxes, other than income taxes	818	768
Accrued costs of pension plans	10,266	6,649
Current portion of restructuring charges	4,345	—
Other	3,706	3,470
Total current liabilities	55,225	51,682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Special Charges:

Restructuring of Wire Operations—

In the second quarter of 1992 the Board of Directors approved management's recommendation to increase the capacity of the Fremont, Indiana Plant by installation of new equipment at that location, and to close the Alton, Illinois wire facility.

Therefore, in the second quarter the Company recorded a restructuring cost provision totaling $14,500,000 ($8,990,000 after taxes). The cost provision consists principally of pension costs related to planned work force reductions, write-down of equipment to estimated realizable value, and abnormal operating costs to be absorbed during the transition period. The majority of the restructuring cost provision was non-cash in nature in 1992 and will be funded over a number of years.

Insurance

ALBERTSON'S, INC. (JAN)

	1993	1992
	($000)	
Current Liabilities:		
Accounts payable	$ 518,614	$ 400,417
Notes payable	5,000	30,000
Salaries and related liabilities	95,820	80,719
Taxes other than income taxes	41,522	37,807
Income taxes	29,592	9,589
Self-insurance	51,870	47,238
Unearned income	15,567	16,429
Other	26,033	20,826
Current maturities of long-term debt	25,757	3,588
Current obligations under capital leases	6,044	5,634
Total Current Liabilities	815,819	652,247

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Self-Insurance—The Company is primarily self-insured for property loss, workers' compensation and general liability costs. Self-insurance liabilities are based on claims filed and estimates for claims incurred but not reported. These liabilities are not discounted.

MURPHY OIL CORPORATION (DEC)

	1992	1991
	($000)	
Current liabilities		
Current maturities of long-term debt	$ 3,662	$ 17,558
Notes payable	2,795	37,680
Accounts payable	251,462	293,402
Accrued insurance obligations	34,941	41,824
Accrued taxes other than taxes on income	29,392	34,837
Other accrued liabilities	62,733	49,874
Income taxes	41,941	39,394
Total current liabilities	426,926	514,569

Product Warranties

HURCO COMPANIES, INC. (OCT)

	1992	1991
	($000)	
Current liabilities:		
Accounts payable	$ 6,478	$ 7,230
Bank payable	401	—
Accrued expenses	6,567	7,001
Accrued warranty expenses	1,074	1,360
Current portion of long-term debt	829	569
Total current liabilities	15,349	16,160

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Product Warranty

Expected future product warranty expense is recorded when the product is sold.

WINNEBAGO INDUSTRIES, INC. (AUG)

	1992	1991
	($000)	
Current Liabilities		
Current maturities of long-term debt	$ 1,223	$ 1,009
Accounts payable, trade	18,408	16,257
Accrued expenses:		
Insurance	7,143	7,227
Vacation liability	2,512	2,457
Promotional	4,405	1,234
Other	8,329	8,372
Liability on product warranties	2,375	2,562
Total current liabilities	44,395	39,118

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Provision for Warranty Claims

Estimated warranty costs are provided at the time of sale of the warranted products.

Advances/Deposits

DSC COMMUNICATIONS CORPORATION (DEC)

	1992	1991
	($000)	
Current Liabilities		
Accounts payable	$ 35,287	$ 30,192
Accrued liabilities	95,474	90,957
Customer advances	50,942	5,474
Income taxes payable	2,301	2,478
Notes payable	—	1,881
Current portion of long-term debt	11,792	1,206
Senior debt, subject to accelerated maturity	—	169,676
Total current liabilities	195,796	301,864

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued Liabilities and Customer Advances (In Part)

During 1992, the Company and a major customer settled certain litigation. As part of the settlement, the customer prepaid the Company $55,000,000 during the fourth quarter of 1992, in advance of future purchases from the Company. At December 31, 1992, the balance of such cash advances, net of fourth quarter 1992 purchases was approximately $34,300,000 and is included as customer advances on the Consolidated Balance Sheets at December 31, 1992.

GENERAL DYNAMICS CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current Liabilities:		
Current portion of long-term debt	$ 145	$ 450
Customer deposits	871	705
Accounts payable and accrued expenses	553	642
Other current liabilities	379	469
Total Current Liabilities	1,948	2,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Customer Deposits—Substantially all customer deposits represent advance payments from Atlas program customers. In the event of contract termination, some portion of the payment would be refunded to the customer in accordance with contract terms.

Deferred Revenue

AMAX INC. (DEC)

	1992	1991
	($000)	
Accounts payable, trade	$204,100	$236,800
Accrued liabilities	455,400	471,600
Unearned revenue (Note 15)	82,500	
Current maturities of long-term debt	58,500	90,100
Current liabilities	800,500	798,500

NOTES TO FINANCIAL STATEMENTS

15. Unearned Revenue

The Company has received payments during 1992 relating to a series of commitments to a customer for future shipments of primary aluminum. Upon shipment, sales are included in the Company's consolidated statement of earnings along with the related cost of sales. Sales prices are based on market prices at the time of shipment. Open commitments at December 31, 1992 total 68,000 metric tons to be shipped through December 1993. Related unearned revenue at December 31, 1992 was $83 million.

MUNSINGWEAR, INC. (DEC)

	1992	1991
	($000)	
Current liabilities:		
Short-term debt	$ —	$ 478
Current maturities of long-term debt	299	378
Accounts payable	2,980	1,856
Accrued payroll and employee benefits	1,212	877
Unearned royalty income	740	750
Other accruals	307	796
Total current liabilities	5,538	5,135

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenues

Sales are recognized at the time of shipment. The Company establishes liabilities for refunds and allowances as they relate to shipments. Royalties are recorded as earned in accordance with specific terms of each license agreement. Sales to one customer for fiscal year 1992, the two months ended January 4, 1992, and the ten months ended October 29, 1991 were 18%, 30% and 13%, respectively, of net sales.

THE STANDARD REGISTER COMPANY (DEC)

	1992	1991
	($000)	
Current Liabilities		
Current maturities of long-term debt	$ 6,724	$ 6,768
Accounts payable	18,204	16,580
Dividends payable	4,594	4,301
Accrued compensation	26,177	22,830
Accrued pension expense	8,037	9,705
Accrued other expense	3,986	2,482
Accrued taxes, except income	4,760	4,413
Income taxes payable	2,866	4,051
Deferred service contract income	5,656	3,927
Total current liabilities	$81,004	$75,057

THE TIMES MIRROR COMPANY (DEC)

	1992	1991
	($000)	
Current Liabilities		
Accounts payable	$388,157	$369,589
Accrued liabilities	123,337	31,940
Employees' compensation	104,101	101,250
Income taxes	10,780	558
Unearned income	139,876	136,108
Dividends payable	34,715	34,700
Current portion of long-term debt	100,809	113,104
Total current liabilities	901,775	787,249

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Unearned Income

Magazine, newspaper and other subscription sales are deferred as unearned income at the time of sale. As products are delivered to subscribers, the proportionate share of the subscription price is taken into revenue. Magazine subscription selling expenses are deferred and charged to operations over the same period as the related subscription income is earned.

Advertising

GEO. A. HORMEL & COMPANY (OCT)

	1992	1991
	($000)	
Current Liabilities		
Accounts payable	$ 82,735	$79,771
Accrued expenses	29,274	26,991
Accrued advertising	18,441	20,803
Employee compensation	37,377	35,348
Taxes, other than federal income taxes	13,982	13,634
Dividends payable	6,897	5,751
Federal income taxes	19,006	13,618
Current maturities of long-term debt	217	4,348
Total current liabilities	207,929	200,264

Deferred Taxes

HECLA MINING COMPANY (DEC)

	1992	1991
	($000)	
Current liabilities:		
Accounts payable and accrued expenses	$ 9,003	$ 8,815
Accrued payroll and related benefits	2,139	2,582
Accrued taxes	1,271	1,174
Current portion deferred income taxes (Note 6)	285	—
Total current liabilities	12,698	12,571
Deferred income taxes (Note 6)	1,038	4,055
Long-term debt	70,382	76,772
Accrued reclamation costs	20,108	11,136
Other noncurrent liabilities	3,723	2,601
Total liabilities	107,949	107,135

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

The components of the net deferred tax liability as of December 31, 1992, were as follows *(in thousands)*:

	Deferred Tax		
	Assets	Liabilities	Total
Accrued reclamation costs	$ 5,833		$ 5,833
Investment valuation differences	1,670		1,670
Miscellaneous	1,236		1,236
Postretirement benefits other than pensions	738		738
Other liabilities	698		698
Deferred compensation	532		532
Accounts receivable	456		456
Properties, plants and equipment		$(13,570)	(13,570)
Deferred income		(516)	(516)
Pension costs		(315)	(315)
Deferred state income taxes, net		(1,153)	(1,153)
Total temporary difference	11,163	(15,554)	(4,391)
Federal net operating losses	46,645		46,645
State net operating losses	3,248		3,248
Tax credit carryforwards	1,630		1,630
Alternative minimum tax credit carryforwards	156		156
Total operating loss and tax credits	51,679		51,679
Valuation allowance	(48,611)		(48,611)
Net deferred tax assets and liabilities	$14,231	$(15,554)	$ (1,323)

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets which may not be realized principally due to expiration of net operating losses and tax credit carryforwards. The change in the valuation allowance for the year ended December 31, 1992, is as follows *(in thousands)*:

Balance, December 31, 1991	$(26,148)
Increase in nonutilization of net operating loss carryforwards and nonrecognition of deferred tax assets due to uncertainty of recovery	(24,891)
Utilization of capital loss carryforwards	2,248
Balance, December 31, 1992	$(48,611)

NORTHROP CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current assets		
Cash and cash equivalents	$ 230	$ 203
Accounts receivable	791	860
Inventoried costs	670	693
Deferred state income taxes	38	28
Prepaid expenses	31	23
Total current assets	1,760	1,807

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	1992	1991
Other assets		
Prepaid pension cost and intangible pension asset	$ 190	$ 98
Investments in and advances to affiliates and sundry assets	81	34
Deferred state income taxes	7	12
	278	144
Current liabilities		
Notes payable to banks	$ 100	$
Current portion of long-term debt	250	80
Trade accounts payable	363	407
Accrued employees' compensation	144	157
Income taxes payable		25
Deferred income taxes	389	353
Other current liabilities	160	174
Total current liabilities	1,406	1,196
Long-term debt	160	470
Accrued retiree benefits	266	218
Deferred gain on sale/leaseback	26	29
Deferred income taxes	50	33

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

The tax effects of significant temporary differences and carryforwards that gave rise to year-end deferred tax balances since the adoption of SFAS No. 109, as broadly categorized in the Consolidated Statements of Financial Position, were as follows:

$ in millions	1992	1991
Net deferred tax assets		
Deductible temporary differences		
Income on contracts	$ 13	$ 8
Retiree benefit plan expense	21	16
Provision for estimated expenses	27	26
Other	2	3
	63	53
Taxable temporary differences		
Retiree benefit plan income	(15)	(7)
Administrative and general expenses period-costed for tax purposes	(3)	(6)
	(18)	(13)
	$ 45	$ 40
Net deferred tax liabilities		
Taxable temporary differences		
Income on contracts	$789	$772
Excess tax over book depreciation	89	93
Retiree benefit plan income	64	33
Administrative and general expenses period-costed for tax purposes	18	19
	960	917
Deductible temporary differences		
Provision for estimated expenses	(120)	(116)
Retiree benefit plan expense	(93)	(76)
Other	(11)	(17)
	(224)	(209)
Tax carryforwards		
Operating and capital losses	(117)	(151)
Tax credits	(140)	(150)
Alternative minimum tax credit	(40)	(21)
	(297)	(322)
	$439	$386
Overall net deferred tax liability		
Total deferred tax liabilities (taxable temporary differences above)	$978	$930
Less total deferred tax assets (deductible temporary differences and tax carryforwards above)	584	584
	$394	$346

The tax carryforward benefits will be used in the periods that net deferred tax liabilities mature. The expiration dates for these tax carryforward benefits are: tax operating and capital loss carryforwards—$42 million in 2002 and $75 million in 2004, and tax credit carryforwards in various amounts over the years 1993 through 2005. The alternative minimum tax credit can be carried forward indefinitely.

Billings In Excess Of Costs

HARMON INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Current liabilities:		
Current debt installments	$ 2,554	$ 3,042
Accounts payable	4,479	4,477
Accrued payroll, bonus and employee benefit plan contributions	3,651	3,137
Billings in excess of costs and estimated earnings on uncompleted contracts (note 4)	2,050	1,877
Federal and state income taxes payable	770	—
Other accrued liabilities	1,342	1,049
Net current liabilities of discontinued operations	—	94
Total current liabilities	14,846	13,676

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Contracts in Progress

Contract costs on uncompleted contracts are as follows:

(Dollars in thousands)	Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings	Total
December 31, 1992:			
Costs and estimated earnings	$3,435	$21,034	$24,469
Billings	3,254	23,084	26,338
	$ 181	$(2,050)	$(1,869)
December 31, 1991:			
Costs and estimated earnings	$ 489	$16,169	$16,658
Billings	215	18,046	18,261
	$ 274	$(1,877)	$(1,603)

All receivables on contracts in progress are considered to be collectible within twelve months.

Environmental Costs

ALLIED-SIGNAL INC. (DEC)

	1992	1991
	($ Millions)	
Current liabilities:		
Accounts payable	$1,221	$1,073
Short-term borrowings	150	473
Commercial paper	4	263
Current maturities of long-term debt	182	145
Accrued liabilities	1,948	1,649
Total current liabilities	3,505	3,603

NOTES TO FINANCIAL STATEMENTS

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

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 1992 and 1991, were $71 and $405 million and $60 and $416 million, respectively.

Liabilities Of Nonhomogeneous Operations

CONAGRA, INC. (MAY)

	1992	1991
	($ Millions)	
Current liabilities		
Notes payable—financial businesses (Note 7)	$ 302.7	$ 256.9
Current installments of long-term debt	87.6	553.7
Accounts payable and accrued liabilities	2,637.6	2,433.9
Advances on sales	673.9	581.3
Payable to customers, clearing associations, etc.—financial businesses	231.0	274.8
Dividends payable	35.9	28.2
Income taxes	112.6	51.1
Total current liabilities	4,081.3	4,179.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Short-Term Credit Facilities and Borrowings

At May 31, 1992, the financial businesses had $302.7 million of short-term borrowings outstanding, of which $297.0 million was attributable to Monfort Finance Company (MFC). The financial businesses have uncompensated credit facilities totaling $415 million. ConAgra does not guarantee financial businesses' borrowings.

The Company (exclusive of financial businesses) has short-term credit lines from banks which totaled approximately $3.7 billion including a $520.0 million revolving credit and term loan commitment (see Note 9); a $255 million revolver, which matures on November 1, 1996; a $1.0 billion revolving credit agreement which matures on August 15, 1994 and uncompensated bankers' acceptance and money market loan facilities approximating $1.9 billion. Borrowings under the revolver agreements are at or below prime rate and may be prepaid without penalty. The Company pays fees for its revolving credit facilities.

ConAgra finances its short-term needs with bank borrowings, commercial paper borrowings and bankers' acceptances. The average short-term borrowings outstanding under these facilities for the 1992 fiscal year were $1,547.8 million. This excludes an average of $513.8 million of short-term borrowings which were classified as long-term throughout the fiscal year (see Note 9). The highest period-end short-term indebtedness was $2,011.6 million. Short-term borrowings were at rates below prime.

Litigation Judgment Liability

ADVANCED MICRO DEVICES, INC. (DEC)

	1992	1991
	($000)	
Current liabilities:		
Notes payable to banks	$ 40,659	$ 51,421
Accounts payable	61,680	74,403
Accrued compensation and benefits	76,922	61,941
Accrued liabilities	69,665	58,377
Income tax payable	8,122	5,275
Deferred income on shipments to distributors	56,717	56,699
Long-term debt due within one year	6,084	117,155
Litigation judgment liability	32,695	30,047
Total current liabilities	352,544	455,318

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Litigation Judgment

As of December 27, 1992, the company had pledged cash and cash equivalents totaling approximately $32.7 million to stay execution of a $27.4 million judgment in favor of Brooktree Corporation. The case involved patent and maskwork infringement claims concerning microchips known as color palettes.

Long-Term Debt Redeemable Within One Year

INTEL CORPORATION (DEC)

	1992	1991
	($000)	
Current liabilities:		
Short-term debt	$ 196,070	$ 173,258
Commercial paper	5,982	—
Long-term debt redeemable within one year	109,788	—
Accounts payable	280,523	168,836
Deferred income on shipments to distributors	149,496	121,741
Accrued compensation and benefits	435,098	369,086
Other accrued liabilities	306,245	243,130
Income taxes payable	358,670	151,716
Total current liabilities	1,841,872	1,227,767

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Borrowings (In Part)

Long-Term Debt

Long-term debt at fiscal year-ends is as follows:

(In thousands)	1992	1991
Payable in U.S. dollars:		
1983 Series A Industrial, Medical and Environmental Pollution Control Revenue Bonds	$ 79,811	$ 79,534
1983 Series B Industrial, Medical and Environmental Pollution Control Revenue Bonds	29,977	29,952
Zero Coupon Notes, net of unamortized discount of $44,605 ($69,151 in 1991)	142,611	147,194
8⅛% Notes	98,296	98,259
Other U.S. dollar debt	4,500	4,500
Foreign currency debt	3,621	3,125
(Less redeemable long-term debt)	(109,788)	—
(Less current portion of long-term debt)	—	(35)
Total long-term debt	$249,028	$362,529

The $80 million 1983 Series A Bonds and $30 million 1983 Series B Bonds were issued by the Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority. The Company has guaranteed repayment of principal and interest on these bonds, which are subject to redemption prior to maturity upon the occurrence of certain events. The bonds are adjustable and redeemable (at the option of either the Company or the bondholder) every five years from 1988 through 2008 in accordance with certain formulas.

The Series A Bonds are due September 1, 2013, and were last repriced and a portion of such Bonds remarketed at a discount on September 1, 1988, at an effective yield of 6.9% through August 1993. They are next adjustable and redeemable on September 1, 1993. As of December 26, 1992, their fair value was $81.4 million, based on quoted market prices for similar securities.

The Series B Bonds are due December 1, 2013, and were last repriced and remarketed at a discount on December 1, 1988, at an effective yield of 6.8% through November 1993. They are next adjustable and redeemable on December 1, 1993. As of December 26, 1992, their fair value was $30.5 million, based on quoted market prices for similar securities.

As a result of the September and December 1993 redemption options, the Series A and B bonds have been included with current liabilities at December 26, 1992. If this debt is renewed for the next five year period at renegotiated interest rates, as expected, it will be classified as long-term debt at December 25, 1993.

Securities Sold Under Repurchase Agreements

MAXUS ENERGY CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current Liabilities		
Long-term debt	$ .1	$ .2
Securities sold under repurchase agreements	88.0	
Accounts payable	90.3	92.2
Accrued liabilities	103.6	77.1
Taxes payable	24.9	30.3
Deferred income taxes	21.0	27.8
Deferred revenue		21.7
Total Current Liabilities	327.9	249.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note One (In Part): Significant Accounting Policies

Statement of Cash Flows

Investments with maturities of three months or less at the time of acquisition are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. Short-term investments include U.S. Treasury notes, certificates of deposit and bonds. The Company also enters into agreements to sell and repurchase U.S. Treasury notes. The liabilities to repurchase securities sold under these agreements are reported as current liabilities and the investments acquired with the funds received from the securities sold are included in short-term investments. Short-term investments are stated at cost which approximates market value.

Note Eight. Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-Term Investments

The Company's short-term investments are comprised of securities purchased under repurchase agreements, U.S. Treasury notes and short-term, highly-liquid investments, with maturities greater than ninety days, but not exceeding one year. With the exception of the U.S. Treasury notes, the carrying amount approximates fair value because of the short maturity of these instruments. The fair value of the U.S. Treasury notes is based on year-end quoted market prices.

Long-Term Investments

The Company has stock investments and long-term notes receivable, for which no quoted market prices are available. A reasonable estimate of fair value could not be made without incurring excessive costs.

Additionally, the Company has guaranteed a non-recourse loan by Magma-Thermal Power Project, secured only by the Company's equity interest in the Geysers. The fair value of the non-recourse variable rate loan is equal to face value.

Restricted Cash

The Company's restricted cash is invested in short-term, highly-liquid investments. The carrying amount approximates fair value because of the short-term maturity of these investments.

Securities Sold Under Repurchases Agreements

The Company has entered into agreements to sell and repurchase U.S. Treasury notes. The carrying amount approximates fair value because of the short maturity of these instruments.

Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Redeemable Preferred Stock

The fair value of the Redeemable Preferred Stock is based on the comparable yield to the Company's publicly-traded $4.00 Preferred Stock.

The estimated fair values of the Company's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
Assets		
Cash and short-term investments	$ 6.8	$ 6.8
Short-term investments:		
U.S. Treasury notes	121.2	121.5
Other	89.5	89.5
Long-term investments:		
Stock investments and notes receivable	11.5	11.5
Non-recourse loan	40.0	40.0
Restricted cash	124.7	124.7
Liabilities		
Securities sold under repurchase agreements	88.0	88.0
Long-term debt	829.4	849.2
Redeemable Preferred Stock	250.0	263.1

LONG-TERM DEBT

Table 2-26 summarizes the types of long-term debt most frequently disclosed by the survey companies.

Paragraph 10b of *Statement of Financial Accounting Standards No. 47* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the "aggregate amount of maturities and sinking fund requirements for all long-term borrowings."

Effective for fiscal years ending after December 15, 1992, *Statement of Financial Accounting Standards No. 107* requires entities with total assets exceeding $150 million to disclose, if practicable, the fair value of long-term debt. Of the 298 disclosures made by the survey companies as to the fair value of long-term debt, 143 disclosures stated that fair value was determined by quoted market prices for a particular debt security; 79 disclosures stated that fair value approximated the carrying amount of debt; and 76 disclosures stated that fair value was determined by other means.

Examples of long-term debt presentations and disclosures follow. Examples of long-term lease presentations and disclosures are presented in connection with Table 2-28.

TABLE 2-26: LONG-TERM DEBT

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Unsecured				
Notes	424	418	413	415
Debentures	201	227	224	245
Loans	65	59	76	90
Commercial paper	62	63	81	70
Collateralized				
Capitalized leases	340	355	354	344
Mortgages	105	115	126	131
Notes or loans	83	112	100	87
Convertible				
Debentures	103	111	116	131
Notes	21	18	14	12

AMERICAN BILTRITE INC. (DEC)

	1992	1991
	($000)	
Total Current Liabilities	$33,710	$31,820
Long-Term Debt, less current portion—Note E	14,271	15,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E Long-Term Debt

Long-term debt consists of the following:

	December 31 1992	1991
	(In thousands)	
9.65% Note payable to insurance company, payable in six annual installments of $2,000,000 commencing in 1991	$ 8,000	$10,000
Variable-rate revolving credit agreement (effective interest rate of 4.82% at December 31, 1992), payable in quarterly installments of variable amounts commencing in December 1994	8,000	
Variable-rate Industrial Development Bond (effective interest rate of 4.375% at December 31, 1992), payable in four installments of $100,000 from 1989 to 1992 with the balance due at maturity in December 1993	1,300	1,400
9.75% Term loan agreement, payable in semi-annual installments of $45,000 from 1992	361	454
10.39% Revolving credit agreement, payable in four annual installments of $2,000,000 commencing in 1992		8,000
	17,661	19,854
Less current portion	3,390	4,196
	$14,271	$15,658

Interest paid on all outstanding debt amounted to $2,245,000 in 1992, $2,718,000 in 1991 and $2,946,000 in 1990.

Aggregate principal payments for the next five years subsequent to December 31, 1992 are as follows:

1993	$3,390,000
1994	2,340,000
1995	3,340,000
1996	4,091,000
1997 and thereafter	4,500,000

In 1992, ABI amended and restated the revolving credit agreement and increased the amount ABI can borrow to $12,000,000. ABI must pay a commitment fee of 3/8 of 1 percent annually on the unused portion of the commitment.

In 1988, ABI entered into a seven-year $8,000,000 notional amount interest rate swap transaction to fix the interest rate on ABI's revolving credit agreement. The revolving credit agreement was amended and restated during 1992. In the fourth quarter of 1992 the swap ceased being a hedge when management unlinked it from any underlying debt. Accordingly, ABI recognized the expected loss on the swap agreement amounting to $500,000.

The terms of the loan agreements require ABI to maintain specific levels of working capital and minimum net worth and restrict the payment of cash dividends to holders of common stock and other capital distributions as defined. At December 31, 1992, retained earnings which were unrestricted as to such distributions amounted to $4,654,000.

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1992	1991
	($000)	
Total Current Liabilities	$ 936,841	$856,869
Long-Term Debt		
Agricultural processing	1,214,679	679,053
Transportation	347,812	301,220
	1,562,491	980,273

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Long-Term Debt and Financing Arrangements

	1992	1991
	(In thousands)	
8.875% Debentures $300 million face amount, due in 2011	$ 298,078	$ 298,040
8.125% Debentures $300 million face amount, due in 2012	297,805	
8.375% Debentures $300 million face amount, due in 2017	293,826	
7% Debentures $250 million face amount, due in 2011	122,356	121,202
Zero Coupon Debt $400 million face amount, due in 2002; $100 million retired in 1992	107,810	183,062
10.25% Debentures $100 million face amount, due in 2006	98,516	98,467
6% Bonds Deutsche Mark 150 million face amount, due in 1997	98,171	82,559
Industrial Revenue Bonds at various rates from 5.90% to 13.25% and due in varying amounts to 2012	80,639	80,265
Lease obligations (see Note 5)	43,902	49,074
Other	151,649	204,374
Total long-term debt	1,592,752	1,117,043
Less current maturities	(30,261)	(136,770)
	$1,562,491	$ 980,273

Unamortized original issue discounts on the 7% Debentures and Zero Coupon Debt issues are being amortized at 15.35% and 13.80%, respectively. Accelerated amortization of the discounts for tax purposes has the effect of lowering the actual rate of interest to be paid over the remaining lives of the issues to approximately 11.16% and 6.29%, respectively.

The aggregate maturities of long-term debt for the five years after June 30, 1992 are $30 million, $32 million, $25 million, $16 million, and $117 million, respectively.

At June 30, 1992 the Company had lines of credit totaling $378 million.

CAPITAL CITIES/ABC (DEC)

	1992	1991
	($000)	
Total current liabilities	$1,094,872	$1,167,110
Deferred compensation	93,435	94,653
Deferred income taxes	249,154	183,740
Program licenses and rights, noncurrent	40,953	36,257
Other liabilities	241,274	161,332
Long-term debt due after one year	912,110	1,317,399
Total liabilities	2,631,798	2,960,491

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Long-term Debt

Long-term debt at December 31, 1992 and 1991 is as follows (000's omitted):

	1992	1991
Commercial paper supported by bank revolving credit agreement	$ 100,000	$ 100,000
8¼% notes due 1996	200,000	200,000
8⅞% notes due 2000	250,000	250,000
8¾% debentures due 2016, with annual sinking fund payments of $12,000 beginning in 1997	300,000	300,000
8¾% debentures due 2021	250,000	250,000
10.8% Senior Notes due 1994	—	281,250
10½% notes due 1997	—	200,000
Other long-term debt	15,983	21,009
	$1,115,983	$1,602,259

The aggregate payments of long-term debt outstanding at December 31, 1992, for the next five years, excluding commercial paper, are summarized as follows: 1993—$203,873,000; 1994—$3,449,000; 1995—$2,602,000; 1996—$2,638,000; 1997—$14,891,000.

Interest paid on long-term debt during 1992, 1991 and 1990 amounted to $139,674,000, $203,170,000 and $182,177,000, respectively.

A subsidiary of the Company has issued commercial paper, $100,000,000 of which was outstanding at December 31, 1992, at a weighted average interest rate of 3.5%. The commercial paper is supported by a $1,000,000,000 bank revolving credit agreement terminating on June 30, 1995, unless otherwise extended.

Under terms of the bank revolving credit agreement, the Company and its consolidated subsidiaries are required to maintain a consolidated net worth of $2,500,000,000 at December 31, 1992, increasing annually by 33 percent of the consolidated net income of the previous year. The commercial paper outstanding at December 31, 1992, is classified as long-term since the Company intends to renew or replace with long-term borrowings all, or substantially all, of the commercial paper. However, the amount of commercial paper outstanding in 1993 is expected to fluctuate and may be reduced from time to time.

The 8¾% debentures due 2016 are redeemable at the option of the Company, in whole or in part, at a declining premium to par until 2006 and at par thereafter; provided, however, that these debentures not be redeemed from, or in anticipation of, funds borrowed at certain specified lower interest rates for a period of ten years from their date of issuance. The 8⅞% notes and the 8¾% debentures due 2021 are not redeemable prior to maturity and are not subject to any sinking fund. The 8¼% notes are redeemable at par in 1993. During 1991, the Securities and Exchange Commission declared effective a shelf registration statement of the Company which allows for the issuance of up to $500,000,000 in additional debt securities.

During 1992, the Company paid or redeemed the $281,250,000 of 10.8% Senior Notes and $200,000,000 of 10½% notes which were outstanding at the beginning of the year. In 1991, an after-tax extraordinary charge of $31,203,000 (net of income taxes of $19,015,000), or $1.86 per share, was recorded related to the early redemptions of the 10.8% Senior Notes and $500,000,000 of other debt. In early 1993, the Company called the 8¼% notes for redemption.

The Company has unconditionally guaranteed the 8¾% debentures due 2016 which have been issued by a wholly-owned subsidiary, the commercial paper, and any borrowings which may be made by a subsidiary under the bank revolving credit agreement.

The fair value of the Company's long-term debt, estimated based on the quoted market prices for similar issues or on the current rates offered to the Company for debt of similar remaining maturities, is approximately $1,175,000,000.

DEP CORPORATION (JUL)

	1992	1991
Total current liabilities	$15,173,000	$17,325,000
Long-term debt, net of current portion	18,198,000	26,698,000
Deferred income taxes and other non-current liabilities	2,151,000	1,244,000
Total liabilities	35,522,000	45,267,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Long-term debt:

	1992	1991
Mortgage, 9⅜%, due in monthly installments of $12,990 including interest due through 2002, collateralized by a first trust deed on land and building	$ 1,028,000	$ 1,089,000
Mortgage, 10½%, due in monthly installments of $12,555 including interest due through 1998, collateralized by a second trust deed on land and building	688,000	757,000
7⅜% convertible subordinated debentures	—	5,882,000
Bank loans	16,600,000	19,100,000
Other	40,000	159,000
	18,356,000	26,987,000
Less current portion	158,000	289,000
	$18,198,000	$26,698,000

The bank loans relate to a revolving credit facility (the "Credit Facility") with two banks, with an aggregate commitment at July 31, 1992, of $28,500,000. The banks' total lending commitment to the Company is automatically reduced on a quarterly basis through October 31, 1993. The Credit Facility terminates January 31, 1994. Outstanding advances are subject to interest at the Company's option, at either the Agent bank's base rate payable monthly, or 1½% over LIBOR, payable at contract termination. (At July 31, 1992, the weighted interest rate was 5.1%.) In addition the Company pays a quarterly commitment fee of ⅜% per annum on the average daily unused amount.

The terms of the Credit Facility include various covenants which provide, among other things, for the maintenance of consolidated net worth of not less than $18,000,000, and restrictions on the payment of dividends and certain other expenditures. The Company was in compliance with such covenants at July 31, 1992.

In addition to the Credit Facility, the Company has a revolving unsecured line of credit which permits borrowing up to a maximum of $5,000,000 at the bank's base rate of interest plus ½%. The current line expires in January 1993. At July 31, 1992, there was no outstanding balance under this line.

During the fiscal year ended July 31, 1992, the Company issued 534,717 shares of common stock upon conversion of the $5,882,000 principal amount of Debentures. Accordingly, the Company transferred $5,882,000 less $190,000 of unamortized issue costs, to stockholders' equity.

Interest expense charged to operations for fiscal years ended July 31, 1992, 1991 and 1990 was $1,751,000, $2,781,000, and $3,105,000, respectively.

Maturities of long-term debt for years ended July 31 are as follows:

1993	$ 158,000
1994	16,775,000
1995	184,000
1996	194,000
1997	214,000
Thereafter	831,000
	$18,356,000

FOSTER WHEELER CORPORATION (DEC)

	1992	1991
	($000)	
Total current liabilities	$ 721,018	$ 588,567
Long-term debt, less current installments	427,400	441,222
Minority interest in subsidiary companies	6,556	7,226
Deferred income taxes	19,853	40,806
Other long-term liabilities, deferred credits and postretirement benefits other than pensions	201,140	60,929
Total Liabilities	1,375,967	1,138,750

NOTES TO FINANCIAL STATEMENTS

(In Thousands of Dollars, Except per Share Amounts)

7. Long-Term Debt

Long-term debt consisted of the following:

	1992	1991
Corporate Debt		
11% unsecured promissory note paid in 1992	$ —	$ 16,071
8.58% unsecured promissory notes due in installments of $22,000 on October 1, in each of the years 1994 to 1998	110,000	110,000
Project Debt		
Collateralized note payable, interest varies based on one of several money market rates (1992 year-end rate 4.92%), due semiannually January 31, 1993 through July 30, 2006	64,400	64,453
Floating/Fixed Rate Resource Recovery Revenue Bonds, interest varies based on tax-exempt money market rates (1992 year-end rate 2.5%), due semiannually August 1, 1997 through February 1, 2010	45,448	45,448
Collateralized note payable, interest varies based on one of several money market rates (1992 year-end rate 4.96%), due semiannually through February 1, 1996	14,465	17,452
Solid Waste Disposal and Resource Recovery System Revenue Bonds, interest 7.125% to 7.5%, due annually December 1, 1999 through December 1, 2010	120,150	120,150
Resource Recovery Revenue Bonds, interest 7.9% to 10% due annually December 15, 1994 through 2012	71,974	66,473
Other		
Unsecured bank loans, interest 9.2%	5,430	5,947
Interest at 65% of prime, due 1994	253	307
Other	7,458	6,525
	439,578	454,826
Less Current Portion	12,178	13,604
	$427,400	$441,222

The Corporation entered into interest rate swap agreements under which it pays to the counterparties interest at a variable rate based on the London Interbank Offered Rate (LIBOR) on the current notional principal of $110,000 and the counterparties pay the Corporation interest at 7.165% (average) on the notional principal. The notional principal of the swap amortizes through September 30, 1998. In addition, the Corporation has entered into forward rate agreements for amounts up to $110,000, for six-month periods corresponding to the interest periods on the $110,000 notes. Pursuant to the forward rate agreements during 1992 the Corporation paid to the counterparties fixed rates of interest ranging from 4.4% to 5.24% and the counterparties paid to the Corporation interest at variable rates based on LIBOR for such periods. The Corporation is exposed to credit loss in the event of nonperformance by the counterparties to either agreement. However, the Corporation does not anticipate nonperformance by the counterparties. All of these contracts are with significant financial institutions that are rated AA-(S&P) or better.

The note payable for $64,400 is collateralized by all the assets of a limited partnership whose general partner is a Special Purpose Project Subsidiary. The Corporation's obligation with respect to this debt is limited to guaranteeing the operating performance of the project. The limited partnership entered into an interest rate swap agreement which fixed the interest rate on $62,000 of the original principal amount of the debt. Under this agreement, the limited partnership pays to the counterparties interest at 8.85% on the current notional principal of $62,000 and the counterparties pay to the limited partnership interest at a variable rate based on LIBOR on the notional principal. The notional principal of the swap amortizes through July 30, 1999. The limited partnership is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreement. However, the Corporation does not anticipate nonperformance by the counterparties.

The Floating/Fixed Rate Resource Recovery Revenue Bonds in the amount of $45,448 were issued in a total amount of $45,450 and the collateralized note in the amount of $14,465 represents a loan under a bank credit facility. Proceeds of the bond issue and the bank credit facility were drawn to finance the construction of a cogeneration project. The bonds are collateralized by a standby irrevocable letter of credit issued by a commercial bank. The bonds and the bank loans are collateralized pro rata by all the assets of a Special Purpose Project Subsidiary. The Corporation's obligations with respect to this debt are limited to guaranteeing the operating performance of the project.

The Solid Waste Disposal and Resource Recovery System Revenue Bonds totalling $120,150 were issued in a total amount of $133,500 for the purpose of financing a municipal-solid-waste incineration project. Proceeds of the bond issue were drawn to finance construction of the project. The bonds are collateralized by an irrevocable standby letter of credit issued by a commercial bank and collateralized by all the assets of the Special Purpose Project Subsidiary. The Corporation's obligations with respect to this debt are limited to guaranteeing the operating performance of the project.

The Resource Recovery Revenue Bonds of $71,974 were issued in a total amount of $86,780 to finance a municipal-solid-waste incineration project. Proceeds of the bond issue were drawn as construction of the project progressed. The bonds are collateralized by all the assets of a Special Purpose Project Subsidiary. The Corporation's obligations with respect to this debt are limited to guaranteeing operating performance of the project.

The Corporation has entered into a four-year revolving credit agreement (the "Revolving Credit Agreement") with a group of banks whereby the banks agree to advance loans from time to time in amounts up to $180,000. The loans are for general corporate purposes. The Revolving Credit Agreement is renewed each year subject to the approval of the Corporation and the banks. The Corporation pays to the banks a facility fee on the total facility and a commitment fee on the unused portion of the facility. At December 25, 1992, loans totalling $25,000 were outstanding under the Revolving Credit Agreement.

The Note Agreement pursuant to which 8.58% notes were issued and the Revolving Credit Agreement require the maintenance of certain levels of consolidated Tangible Net Worth, as defined, the most restrictive of which is $400,000 plus 25% of earnings from 1991. At December 25, 1992, the consolidated Tangible Net Worth was $498,000. The Note Agreement and the Revolving Credit Agreement also require the maintenance of certain capitalization ratios, the most restrictive of which requires that the ratio of Indebtedness to Tangible Net Worth, as those terms are defined in the agreements, not exceed .65 to 1. At December 25, 1992, this ratio was .37 to 1.

Principal payments are payable in annual installments of:

1994	$ 31,256
1995	32,793
1996	37,078
1997	34,010
1998	35,056
Balance due in installments through 2012	257,207
	$427,400

15 (In Part): Financial Instruments and Foreign Exchange Contracts

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Short-term Investments

The carrying amount approximates fair value because of the short-term maturity of those instruments.

Long-term Investments

The fair values of some investments are estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair market value could not be made without incurring excessive costs. Additional information pertinent to the value of an unquoted investment is provided below.

Long-term Debt

The fair value of the Corporation's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Foreign Currency Contracts

The fair value of foreign currency contracts (used for hedging purposes) is estimated by obtaining quotes from brokers.

The estimated fair values of the Corporation's financial instruments are as follows:

	1992	
	Carrying Amount	Fair Value
Cash and short-term investments	$ 270,669	$ 270,669
Long-term investments for which it is:		
• Practicable to estimate fair value	800	950
• Not practicable	4,500	—
Long-term debt	(439,578)	(448,500)
Foreign currency contracts	(8,767)	(8,767)

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1992	1991
	($ Millions)	
Total Current Liabilities	$2,646.0	$2,392.6
Long-Term Debt and Capital Leases (Note 6B)	1,471.1	2,038.1
Postretirement Benefits	1,933.1	267.7
Other Long-Term Liabilities	454.9	362.2
Deferred Income Taxes	—	599.1
Minority Equity in Subsidiaries	128.3	119.7

NOTES TO FINANCIAL STATEMENTS

Note 6 (In Part): Credit Arrangements

B. Long-Term Debt and Capital Leases

(In Millions)	1992	1991
Promissory notes:		
12.15% due 1993-2000	$ 40.0	$ 45.0
10.26% due 1999	118.4	118.4
Sinking fund debentures:		
8.60% due 1993-1994	—	19.0
7.35% due 1993-1997	—	30.7
Swiss franc bonds:		
5.375% due 2000	136.8	175.9
5.375% due 2006	126.2	146.6
Yen bonds:		
6.875% due 1994	—	89.1
7.125% due 1995	—	194.4
6.625% due 1996	—	77.7
6.30% Yen bank term loan due 1994	40.2	39.8
6.875% Convertible Debentures due 2003	150.0	150.0
Bank term loans due 1995-2000	218.0	468.5
Revolving credit agreements	255.0	140.5
Other domestic debt	228.3	15.5
International subsidiary debt	178.7	333.7
	1,491.6	2,044.8
Capital lease obligations:		
Industrial revenue bonds	54.3	62.7
Other	18.3	22.1
	1,564.2	2,129.6
Less portion due within one year	93.1	91.5
	$1,471.1	$2.038.1

At December 31, 1992, the fair value of the Company's long-term debt amounted to $1,475.2 million compared to the carrying amount of $1,491.6 million. The difference was attributable primarily to the Swiss franc bonds. The fair value was estimated using quoted market prices or discounted future cash flows.

At December 31, 1992, the Company had available long-term credit sources totaling $3,662.5 million, of which $2,320.0 million were unused.

During 1992, the Company retired, ahead of scheduled maturities, long-term debt totaling $809.4 million. Included in these retirements were all of the sinking fund debentures totaling $49.7 million, a portion of the Swiss franc bond issues totaling $36.3 million, all of the Yen bond issues totaling $358.4 million and various bank term loans totaling $365.0 million. Certain Swiss franc and Yen currency hedges were also liquidated in conjunction with the Swiss franc and Yen bond retirements.

At December 31, 1992, the Swiss franc bonds and Yen term loan were completely hedged by foreign currency exchange agreements with various financial institutions whereunder the Company is entitled to purchase the respective foreign currencies as described in the table below. Fluctuations in the carrying amount of the Swiss franc and Yen denominated debt due to changes in exchange rates are offset by similar fluctuations in the carrying amount of the related hedges. The carrying values of these foreign currency agreements totaled $99.1 million and $171.8 million at December 31, 1992 and 1991, respectively, substantially all of which were included in long-term accounts and notes receivable on the Consolidated Balance Sheet.

	1992		1991	
	Contract Amount		Contract Amount	
(In millions)	Foreign Currency	U.S.	Foreign Currency	U.S.
Debt:				
Swiss franc, maturing 2000-2006	383.7	$263.0	438.0	$322.5
Yen term loan, maturing 1994	5,000.0	40.2	5,000.0	39.8
Yen bonds, maturing 1994-1996	—	—	45,398.0	361.2
Currency exchange agreements:				
Swiss franc, maturing 2000-2006	399.6	183.9	438.0	199.2
Yen, maturing 1994-1996	5,000.0	34.0	15,000.0	86.8
Forward contracts—Yen	—	—	24,432.0	186.7
Call option—Yen	—	—	12,500.0	96.1

In addition to the principal amounts shown in the chart above, the Swiss franc and Yen currency exchange agreements also cover the 5.375 percent and 6.30 percent annual coupon payments, respectively. At December 31, 1992, the fair values of the Swiss franc and Yen currency exchange agreements were estimated using quoted market prices at $34.2 million and $5.7 million, respectively, including the cover for both principal and coupon payments.

The Convertible Debentures due 2003 are convertible into common shares of the Company at $80.25 per share.

The bank term loans due 1995 through 2000 consist of various agreements which provide for interest at 9.89 percent on $100 million and at floating rates based upon LIBOR plus a fixed spread on the remainder. During 1992, floating and fixed rate bank term loans totaling $365 million were retired in advance of maturity. Costs associated with the early retirement of the fixed rate term loans amounted to $21.7 million ($15.3 million after tax of $.21 per share) and were recorded as an extraordinary item on the Consolidated Statement of Income.

Commitments under revolving credit agreements total $2,320.0 million with 44 domestic and international banks. These revolving credit agreements are noncancelable through June 30, 1994 and, thereafter, are automatically renewed for successive one year terms unless a notice of termination is given at least 13 months prior to the end of the current term or annual renewal period. Under each agreement the Company may borrow, for periods of up to at least one year, at any time during the commitment period. Each revolving credit agreement provides that the Company may obtain loans bearing interest at LIBOR or a defined Certificate of Deposit rate plus spreads ranging from 3/4 percent to one percent depending upon the amount of the bank's commitment and extent of utilization by the Company, or at quoted rates, and requires a commitment fee on the unused portion ranging from 35 to 50 basis points depending upon commitment level. Each agreement contains certain covenants which, among other things, require the Company to maintain at the end of each calendar quarter a defined interest coverage and current ratio, a consolidated net worth minimum and a limitation on consolidated debt. Amounts outstanding under the Company's short-term credit facilities are supported by these revolving credit agreements. In addition, $255 million of loans under 1989 revolving credit agreements were outstanding at December 31, 1992. These agreements are with six other banks whose commitments to lend terminated in 1992.

Certain domestic and international subsidiary debt obligations amounting to $476.6 million and $25.9 million, respectively, at December 31, 1992 ($140.5 million and $126.9 million at December 31, 1991), which by their terms are due within one year, are classified as long-term. Such obligations are incurred under or supported by the revolving credit agreements, and it is the Company's intent to maintain them as long-term. Short-term obligations reclassified to long-term at December 31, 1992, consist primarily of loans under revolving credit agreements and short-term bank borrowings.

Refer to Note 7, Leased Assets for additional information on capital lease obligations.

The Company enters into various interest rate contracts in managing the cost of its floating rate debt. These contracts limit the effect of market fluctuations on the interest cost of floating rate debt. The notional principal amount of outstanding interest rate contracts was reduced significantly in 1992 in connection with the reduction in debt. Current market pricing models were used to estimate the 1992 fair values of interest rate contracts. Fair values at December 31, 1991, were not estimated. A summary of contracts in place domestically at December 31 follows:

(Dollars in millions)	1992	1991
Notional principal amount:		
Pay fixed rate; receive variable LIBOR	$740.0	$1,373.8
Pay variable LIBOR; receive fixed rate	50.0	480.0
Fair value:		
Pay fixed rate; receive variable LIBOR	(70.1)	—
Pay variable LIBOR; receive fixed rate	.6	—
Average life to maturity (years)	3.0	3.4
Weighted average interest rate	8.80%	8.08%

In addition, interest rate contracts with notional principal amounts totaling $35.5 million were in place at December 31, 1992 ($77.7 million at December 31, 1991) to hedge international subsidiary floating rate debt denominated in Canadian dollars, whereunder the Company pays a fixed amount and receives a variable amount equivalent to LIBOR. At December 31, 1992, the interest rate on approximately 88 percent of the Company's debt was fixed by either the nature of the obligation or through the interest rate contracts.

The annual aggregate maturities of long-term debt and capital leases for the five years subsequent to 1992 are presented below. Maturities of debt incurred under or supported by revolving credit agreements have been reported on the basis that the commitments to lend under these agreements will be terminated effective at the end of their current terms.

(In millions)	1993	1994	1995	1996	1997
Debt incurred under or supported by revolving credit agreements	$ —	$ —	$476.6	$ —	$ —
Other	93.1	93.5	206.8	14.1	19.4
	$93.1	$93.5	$683.4	$14.1	$19.4

KNIGHT-RIDDER, INC. (DEC)

	1992	1991
	($000)	
Total Current Liabilities	$405,104	$336,222
Non-Current Liabilities		
Long-term debt	495,941	556,797
Deferred federal and state income taxes	114,199	199,801
Postretirement benefits other than pensions	172,763	
Employment benefits and other non-current liabilities	85,395	88,879
Total Non-Current Liabilities	868,298	845,477

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

"Short-term borrowings" represents the carrying amounts of commercial paper and other short-term borrowings that approximate fair value. "Long-term debt" represents the carrying amounts of debentures and notes payable. Fair values, disclosed in Note C, are estimated using discounted cash flow analysis based on the company's current incremental borrowing rates for similar types of borrowing arrangements.

Note C—Debt

Debt consisted of the following (in thousands):

	Dec. 27 1992	Dec. 29 1991
Commercial paper due at various dates through Jan. 22, 1993, at an effective interest rate of 3.363% as of Dec. 27, 1992. Amounts are net of unamortized discounts of $74 in 1992 and $712 in 1991 (a)	$ 62,326	$111,288
Debentures due on April 15, 2009, bearing interest at 9⅞%, net of unamortized discount of $2,693 in 1992 and $2,859 in 1991	197,307	197,141
Notes payable on April 15, 1996, bearing interest at 8%, callable after April 15, 1993, net of unamortized discount of $338 in 1992 and $441 in 1991	99,662	99,559
Notes payable on Jan. 15, 1994, bearing interest at 9.05%, puttable after Jan. 15, 1992, net of unamortized discount of $35 in 1992 and $69 in 1991	39,965	39,931
Notes payable, bearing interest at 8½%, subject to mandatory pro rata amortization of 25% annually commencing Sept. 1, 1998, through maturity on Sept. 1, 2001, net of unamortized discount of $1,240 in 1992 and $1,408 in 1991	158,760	158,592
Other indebtedness	2,225	329
	560,245	606,840
Less amounts payable in one year (b)	64,304	50,043
Total Long-Term Debt	$495,941	$556,797

(a) Commercial paper is backed by $515 million of revolving credit agreements, which require no principal payments until maturity on Sept. 30, 1993.

(b) Since the instruments backing commercial paper mature within the next 12 months, the approximately $62 million of commercial paper outstanding as of Dec. 27, 1992, is classified as "current."

Interest payments during 1992, 1991 and 1990 were $52.7 million, $65.6 million and $67.9 million, respectively.

The following table presents (in thousands) the approximate annual maturities of long-term debt for the five years after 1992:

1993	$ 64,034
1994	40,006
1995	45
1996	99,711
1997	54
1998 and thereafter	356,125
Total	$560,245

The carrying amounts and fair values of debt as of Dec. 27, 1992 are as follows (in thousands):

	Carrying Amount	Fair Value
Commercial paper	$ 62,326	$ 62,326
9⅞% Debentures	197,307	240,340
8% Notes payable	99,662	100,375
9.05% Notes payable	39,965	41,850
8½% Notes payable	158,760	171,536
Other indebtedness	2,225	2,225
	$560,245	$618,652

REYNOLDS METALS COMPANY (DEC)

	1992	1991
	($ Millions)	
Total current liabilities	$1,185.3	$1,016.4
Long-term debt	1,797.7	1,854.3
Postretirement benefits	1,196.5	132.2
Environmental and restructuring	346.0	160.2
Deferred taxes	165.9	404.8
Other liabilities	145.6	157.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except share amounts)

Note A (In Part): Significant Accounting Policies

Financial Instruments

At the end of 1992, the fair value of the financial instruments discussed above was approximately the same as contractual value. The carrying amount of short-term investments and long-term debt approximates fair value. The fair value of financial instruments was estimated based upon quoted prices for comparable contracts and discounted cash flow analyses.

Note E—Financing Arrangements

Long-term debt outstanding at December 31:

	1992	1991
Shelf registration issues:		
Medium term notes	$ 933.5	$ 846.5
9% debentures	100.0	100.0
9⅜% debentures	99.8	99.8
Floating rate notes	—	—
Other issues:		
Term loan agreement	274.2	306.6
Industrial and environmental control revenue bonds	220.9	224.7
Mortgages and other notes payable	141.1	176.7
Bank credit agreement	—	150.0
Commercial paper	25.0	22.1
Short-term borrowings, reclassified	173.9	—
	1,967.5	1,926.4
Amounts due within one year	169.8	72.1
Long-term debt	$1,797.7	$1,854.3

Maturities of long-term debt are $120.2 million in 1994, $96.3 million in 1995, $98.9 million in 1996, $44.7 million in 1997 and $1,437.6 million from 1998 to 2022. Interest paid amounted to $169.6 million, $157.2 million and $90.4 million during 1992, 1991 and 1990, respectively, net of interest capitalized of $13.6 million, $19.4 million and $44.0 million.

The Company has on file a shelf registration to issue up to $1.65 billion of debt securities. The medium term notes, 9% debentures due 2003 and 9⅜% debentures due 1999 were issued under the shelf registration. The medium term notes bear interest at an average rate of 9.2% and have maturities ranging from 1993 to 2007. The floating rate notes were also issued under the shelf registration but were voluntarily prepaid in 1991. At December 31, 1992, $300 million of debt securities remained unissued under the Company's shelf registration.

The term loan agreement bears interest at a variable rate (4.1% at December 31, 1992) and requires principal repayments through 1996.

Industrial and environmental control revenue bonds consists principally of variable rate debt averaging approximately 3% at December 31, 1992. These bonds require principal repayment periodically or in a lump sum through 2022. $206.8 million of these bonds are supported by bank letters of credit. Early in 1993 an additional $8.2 million of variable rate bonds due 2022 were issued.

Mortgages and other notes payable consists of fixed rate debt at an average rate of 9.3% and requires principal repayment through 2009.

At December 31, 1992, $25.0 million of commercial paper was outstanding at an average rate of 3.9%. The commercial paper and certain other short-term borrowings are classified as long-term debt since it is the Company's intent (supported by $200 million in revolving credit facilities) to refinance the debt on a long-term basis. The Company has an additional $290 million in revolving credit facilities, of which $250 million expire in 1995.

In the fourth quarter of 1992, the Company borrowed $230 million under a short-term credit facility. The proceeds were used to voluntarily prepay the $150 million bank credit agreement and $80 million of short-term borrowings. In early 1993, the Company issued $50 million of medium term notes under the shelf registration (at an average rate of 7.8% and maturing in 2004 to 2013). In the first half of 1993, the Company intends to issue $285 million of debt securities under a new shelf registration and to borrow $150 million under a five-year bank credit agreement. The proceeds from these borrowings will be used to voluntarily prepay $150 million of the term loan agreement and to repay $230 million borrowed under the short-term credit facility in the fourth quarter of 1992 and other short-term obligations.

Certain of the Company's financing arrangements contain restrictions which, among other things, require maintenance of certain financial ratios.

SCHERING-PLOUGH CORPORATION (DEC)

	1992	1991
	($ Millions)	
Total current liabilities	$1,969.2	$1,528.2
Long-term Liabilities:		
Long-term debt	184.1	753.6
Deferred income taxes	198.5	185.8
Other long-term liabilities	207.9	199.5
Total long-term liabilities	590.5	1,138.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share figures)

Borrowings

Short-term borrowings consist of commercial paper issued in the United States, bank loans and notes payable. Commercial paper outstanding at December 31, 1992 and 1991 was $715.8 and $396.0, respectively. Bank loans and notes payable at December 31, 1992 and 1991 totaled $229.6 and $209.6, respectively.

At December 31, 1992, unused domestic bank lines of credit, which were considered as support for commercial paper borrowings, were $363.0. These lines of credit do not require compensating balances; however, a nominal commitment fee is paid on the unused portion of these lines.

The Company's foreign subsidiaries had available $96.2 in unused lines of credit from various financial institutions at December 31, 1992. Generally, these credit lines do not require commitment fees or compensating balances, and are cancelable at the option of the Company or the financial institutions.

Long-term debt, including current maturities, at December 31 consisted of the following:

	1992	1991
Notes, 7.8%, due 1996	$100.0	$100.0
Industrial revenue bonds, 3.3%–12.0%, due 2001–2013	80.0	80.0
Zero-coupon notes, due 1996	—	568.7
Other	4.7	5.5
	184.7	754.2
Current maturities	(.6)	(.6)
Total long-term debt	$184.1	$753.6

During the 1992 first quarter, the Company purchased approximately $600.0 of U.S. Government securities and deposited them into an irrevocable trust to complete an in-substance defeasance of the Company's zero-coupon notes. The funds in the trust will be used solely to satisfy the $828.6 maturity value of the zero-coupon notes due December 2, 1996. Accordingly, the government securities and the zero-coupon notes have been excluded from the 1992 balance sheet. The debt extinguishment resulted in an extraordinary loss of $26.7 (net of income taxes of $15.0), or $.13 per share.

The Company has a shelf registration statement on file with the Securities and Exchange Commission covering the issuance of up to $200.0 of debt securities. These securities may be offered from time to time on terms to be determined at the time of sale. As of December 31, 1992, no debt securities have been issued pursuant to this registration.

Financial Instruments (In Part)

The following table presents the carrying value and estimated fair value as of December 31, 1992, of the Company's financial instruments reportable pursuant to Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments."

	Carrying Value	Estimated Fair Value
Assets:		
Cash and cash equivalents	$406	$406
Investments	136	136
Foreign currency option contracts	8	12
Liabilities:		
Short-term borrowings	946	946
Long-term debt	184	198
Interest rate swap contracts	3	3
Forward currency contracts	55	62

The estimated fair value of investments, short-term borrowings and long-term debt was based on the quoted market prices of these or similar instruments. The estimated fair value of foreign currency option contracts, interest rate swap contracts and forward currency contracts was based upon quotes from brokers.

The aggregate face value of forward currency contracts, primarily to exchange yen and Swiss francs for dollars, totaled $105.0 and $98.8 at December 31, 1992 and 1991, respectively. These agreements mature at various dates through 2002. At December 31, 1992, the total U.S. dollar amount under foreign currency option contracts to sell Deutschemarks and yen was $354.0. These contracts mature at various dates during 1993. At December 31, 1992, there were outstanding two interest rate swap agreements with notional principal amounts of $650.0 each and two other agreements with notional principal amounts of $950.0 each. At December 31, 1991, there was an interest rate swap contract outstanding with a notional principal amount of $650.0. These contracts mature at various dates through 2012.

TRANSTECHNOLOGY CORPORATION (MAR)

	1992	1991
Total current liabilities	$38,021,000	$41,171,000
Long-term Debt Payable to Banks and Others (Note 5)	528,000	42,052,000
Deferred Income Taxes	912,000	2,844,000
Other Long-term Liabilities	1,709,000	599,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Long-term Debt Payable to Banks and Others

Long-term debt payable to banks and others consists of the following:

	1992	1991
Credit agreement—7.75%	$ 3,100,000	—
Credit agreement—9.75% (Repaid June 1991)	—	$12,000,000
Long-term note—9.63%	8,000,000	40,000,000
Other	565,000	1,190,000
	11,665,000	53,190,000
Less current maturities	11,137,000	11,138,000
Total	$ 528,000	$42,052,000

Credit Agreement

At March 31, 1992, outstanding bank debt consisted of a revolving credit facility of $10 million which provides for borrowings and letters of credit. Borrowing under this facility at March 31, 1992 was $3.1 million.

The bank debt expires in June 1993. Under this facility accounts receivable and inventory are pledged as collateral and borrowing is limited to an amount equal to the sum of 75% of the unpaid face amount of eligible accounts. Borrowings under the facility bear interest at 1¼% over the lending bank's prime rate. The agreement contains requirements for a minimum tangible net worth of $68 million at March 31, 1992 and continuing thereafter; a quarterly maximum total liabilities to tangible equity ratio of 1.5 to 1.0; a minimum annual working capital level of $50 million; and a minimum annual cash flow coverage ratio of 1.0 to 1.0. In addition, the agreement limits the repurchase of the Company's common stock to not more than $100,000 and provides that dividend payments can only be made after the Company achieves net income of $5 million, as defined in the agreement. Provisions made during the year for the relocation of Corporate headquarters, operating results and provisions applicable to the discontinued companies rendered the Company unable to comply with the tangible net worth and working capital covenants as of March 31, 1992. The bank granted a waiver as of that date only for these events of default. The Company is currently obtaining proposals for a new credit line from its lending bank as well as other lenders which would more adequately meet its capital requirements in the future.

Long-term Note

On December 20, 1988, the Company entered into a $40 million long-term note. In March 1992, upon the sale of the net assets of Financial Systems, the note was paid down to $8 million. In June 1992, an additional payment was made to reduce the outstanding balance to $4 million, and the remainder will be retired during 1993. This note contains provisions including a requirement to maintain $50 million or more in working capital. As of March 31, 1992, the Company was not in compliance with the working capital provision. A waiver has been obtained from the lender through July 1992.

Other

Other long-term debt is comprised principally of obligations due under collateralized borrowing arrangements with floating interest rates. Interest rates on this debt averaged approximately 6% at March 31, 1992.

Debt Maturities:

1993 (current)	$11,137,000
1994	38,000
1995	39,000
1996	40,000
1997	42,000
Thereafter	369,000
Total	$11,665,000

CREDIT AGREEMENTS

As shown in Table 2-27, many of the survey companies disclosed the existence of loan commitments from banks or insurance companies for future loans. Examples of such loan commitment disclosures follow.

TABLE 2-27: CREDIT AGREEMENTS

	1992	1991	1990	1989
Disclosing credit agreements	539	535	534	533
Not disclosing credit agreements	61	65	66	67
Total Companies	**600**	**600**	**600**	**600**

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Credit Agreements and Borrowings

Short Term Borrowings—The Corporation maintains agreements with several foreign banks providing lines of credit in the amounts of $3,133,000 and $1,912,000 in 1992 and 1991, respectively. These agreements are renewable annually or upon periodic review by the lending institutions. Borrowings under these lines of credit, included with Payable to Banks, were $606,000 at September 30, 1991.

Long-Term Borrowings—At September 30, 1991, the Corporation had a credit agreement with certain banking institutions which permitted borrowings up to $9,000,000 at 1% above the base lending rate of the agent bank. Of such principal amount, $2,705,000 was used to obtain a standby letter of credit. On October 28, 1991, the Corporation entered into a new three-year credit agreement, the aggregate principal amount of such agreement being $15,000,000. Of such principal amount, $2,705,000 was for a standby letter of credit, $2,000,000 was for other standby and commercial letters of credit, and $1,000,000 was for foreign exchange transactions. The revolving credit notes permit borrowings at ¼% above the base lending rate of the agent bank. Such credit agreement is secured by a first security interest of substantially all equipment and all accounts receivable and inventory of the Corporation and its domestic subsidiaries. The terms of the credit agreement require, among other terms, minimum amounts, as defined, of working capital and tangible net worth, and minimum ratios of current assets to current liabilities and indebtedness to net worth. In February 1992, the standby letter of credit was canceled and the aggregate principal of the credit agreement was reduced to $12,000,000. At September 30, 1992, $830,000 was used for a commerical letter of credit. There were no borrowings against either credit agreement at September 30, 1992 or 1991.

CERIDIAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data)

K (In Part): Financing Arrangements

The Company continues to maintain a credit agreement (the "Credit Agreement") with several commercial banks. During 1992 the Credit Agreement was amended on several occasions to reduce overall credit availability from $150.0 to $80.0 (including standby letters of credit) and revolving loan availability from $35.0 to $25.0. At December 31, 1992, there were $60.7 in letters of credit and no revolving loans outstanding under the facility.

In addition, the rolling four quarter net earnings covenant was waived and the net worth covenant modified to permit the spin-off of Control Data Systems and other reshaping actions taken during the second quarter of the year. The net earnings test for Arbitron (whose stock, along with the Company's domestic trade accounts receivable, serves as collateral under the Credit Agreement) was modified to accommodate the discontinuance of the ScanAmerica program. Added to the Credit Agreement was a requirement that each quarter after June 30, 1992 be profitable. The amendments also imposed more restrictive limits on the Company's permitted debt, liens, contingent obligations, capital expenditures and divestitures. Covenants also restrict operating leases, investments and acquisitions and require that at least 60% of consolidated cash and equivalents be held by the parent company. If the Company were not able to satisfy a covenant in the Credit Agreement, the banks could, among other things, require immediate cash collateralization of all outstanding letters of credit.

Letter of credit fees are generally equal to 1.25% per annum of the amount of each letter of credit, unless the letter involves a guarantee of debt, in which case availability is limited to $25.0 and the rate is 1.5% per annum. The commitment fee on the unused portion of the facility is 0.4% per annum. Borrowings under the Credit Agreement are available at Bank of America's reference rate plus 1.25% per annum.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Lines of Credit

At December 31, 1992, the company had unused U.S. lines of credit of approximately $837 million ($721 million of which supported short-term borrowings classified as long-term debt as discussed in Note 6) and unused foreign lines of credit of approximately $199 million ($17 million of which supported short-term borrowings classified as long-term debt as discussed in Note 6). At December 31, 1992, interest rates on the U.S. and foreign lines were no higher than the prime rate or its equivalent. Commitment fees of 1/4% are required on the $1,015 million U.S. lines of credit, which are available to September 30, 1996 on a revolving basis, at which time amounts owed, if any, become payable. Commitment fees of no more than 1/5% are required on the $199 million foreign lines of credit. Commitments under the credit agreements cannot be withdrawn provided the company continues to meet required conditions.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Credit Agreements.

On October 29, 1991 the Corporation entered into a Revolving Credit Agreement, under the terms of which four banks committed a maximum of $45,000,000 to the Corporation for cash borrowings and letters of credit. As of December 31, 1992, the Corporation has an irrevocable standby letter of credit in the amount of $18,824,550 under this revolving credit facility, issued in connection with its environmental clean-up discussed in Note 12. The unused credit available under this facility at December 31, 1992 was $17,441,768. The commitments made under the Revolving Credit Agreement expire on October 1995, but may be extended annually for successive one year periods with the consent of the banks. The Corporation is required, under this Agreement to maintain certain financial ratios, and meet certain net worth and indebtedness tests for which the Corporation is in compliance.

The Corporation also had a short-term uncommitted line of credit for $10,000,000 available to it at December 31, 1991, under which there were no borrowings. The maximum short-term debt balance outstanding under various other uncommitted lines of credit for 1991 was $3,000,000, with an average balance of $750,000 and a weighted average interest rate of 8.3%. No short-term borrowings were outstanding at December 31, 1992 or December 31, 1991.

At December 31, 1992, a majority of the industrial revenue bond issues are collateralized by real estate, machinery and equipment. Certain of these issues, with an aggregate balance of approximately $14,000,000 are supported by letters of credit of which $5,133,562 is issued by a bank outside of the Revolving Credit Agreement. This letter of credit agreement also contains certain restrictive financial covenants, similar to those described above, under which the Corporation is in compliance. Under the most restrictive provision of these agreements, retained earnings of $29,677,000 were available for cash dividends and stock acquisitions at December 31, 1992. The Corporation has various other letters of credit totaling approximately $790,000.

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Long-Term Debt

In April and September of 1991 and May of 1992, the Company entered into separate three-year, $40,000,000 revolving-term loan agreements on an unsecured basis, with three separate banks aggregating $120,000,000. During the commitment period, the Company is obligated to pay a fee of .125% per annum for two of the agreements on the unused portion of the $40,000,000 commitments. The Company does not pay a commitment fee on the third $40,000,000 agreement. Outstanding borrowings bear interest at the Company's choice of prime rate or certain alternative rates. Principal amounts outstanding at the end of the three-year period will be payable in twenty equal quarterly instalments commencing at the end of the commitment period. At June 27, 1992, the Company had a total of $30,000,000 borrowed under two of these agreements.

Several loan agreements of the Company contain restrictions which, among other things, require maintenance of certain financial ratios, restrict encumbrance of assets and creation of indebtedness, and limit the payment of dividends. At June 27, 1992, $104,844,000 of the Company's retained earnings of $213,669,000 were unrestricted and available for the payment of dividends under the most restrictive terms of the agreements.

IMCERA GROUP INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K Lines of Credit

In April 1991, IMCERA entered into a $150 million revolving credit agreement with a number of banks which expires in April 1994. Under the terms of the agreement, interest rates are determined at the time of borrowing and are based on London Interbank Offered Rates plus .40 percent, or other alternative rates. At June 30, 1992, borrowings outstanding under the facility totaled $20 million. In April 1991, IMCERA also established a facility expiring in April 1994 whereby up to $50 million of subsidiary trade accounts receivable could be sold without recourse for cash proceeds less a discount based on prime commercial paper rates plus .30 percent. No receivables have been sold through June 30, 1992. The Company also maintains various working capital credit lines for its subsidiaries outside the United States which totaled $226.1 million at June 30, 1992. Borrowings outstanding under these credit lines at June 30, 1992, amounted to $76.2 million. These non-U.S. credit lines are cancellable at any time.

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Debt and Credit Arrangements

Consolidated debt consists of the following classifications at December 31:

	Interest Rate Averages Or Ranges	1992	1991
Short-Term Debt			
Aerospace segments:			
Revolving credit agreements	4.30%	$ 689	$ 180
Other notes	5.54%	434	44
		1,123	224
Financial services and other segment:			
Other notes	4.76%	124	158
Total short-term debt		1,247	382
Long-Term Debt			
Aerospace segments:			
Senior debt securities, due through 2012	7.9%-9.8%	1,494	849
Revolving credit agreements, due 1995			850
Other debt, due through 2003	5.0%-11.5%	113	401
Senior medium term notes, due through 1996	5.3%-7.4%	37	
		1,644	2,100
Financial services and other segment:			
Senior debt securities, due through 2003	3.9%-13.0%	365	425
Senior medium term notes, due through 2005	8.0%-14.2%	817	1,097
Subordinated notes, due through 1999	8.4%-12.6%	93	118
Other notes, due through 2017	9.0%-12.9%	75	93
		1,350	1,733
Total long-term debt		2,994	3,833
Total Debt		$4,241	$4,215

The aggregate amount of long-term debt at December 31, 1992 maturing by calendar year for 1993 to 1997 is as follows:

	Aerospace Segments	Financial Services and Other Segment
1993	$404	$199
1994	42	198
1995	6	208
1996	12	129
1997	405	142

MDC Credit Agreements. MDC has two revolving credit agreements under which MDC may borrow up to $1.4 billion through April 1995. MDC has a third agreement entered into on December 3, 1991 for an additional three-year $400 million revolving credit agreement. Under the three credit agreements, the interest rate, at the option of MDC, is a floating rate generally based on a defined prime rate, a fixed rate related to the London interbank rate (LIBOR), or a certificate of deposit rate, or as quoted under a competitive bid or a negotiated rate. A fee is charged on the amount of the commitments. The agreements contain restrictive covenants relating to net worth (as defined), liquidity (as defined), interest coverage, indebtedness, customer financing, fixed asset dispositions and subsidiary indebtedness. As of December 31, 1992, consolidated tangible net worth (as defined) was approximately $164 million in excess of the minimum required under these covenants. The $400 million agreement provides for reduction of the commitments by up to $400 million upon the issuance by MDC of new equity or upon the disposition of certain assets, or upon the issuance of new long-term debt in excess of $300 million in 1992 and $400 million in 1993. Accordingly, upon MDC's issuance of $950 million of senior debt securities and issuance of $37 million of medium-term notes, the $400 million aggregate commitments have been reduced to $48 million, of which no amounts are outstanding, as of December 31, 1992. In February 1993, MDC excuted a fourth revolving credit agreement under which MDC may borrow up to $175 million to January 28, 1994. As of December 31, 1992, MDC has borrowed $689 million under its $1.4 billion revolving credit agreements.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Borrowing Arrangements

The Company has available lines of credit with a number of banks which permit borrowing at interest rates generally not to exceed each bank's prime rate. There were no short-term borrowings outstanding under these lines of credit at December 31, 1992 and 1991. Lines of credit available at December 31, 1992 and 1991, including lines available for letters of credit, were $600.4 million and $585.0 million, respectively. Letters of credit outstanding against these lines were approximately $288.1 million and $336.7 million as of December 31, 1992 and 1991, respectively.

The Company can also obtain short-term financing through the issuance of commercial paper and bank loan participation notes. There were no short-term borrowings outstanding at December 31, 1992. As of December 31, 1991, there was $50.0 million outstanding under these programs.

The Company is not obligated under any formal or informal compensating balance agreements.

LONG-TERM LEASES

Effective for leasing transactions entered into on or after January 1, 1977, *Statement of Financial Accounting Standards No. 13* is the authoritative pronouncement on the reporting of leases in the financial statements of lessees and lessors.

Table 2-28, in addition to showing the number of survey companies reporting capitalized and/or noncapitalized lessee leases, shows the nature of information most frequently disclosed by the survey companies for capitalized and noncapitalized lessee leases. Forty-nine survey companies reported lessor leases.

Examples of long-term lease presentations and disclosures follow.

TABLE 2-28: LONG-TERM LEASES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	490	482	463	472
Contingent	66	64	63	67
Sublease	75	74	70	71
Minimum rental payments				
Schedule of	479	475	471	467
Classified by major categories of property	26	31	34	26
Information Disclosed as to Capitalized Leases				
Minimum lease payments	164	174	167	169
Imputed interest	158	156	159	156
Leased assets by major classifications	51	63	75	80
Executory costs	31	31	30	35
Number of Companies				
Capitalized and noncapitalized leases	308	320	323	308
Noncapitalized leases only	194	179	176	187
Capitalized leases only	32	35	31	36
No leases disclosed	66	66	70	69
Total Companies	**600**	**600**	**600**	**600**

Lessee—Capital Leases

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	1992	1991
	($000)	
Current liabilities:		
Current portion of long-term debt	$ 55,953	$ 41,178
Current portion of obligations under capital leases	18,604	20,444
Accounts payable	589,621	655,895
Accrued salaries, wages and benefits	148,154	166,288
Accrued taxes	35,127	56,341
Other accruals	154,163	155,948
Total current liabilities	1,001,622	1,096,094
Long-term debt	486,129	532,510
Obligations under capital leases	206,003	220,892
Deferred income taxes	168,862	152,213
Other non-current liabilities	97,125	84,517

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Properties

Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets. Buildings are depreciated based on lives varying from twenty to fifty years and equipment based on lives varying from three to ten years. Equipment and real property leased under capital leases are amortized over the lives of the respective leases. Properties designated for sale are classified as current assets.

Lease Obligations

The Company operates primarily in leased facilities. Lease terms generally range up to twenty-five years for store leases and thirty years for other leased facilities, with options to renew for additional periods. The majority of the leases contain escalation clauses relating to real estate tax increases and certain store leases provide for increases in rentals when sales exceed specified levels. In addition, the Company leases some store equipment and trucks.

The consolidated balance sheets include the following:

(Dollars in thousands)	February 29, 1992	February 23, 1991
Real property leased under capital leases	$ 303,848	$ 302,573
Equipment leased under capital leases	15,288	17,034
	319,136	319,607
Accumulated amortization	(155,842)	(145,881)
	$163,294	$173,726

The Company entered into $11 million of new capital leases during fiscal 1991, $5 million during fiscal 1990 and $3 million during fiscal 1989. Interest paid for capital lease obligations was approximately $27, $28 and $30 million in fiscal 1991, 1990 and 1989, respectively.

Rent expense for operating leases consists of:

(Dollars in thousands)	Fiscal 1991	Fiscal 1990	Fiscal 1989
Minimum rentals	$154,890	$134,222	$117,111
Contingent rentals	9,146	9,726	11,060
	$164,036	$143,948	$128,171

Minimum annual rentals for leases in effect at February 29, 1992 are shown in the table below.

(Dollars in thousands)	Capital Leases		
Fiscal	Equipment	Real Property	Operating Leases
1992	$2,504	$ 41,441	$ 140,426
1993	1,371	40,074	134,652
1994	737	37,501	129,367
1995	16	34,549	123,954
1996	—	32,063	116,422
1997 and thereafter	—	252,130	1,067,245
	4,628	437,758	$1,712,066
Less executory costs	—	(4,477)	
Net minimum rentals	4,628	433,281	
Less interest portion	(452)	(212,850)	
Present value of net minimum rentals	$4,176	$220,431	

THE KROGER CO. (DEC)

	1992	1991
	($000)	
Current liabilities		
Current portion of long-term debt	$ 73,248	$ 73,580
Current portion of obligations under capital leases	7,309	6,704
Accounts payable	1,297,630	1,267,694
Other current liabilities	795,845	738,976
Total current liabilities	2,174,032	2,086,954
Long-term debt	4,323,950	4,250,066
Obligations under capital leases	149,028	157,698
Deferred income taxes	278,097	269,553
Other long-term liabilities	78,021	99,263
Total Liabilities	7,003,128	6,863,534

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All dollar amounts are in thousands except per share amounts.

Accounting Policies (In Part)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are computed principally using the straight-line method over the estimated useful lives of individual assets, composite group lives or the initial or remaining terms of leases. Buildings and land improvements are depreciated based on lives varying from 10 to 40 years and equipment depreciation is based on lives varying from three to 15 years. Leasehold improvements are amortized over their useful lives which vary from four to 25 years.

Leases

The Company operates primarily in leased facilities. Lease terms generally range from 10 to 25 years with options to renew at varying terms. Certain of the leases provide for contingent payments based upon a percent of sales.

Rent expense (under operating leases) consists of:

	1992	1991	1990
Minimum rentals	$270,763	$253,345	$238,006
Contingent payments	17,350	12,983	14,494
	$288,113	$266,328	$252,500

Assets recorded under capital leases consists of:

	1992	1991
Distribution and manufacturing facilities	$ 38,742	$ 46,680
Store facilities	178,502	179,390
Less accumulated amortization	(98,684)	(96,827)
	$118,560	$129,243

Minimum annual rentals for the five years subsequent to 1992 and in the aggregate are:

	Capital Leases	Operating Leases
1993	$ 26,679	$ 261,965
1994	26,236	250,205
1995	25,678	237,134
1996	24,881	220,160
1997	24,075	202,487
Thereafter	220,046	1,727,409
	347,595	$2,899,360
Less estimated executory costs included in capital leases	(29,533)	
Net minimum lease payments under capital leases	318,062	
Less amount representing interest	(161,725)	
Present value of net minimum lease payments under capital leases	$156,337	

SUNRISE MEDICAL INC. (JUN)

	1992	1991
	($000)	
Current liabilities:		
Current installments of obligations under capital leases and long-term debt	$ 933	$ 933
Trade accounts payable	16,993	13,376
Accrued compensation and other expenses	29,739	17,673
Income taxes	3,131	1,412
Total current liabilities	50,796	33,394
Obligations under capital leases, less current installments	1,641	1,843
Long-term debt, less current installments	54,398	15,021
Deferred income taxes	2,719	2,394

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands, except per share amounts)

Summary of Significant Accounting Policies (In Part)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost and depreciated over its estimated useful life by use of the straight-line or declining balance methods. Assets recorded under capital leases and leasehold improvements are amortized over the shorter of their useful lives or the term of the related leases by use of the straight-line method. The estimated useful lives of property, plant and equipment are 2 to 42 years.

Leases

Included in property, plant and equipment in the accompanying consolidated balance sheets are the following assets held under capital leases:

	July 3, 1992	June 28, 1991
Land	$ 160	$ 160
Improvements	2,058	2,058
Property and eqûipment	1,694	1,656
Assets under capital lease	3,912	3,874
Less accumulated amortization	(2,735)	(2,264)
Assets under capital lease, net	$ 1,177	$ 1,610

Capital lease obligations are summarized as follows:

	July 3, 1992	June 28, 1991
Leases of an operating facility and certain equipment with lease periods expiring through 1999, at interest of 6.25%	$ 1,870	$2,120
Leases of automobiles and office equipment with lease periods expiring at various dates through 1995, at interest of 8.6%	62	10
Total obligations under capital leases	1,932	2,130
Less current installments	(291)	(287)
Obligations under capital leases, less current installments	$1,641	$1,843

The company also leases office and operating facilities, machinery and equipment and automobiles under operating leases with unexpired terms ranging from one to eight years. Rental expense for operating leases amounted to $3,571, $2,584 and $2,061 for 1992, 1991 and 1990, respectively.

Minimum lease payments under leases expiring subsequent to July 3, 1992 are:

Years Ended	Capital Leases	Operating Leases
1993	$ 411	$ 3,675
1994	414	2,844
1995	398	1,391
1996	384	756
1997	384	606
Thereafter	383	1,245
Total minimum lease payments	2,374	$10,517
Less amount representing interest	(442)	
Present value of net minimum lease payments	$1,932	

Lessee—Operating Leases

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Leases

The Company has various lease agreements for offices, branches, factories, distribution and service facilities, certain Company-operated bowling centers, and certain personal property. These obligations extend through 2032.

Most leases contain renewal options and some contain purchase options. Many leases for Company-operated bowling centers contain escalation clauses, and many provide for contingent rentals based on percentages of gross revenue. No leases contain restrictions on the Company's activities concerning dividends, additional debt or further leasing.

Rent expense consisted of the following:

(in millions)	1992	1991	1990
Basic expense	$21.5	$22.9	$22.4
Contingent expense	1.1	1.0	1.1
Sublease income	(1.5)	(3.0)	(1.9)
Rent expense, net	$21.1	$20.9	$21.6

Future minimum rental payments at December 31, 1992, under agreements classified as operating leases with noncancelable terms in excess of one year, are as follows:

(in millions)	
1993	$ 4.8
1994	2.6
1995	2.2
1996	1.3
1997	0.9
Thereafter	2.0
Future minimum operating lease rental payments (not reduced by minimum sublease rentals of $1.8 million)	$13.8

HARTMARX CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases

The Company and its subsidiaries lease office, manufacturing, warehouse/distribution, showroom and retail space, automobiles, computers and other equipment under various noncancellable operating leases. A number of the leases contain renewal options ranging up to 10 years. Some retail leases provide for contingent rental payments, generally based on the sales volume of the retail unit.

At November 30, 1992, total minimum rentals are as follows (000's omitted):

Years	Amount
1993	$20,781
1994	19,137
1995	16,204
1996	11,158
1997	7,085
Thereafter	10,468
Total minimum rentals due	$84,833

Rental expense, including rentals under short term leases, comprised the following (000's omitted):

	1992	1991	1990
Minimum rentals	$58,742	$64,630	$65,056
Contingent rentals	2,418	4,916	4,923
Sublease income	(896)	(1,070)	(564)
Total rental expense	$60,264	$68,476	$69,415

Most leases provide for additional payments of real estate taxes, insurance, and other operating expenses applicable to the property, generally over a base period level. Total rental expense includes such base period expenses and the additional expense payments, as part of the minimum rentals.

HERMAN MILLER, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating Leases

The company leases real property and equipment under agreements which expire at various dates. Certain leases contain renewal provisions and generally require the company to pay utilities, insurance, taxes, and other operating expenses.

Future minimum rental payments (in millions) required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of May 30, 1992, are as follows: 1993—$17.3; 1994—$12.8; 1995—$10.5; 1996—$9.3; 1997—$7.1; thereafter—$26.8.

Total rental expense charged to operations was $26.2, $21.1, and $21.4 million in 1992, 1991, and 1990, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases. The 1992 rental expense includes $5.5 million of leasehold abandonment charges which are included with restructuring charges in the accompanying statement of operations.

In addition to the above, at May 30, 1992, the company has guaranteed leases of certain contract office furniture dealerships. Future minimum rental payments remaining on these leases total $4.3 million. The company has not and does not anticipate incurring any significant expenditures in connection with its guarantees.

POLAROID CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Rental Expense and Lease Commitments

Minimum annual rental commitments at December 31, 1992, under noncancellable leases, principally for real estate and equipment, are payable as follows:

(In millions)	
1993	$15.1
1994	13.2
1995	9.9
1996	8.3
1997	5.5
1998 and thereafter	7.4
Total minimum lease payments	$59.4

Minimum payments have not been reduced by minimum sublease rentals of $1.7 million due in the future under noncancellable subleases.

Many of the leases contain renewal options and some contain escalation clauses which require payments of additional rent to the extent of increases in the related operating costs.

Rental and lease expenses consisted of the following:

(In millions)	1992	1991	1990
Minimum rentals	$21.6	$18.7	$17.6
Contingent rentals	5.8	7.5	7.3
Total	$27.4	$26.2	$24.9

Sublease income amounted to $2.0 million in 1992, $1.8 million in 1991, and $1.6 million in 1990.

THE READER'S DIGEST ASSOCIATION, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)

12 (In Part): Commitments and Contingencies

The Company and its subsidiaries occupy certain facilities under lease arrangements and lease certain equipment. Rentals amounted to $30,590, $29,077 and $28,531 in 1992, 1991 and 1990, respectively, and sublease income amounted to $6,300, $6,461 and $5,271 in 1992, 1991 and 1990, respectively.

Future minimum rental commitments, net of sublease income, for operating leases with non-cancelable terms in excess of one year are as follows:

	Minimum Rental Payments	Minimum Sublease Income	Net
1993	$25,695	$5,619	$20,076
1994	23,089	5,478	17,611
1995	21,726	5,324	16,402
1996	18,938	5,231	13,707
1997	18,309	5,231	13,078
Later years	59,247	9,831	49,416

TOSCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

13. Lease Commitments

Tosco distributes transportation fuels throughout its principal West Coast marketing area through a combination of owned and leased terminals. Two major terminal leases which were scheduled to expire in 1992 have been renegotiated for ten year terms. The remaining terminal leases are generally for short term periods of time and continue in effect until cancelled by either party. The terminal leases are subject to escalation, either based upon increases in annual average wage rates or as allowed by the Public Utilities Commission (PUC). A portion of the terminals' storage and handling facilities are periodically subleased to others. Tosco also leases a sulfuric acid manufacturing plant located at the Avon Refinery (which expires in 1998 with an option to renew for an additional period), transportation and computer equipment, and office space primarily in Concord, California and Stamford, Connecticut. Some of the terminal leases and substantially all of Tosco's other leases require additional payments for insurance, taxes and maintenance expenses related to the leased assets.

In June 1992, Tosco entered into a 5½ year operating lease agreement for the Riverhead Terminal (a 5.1 million barrel petroleum storage facility with deep water marine facilities located on Eastern Long Island, New York). Under the agreement, Tosco is responsible for all insurance, taxes and maintenance costs and has the option to purchase the terminal at the end of the lease for its fair market value. Minimum annual rentals, a portion of which varies with a reference interest rate (Eurodollar Rate), approximate $2,400,000 per year (excluding a $11,550,000 payment at the end of the lease). A significant portion of the terminal storage capacity is subleased under long-term contract to third parties.

Future minimum obligations under non-cancellable operating leases at December 31, 1992 were as follows:

Years Ending December 31,	Thousands of Dollars
1993	$ 5,272
1994	6,862
1995	6,442
1996	5,680
1997	6,247
1998 and subsequent	13,757
Total minimum payments	$44,260

Rental expense was a follows:

	Year Ended December 31,		
(Thousands of Dollars)	1992	1991	1990
Minimum rental	$15,644	$13,447	$15,647
Contingent rental charges (based primarily on throughput)	3,494	3,532	2,966
	19,138	16,979	18,613
Rental income on properties sub-leased to others	(1,493)	(2,141)	(4,978)
Net rental expense	$17,645	$14,838	$13,635

Lessor Leases

AMDAHL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Equipment Leasing and Third Party Transactions

The Company is the lessor of equipment under operating leases for periods generally less than three years. Certain operating leases contain provisions for early termination with a penalty or with conversion to another system. The cost of leased systems is depreciated to a zero value on a straight-line basis over three to four years. Accumulated depreciation on leased systems was $32,530,000 at December 25, 1992 and $29,603,000 at December 27, 1991.

The Company also leases equipment to customers under sales-type leases as defined in Statement of Financial Accounting Standards No. 13. The components of the net investment in sales-type leases were as follows:

(In thousands)	1992	1991
Minimum rentals receivable	$142,738	$96,362
Estimated residual values of leased equipment (unguaranteed)	6,988	1,645
Less unearned interest income	(18,458)	(12,610)
Net investment in sales-type leases	$131,268	$85,397

Minimum rentals receivable under existing leases as of December 25, 1992, were as follows:

(In thousands)	Sales-Type	Operating
1993	$ 54,613	$20,729
1994	41,158	12,268
1995	29,591	2,523
1996	13,739	429
1997	3,637	233
Thereafter	—	233
	$142,738	$36,415

FLEMING COMPANIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Lease Agreements (In Part)

Direct financing leases: The company leases retail store facilities for sublease to retailers with terms generally ranging from 5 to 25 years. Most leases provide for a contingent rental based on sales performance in excess of specified minimums. Sublease rentals are generally higher than the rental paid. The leases and subleases usually contain provisions for one to four renewal options of two to five years.

The following table shows the future minimum rentals to be received under direct financing leases and future minimum lease payment obligations under capital leases in effect at December 26, 1992:

(In thousands) Years	Lease Rentals Receivable	Lease Obligations
1993	$ 33,031	$ 26,439
1994	32,463	26,590
1995	32,142	26,731
1996	31,449	26,709
1997	30,271	26,728
Later	278,943	263,261
Total minimum lease payments	438,299	396,458
Less estimated executory costs	2,039	2,029
Net minimum lease payments	436,260	394,429
Less unearned income	211,368	-
Less interest	-	191,647
Present value of net minimum lease payments	224,892	202,782
Less current portion	10,936	6,141
Long-term portion	$213,956	$196,641

Contingent rental income was $.6 million, $.9 million and $.7 million and contingent rental expense was $.5 million, $.8 million and $.6 million in 1992, 1991 and 1990, respectively.

PENNZOIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Leases

As Lessor—Pennzoil, through its wholly owned subsidiary Jiffy Lube, owns or leases numerous service center sites which are leased or subleased to franchisees. Buildings owned or leased that meet the criteria for direct financing leases are carried at the gross investment in the lease less unearned income. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. Any buildings leased or subleased which do not meet the criteria for a direct financing lease or any land leased or subleased are accounted for as operating leases. The typical lease period is 20 years and some leases contain renewal options. The franchisee is responsible for the payment of property taxes, insurance and maintenance costs related to the leased property. The net investment in direct financing leases is classified as other assets in the accompanying consolidated balance sheet.

Future minimum lease payment receivables under non-cancellable leasing arrangements as of December 31, 1992 are as follows:

	Amounts Receivable as Lessor	
	Direct Financing Leases	Operating Leases
	(Expressed in thousands)	
Year Ending December 31:		
1993	$ 5,647	$ 10,778
1994	5,801	9,872
1995	5,952	9,371
1996	6,085	9,338
1997	6,266	9,204
Thereafter	66,742	70,786
Net minimum lease payment receivables	96,493	$119,349
Less unearned income	56,372	
Net investment in direct financing leases at December 31, 1992	$40,121	

SUN COMPANY, INC.(DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Long-Term Receivables and Investments

	December 31	
	1992	1991
	(Millions of Dollars)	
Investment in:		
Leveraged leases	$ 43	$ 58
Direct financing and sales-type leases	87	123
	130	181
Accounts and notes receivable	64	72
Investments in affiliated companies	56	52
Other investments, at cost	29	29
	$279	$334

Sun, as lessor, has entered into leveraged, direct financing and sales-type leases of a wide variety of equipment including aircraft, railroad rolling stock and various other transportation and manufacturing equipment. The components of Sun's investment in these leases at December 31, 1992 and 1991 are set forth below (in millions of dollars):

	Leveraged Leases		Direct Financing and Sales-Type Leases	
December 31	1992	1991	1992	1991
Minimum rentals receivable	$ 28*	$ 42*	$114	$159
Estimated unguaranteed residual value of leased assets	30	38	15	34
Unearned and deferred income	(15)	(22)	(42)	(70)
Investment in leases	43	58	$ 87	$123
Deferred taxes arising from leveraged leases	(29)	(43)		
Net investment in leveraged leases	$ 14	$ 15		

*Net of principal of and interest on related nonrecourse debt aggregating $65 and $98 million in 1992 and 1991, respectively.

The following is a schedule of minimum rentals receivable by years at December 31, 1992 (in millions of dollars):

	Leveraged Leases	Direct Financing and Sales-Type Leases
Year ending December 31:		
1993	$ 3	$ 18
1994	2	17
1995	3	15
1996	5	14
1997	5	9
Later years	10	41
	$28	$114

OTHER NONCURRENT LIABILITIES

In addition to long-term debt, many of the survey companies presented captions for deferred taxes, minority interests, employee related liabilities, estimated losses or expenses, and deferred credits. Table 2-29 summarizes the nature of such noncurrent liabilities and deferred credits.

TABLE 2-29: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Deferred income taxes	451	462	487	494
Minority interest	140	138	135	130
Liabilities of nonhomogeneous operations	22	24	27	25
Employee Liabilities				
Benefits	156	47	20	24
Minimum pension liability	122	142	138	89
Other pension accruals	101	97	102	62
Deferred compensation, bonus, etc.	48	47	53	50
Other—described	9	14	12	12
Estimated losses or expenses				
Discontinued operations	38	31	31	24
Environmental	27	24	22	N/C
Insurance	18	18	15	14
Warranties	10	8	6	5
Other—described	39	53	45	61
Deferred credits				
Deferred profit on sales	14	23	21	13
Payments received prior to rendering service	10	9	12	9
Other—described	8	9	16	16

N/C—Not Compiled.

Deferred Income Taxes

ADOLPH COORS COMPANY (DEC)

	1992	1991
	($000)	
Current assets:		
Cash and cash equivalents	$ 39,669	$ 14,715
Accounts and notes receivable, less allowance for doubtful accounts of $12 in 1992 and $46 in 1991	108,607	115,930
Inventories:		
Finished	45,472	16,510
In process	25,252	22,994
Raw materials	62,749	57,747
Packaging materials	18,859	49,275
Total inventories	152,332	146,526
Prepaid expenses and other assets	58,525	64,922
Deferred tax asset (Note 5)	22,598	—
Accumulated income tax prepayments (Note 5)	—	17,019
Net current assets of discontinued operations	—	94,664
Total current assets	381,731	453,776
Total current liabilities	$269,429	$343,333
Long-term debt	220,000	220,000
Deferred tax liability (Note 5)	79,727	128,737
Postretirement benefits	66,479	—
Other long-term liabilities	52,291	53,321
Total liabilities	687,926	745,391

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

The deferred tax asset (liabilities) are composed of the tax effect of the following:

	December 27, 1992
	(In thousands)
Tax in excess of book depreciation and amortization	($117,823)
Loss on sale or write-down of assets	1,168
Deferred compensation and other employee related	13,055
Change in balance sheet accruals	19,462
Reclassification of prior year taxes and alternative minimum tax	2,066
Capitalized interest	(2,699)
Other employee postretirement benefits	25,557
State deferred taxes, net of federal income tax benefit	704
Other—net	1,381
Net deferred tax liability	($ 57,129)

GEORGIA-PACIFIC CORPORATION (DEC)

	1992	1991
	($ Millions)	
Total current liabilities	$2,452	$2,722
Long-term debt, excluding current portion	4,019	3,743
Other long-term liabilities	709	626
Deferred income taxes	1,202	795

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Income Taxes

The components of the net deferred tax liability as of December 31, 1992 were as follows:

(Millions)	
Deferred tax asset:	
Compensation	$ 271
Accruals	78
Other	93
	442
Valuation allowance	—
	442
Deferred tax liability:	
Property, plant and equipment	(1,416)
Timber and timberlands	(162)
Other	(66)
	(1,644)
Deferred tax liability, net	($1,202)

During 1991 and 1990, deferred income taxes were provided for significant timing differences between revenue and expenses for tax and financial statement purposes. Following is a summary of the significant components of the deferred tax provision (benefit):

	Year ended December 31	
(Millions)	1991	1990
Tax over (under) financial depreciation and depletion	$ (5)	$ 95
Liability accruals and write-down of certain assets	41	(22)
Compensation expense	(52)	(25)
Financing costs	(1)	—
Other	(8)	—
Deferred tax provision (benefit)	$(25)	$ 48

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

	1992	1991
	($000)	
Current assets:		
Cash and short-term securities	$ 375,492	$ 85,084
Accounts and notes receivable	414,773	389,633
Inventories	686,704	631,608
Prepaid expenses and other current assets	39,818	51,700
Deferred income taxes	101,529	
Net assets held for sale	78,850	375,270
Total current assets	1,697,166	1,533,295
Total current liabilities	$ 928,217	$ 705,491
Long-term debt	2,153,868	1,758,125
Accrued postretirement benefits other than pensions	514,016	
Other long-term liabilities	181,179	111,123
Deferred income taxes	435,202	474,125
Minority interests	10,192	2,344

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

In accordance with the provisions of SFAS 109, the deferred income tax benefit for 1992 represents the effects of the changes in the amounts of temporary differences during 1992. The income tax effects of temporary differences that gave rise to the net deferred tax liability as of December 27, 1992 were as follows:

(in thousands)	December 1992
Current deferred tax (assets) liabilities:	
Excess of book over tax restructuring charges	$ (40,642)
Accrued vacation pay	(20,710)
Workers' compensation and other claims	(19,004)
Postretirement benefits other than pensions	(10,629)
Early extinguishment of debt	(9,186)
Net operating loss carryforwards	(6,000)
Other items, net	4,642
Total net current deferred tax asset	(101,529)
Noncurrent deferred tax (assets) liabilities:	
Excess of tax over book depreciation	682,717
Pension benefits	76,005
Unremitted earnings of foreign subsidiaries and affiliates	18,369
Other items, net	7,994
Postretirement benefits other than pensions	(189,431)
Other liabilities	(29,500)
Net operating loss carryforwards	(64,430)
Alternative minimum tax credit carryforwards	(49,825)
General business and foreign tax credit carryforwards	(16,697)
Total net noncurrent deferred tax liability	435,202
Net deferred tax liability	$ 333,673

KIMBERLY-CLARK CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current Assets		
Cash and cash equivalents	$ 41.1	$ 42.8
Accounts receivable	775.1	691.1
Inventories	719.7	686.0
Deferred income tax benefits	81.8	54.4
Prepaid expenses	64.9	54.9
Total Current Assets	1,682.6	1,529.2
Total Current Liabilities	$1,822.8	$1,433.3
Long-Term Debt	994.6	874.7
Noncurrent Employee Benefit Obligations	409.3	89.4
Deferred Income Taxes	554.6	737.2
Minority Owners' Interests in Subsidiaries	56.7	50.5

NOTES TO FINANCIAL STATEMENTS

Note 3 (In Part): Income Taxes

Deferred income tax assets (liabilities) as of December 31, 1992 are comprised of the following (in millions):

Current deferred income tax benefits attributable to:	
Advertising and promotion accruals	$ 16.0
Pension obligation	16.7
Postretirement benefit obligation	12.9
Other employee benefits accruals	21.9
Other accrued liabilities	36.9
Other	9.3
Gross deferred tax assets	113.7
Less: Valuation allowances	(7.7)
	106.0
Prepaid expenses	(13.5)
Other	(10.7)
Gross deferred tax liabilities	(24.2)
Total	$ 81.8
Noncurrent deferred income taxes attributable to:	
Net property	$(677.9)
Deferred start-up and preoperating costs	(27.5)
Other	(61.4)
Gross deferred tax liabilities	(766.8)
Net operating loss carryforwards	46.4
Postretirement benefit obligation	142.8
Other	38.2
Gross deferred tax assets	227.4
Less: Valuation allowances	(15.2)
	212.2
Total	$(554.6)

THE MEAD CORPORATION (DEC)

	1992	1991
	($ Millions)	
Current assets:		
Cash and cash equivalents	$ 18.4	$ 24.6
Accounts receivable, less allowance for doubtful accounts of $24.9 in 1992 and $27.9 in 1991	582.1	533.3
Receivable from sale of business		45.0
Inventories	425.9	454.6
Deferred tax asset (Note L)	51.3	
Prepaid expenses	51.7	35.4
Total current assets	1,129.4	1,092.9
Total current liabilities	$ 729.9	$ 746.3
Long-term debt	1,332.3	1,315.7
Deferred items:		
Income tax liability (Note L)	275.2	248.8
Postretirement benefits	98.3	94.4
Other	100.3	102.6
	473.8	445.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L—Income Taxes

The principal current and non-current deferred tax assets and (liabilities) at December 31, 1992, are as follows:

(All dollar amounts in millions)	
Deferred tax liabilities:	
Accelerated depreciation for tax purposes	$(315.8)
Nontaxable pension asset	(34.5)
Other	(13.9)
	(364.2)
Deferred tax assets:	
Alternative minimum tax carryforward	54.0
Nondeductible items:	
Allowance for doubtful accounts	8.9
Compensation and fringe benefits accruals	30.1
Postretirement benefit accrual	35.0
Other	12.3
	140.3
Net deferred liability	$(223.9)
Included in the balance sheet:	
Current assets—deferred tax asset	$ 51.3
Deferred items—income tax liability	(275.2)
Net deferred liability	$(223.9)

Minority Interests

ARMCO INC. (DEC)

	1992	1991
	($ Millions)	
Total current liabilities	$472.3	$374.9
Long-term debt and lease obligations	402.5	355.2
Long-term employee benefit obligations	543.9	364.6
Other liabilities	180.8	179.9
Deferred income taxes	8.4	12.6
Commitments and contingencies		
Class B common stock of subsidiary, redemption value $13.2 (Note 15)	9.3	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Subsidiary Capital Stock

Armco owns all of the Class A common stock of Eastern Stainless Corporation (Eastern Stainless), representing 84% of the outstanding voting rights. Eastern Stainless Class B common stock, which is publicly traded, has the remaining voting rights.

Dividends on Eastern Stainless' redeemable Class B common stock, of which 12,532,701 shares are authorized, issued and outstanding, are cumulative from the effective date of issue at the fixed rate of $.08 per share per annum, and are payable annually. In addition to the fixed rate dividends, Class B common shareholders are entitled to participating dividends. These participating dividends are equal to the excess of 8¼% of Eastern Stainless' cumulative income (as defined in Eastern Stainless' amended Articles of Incorporation) over the total fixed dividends paid from the date of issuance to the end of the fiscal quarter immediately preceding the redemption date. The participating dividend, if any, is payable on the redemption date. As of December 31, 1992, no amounts were payable under the participating dividend provision.

Beginning May 1, 1993, to the extent funds are legally available, Eastern Stainless may redeem, in whole or in part, the outstanding shares at a redemption price equal to $1 per share plus accrued and unpaid fixed and participating dividends. Beginning May 1, 1996 and on each anniversary thereafter through 2003, to the extent funds are legally available, Eastern Stainless is required to redeem 1,587,417 shares, or the aggregate number of shares outstanding if less, at the redemption price. The carrying value of the shares, which includes the unpaid fixed and participating dividends, is periodically increased through charges to operations which yield an effective rate of 13.9%, based upon the fixed dividend, and will become due under the mandatory redemption requirements. Holders of the stock are entitled to one vote per share, which represents approximately 16% of the voting shares, with respect to matters concerning Eastern Stainless.

The payment of dividends on, or the redemption of, Eastern Stainless' Class A common shares and its Class B common shares, is subject to certain covenants contained in agreements entered into by Eastern Stainless or Armco. In the event of any liquidation or dissolution of Eastern Stainless, voluntary or involuntary, the holders of the Class B common stock are entitled to be paid out of Eastern Stainless' assets an amount in cash equal to $1 per share plus accrued and unpaid fixed and participating dividends before any distribution to Armco.

ASTROSYSTEMS, INC. (JUN)

	1992	1991
Total current liabilities	$1,980,000	$2,250,000
Deferred income taxes	7,304,000	6,377,000
Minority interest in subsidiary (Note K)	53,000	
Total liabilities	9,337,000	8,627,000

NOTES TO FINANCIAL STATEMENTS

Note K. Sale of Stock by Subsidiary:
During the year ended June 30, 1992, an unaffiliated third party exercised an option to acquire 19% of one of the Company's subsidiaries, ASI Solar Energy Corporation (Note E), for $77,000.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1992	1991
Total Current Liabilities	$ 26,819,616	$ 21,618,331
Long-Term Debt, Excluding Current Installments	108,013,174	108,952,423
Deferred Income Taxes		149,000
Other Noncurrent Liabilities	3,526,481	661,177
Minority Interest In Subsidiary—Note 11(e)	12,776,005	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11(e)
On December 13, 1991, JJI, a then wholly owned subsidiary, completed an initial public offering of 1,500,000 of its common shares at $6 a share. The transaction, together with 250,000 restricted common shares issued by JJI to its executive officers, reduced the Company's ownership interest to 73%. JJI realized net cash proceeds of approximately $8,000,000 from sale of shares, after underwriting discounts and commissions and expenses of the offering. The sales resulted in a decrease of $4,406,000 in the Company's proportionate share of JJI's equity, which amount has been charged to additional paid-in capital. JJI has issued warrants to the lead underwriter to purchase 150,000 common shares, exercisable for a period of four years commencing one year from the date of the offering at $8.40 a share (subject to adjustment). JJI has also adopted a stock option plan covering 490,000 common shares and has granted options under the plan to officers and key employees, which expire 10 years after grant, for the purchase of 400,000 common shares at $6 per share representing the fair market value at date of grant. Options granted for 225,000 shares are exercisable upon grant and options for 175,000 shares are exercisable 25% upon grant and 25% on each of the following three anniversary dates thereof. If all such outstanding warrants and options were exercised, the Company's ownership interest in JJI would be reduced to approximately 67%.

W.R. GRACE & CO. (DEC)

	1992	1991
	($ Millions)	
Total Current Liabilities	$1,639.6	$1,622.1
Long-term debt	1,354.5	1,793.1
Other noncurrent liabilities	666.1	317.2
Deferred income taxes	96.4	151.9
Minority interests (Note 11)	297.0	97.6
Total Liabilities	4,053.6	3,981.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions)

11. Minority Interests
In December 1992, Grace Cocoa Associates, L.P. (LP), formerly a general partnership named Grace Cocoa that was wholly owned by two Grace entities, admitted two additional Grace entities as general partners and also admitted one new limited partner. As a result of the admission of these new partners, the total capital of LP increased to $1,430.5, which included a $300.0 cash contribution made by the new limited partner, $297.0 of which was funded by outside investors. LP's assets consist of Grace Cocoa's worldwide cocoa and chocolate business, long-term notes and demand loans due from various Grace entities, which are guaranteed by W.R. Grace & Co. and its principal operating subsidiary, and cash. The cash contribution from the new limited partner was initially lent by LP to the principal operating subsidiary of W.R. Grace & Co. and was used to retire certain domestic borrowings and for general corporate purposes. Four Grace entities serve as general partners of LP and own general partner interests totaling 79.03% in LP; the new limited partner owns 20.97% limited partner interest in LP. LP is a separate and distinct legal entity from each of the Grace entities and has separate assets, liabilities, business functions and operations. For financial reporting purposes, the assets, liabilities, results of operations and cash flows of LP are included in Grace's consolidated financial statements and the outside investors' interest in LP is reflected as a minority interest.

Minority interests reflected in the 1991 consolidated balance sheet consist primarily of the former publicly held minority interest in Grace Energy.

PHILLIPS PETROLEUM COMPANY (DEC)

	1992	1991
	($ Millions)	
Total Current Liabilities	$2,517	$2,603
Long-term debt	3,718	3,876
Accrued dismantlement, removal and environmental costs	481	503
Deferred income taxes	1,022	1,195
Other liabilities and deferred credits	673	520
Total Liabilities	8,411	8,697
Preferred Stock of Subsidiary and Other Minority Interests	359	19

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Preferred Stock of Subsidiary

In December 1992, the company's subsidiary Phillips Gas Company (PGC) completed a $345 million public offering of 13,800,000 shares of a new Series A 9.32% Cumulative Preferred Stock. The shares are redeemable in whole, or in part, at the option of PGC, on or after December 14, 1997, at a redemption price of $25 per share, plus accrued and unpaid dividends.

In connection with the offering, the company made a commitment to make equity infusions in the future if necessary to keep the consolidated tangible net worth of PGC at or above specified levels and committed to make available a liquidity facility in an amount sufficient to enable PGC to meet its payment obligations, including those in respect to dividends on the Series A Preferred Stock.

PHILIP MORRIS COMPANIES INC. (DEC)

	1992	1991
	($ Millions)	
Liabilities		
Consumer products		
Short-term borrowings	$ 1,348	$ 514
Current portion of long-term debt	1,514	1,355
Accounts payable	2,401	2,820
Accrued liabilities:		
Marketing	1,461	1,396
Taxes, except income taxes	1,268	781
Employment costs	915	895
Other	1,963	1,974
Income taxes	1,810	1,603
Dividends payable	583	486
Total current liabilities	13,263	11,824
Long-term debt	13,407	13,420
Deferred income taxes	701	731
Accrued postretirement health care costs	1,995	1,854
Other liabilities	3,785	3,515
Total consumer products liabilities	33,151	31,344
Financial services and real estate		
Short-term borrowings	758	818
Long-term debt	1,176	793
Deferred income taxes	2,187	1,743
Other liabilities	179	174
Total financial services and real estate liabilities	4,300	3,528
Total liabilities	37,451	34,872

Liabilities Of Nonhomogeneous Operations

GERBER PRODUCTS COMPANY (MAR)

	1992	1991
	($000)	
Total Current Liabilities	$215,436	$192,107
Long-Term Debt, less current maturities	125,915	164,491
Deferred Income Taxes	22,476	20,507
Future Policy Benefits	68,809	55,674
Minority Interest	6,044	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Future Policy Benefits: Reserves for insurance operations have been computed utilizing the net level premium method based upon estimated future investment yield, mortality, morbidity and withdrawals, including provision for the risk of adverse deviation.

Employee Related Liabilities

ALLEGHENY LUDLUM CORPORATION (DEC)

	1992	1991
	($000)	
Total Current Liabilties	$160,154	$191,932
Long-term debt, less current portion	138,070	48,524
Pensions	67,054	73,039
Postretirement benefit liability	223,849	—
Deferred income taxes	—	63,250
Other	25,114	23,248
Total Liabilities	614,241	399,993

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Pension Plans and Other Postretirement Benefits

The following table sets forth the postretirement benefit plans' combined status reconciled with the amounts recognized in the balance sheet at January 3, 1993:

(In thousands of dollars)	Health Care	Life Insurance	Total
Accumulated postretirement benefit obligation (APBO)			
Retirees	$114,553	$10,459	$125,012
Fully eligible active participants	29,614	3,483	33,097
Other active participants	74,113	3,030	77,143
	218,280	16,972	235,252
Unrecognized net loss	(10,810)	(593)	(11,403)
Accrued postretirement benefit cost	$207,470	$16,379	$223,849

The APBO at the beginning of 1992 was $195,125,000 for the health care plans and $15,702,000 for the life insurance plans. The discount rate used in determining the APBO was 8¾ percent at January 3, 1993 and 9 percent at January 1, 1992.

BINKS MANUFACTURING COMPANY (NOV)

	1992	1991
Total current liabilities	$50,625,559	$58,157,611
Deferred compensation	6,085,592	5,701,135
Deferred income taxes	421,486	378,401
Deferred revenue	24,030	52,318
Long-term debt, less current maturities	33,390,847	30,544,795
Total liabilities	90,547,514	94,834,260

NOTES TO FINANCIAL STATEMENTS

Note 11. Employee Benefits

The Company and certain subsidiaries maintain profit sharing plans covering most of their employees. Additionally, the Company maintains an unfunded deferred compensation plan for officers and key employees. The total expense related to these plans was $640,000 in 1992, $1,106,000 in 1991, and $937,000 in 1990.

GRUMMAN CORPORATION (DEC)

	1992	1991
	($000)	
Total current liabilities	$611,034	$454,255
Long-term debt	355,244	711,619
Liability for retiree health benefits	306,500	—
Deferred income taxes	—	67,254
Other liabilities	23,348	25,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ In thousands)

Note 11 (In Part): Postretirement Health Benefits

The funded status and breakdown of the postretirement benefits are as follows:

	Dec 31, 1992	Jan 1, 1992
Accumulated benefit obligation		
Active employees	$136,700	$124,730
Retirees	169,800	175,270
Total unfunded accumulated benefit obligation	$306,500	$300,000

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1992	1991
Current liabilities:		
Accrued letters of credit	$ 3,977,515	$ 1,466,146
Current portion of long-term debt	2,305,006	375,366
Accounts payable	1,400,722	1,239,547
Accrued expenses	5,193,667	2,855,681
Accrued income taxes payable	263,153	167,542
Current portion of termination benefit payable (Note 8)	277,888	252,298
Accrued settlement	—	737,500
Total current liabilities	13,417,951	7,094,080
Long term obligations:		
Termination benefit payable, net of current portion (Note 8)	332,941	610,829
Long-term debt, net of current portion	10,015,977	12,395,585
Deferred income taxes	1,700,957	1,397,337
Total long term obligations	12,049,875	14,403,751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

The Company has a termination death benefit obligation of $610,829 as of January 1, 1993, that originated from an employment contract with the late Chief Executive Officer who passed away in February 1991. The current and long term portions of the liability are reported in the consolidated balance sheet.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1992	1991
Total current liabilities	$13,680,990	$ 9,483,989
Supplemental retirement benefits	1,238,852	1,157,463
Long-term debt, less current portion	3,000,000	7,950,000
Deferred income taxes	8,345,800	8,027,800
Total liabilities	26,265,642	26,619,252

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Employee Retirement Plans

The Company and subsidiaries have pension and profit-sharing plans covering substantially all employees. The Company's policy is to fund pension costs for the plan in amounts which equal or exceed the ERISA minimun requirements.

The Company has a supplemental retirement program for officers. The cost of the supplemental program is actuarially determined and is accrued but not funded.

LONE STAR INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Total current liabilities	$ 75,252	$ 55,608
Deferred income taxes	15,612	12,084
Postretirement benefits other than pensions	137,618	—
Other liabilities	15,588	27,496
Liabilitites subject to Chapter 11 proceedings	611,129	555,331

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 (In Part): Postretirement Benefits Other than Pensions

The actuarial and recorded liabilities for these postretirement benefits, none of which have been funded, are as follows at December 31, 1992 (in thousands):

	1992
Accumulated postretirement benefit obligation:	
Retirees	$109,306
Fully eligible active plan participants	21,142
Other active plan participants	18,125
	148,573
Less current portion	10,955
Postretirement benefits other than pensions	$137,618

WINNEBAGO INDUSTRIES, INC. (AUG)

	1992	1991
	($000)	
Total current liabilities	$44,395	$39,118
Long-term Debt and Obligations Under Capital Lease	3,113	3,938
Deferred Compensation	16,157	6,352
Deferred Income Taxes	1,544	1,993
Minority Interest in Consolidated Subsidiary	2,474	1,147

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Retirement Plans

The Company also has a nonqualified deferred compensation program which permits key employees and directors to annually elect (via individual contracts) to defer a portion of their compensation for their retirement. The retirement benefit to be provided is fixed based upon the amount of compensation deferred and the age of the individual at the time of the contracted deferral. An individual generally vests in the retirement benefit after providing 20 years of service. Deferred compensation expense was $2,762,000 (excluding $7,774,000 of expense for cumulative effect of change in accounting principle), $997,000 and $934,000 in fiscal 1992, 1991 and 1990, respectively. Also, to assist in funding the retirement benefits of the program, the Company has invested in corporate-owned life insurance policies. The cash surrender value of these policies are in an irrevocable rabbi trust and are presented as assets (net of borrowings of $3,833,000 and $2,962,000 in fiscal 1992 and 1991, respectively) of the Company in the accompanying balance sheet because they are available to the general creditors of the Company in the event of the Company's insolvency.

Costs/Liabilities Related To Discontinued Operations

INTERCO INCORPORATED (FEB)

	1992	1991
	($000)	
Current liabilities:		
Notes payable of foreign subsidiaries	$ —	$ 951
Accounts payable	72,892	48,959
Accrued employee compensation	20,792	15,942
Accrued interest expense	104,788	10,955
Other accrued expenses	41,037	33,416
Income taxes	508	1,682
Net current liabilities of discontinued operations (note 3)	1,682	—
Total current liabilities	241,699	111,905
Long-term debt, less current maturities	—	—
Net noncurrent liabilities of discontinued operations (note 3)	15,236	—
Other long-term liabilities	14,359	31,210
Liabilities subject to compromise	2,165,311	2,137,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)

3 (In Part): Discontinued Operations

In fiscal 1989, the company announced its intent to offer for sale the Apparel Manufacturing segment and the General Retail Merchandising segment. In accordance with Accounting Principles Board Opinion No. 30, the financial results for these segments are reported as "Discontinued Operations."

Condensed results of the discontinued operations were as follows:

	1992	1991	1990
Net sales	$ —	$157,898	$568,406
Earnings (loss) before income tax expense (benefit)	$ —	$(10,274)	$ 16,493
Income tax expense (benefit)	—	(3,531)	5,013
Net earnings (loss)	—	(6,743)	11,480
Gain (loss) on disposal (net of income tax expense (benefit) of $(144), $(12,487) and $44,752 for 1992, 1991 and 1990, respectively)	(323)	(18,219)	74,602
	$ (323)	$(24,962)	$ 86,082
Accounts receivable, net	$ 1,168	$ 25,745	$ 45,913
Inventories	312	8,335	74,316
Other current assets	375	6,721	10,667
Total current assets	1,855	40,801	130,896
Current liabilities	3,537	26,461	43,161
Net current assets (liabilities)	$ (1,682)	$ 14,340	$ 87,735
Property, plant and equipment, net	$ 14,425	$ 17,383	$ 28,707
Other assets	1,452	2,039	7,026
Total noncurrent assets	15,877	19,422	35,733
Long-term liabilities	1,838	6,831	8,621
Liabilities subject to compromise	29,275	5,301	—
Net noncurrent assets (liabilities)	$(15,236)	$ 7,290	$ 27,112

Environmental Costs

THE BFGOODRICH COMPANY (DEC)

	1992	1991
	($ Millions)	
Current Liabilities		
Short-term bank debt	$ 14.1	$ 19.6
Accounts payable	253.7	245.5
Accrued expenses (Note O)	262.1	228.4
Income taxes payable	8.3	16.0
Current maturities of long-term debt and capital lease obligations	27.3	20.5
Total current liabilities	565.5	530.0
Long-term Debt and Capital Lease Obligations	403.1	344.2
Deferred Income Tax Liabilities	13.7	—
Postretirement Benefits Other Than Pensions	425.4	—
Other Non-current Liabilities (Note R)	208.9	174.9
Redeemable Preferred Stock	6.3	7.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note O: Accrued Expenses

"Accrued expenses" as shown in the Consolidated Balance Sheet at December 31, 1992 and 1991, include the following:

	1992	1991
Wages, vacations, pensions and other employment costs	$ 80.0	$ 70.9
Postretirement benefits other than pensions	30.0	5.7
Taxes, other than federal and foreign taxes on income	30.4	29.4
Accrued environmental liabilities	21.4	14.5
Other	100.3	107.9
Total	$262.1	$228.4

Note R: Other Non-Current Liabilities

"Other non-current liabilities" as shown in the Consolidated Balance Sheet at December 31, 1992 and 1991, include the following:

	1992	1991
Accrued pension liability	$ 74.4	$ 41.6
Accrued environmental liabilities	36.0	42.9
Other	98.5	90.4
Total	$208.9	$174.9

Note V (In Part): Commitments and Contingencies

The Company and its subsidiaries are generators of both hazardous wastes and non-hazardous wastes, the treatment, storage, transportation and disposal of which are regulated by various governmental provisions. The Company has been designated a potentially responsible party by the U.S. Environmental Protection Agency in connection with a number of sites. In addition, the Company initiates corrective and/or preventative environmental projects of its own to ensure safe and lawful activities at its operations. The Company believes that compliance with current governmental regulations at all levels will not have a material adverse effect on its capital expenditures, earnings or competitive position. Based on estimates prepared by the Company's environmental engineers and consultants, the Company, at December 31, 1992, has accruals totaling $57.4 to cover future environmental expenditures.

JOSLYN CORPORATION (DEC)

	1992	1991
Total Current Liabilities	$42,833,000	$44,289,000
Postretirement Medical Liability	13,229,000	10,831,000
Environmental Accrual	10,000,000	8,000,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Environmental Matters:

The Corporation previously operated wood treating facilities that chemically preserved utility poles, pilings and railroad ties. All such treating operations were discontinued or sold prior to 1982. These facilities used wood preservatives that included creosote, pentachlorophenol and CAC (chromium-arsenic-copper). While preservatives were handled in accordance with all appropriate procedures called for at the time, subsequent changes in environmental laws now require the generators of these spent preservatives to be responsible for the cost of remedial actions at the sites where spent preservatives have been deposited.

The Corporation recorded a net $30.0 million non-recurring charge in 1987 to accrue for estimated, additional, future remedial actions and cleanup costs. No additional provision was recorded in 1992, 1991 and 1990.

Net expenditures of $5.4 million, $2.9 million and $5.1 million were made during 1992, 1991 and 1990, respectively, on environmental cleanup and related activities, of former wood treating sites. The expenditures for 1992 are net of $9.6 million proceeds received from an insurance settlement and from other parties. The Corporation may spend up to $2.6 million in 1993 on cleanup activities. Consequently, $2.6 million is classified as a current liability and the remaining $10.0 million of the accrual is classified as a long-term liability at December 31, 1992.

While it is difficult to estimate the timing or amount of expenditures, the Corporation believes that this accrual is adequate for cleanup of known sites currently under investigation by various state and Federal environmental agencies. The accrual is based on facts known at the current time; however, changes in EPA standards, improvements in cleanup technology and discovery of additional information concerning these sites and other sites could affect the estimated costs in the future. The Corporation has notified its insurance carrier of the sites being investigated and has submitted claims against it for the cost of cleanup at several sites. A payment was received in 1992 related to a settlement for one site. Recoveries, if any, from other claims are uncertain at this time. Additionally, there are other potentially responsible parties who also operated certain of the sites. The accrual reflects an estimate of the allocation of remediation costs between the various parties.

TECUMSEH PRODUCTS COMPANY (DEC)

	1992	1991
	($ Millions)	
Current Liabilities:		
Accounts payable, trade	$ 91.2	$101.5
Income taxes payable	5.7	13.4
Short-term borrowings	22.6	30.7
Accrued liabilities:		
Employee compensation	20.8	22.2
Product warranty and self-insured risks	29.9	29.7
Other	37.1	35.1
Total Current Liabilities	207.3	232.6
Long-Term Debt	14.4	17.9
Product Warranty and Self-Insured Risks	23.1	16.0
Accrual for Environmental Matters	24.4	26.6
Pension Liabilities	15.1	15.7
Non-Pension Postretirement Benefits	154.5	—
Deferred Income Taxes	—	33.8
Total Liabilities	438.8	342.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Environmental Expenditures—Expenditures for environmental safekeeping are expensed or capitalized as appropriate. Costs associated with remediation activities are expensed. Liabilities relating to probable remedial activities are recorded when the costs of such activities can be reasonably estimated.

Insurance Claims

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

	1992	1991
	($000)	
Notes payable	$ 1,301	$ 1,359
Current portion of long-term debt	61	87
Trade accounts payable	14,538	15,951
Income taxes payable	1,176	1,517
Accrued liabilities:		
Compensation	15,249	15,499
Taxes—other than income	5,817	5,811
Insurance claims	25,609	26,781
Other	14,784	13,114
Total current liabilities	78,535	80,119
Commitments and contingencies	—	—
Long-term debt less current portion	15,435	9.477
Retirement plans	1,773	1,703
Insurance claims	29,772	30,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Insurance

Certain insurable risks such as general liability, property damage and workers' compensation are self-insured by the Company. However, the Company has umbrella insurance coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company's self-insurance program are recorded on a claim-incurred basis. Under this program, the estimated liability for all claims incurred but unpaid at October 31, 1992 and 1991 was $55,381,000 and $57,580,000, respectively. In connection with certain self-insurance agreements, the Company has standby letters of credit at October 31, 1992 supporting the estimated unpaid liability in the amounts of $47,266,000.

Put Options

THE BOEING COMPANY (DEC)

	1992	1991
	($ Millions)	
Total current liabilities	$6,140	$5,862
Deferred income taxes		355
Accrued retiree health care	2,004	301
Long-term debt	1,772	1,313
Contingent stock repurchase commitment	175	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contingent stock repurchase commitment

The Company has issued put options on 5,000,000 shares of its stock, callable on specific dates in 1994, giving another party the right to sell shares of Boeing stock to the Company at contractually specified prices. The balance of the temporary equity account is the amount the Company would be obligated to pay if all the put options were exercised. The proceeds from the issuance of the put options were accounted for as paid-in capital.

Redeemable Common Stock

ERLY INDUSTRIES INC. (MAR)

	1992	1991
Total current liabilities	$170,501,000	$140,015,000
Long-term debt	14,722,000	59,894,000
Subordinated debt	9,638,000	11,139,000
Minority interest	832,000	870,000
Redeemable common stock, 300,000 shares issued and outstanding	1,012,000	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15—Redeemable Common Stock

As discussed in Note 5, ERLY issued 300,000 shares of ERLY common stock in exchange for $5.4 million of debt. In conjunction with this transaction, ERLY entered into an agreement to repurchase all of such stock at a price of $6 per share, at the option of the stockholder, over a four-year period beginning in 1994. These shares are classified as redeemable common stock in the Consolidated Balance Sheets. At issuance, the shares were recorded at their fair market value of $1,012,000. The difference between the fair value of the common stock at issuance and its redemption value will be accreted to redeemable common stock over the redemption period through retained earnings.

Restoration And Removal Costs

MOBIL CORPORATION (DEC)

	1991	1992
	($ Millions)	
Total Current Liabilities	13,602	12,629
Long-Term Debt	4,715	5,042
Employee Benefits	814	1,298
Deferred Credits and Other Noncurrent Obligations	1,163	1,245
Accrued Restoration and Removal Costs	678	670
Deferred Income Taxes	3,640	3,109
Minority Interest in Subsidiary Companies	41	28
Total Liabilities	24,653	24,021

Deferred Credits

THE ALLEN GROUP INC. (DEC)

	1992	1991
	($000)	
Total Current Liabilities	$ 69,488	$49,074
Long-Term Debt	67,050	25,199
Other Liabilities and Deferred Credits (Note 5)	21,109	14,352
Total liabilities	157,647	88,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Service Revenue: Revenue from service contracts and long-term maintenance arrangements on the Company's automotive diagnostic equipment has been deferred and will be recognized in income on a pro rata basis over the agreement periods which are from one to five years.

Note 5 (In Part): Other Assets and Liabilities

Other liabilities and deferred credits consisted of the following (amounts in thousands):

	1992	1991
Noncurrent deferred service contract revenue	$ 3,920	$ 5,384
Accrued postretirement benefits	5,406	—
Casualty self insurance	2,214	2,550
Deferred compensation liabilities	1,832	1,514
Deferred income tax liability	510	596
Long-term pension liabilities	3,911	3,077
Other liabilities	3,316	1,231
	$21,109	$14,352

AULT INCORPORATED (MAY)

	1992	1991
Total current liabilities	$5,022,755	$3,772,864
Long-Term Debt, less current maturities	165,909	95,570
Deferred Rent Expense (Note 8)	198,766	164,272

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

Operating leases: The Company leases its United States plant and office facilities and its Korean facility under operating leases with terms of 120 months through August 1999 and 60 months through May 1996, respectively. In addition, certain equipment and motor vehicles are leased under operating leases with terms of approximately 36 months.

The lease on the United States plant and office facilities includes scheduled base rent increases over the term of the lease. The total amount of the base rent payments is being charged to expense on the straight-line method over the term of the lease. In addition to the base rent payment, the Company pays a monthly allocation of the building's operating expenses. The Company has recorded a deferred credit to reflect the excess of rent expense over cash payments since inception of the lease.

In connection with the Korean manufacturing facility lease, a deposit of approximately $77,000 was required, which is included in other assets.

Approximate minimum annual rental commitments at May 31, 1992, are as follows:

	Amounts
1993	$ 385,000
1994	379,000
1995	368,000
1996	372,000
1997	234,000
Thereafter	559,000
	$2,297,000

Total rental expense for the years ended May 31, 1992, June 2, 1991, and May 27, 1990, was approximately $361,000, $363,000, and $355,000, respectively.

FIRST BRANDS CORPORATION (JUN)

	1992	1991
	($000)	
Total current liabilities	$243,972	$212,787
Revolving credit and other debt	101,605	3,026
Term loan	35,692	—
Senior subordinated notes	100,000	—
Senior subordinated debentures	—	255,040
Subordinated notes	45,000	60,000
Deferred taxes	27,490	20,270
Other long-term obligations	16,352	18,015
Deferred gain on sale of assets (Note 8)	8,327	10,612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Leases

The Company has entered into several agreements for the sale and leaseback of substantially all of the production equipment at two of its domestic plastic wrap and bag plants and the GLAD-LOCK equipment at its Amherst, Virginia facility. The Company has purchase and lease renewal options at projected future fair market values under the agreements. The leases are classified as operating leases in accordance with Financial Accounting Standards Board (FASB) Statement No. 13—Accounting for Leases.

The book values of the equipment totalling $159,662,000 have been removed from the balance sheet, and the gains realized on the sale transactions totalling $13,059,000 have been deferred and are being credited to income as rent expense adjustments over the lease terms. Rentals on these transactions average $27,447,000 annually.

Restrictive covenants under the lease agreements are similar to the bank credit facility described in Note 7. The Company was in compliance with all the covenants of the lease agreements at June 30, 1992.

HAMPTON INDUSTRIES, INC. (DEC)

	1992	1991
Total current liabilities	$39,416,471	$16,495,591
Deferred income taxes	2,404,500	2,744,000
Long-term debt	20,993,387	20,220,490
Retirement plan obligations	2,236,514	1,275,424
Excess of fair value over cost of assets acquired (Note J)	183,644	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. Acquisitions

On April 29, 1992, the Company acquired certain assets and the business (consisting principally of inventories and trademarks) of Piedmont Industries, Inc. ("Piedmont") for approximately $420,000. The acquisition was accounted for as a purchase. Piedmont's operations were not significant to the Company. The acquisition resulted in excess of fair value over cost of assets acquired which is being amortized over a three-year period.

On April 5, 1991, the Company acquired certain assets and the business (consisting principally of inventories, property, plant and equipment, and trademarks) of the Megastar division of Interco, Inc. for approximately $4,136,000. The acquisition was accounted for as a purchase. The effect of the transaction on 1991 operations was not significant.

JACOBS ENGINEERING GROUP INC. (SEP)

	1992	1991
Total current liabilities	$171,485,300	$145,996,300
Deferred Income Taxes	835,700	1,646,300
Deferred Gains on Real Estate Transactions	4,597,300	5,563,500

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Deferred Gains on Real Estate Transactions

In 1983, Jacobs entered into two real estate transactions which resulted in gains totalling $14,307,500. Both transactions involved long-term lease agreements and the gains were deferred and are being amortized ratably into income over their respective lease terms. Of the total amount deferred as of September 30, 1992, $4,304,900 is being amortized through December 31, 1997. The balance is being amortized through September 30, 1994.

MINNTECH CORPORATION (MAR)

	1992	1991
Total current liabilities	$5,408,485	$3,561,083
Long-term Debt	1,961,996	2,960,855
Deferred Contract Revenue	900,000	—
Deferred Income Taxes	542,000	541,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contract Revenues

Contract revenues derived from development and marketing agreements are recorded as earned based on the performance requirement of the related contract.

Note D—Contract Revenue

In January 1992, the Company entered into an agreement to manufacture and supply certain hollow fiber membrane to another party on an exclusive basis. In consideration for entering into this contract, the Company received a cash fee of $1,000,000, of which $900,000 has been deferred and will be earned at the rate of $25,000 per month over the first three years of the agreement. Any unearned revenue is refundable if the Company is unable to meet the delivery requirements of the contract.

In fiscal 1987, the Company entered into an agreement for the development and marketing of an oxygenator for use in open-heart surgery. The Company received nonrefundable performance and development payments under this agreement and derivative agreements of $113,600 in fiscal 1990.

RESERVES—USE OF THE TERM "RESERVE"

Prior to being superseded by the Accounting Principles Board, the Committee on Terminology of the AICPA issued four terminology bulletins. In *Accounting Terminology Bulletin No. 1* the Committee recommended that the term *reserve* be applied only to amounts of retained earnings appropriated for general or specific purposes. In practice the term *reserve*, with rare exceptions, is applied to amounts designated as valuation allowances deducted from assets or as accruals for estimated liabilities. Table 2-30 shows that the term *reserve* appeared occasionally in the 1992 financial statements of the survey companies.

TABLE 2-30: USE OF TERM "RESERVE"

	Number of Companies			
	1992	1991	1990	1989
To describe deductions from assets for				
Reducing inventories to LIFO cost	32	36	37	33
Doubtful accounts	17	20	20	19
Accumulated depreciation	4	4	4	4
Other—described	10	11	6	10
To describe accruals for				
Estimated expenses relating to property abandonments or discontinued operations	26	16	20	15
Insurance	16	16	21	14
Environmental costs	12	10	9	N/C
Employee benefits or compensation	5	9	10	5
Other—described	14	14	14	22
Other—not described	6	6	8	5

N/C—Not Compiled.

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-31 summarizes the titles used by the survey companies to identify the stockholders' equity section of the balance sheet.

TABLE 2-31: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1992	1991	1990	1989
Shareholders' Equity	254	251	253	254
Stockholders' Equity	239	241	229	238
Shareowners' Equity	20	19	18	20
Common Stockholders' Equity	15	14	18	18
Shareholders' Investment	14	9	9	9
Common Shareholders' Equity	11	14	13	11
Stockholders' Investment	10	15	16	12
Other or no title	37	37	44	38
Total Companies	**600**	**600**	**600**	**600**

CAPITAL STRUCTURES

Table 2-32 summarizes the various classes and combinations of capital stock outstanding disclosed in the balance sheets of the survey companies. The need for disclosure in connection with complex capital structures is stated in Paragraph 19 of *APB Opinion No. 15.* Paragraph 19 states:

> The use of complex securities complicates earnings per share computations and makes additional disclosures necessary. The Board has concluded that financial statements should include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding. Examples of information which should be disclosed are dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, etc.

TABLE 2-32: CAPITAL STRUCTURES

	1992	1991	1990	1989
Common stock with:				
No preferred stock	450	456	447	438
One class of preferred stock	112	109	118	117
Two classes of preferred stock	31	27	28	36
Three or more classes of preferred stock	7	8	7	9
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	54	62	56	58

COMMON STOCK

Table 2-33 summarizes the valuation bases of common stock. As in prior years, the majority of the survey companies show common stock at par value.

TABLE 2-33: COMMON STOCK

	1992	1991	1990	1989
Bases				
Par value stock shown at:				
Par value	570	578	562	564
Amount in excess of par	15	15	22	21
Assigned per share amount	9	10	11	16
No par value stock shown at:				
Assigned per share amount	13	7	17	11
No assigned per share amount	49	55	49	48
Issues Outstanding	**656**	**665**	**661**	**660**

PREFERRED STOCK

Table 2-34 summarizes the valuation bases of preferred stock. As with common stock, many of the survey companies show preferred stock at par value.

APB Opinion No. 10 recommends that a liquidation preference (excess of involuntary liquidation value over par or stated value) be disclosed in the equity section of the balance sheet in the aggregate.

SEC *Accounting Series Release No. 268* (Section 211 of *Financial Reporting Release No. 1*) requires that preferred stock with mandatory redemption requirements not be shown as part of equity. *ASR No. 268* does not discuss that valuation basis for such securities. A *Staff Accounting Bulletin* issued by the SEC staff states that preferred stock with mandatory redemption requirements should be stated on the balance sheet at either fair value at date of issue or, if fair value is less than redemption value, at fair value increased by periodic accretions of the difference between fair value and redemption value.

Paragraph 10C of *Statement of Financial Accounting Standards No. 47* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the redemption requirements of redeemable capital stock.

Examples of preferred stock presentations follow.

TABLE 2-34: PREFERRED STOCK

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Bases				
Par value stock shown at:				
Par value	69	65	57	72
Liquidation or redemption value	24	28	30	27
Assigned per share amount	9	6	10	15
Fair value at issuance date	5	5	7	11
Other	7	7	8	7
No par value stock shown at:				
Liquidation or redemption value	27	18	33	28
Assigned per share amount	17	23	17	17
Fair value at issuance date	3	3	4	4
No assigned per share amount	11	10	14	14
Number of Companies				
Preferred stock outstanding	152	147	158	170
No preferred stock outstanding	448	453	442	430
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended At Par Value

ADVANCED MICRO DEVICES, INC. (DEC)

	1992	1991
	($000)	
Shareholders' equity:		
Capital stock:		
Serial preferred stock, par value $.10; 1,000,000 shares authorized; 345,000 issued and outstanding ($172,500 aggregate liquidation preference)	$ 35	$ 35
Common stock, par value $.01; 250,000,000 shares authorized; 88,225,587 shares issued and outstanding in 1992 and 84,030,662 in 1991	885	842
Capital in excess of par value	532,674	503,994
Retained earnings	513,146	278,485
Total shareholders' equity	1,046,740	783,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Sale of Serial Preferred Stock

In March 1987, the company sold 345,000 shares of Convertible Exchangeable Preferred Stock, $10 par value. Dividends at an annual rate of $30 per share (6 percent) on the preferred stock are cumulative from the date of original issue and are payable quarterly in arrears, when and as declared by the company's board of directors. Voluntary and involuntary liquidation value of each preferred share is $500 plus unpaid dividends. The preferred stock is convertible at any time at the option of the holder into common stock at the initial conversion rate of 19.873 common shares for each preferred share. The preferred stock is exchangeable at the option of the company, in whole but not in part, on any dividend payment date commencing March 15, 1989, for 6 percent Convertible Subordinated Debentures due 2012 at the rate of $500 principal amount of debentures for each preferred share. If exchanged, commencing the first March 15 following the date of initial issuance of the debentures, the company is required to make annual payments into a sinking fund to provide for the redemption of the debentures.

The preferred stock is redeemable for cash at any time at the option of the company, in whole or in part, at prices declining to $500 per share at March 15, 1997, plus unpaid dividends. Holders of preferred stock are entitled to limited voting rights under certain conditions.

The preferred stock is held by a depository and 3,450,000 depository shares have been issued and are listed on the New York Stock Exchange. Each depository share represents one-tenth of a preferred share, with the holder entitled, proportionately, to all the rights and preferences of the underlying preferred stock.

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

	1992	1991
	($000)	
Shareholders Equity:		
Preferred stock—$1.20 cumulative convertible, $1 par value (aggregate liquidation value at January 2, 1993—$1,211); authorized 1,900 shares; issued: 1992—61 shares; 1991—65 shares	$ 61	$ 65
Preferred stock—Class A Second Series, $2.875 cumulative convertible, $1 par value (aggregate liquidation value at January 2, 1993—$113,721); authorized 10,000 shares; issued: 1992—2,274 shares; 1991—2,799 shares	2,274	2,799
Common stock—$5 par value; authorized 240,000 shares; issued: 1992—42,269 shares; 1991—41,071 shares	211,344	205,357
Other capital	257,379	287,203
Retained earnings	475,200	432,328
Treasury stock—at cost:		
Common stock—1992—317 shares; 1991—396 shares	(5,843)	(6,552)
Total Shareholders' Equity	940,415	921,200

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Shareholders Equity

The $1.20 cumulative convertible preferred stock has a liquidation value of $20 per share and is convertible at any time into 5.02 shares of common stock. The shares are callable at $20.

The $2.875 cumulative convertible preferred stock has a liquidation value of $50 per share and is convertible at any time into 1.8182 shares of common stock subject to adjustment under certain conditions. This preferred stock is also redeemable, in whole or in part, at the option of the Company at a price of $51.44 per share which declines gradually each year to $50 per share on or after March 15, 1997.

PRAB ROBOTS, INC. (OCT)

	1992	1991
Stockholders' Equity		
Convertible preferred stock (Note 18)—$.75 par value:		
Authorized 2,000,000 shares		
Issued and outstanding 2,000,000 shares	$ 1,500,000	$ —
Non-convertible preferred stock (Note 18)—$.50 par value:		
Authorized 600,000 shares		
Issued and outstanding 600,000 shares	300,000	—
Common stock—$.10 par value:		
Authorized 7,000,000 and 5,000,000 shares in 1992 and 1991, respectively		
Issued and outstanding 2,602,860 and 1,936,193 shares in 1992 and 1991, respectively	260,286	193,619
Additional paid-in capital	5,331,613	5,033,225
Accumulated deficit	(6,586,215)	(4,746,258)
Foreign currency translation adjustment	—	(142,230)
Total stockholders' equity	805,684	338,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18—Preferred Stock

Convertible Preferred Stock

The convertible preferred stock is entitled to quarterly dividends as follows:

Prior to November 1, 1995	0%
November 1, 1995 to October 31, 1996	5% per annum
November 1, 1996 to October 31, 1997	6% per annum
November 1, 1997 to October 31, 1998	7% per annum
November 1, 1998 and thereafter	8% per annum

The Company has the option to pay the dividend in cash or common stock. The Company's ability to pay cash dividends is subject to Michigan statutes. If a dividend is paid in common stock, the Company would have an obligation to register the stock.

The Company has the right to redeem the convertible preferred stock at $.75 per share provided all of the non-convertible preferred stock has been redeemed. After November 1, 1994, the holder of the convertible preferred stock will have a right to convert all, or any portion, of the convertible preferred stock to common stock on a one to one ratio. After November 1, 1994, the convertible preferred stockholder will have a 60 day period after tender of a Company redemption payment to elect to convert to common stock in lieu of redemption.

The convertible preferred stockholders are entitled to vote as a class to elect one member of the Board of Directors of the Company.

The convertible preferred stock has a liquidation priority over common stock, but not over non-convertible preferred stock, of $.75 per share plus any accrued but unpaid dividends.

Non-convertible Preferred Stock

The non-convertible preferred stock is entitled to quarterly cash dividends as follows:

October 30, 1992 to October 31, 1997	7% per annum
November 1, 1997 to October 31, 1998	8% per annum
November 1, 1998 and thereafter	9% per annum

In the event that a dividend is not paid within thirty days of its due date, the holders of the non-convertible preferred stock have a right to elect two members to the Board of Directors of the Company until such time as two quarterly dividends have been paid timely.

The Company has the right to redeem the non-convertible preferred stock prior to November 15, 1994 at $.50 per share plus accrued and unpaid dividends and after that date at $.60 per share plus accrued and unpaid dividends.

Preferred Stock Extended At Stated Value

THE ALLEN GROUP INC. (DEC)

	1992	1991
	($000)	
Stockholders Equity (Note 6)		
Preferred stock, 2,300,000 shares issued ($1.00 stated value); liquidation preference, $57,500,000	$ 2,300	$ 2,300
Common stock, par value $1.00; authorized 20,000,000 shares; issued—1992, 11,601,000; 1991, 11,021,000; outstanding—1992, 10,029,000; 1991, 9,416,000	11,601	11,021
Paid-in capital	156,164	144,519
Retained earnings	13,742	4,541
Translation adjustments	(1,303)	(101)
Less: Treasury stock-common shares, at cost—1992, 1,571,690 shares, 1991, 1,604,317 shares	(18,192)	(18,690)
Unearned compensation	(4,973)	(1,783)
Total stockholders' equity	159,339	141,807

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Capital Stock

The Company is authorized to issue up to 3,000,000 shares of preferred stock, without par value, in one or more series and to fix the powers, designations, preferences and rights of each series. The outstanding $1.75 Convertible Exchangeable Preferred Stock, Series A, is convertible into common stock of the Company at a conversion rate of one share of common stock for each share of preferred (subject to adjustment under certain conditions), has a liquidation preference of $25.00 per share, is cumulative as to cash dividends, and is exchangeable at the option of the Company for its 7% Convertible Subordinated Debentures due May 15, 2011.

SOUTHDOWN, INC. (DEC)

	1992	1991
	($ Millions)	
Shareholders' equity (Note 22):		
Preferred stock, $.05 par value, 10,000,000 shares authorized:		
$.70 Cumulative Convertible Series A, 1,999,000 shares issued and outstanding	$ 20.0	$ 20.0
$3.75 Convertible Exchangeable Series B, 960,000 shares issued, 959,000 shares outstanding	47.9	47.9
Common stock, $1.25 par value, 40,000,000 shares authorized, 16,945,000 shares issued and outstanding	21.2	21.2
Capital in excess of par value	126.6	126.6
Reinvested earnings	100.7	146.3
	316.4	362.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22 (In Part): Earnings Per Share and Capital Stock

Series A Preferred Stock—The Company has 1,999,000 outstanding shares of Preferred Stock, $.70 Cumulative Convertible Series A, $.05 par value (Series A Preferred Stock). The Series A Preferred Stock has a stated value and liquidation preference of $10 per share and carries a cumulative dividend of $.70 per year, payable quarterly. Each share of Series A Preferred Stock is initially convertible into one-half share of the Company's common stock, subject to adjustment to protect against dilution and is redeemable at 140% of the stated value thereof declining to par after April 30, 1997, plus accrued and unpaid dividends. The Company has reserved 1,000,000 shares of common stock for issuance upon conversion of the Series A Preferred Stock. Dividends paid on the Series A Preferred Stock amounted to approximately $1.4 million in each of the last three years.

Series B Preferred Stock—The Company has 959,000 outstanding shares of Preferred Stock, $3.75 Convertible Exchangeable Series B, $.05 par value (Series B Preferred Stock). The Series B Preferred Stock has a stated value and a liquidation preference of $50.00 per share and entitles the holders to per share cumulative dividends of $3.75 per year, payable semiannually. Each share of Series B Preferred Stock is convertible into 2.5 shares of the Company's common stock, subject to adjustment to protect against dilution, and is redeemable on and after June 30, 1993, at 100% of the $50.00 stated value thereof, plus accrued and unpaid dividends to the date of redemption. Each share of Series B Preferred Stock is exchangeable, in whole, but not in part, at the Company's option for $50.00 in principal amount of the Company's 7½% Convertible Subordinated Debentures Due 2013. The Company has reserved 2.4 million shares of common stock for issuance upon conversion of the Series B Preferred Stock. Dividends paid on the Series B Preferred Stock amounted to $3.6 million in each of the last three years.

THE UPJOHN COMPANY (DEC)

	1992	1991
	($000)	
Shareholders' equity:		
Preferred stock, one dollar par value; authorized 12,000,000 shares, issued Series B convertible 7,400 shares at stated value (1991: 7,432 shares)	$ 298,224	$ 299,523
Common stock, one dollar par value; authorized 600,000,000 shares, issued 190,589,607 shares (1991: 190,591,523 shares)	190,590	190,592
Capital in excess of par value	66,668	68,400
Retained earnings	2,412,028	2,348,318
Note receivable from ESOP Trust (ESOT)	(29,697)	(27,946)
ESOP deferred compensation	(258,254)	(263,230)
Currency translation adjustments	(89,145)	(57,323)
Treasury stock at cost, 16,008,679 shares (1991: 15,376,466 shares)	(574,871)	(553,182)
Total shareholders equity	2,015,543	2,005,152

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L (In Part): Shareholders' Equity

Preferred Stock—The Series B Convertible Perpetual Preferred Stock is held by The Upjohn Company Employee Stock Ownership Trust (ESOT). The per-share stated value is $40,300, and the preferred stock ranks senior to the company's common stock as to dividends and liquidation rights. Each share is convertible, at the holder's option, into 1,000 shares of the company's common stock and has voting rights equal to 1,000 shares of common. The company may redeem the preferred stock at any time after July 20, 1999, or upon termination of the ESOP at a minimum price of $40,300 per share. Dividends, at the rate of 6.25 percent, are cumulative and paid quarterly.

Preferred Stock Extended At Redemption Or Liquidating Value

THE BFGOODRICH COMPANY (DEC)

	1992	1991
	($ Millions)	
Redeemable Preferred Stock (Note S)	$ 6.3	$ 7.5
Shareholders' Equity		
$3.50 Cumulative Convertible Preferred Stock, Series D (stated at involuntary liquidation value of $50 per share) 2,200,000 shares issued and outstanding	110.0	110.0
Common Stock—$5 par value Authorized 100,000,000 shares; issued 25,646,866 shares in 1992 and 25,554,627 shares in 1991	128.2	127.8
Additional capital	391.5	385.9
Income retained in the business	230.9	591.3
Cumulative unrealized translation adjustments	(7.8)	7.5
Amount related to recording minimum pension liability	(10.9)	(1.9)
Unearned portion of restricted stock awards	(11.9)	(1.2)
Common stock held in treasury, at cost (27,777 shares in 1992 and 156,679 shares in 1991)	(1.2)	(5.4)
Total Shareholders' Equity	828.8	1,214.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note S: Preferred Stock

There are 10,000,000 authorized shares of Series Preferred Stock—$1 par value. Shares of Series Preferred Stock that have been redeemed are deemed retired and extinguished and may not be reissued. As of December 31, 1992, 584,174 shares of Series Preferred Stock have been redeemed. The Board of Directors establishes and designates the series and fixes the number of shares and the relative rights, preferences and limitations of the respective series of the Series Preferred Stock.

Whenever dividends on Cumulative Series Preferred Stock are in arrears six quarters or more, holders of such stock (voting as a class) have the right to elect two Directors of the Company until all cumulative dividends have been paid.

Dividends on outstanding Series Preferred Stock must be declared and paid or set apart for payment, and funds required for sinking-fund payments, if any, on Series Preferred Stock must be paid or set apart for payment before any dividends may be paid or set apart for payment on the Common Stock.

Redeemable Preferred Stock—Series A (stated at involuntary liquidation value of $100 per share): BFGoodrich has issued 250,000 shares of $7.85 Cumulative Preferred Stock, Series A. In order to comply with sinking-fund requirements, each year on August 15, BFGoodrich must redeem 12,500 shares of the Series A Stock. The redemption price is $100 per share, plus dividends accrued at the redemption date. BFGoodrich may redeem, at such price, up to an additional 12,500 shares in each year. The sinking-fund requirements may also be satisfied with shares acquired on the open market. At December 31, 1992, 1991 and 1990, BFGoodrich held 880, 12,160 and 13,500 shares, respectively, for future sinking-fund requirements. After giving effect to the shares held for future sinking-fund requirements, there were 74,120, 75,340 and 86,500 shares of Series A Stock outstanding at December 31, 1992, 1991, and 1990, respectively. The aggregate amount of redemption requirement for the Series A Stock is $1.2 for 1993 and $1.3 in each of the years 1994 through 1997.

Convertible Preferred Stock—Series D (stated at involuntary liquidation value of $50 per share): BFGoodrich has issued 2,200,000 shares of $3.50 Cumulative Convertible Preferred Stock, Series D. The Series D Stock is convertible into shares of BFGoodrich's Common Stock at a conversion rate, which is subject to certain anti-dilution provisions, of 0.909 shares of Common Stock for each share of Series D Stock. At BFGoodrich's option, the Series D Stock may be redeemed, in whole or in part, at any time. The redemption price, which decreases each January 2, is $51.40 a share until January 2, 1994, $51.05 a share until January 2, 1995 and $50.70 a share for the twelve months thereafter, plus accrued and unpaid dividends. At December 31, 1992, 1991, and 1990, there were 2,200,000 shares of Series D Stock outstanding.

Cumulative Participating Preferred Stock—Series E: On July 20, 1987 BFGoodrich declared a dividend distribution of one Right for each outstanding share of Common Stock of the Company to shareholders of record at the close of business on August 3, 1987. Each Right, when exercisable, entitles the registered holder thereof to purchase from BFGoodrich one one-hundredth of a share of Cumulative Participating Preferred Stock, Series E at a price of $200 per one one-hundredth of a share (subject to adjustment). The one one-hundredth of a share is intended to be the functional equivalent of one share of the Company's Common Stock. The Rights will not be exercisable or transferable apart from the Common Stock until a person, as defined in the Rights Agreement, as amended, without the proper consent of BFGoodrich's Board of Directors, acquires 20 percent or more of the voting power of the Company's stock or announces a tender offer that would result in 20 percent ownership. BFGoodrich will be entitled to redeem the Rights at five cents per Right any time before a 20 percent position has been acquired and in connection with certain transactions thereafter announced. Under certain circumstances, including the acquisition of 20 percent of the Company's stock, each Right not owned by a potential acquirer or related parties will entitle its holder to purchase, at the Right's then-current exercise price, shares of BFGoodrich's Series E Stock having a market value of twice the Right's exercise price. Holders of the Rights will be entitled to buy stock of an acquirer at a similar discount if, after the acquisition of 20 percent or more of the Company's voting power, BFGoodrich is involved in a merger or other business combination transaction with another person in which its common shares are changed or converted, or BFGoodrich sells 50 percent or more of its assets or earning power to another person. At December 31, 1992, 1991, and 1990, there were authorized 350,000 shares of open Series E Stock, of which 335,926, 338,821 and 327,320 shares, respectively, were reserved for future issuance in accordance with the above plan.

KERR GROUP, INC. (DEC)

	1992	1991
	(In Thousands)	
Stockholders' equity		
Preferred Stock, 487 shares authorized and issued, at liquidation value of $20 per share	$ 9,748	$ 9,748
Common Stock, $.50 par value per share, 20,000 shares authorized, 4,210 shares issued	2,105	2,105
Additional paid-in capital	27,113	27,021
Retained earnings	11,882	15,408
Treasury Stock, 535 shares at cost	(12,737)	(12,737)
Notes receivable from ESOP Trusts	(1,647)	(3,207)
Total stockholders' equity	36,464	38,338

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Preferred Stock

Class B Preferred Stock

At December 31, 1992 and 1991, the Company was authorized to issue 1,302,300 shares of Class B Preferred Stock, par value $.50 per share, which may be issued in series from time to time at the discretion of the Board of Directors. Holders of all series of Class B Preferred Stock share ratably as to rights to payment of dividends and to amounts payable in event of liquidation, dissolution or winding up of the Company. No dividends or payments in liquidation may be made with respect to Common Stock or any other stock ranking junior as to dividends or assets to the Class B Preferred Stock unless all accumulated dividends and sinking fund payments on the Class B Preferred Stock have been paid in full and, in the event of liquidation, unless the accumulated dividends and the liquidation preference of the Class B Preferred Stock have been paid.

Series D

At December 31, 1992 and 1991, the Company had 487,400 shares of Class B Cumulative Convertible Preferred Stock, Series D (Preferred Stock), issued and outstanding. Holders of the Preferred Stock are entitled to a cumulative dividend, payable quarterly, at the annual rate of 8½% ($1.70 per share). The Preferred Stock is redeemable at the option of the Company at any time, in whole or in part, at a price of $20.00 per share. No purchases or redemptions of or dividends on Common Stock may occur unless all accumulated dividends have been paid on the Preferred Stock.

Each Share of Preferred Stock has a liquidating value of $20.00 per share and is convertible into Common Stock at the rate of 1.4545 shares of Common Stock for each share of Preferred Stock (equivalent to a conversion price of $13.75 per common share), subject to adjustment under certain conditions. At December 31, 1992, a total of 708,923 shares of Common Stock was reserved for issuance upon conversion of the Preferred Stock.

If six quarterly dividends on the Preferred Stock are unpaid, the holders of Preferred Stock shall have the right, voting as a class, to elect two additional persons to the Board of Directors of the Company until all such dividends have been paid.

QUANEX CORPORATION (OCT)

	1992	1991
	($000)	
Stockholders' equity (Note 12):		
Preferred stock, no par value, 1,000,000 shares authorized; 345,000 in 1992 and none in 1991 issued and outstanding	$ 86,250	$ —
Common stock, $.50 par value, 25,000,000 shares authorized; 13,638,005 shares in 1992 and 11,735,166 shares in 1991 issued and outstanding	6,819	5,868
Additional paid-in capital	87,260	59,885
Retained earnings	57,263	86,735
	237,592	152,488

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Preferred Stock—Depositary Convertible Exchangeable Preferred Shares

During May 1992, the Company issued 3,450,000 Depositary Convertible Exchangeable Preferred Shares ("Depositary Shares"), each representing 1/10th of a share of the Company's 6.88% Cumulative Convertible Exchangeable Preferred Stock ("Preferred Stock"). The net proceeds from the issuance was $82.9 million. The dividend per annum and liquidation preference for each share of Preferred Stock are $17.20 and $250, respectively, and for each Depositary Share are $1.72 and $25, respectively. Dividends on the Preferred Stock and Depositary Shares are cumulative and payable quarterly, commencing September 30, 1992. The Company is prohibited from paying any dividends on Common Stock (other than in Common Stock or junior stock) unless all required preferred dividends have been paid.

The Preferred Stock is convertible at the option of the holder into shares of the Company's Common Stock at a conversion price of 31.50 per share, subject to adjustment in certain events. As a result, 2,738,095 shares of Common Stock are reserved for conversion.

The Preferred Stock is exchangeable at the option of the Company, in whole but not in part, on any dividend payment date commencing June 30, 1995 for the Company's 6.88% Convertible Subordinated Debentures due June 30, 2007 ("6.88% Debentures") at the rate of $250 principal amount of 6.88% Debentures for each share of Preferred Stock and $25 principal amount of 6.88% Debentures for each Depository Share. The 6.88% Debentures, if issued, will bear interest payable semiannually on June 30 and December 31 of each year.

The Preferred Stock may be redeemed at any time on or after June 30, 1995 at the option of the Company, in whole or in part, at specified redemption prices, together with accrued and unpaid dividends, except that no such redemption may be made prior to June 30, 1996 unless the last reported sale price of the Company's Common Stock is at least 150% of the conversion price then in effect for any 20 trading days within a period of 30 consecutive trading days ending not more than five days prior to the date of the notice of redemption.

VALERO ENERGY CORPORATION (DEC)

	1992	1991
	($000)	
Redeemable Preferred Stock, Series A	$ 14,950	$ 16,100
Common Stock and Other Stockholders' Equity:		
Preferred Stock, $1 Par Value—20,000,000 Shares Authorized:		
Redeemable Preferred Stock, Series A, Issued 1,150,000 Shares, Outstanding 149,500 (1992) and 161,000 (1991) Shares	—	—
Common Stock, $1 Par Value—75,000,000 Shares Authorized; Issued 43,320,935 (1992) and 40,710,935 (1991) Shares	43,321	40,711
Additional Paid-In Capital	371,759	300,711
Unearned Valero Employees' Stock Ownership Plan Compensation	(18,085)	(20,100)
Retained Earnings	431,600	366,916
Treasury Stock, 336,076 (1992) and 85,147 (1991) Common Shares, at Cost	(7,837)	(1,703)
	820,758	686,535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Redeemable Preferred Stock

Energy is required to redeem and, commencing in 1986, has redeemed in December of each year its Cumulative Preferred Stock, $8.50 Series A ("Series A Preferred Stock"), at $100 per share at the rate of 11,500 shares annually ($1,150,000 per year). The redemption requirement for the Series A Preferred Stock for each of the five years following December 31, 1992 is also $1,150,000 per year. Energy also has the option to redeem shares of the Series A Preferred Stock at any time at $106 per share until November 30, 1993, with such amount being reduced by $.50 per share each year thereafter to $100 per share.

In event of an involuntary liquidation, the holders of the outstanding Series A Preferred Stock would be entitled, after the payment of all debts, to $100 per share, plus any accrued and unpaid dividends. In the event of a voluntary liquidation, the holders of the outstanding Series A Preferred Stock would be entitled to $100 per share, any applicable premium Energy would have had to pay if it had elected to redeem the Series A Preferred Stock at that time and any accrued and unpaid dividends. In the event dividends on the Series A Preferred Stock are six or more quarters in arrears, holders may vote to elect two directors. No arrearages currently exist.

ADDITIONAL PAID-IN CAPITAL

Table 2-35 lists the balance sheet captions used to describe additional paid-in capital. Examples of descriptive captions for additional paid-in capital are shown in this section in connection with discussions of the other components of stockholders' equity.

TABLE 2-35: ADDITIONAL PAID-IN CAPITAL—CAPTION TITLE

	1992	1991	1990	1989
Additional paid-in capital	242	243	238	234
Capital in excess of par or stated value	148	148	149	149
Paid-in capital	45	43	43	43
Additional capital, or other capital	41	40	40	40
Capital surplus	34	35	33	36
Paid-in surplus	4	5	5	4
Other captions	17	18	16	18
	531	532	524	524
No additional paid-in capital account	69	68	76	76
Total Companies	**600**	**600**	**600**	**600**

RETAINED EARNINGS

Table 2-36 indicates that most of the survey companies use the term *retained earnings.* Examples of descriptive captions used for retained earnings are show below and in connection with discussions of other components of stockholders' equity in this section.

TABLE 2-36: RETAINED EARNINGS—CAPTION TITLE

	1992	1991	1990	1989
Retained Earnings	460	470	484	479
Retained Earnings with additional words	10	13	11	11
Earnings with additional words	33	35	33	41
Income with additional words	13	9	12	12
Earned Surplus	2	2	2	2
Retained Earnings (Deficit)	35	25	20	25
Accumulated Deficit	47	46	38	30
Total Companies	**600**	**600**	**600**	**600**

EKCO GROUP, INC. (DEC)

	1992	1991
	(In Thousands)	
Stockholders' equity		
Common stock, $.01 par value; outstanding January 3, 1993, 17,148 shares; outstanding December 29, 1991, 14,676 shares	$ 171	$ 146
Capital in excess of par value	95,665	79,769
Cumulative translation adjustment	1,094	1,676
Retained earnings (deficit)	9,436	(4,614)
Unearned compensation	(2,883)	(2,943)
Pension liability adjustment	(1,203)	(88)
	102,280	73,946

GREIF BROS. CORPORATION (OCT)

	1992	1991
Shareholders' Equity		
Capital stock, without par value	$ 9,033,988	$ 9,033,988
Class A Common Stock: Authorized 16,000,000 shares; issued 10,570,480 shares; in treasury 5,133,894 shares; outstanding 5,436,586 shares		
Class B Common Stock: Authorized and issued 8,640,000 shares; in treasury 1,915,717 shares (1,911,217 in 1991); outstanding 6,724,283 shares (6,728,783 in 1991)		
Earnings retained for use in the business	283,250,664	261,614,947
Cumulative translation adjustment	(425,343)	3,447,927
	291,859,309	274,096,862

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Stockholders' equity (deficit):		
Preferred stock, no par value; 500,000 shares authorized	$ —	$ —
Common stock, $1 par value, 9,000,000 shares authorized; 5,514,685 shares issued at stated value	6,244	6,244
Additional paid-in capital	18,803	18,803
Excess of pension cost over unrecognized net pension obligation	(21,761)	(23,156)
Retaining earnings (deficit)	24,007	(40,796)
Treasury stock—11,550 and 10,550 shares, at cost	(144)	(131)
Total stockholders equity (deficit)	27,149	(39,036)

THE TIMKEN COMPANY (DEC)

	1992	1991
	($000)	
Shareholders' Equity		
Class I and II Serial Preferred Stock without par value:		
Authorized—10,000,000 shares each class, none issued	$ —0—	$ —0—
Common stock without par value:		
Authorized—100,000,000 shares		
Issued (including shares in treasury) 30,625,858 shares		
Stated capital	53,064	53,064
Other paid-in capital	241,268	242,407
Earnings invested in the business	705,176	730,931
Foreign currency translation adjustment	(11,475)	12,634
	988,033	1,039,036
Less cost of common stock in treasury (1992—108,307 shares; 1991—732,066 shares)	2,970	20,065
Total Shareholders' Equity	985,063	1,018,971

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *Accounting Research Bulletin No. 43* discusses stock option and stock purchase plans and states in paragraph 15:

> In connection with financial statements, disclosure should be made as to the status of the option or plan at the end of the period of report, including the number of shares under option, the option price, and the number of shares as to which options were exercisable. As to options exercised during the period, disclosure should be made of the number of shares involved and the option price thereof.

APB Opinion No. 25, issued in October 1972 and applying "to all stock option, purchase, award, and bonus rights granted by an employer corporation to an individual employee after December 31, 1972," reaffirms the disclosue requirements of paragraph 15.

Many companies either grant stock options in tandem with stock appreciation rights or allow stock options to be converted into incentive stock options. *FASB Interpretation No. 28* discusses stock appreciation rights while *FASB Technical Bulletin 82-2* discusses the conversion of stock options into incentive stock options.

Five hundred sixty-six companies disclosed the existence of stock option plans. Eighty-four companies disclosed a stock purchase plan. Examples of stock option plan and stock purchase plan disclosures follow.

STOCK OPTION PLANS

THE CLOROX COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Stockholders' Equity

In addition to common stock, the Company is authorized to issue 5,000,000 shares of preferred stock with a par value of $1 per share, none of which is outstanding.

The Company has a stock option plan under which options to purchase shares of common stock may be granted to key employees. The plan provides that the option price shall not be less than the fair market value of the shares on the date of grant and that no portion of the option may be exercised beyond ten years from that date.

Options which are outstanding at June 30, 1992 become exercisable cumulatively over the first two, three or five years from the grant date. At June 30, 1992, 1,487,093 shares were available for the granting of additional options or other stock compensation awards.

A summary of changes in common stock options during 1992 and 1991 is:

	Number of Shares	Price Per Share
Outstanding at June 30, 1990	1,796,019	$ 5.56 - $40.94
Granted	417,144	34.56
Exercised	(258,832)	5.56 - 31.75
Cancelled	(46,600)	24.34 - 40.94
Outstanding at June 30, 1991	1,907,731	$ 5.59 - 40.94
Granted	388,848	40.50
Exercised	(395,904)	5.59 - 40.74
Cancelled	(47,717)	30.69 - 40.94
Outstanding (held by 206 optionees) at June 30, 1992	1,852,958	$ 7.28 - $40.94
Options exercisable at:		
June 30, 1992	1,133,991	
June 30, 1991	1,230,064	

ATHLONE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Incentive Option and Performance Award Plan:
The Company's incentive option and performance award plan for key employees, adopted in 1975, provides for the issuance of options and stock appreciation rights with respect thereto which may be exercised beginning with the third year after grant to the extent of 25% of the shares covered and in each of the three subsequent years to the extent of an additional 25% of the shares covered. Options not previously exercised may be exercised in the sixth year after grant at the end of which time the options expire unless extended by up to an additional six years. The exercise price of the options is based on the fair market value of the common stock on the date of grant and represents 75% thereof in the third year after grant and decreases by an additional 25% in each of the succeeding two years; after the fifth year subsequent to grant, the option is exercisable at a price equal to the par value of the Company's common stock, presently ten cents. The Committee that administers the plan may provide that an optionee with 20 years of service, commencing in the third year after grant, may exercise the option for all the shares at a price equal to par value. As of December 31, 1992, this provision is not applicable to any options.

The plan provides for the grant of general stock appreciation rights with respect to outstanding options which the holder may exercise instead of the underlying option. When the general right is exercised, the underlying option is canceled with respect to that number of shares. On exercising a general right, the holder receives an amount in cash equal to the difference between the market value of the shares at the time of exercise and the exercise price of the underlying option. General rights for 25,000 shares were outstanding at December 31, 1992. The Committee has granted, with respect to all outstanding options, divided equivalents under which optionees receive an amount equal to the dividend paid on the number of shares subject to the option.

Transactions during the last three years are summarized as follows (in this table, the exercise of general stock appreciation rights is treated as the exercise of underlying options):

	Number of Shares	Fair Market Value at Date of Grant or Exercise
Outstanding at:		
December 31, 1989	366,000	$ 7.19 - 10.44
Options granted	10,000	$14.37
Options exercised	(306,000)	$ 9.63 - 9.81
Options terminated	(10,000)	
Outstanding at:		
December 31, 1990 and December 31, 1991	60,000	$ 7.19 - 14.37
Optons exercised	(7,500)	$16.13 - 16.50
Options terminated	(7,500)	
Outstanding at:		
December 31, 1992	45,000	$ 7.19 - 8.71
Exercisable at:		
December 31, 1992	33,750	
December 31, 1991	27,500	
Available for grant at:		
December 31, 1992 and December 31, 1991	281,250	

The above plan provides for the issuance of limited stock appreciation rights, which have been issued with respect to all options. In the event of a 30% change in the stock ownership of the Company, certain combinations by the Company with other corporations, or the dissolution of the Company, options held for more than two years and related limited rights will become exercisable in full at par value and other options and related limited rights will become exercisable for the number of shares and at the price applicable in the third year after grant. In the event of a tender or exchange offer or the death or disability of an optionee, limited rights become exercisable for the number of shares and at the exercise price at which the related option is exercisable or will become exercisable in the third year after grant. The plan authorizes the grant of tax sharing rights to optionees which would provide for the payment to them of an amount equal to the maximum Federal corporate income tax rate multiplied by the amount realized on the exercise of a stock option or stock appreciation right. Tax sharing rights covering 25,000 shares were outstanding on December 31, 1992.

GENERAL MILLS, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Nine: Stock Options

The following table contains information on stock options:

	Shares	Average Option Price per Share
Granted		
1992	2,574,008	$58.29
1991	2,931,372	42.50
1990	2,777,196	34.71
Exercised		
1992	1,026,760	$19.64
1991	1,578,774	16.32
1990	1,101,120	15.58
Expired		
1992	175,804	$39.12
1991	272,910	27.33
1990	193,458	23.76
Outstanding at year-end		
1992	13,030,720	$35.88
1991	11,659,276	29.55
1990	10,579,588	23.93
Exercisable at year-end		
1992	8,938,384	$28.71
1991	7,202,248	24.19
1990	6,139,424	19.15

A total of 9,372,246 shares are available for grants of options or restricted stock to officers and key employees under our 1988 and 1990 stock plans through September 30, 1995. The options may be granted at a price not less than 100% of fair market value on the date the option is granted. Options now outstanding include some granted under the 1980 and 1984 option plans, under which no further options or other rights may be granted. All options expire within 10 years plus one month after the date of grant. The plans provide for full vesting of the option in the event there is a change of control.

The 1988 plan permits awards of restricted stock to key employees subject to a restricted period and a purchase price, if any, to be paid by the employee as determined by the Compensation Committee of the Board of Directors. In fiscal 1992, grants of 79,918 shares of restricted stock were made and on May 31, 1992, there were 256,415 of such shares outstanding.

The 1988 plan also permits the granting of performance units corresponding to stock options granted. The value of performance units will be determined by return on equity and growth in earnings per share measured against preset goals over three-year performance periods. For seven years after a performance period, holders may elect to receive the value of performance units (with interest) as an alternative to exercising corresponding stock options. On May 31, 1992, there were 4,315,214 outstanding options with corresponding performance units or performance unit accounts.

The 1988 plan provides for the granting of incentive stock options as well as non-qualified options. No incentive stock options have been granted.

A total of 62,400 shares are available for grants of options and restricted stock to non-employee directors until September 30, 1995 under a separate 1990 stock plan. An option to purchase 2,500 shares is granted upon becoming a member of the Board of Directors at fair market value on the date of grant. Options expire 10 years after the date of grant. Each year 400 shares of restricted stock will be awarded to each non-employee director, restricted until the later of the expiration of one year or completion of service on the Board of Directors.

THE LUBRIZOL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15—Stock Options

The 1991 Stock Incentive Plan provides for granting of options to buy Common Shares intended either to qualify as "incentive stock options" under the Internal Revenue Code or "non-statutory stock options" not intended to so qualify, up to an amount equal to one percent of the outstanding Common Shares at the beginning of any year, plus any unused amount from prior years. Under the 1991 Plan, options generally become exercisable 50% one year after grant, 75% after two years, and 100% after three years, and expire up to ten years after grant. The 1985 Employee Stock Option Plan and the 1991 Plan also provide for "reload options," which are options to purchase additional shares if a grantee uses already-owned shares to pay for an option exercise. The 1991 Plan generally supersedes the 1985 Plan, which replaced the 1981 Incentive Stock Option Plan. A 1975 Employee Stock Option Plan expired by its terms in 1985. Options remain outstanding and exercisable under the 1975 Plan, the 1981 Plan and the 1985 Plan. The option price under all plans is the fair market value of the shares on the date of grant. All plans permit or permitted the granting of stock appreciation rights in connection with the grant of options, and the 1991 Plan also permits the grant of restricted and unrestricted shares. In addition, the 1991 Plan provides for an automatic annual grant to each outside director of the company of an option to purchase 2,000 Common Shares, with terms generally comparable to employee stock options. When Agrigenetics was acquired, options outstanding under a stock option plan of that company became fully vested and were converted to options to purchase Common Shares.

Information regarding these option plans is as follows:

	Number of Shares		
	1992	1991	1990
Outstanding, January 1	1,970,446	1,671,602	1,357,924
Granted at $16.66 to $33.34 per share	596,290	620,380	486,700
Exercised at $9.31 to $26.41 per share	(407,697)	(313,796)	(165,746)
Surrendered at $11.69 to $32.81 per share	(11,776)	(7,740)	(7,276)
Outstanding, December 31	2,147,263	1,970,446	1,671,602
Exercisable, December 31	1,210,767	1,014,556	791,174
Available for grant, December 31	1,718,036	1,612,230	1,530,904

The 1975 Plan options expire through November 1994, with an average option price of $11.31. The 1981 Plan options expire November 1993 to November 1994, with an average option price of $11.51. The 1985 Plan options expire June 1995 to November 2002, with an average option price of $21.36. The 1991 Plan options expire April 2001 to April 2002, with an average option price of $32.69. The Agrigenetics options expire May 1993 to August 1993, with an average option price of $19.87.

NIKE, INC. (MAY)

NOTES TO FINANCIAL STATEMENTS

Note 8—Common Stock:

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 60,000,000 and 150,000,000 respectively, after reflecting the threefold increase approved by shareholders in September, 1990. The Company also effected a two-for-one stock split in the form of a 100% stock dividend on outstanding Class A and Class B Common Stock, paid October 5, 1990. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors.

The Company's Employee Incentive Compensation Plan (the "1980 Plan") was adopted in 1980 and expired on December 31, 1990. The 1980 Plan provided for the issuance of up to 3,360,000 shares of the Company's Class B Common Stock in connection with the exercise of stock options granted under such plan. No further grants will be made under the 1980 Plan.

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 4,000,000 shares of Class B Common Stock in connection with stock options and other awards granted under such plan. The 1990 Plan authorizes the grant of incentive stock options, non-statutory stock options, stock appreciation rights, stock bonuses, and the sale of restricted stock. The exercise price for incentive stock options may not be less than the fair market value of the underlying shares on the date of grant. The exercise price for non-statutory stock options and stock appreciation rights, and the purchase price of restricted stock, may not be less than 75% of the fair market value of the underlying shares on the date of grant. No consideration will be paid for stock bonuses awarded under the 1990 Plan. The 1990 Plan is administered by a committee of the Board of Directors. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. As of May 31, 1992, the committee has granted substantially all non-statutory stock options at 100% of fair market value on the date of grant under the 1990 Plan.

The following summarizes the stock option transactions under the 1980 Plan and the 1990 Plan for the two fiscal years ended May 31, 1992:

	Shares *(in thousands)*	Option Price Per Share ($)
Options outstanding May 31, 1990:	735	9.50 to 67.13
Exercised	(275)	4.75 to 32.60
Surrendered	—	—
Granted	338	26.00 to 75.37
Stock split	988	4.75 to 37.69
Options outstanding May 31, 1991:	1,786	4.75 to 37.69
Exercised	(181)	4.75 to 37.62
Surrendered	(5)	37.62
Granted	355	36.25 to 65.38
Options outstanding May 31, 1992:	1,955	4.75 to 65.38
Options exercisable at May 31:		
1992	526	4.75 to 37.68
1991	333	4.75 to 33.56

In addition to the option plans discussed previously, the Company has several agreements outside of the plans with certain directors, athletes and employees. As of May 31, 1992, 938,000 options with exercise prices ranging from $.417 per share to $43.25 per share had been granted. The aggregate compensation expense related to these agreements is $5,114,000 and is being amortized over vesting periods from October 1980 through August, 1995. The outstanding agreements expire from February 1998 through September 2005.

The following summarizes transactions outside the option plans for the two years ended May 31, 1992:

	Shares *(in thousands)*	Option Price Per Share ($)
Options outstanding May 31, 1990:	89	9.50 to 25.00
Exercised	—	—
Surrendered	—	—
Granted	—	—
Stock split	89	4.75 to 12.50
Options outstanding May 31, 1991:	178	4.75 to 12.50
Exercised	(33)	4.75 to 12.50
Surrendered	—	—
Granted	90	35.75 to 43.25
Options outstanding May 31, 1992:	235	4.75 to 43.25
Options exercisable at May 31:		
1992	133	4.75 to 43.25
1991	106	4.75 to 12.50

ORION PICTURES CORPORATION (FEB)

NOTES TO FINANCIAL STATEMENTS

7 (in part): Shareholders' Equity

Stock Option Plans

Under the Company's 1982 Incentive Stock Option Plan (the "ISO Plan"), options may be granted to employees to purchase a maximum of 950,000 shares of Common Stock. No options were granted during fiscal 1992 under the ISO Plan. During fiscal 1991, the Stock Option Committee of the Company's Board of Directors granted options to purchase a total of 42,500 shares under the ISO Plan.

Under the Company's 1975 Non-Qualified Stock Option Plan (the "1975 Plan"), options may be granted to employees to purchase a maximum of 557,920 shares of Common Stock. During fiscal 1992 and 1991, no options were granted under the 1975 Plan.

Under the Company's 1984 Non-Qualified Stock Option Plan (the "1984 Plan"), options may be granted to employees to purchase a maximum of 900,000 shares of Common Stock. During fiscal 1992, no options were granted under the 1984 Plan. During fiscal 1991, options to purchase 198,000 shares were granted under the 1984 Plan.

Options granted under the three plans expire ten years from the date of grant and become exercisable at such dates and prices as are determined by the Stock Option Committee of the Company's Board of Directors. To date, options have generally been granted at market value on the date of grant.

The following table summarizes the transactions pursuant to the Company's stock option plans for the three-year period ended February 29, 1992:

	Number of Options	Option Price
Unexercised options outstanding at February 28, 1989	787,574	$ 4.00 - $15.63
Options granted	81,500	$16.50 - $21.75
Options exercised	(84,784)	$ 4.00 - $14.63
Options terminated	(11,750)	$ 8.75 - $16.50
Unexercised options outstanding at February 28, 1990	772,540	$ 6.75 - $21.75
Options granted	240,500	$ 8.00 - $19.50
Options exercised	(125,710)	$ 6.75 - $14.88
Options terminated	(33,680)	$ 8.75 - $14.88
Unexercised options outstanding at February 28, 1991	853,650	$ 6.75 - $21.75
Options granted	—	
Options exercised	(6,500)	$ 8.75 - $ 9.63
Options terminated	(335,650)	$ 8.75 - $21.75
Unexercised options outstanding at February 29, 1992	511,500	$ 6.75 - $21.75
Exercisable options at February 29, 1992	392,625	$ 6.75 - $21.75

At February 29, 1992, there were 389,112, 24,902 and 565,195 options available for future grant under the ISO Plan, the 1975 Plan and the 1984 Plan, respectively.

TYLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (in part)

The Tyler Corporation Stock Option Plan provides for the granting of nonqualified and incentive stock options, as defined by the Internal Revenue Code, to key employees of the Company and its subsidiaries at prices which represent fair market value at dates of grant. In May 1990 the stock option prices and the number of shares subject to stock options were adjusted to reflect the lower market value of the Company's stock as a result of the merger of a predecessor company with ICI (see "Discontinued Operations"). Following is a summary of option transactions during 1992, 1991 and 1990 which reflects adjustments of the stock option prices and the number of shares subject to stock options as described above:

	Number of Shares	Option Prices
Options outstanding at January 1, 1990	697,618	$ .05 to $3.77
Granted	187,441	3.50 to 8.12
Canceled	(157,068)	.23 to 8.12
Exercised	(456,179)	.05 to 8.12
Options outstanding at December 31, 1990	271,812	.17 to 3.50
Granted	30,000	3.00
Options outstanding at December 31, 1991	301,812	.17 to 3.50
Granted	50,000	4.50
Canceled	(2,250)	3.00
Exercised	(15,223)	1.37 to 3.00
Options outstanding at December 31, 1992	334,339	.17 to $4.50
Exercisable at December 31, 1992	273,359	
Reserved for future options	747,969	

TRINITY INDUSTRIES, INC. (MAR)

NOTES TO FINANCIAL STATEMENTS

Stock Options

The Company has a non-qualified stock option plan which provides that options for a maximum of 1,250,000 shares of common stock may be granted to officers and key employees over a period not to exceed ten years at a price not less than fair market value on the date of grant. The stock option plan terminated a similar prior stock option plan except for 446, 525 options granted and outstanding under the previous plan at March 31, 1992. Stock appreciation rights were granted on certain options prior to 1982. Stock appreciation rights may be exercised in lieu of exercising the option to purchase common stock. The Company has a non-qualified stock option plan which provides that options for a maximum of 100,000 shares of common stock may be granted to the Company's directors who are not officers or employees of the Company over a period not to exceed ten years at a price not less than fair market value on the date of grant. All options under this plan have been granted.

	Stock Appreciation Rights	Stock Options: Incentive Shares	Stock Options: Non-Incentive Shares	Stock Options: Total Exercise Value	Price Range Per Share
Outstanding at March 31, 1989	32,250	307,477	570,301	$20,023,033	$ 9.38 - $33.75
Granted	—	81,180	26,570	2,922,719	$27.13
Cancelled	—	(2,980)	(2,880)	(122,245)	$12.88 - $28.75
Exercised	(8,000)	(29,763)	(75,210)	(1,841,881)	$ 9.38 - $28.75
Outstanding at March 31, 1990	27,250	355,914	518,781	20,981,626	$ 9.38 - $33.75
Granted	—	98,590	176,860	6,855,069	$24.88
Cancelled	(26,650)	(17,470)	(53,850)	(1,704,304)	$13.75 - $33.75
Exercised	(600)	(4,460)	(17,300)	(327,855)	$ 9.63 - $24.00
Outstanding at March 31, 1991	—	432,574	624,491	25,804,536	$ 9.63 - $33.75
Granted	—	86,431	131,669	6,543,000	$30.00
Cancelled	—	(30,377)	(3,398)	(960,484)	$ 9.38 - $33.75
Exercised	—	(9,180)	(12,210)	(368,080)	$ 9.38 - $28.75
Outstanding at March 31, 1992	—	479,448	740,552	$31,018,972	$ 9.38 - $33.75

At March 31, 1992, there were 506,325 shares (705,250 at March 31, 1991) reserved for future options, and 627,325 stock options were exercisable (512,465 at March 31, 1991).

STOCK PURCHASE PLANS

BAKER HUGHES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Employee Stock Plans

The Company also has an Employee Stock Purchase Plan (the "Plan") under which there remain authorized and available for sale to employees an aggregate of 1,489,000 shares of the Company's common stock. The maximum number of shares subject to each option under the Plan is determined on the date of grant and equals the sum of the payroll deductions authorized by each participating employee (up to 10% of regular pay) divided by 85% of the fair market value of a share of common stock at the date of grant. Based on the market price of common stock on the date of grant, the Company estimates that approximately 584,000 shares will be purchased under the Plan on July 31, 1993, at $19.02 per share. Under the Plan, 439,000, 358,000 and 479,000 shares were issued at $19.34, $22.31 and $17.00 per share during 1992, 1991 and 1990, respectively.

DIGITAL EQUIPMENT CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in Part): Stock Plans

Employee Stock Purchase Plans—Under the Company's Employee Stock Purchase Plans, all United States and certain international employees may be granted the opportunity to purchase common stock at 85% of market value on the first or last business day of the six-month payment period, whichever is lower. Common stock reserved for future employee purchases aggregated 8,976,360 shares at June 27, 1992. There were 4,788,819 shares issued from treasury shares at an average price of $43.21 per share during the year ended June 27, 1992; 4,619,793 shares at $44.34 per share during the year ended June 29, 1991; and 2,797,296 shares at $73.13 per share during the year ended June 30, 1990. There have been no charges to income in connection with these Plans other than incidental expenses related to the issuance of the shares. Federal income tax benefits relating to such Plans, if any, have been credited to additional paid-in capital.

THE STANLEY WORKS (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J (in part): Employee Benefit Plans

Employee Stock Purchase Plan

The Employee Stock Purchase Plan enables substantially all employees in the United States and Canada to subscribe to shares of Common Stock on annual offering dates at a purchase price of 85% of the fair market value of the shares on the offering date or, if lower, 85% of the fair market value of the shares on the exercise date. A maximum of 4,000,000 shares are authorized for subscription over a ten-year period. During 1992, 1991 and 1990, shares totaling 106,738, 179,062 and 121,091, respectively, were issued under the Plan at average prices of $33.31, $25.75 and $27.35 per share, respectively. At January 2, 1993, subscriptions were outstanding for 126,417 shares at $32.99 per share.

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefits (In Part)

Employee stock purchase plan

Under the employee stock purchase plan, the Company may offer shares to employees in two ways. Under the first method, eligible employees may elect to purchase shares of Common Stock at the lower of 85 percent of fair market value as of the last trading day before the beginning of each quarter, or as of the last trading day of each quarter. Under this method, in 1992, 1991, and 1990, employees purchased 1,545,000 shares for aggregate proceeds of $15.6 million, 1,805,000 shares for aggregate proceeds of $17.7 million, and 867,000 shares for aggregate proceeds of $15.9 million, respectively. Under the second method, the Company may grant to all eligible employees an option to purchase an identical number of shares of Common Stock at not less than 85 percent of fair market value at the grant date. As of September 30, 1992 and 1991, the Company has reserved 4.9 million shares and 6.5 million shares, respectively, for future issuance under its employee stock purchase plan.

TREASURY STOCK

APB Opinion No. 6 discusses the balance sheet presentation of treasury stock. As shown in Table 2-37, the prevalent balance sheet presentation of treasury stock is to show the cost of treasury stock as a reduction of stockholders' equity.

Examples of treasury stock presentations follow.

TABLE 2-37: TREASURY STOCK—BALANCE SHEET PRESENTATION

	1992	1991	1990	1989
Common stock				
Cost of treasury stock shown as stockholders' equity deduction	341	349	351	350
Par or stated value of treasury stock deducted from issued stock of the same class	24	28	29	27
Cost of treasury stock deducted from stock of the same class	13	6	8	11
Cost of treasury stock shown as noncurrent asset	—	—	1	2
Other	4	5	2	3
Total Presentations	**382**	**388**	**391**	**393**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	5	3	4	1
Par or stated value of treasury stock deducted from issued stock of the same class	—	3	3	—
Other	2	3	—	2
Total Presentations	**7**	**9**	**7**	**3**
Number of Companies				
Disclosing treasury stock	381	388	391	390
Not disclosing treasury stock	219	212	209	210
Total Companies	**600**	**600**	**600**	**600**

Cost Of Treasury Stock Shown As Reduction Of Stockholders' Equity

AEL INDUSTRIES, INC. (FEB)

	1992	1991
	($000)	
Shareholders' equity:		
Class A common stock (non-voting), $1 par value; 20,000,000 shares authorized; shares issued, 1992—4,443,000; 1991—4,442,000	$ 4,443	$ 4,442
Class B common stock (voting), $1 par value; 600,000 shares authorized; 436,000 shares issued and outstanding	436	436
Capital in excess of par value	2,235	2,230
Retained earnings	58,932	46,630
	66,046	53,738
Less 996,000 shares of Class A common stock in treasury, at cost	9,345	9,345
Total shareholders' equity	56,701	44,393

HUGHES SUPPLY, INC. (JAN)

	1993	1992
	($000)	
Shareholders' Equity:		
Preferred stock, no par value; 10,000,000 shares authorized; none issued; preferences, limitations and relative rights to be established by the Board of Directors	$ —	$ —
Common stock, par value $1 per share; 10,000,000 shares authorized; 5,078,251 shares issued	5,078	5,078
Capital in excess of par value	22,736	22,736
Retained earnings	69,416	67,654
	97,230	95,468
Less treasury stock, 901,055 shares and 901,155 shares, at cost	(13,958)	(13,960)
Total shareholders' equity	83,272	81,508

SANMARK-STARDUST INC. (JUN)

	1992	1991
	($000)	
Shareholders' Equity		
Common stock, $.01 par value—authorized, 30,000,000 shares; issued,15,977,000 shares in 1992 and 1991	$ 160	$ 160
Additional paid-in capital	3,731	3,731
Retained earnings	14,495	14,168
	18,386	18,059
Less treasury stock, at cost—1,679,000 shares in 1992 and 1,351,000 shares in 1991	2,973	2,222
Total Shareholders' Equity	15,413	15,837

Par Value Of Treasury Stock Deducted From Issued Stock

BADGER METER, INC. (DEC)

	1992	1991
Shareholders' Equity:		
Common stock, $1 par; authorized 5,000,000 shares; issued 1,530,042 shares in 1992, 1,528,842 shares in 1991	$ 1,530,042	$ 1,528,842
Less: Treasury stock, 389,038 shares in 1992, 389,038 shares in 1991	(389,038)	(389,038)
	1,141,004	1,139,804
Class B Common stock, $.10 par; authorized 5,000,000 shares; issued 562,785 shares in 1992, 562,785 shares in 1991	56,278	56,278
Capital in excess of par value	6,675,436	6,552,536
Reinvested earnings	19,047,037	23,928,905
Less: Employee benefit stock	(2,026,092)	(2,375,015)
Total shareholders' equity	24,893,663	29,302,508

OTHER ACCOUNTS SHOWN IN STOCKHOLDERS' EQUITY SECTION

Many of the survey companies present accounts other than Capital Stock, Additional Paid-in Capital, Retained Earnings, and Treasury Stock in the stockholders' equity section of the balance sheet. Other stockholder equity accounts appearing on the 1992 balance sheets of the survey companies include, but are not limited to, cumulative translation adjustments, guarantees of ESOP debt, unearned or deferred compensation related to employee stock award plans, amounts owed to a company by employees for loans to buy company stock, and unrealized losses/gains related to noncurrent marketable equity securities. Table 2-38 shows the number of survey company balance sheets presenting other stockholders' equity accounts.

Three hundred twenty-seven survey companies disclosed that stock purchase rights have been distributed to common shareholders. The rights enable the holder to purchase additional equity in a company should an outside party acquire or tender for a substantial minority interest in the subject company. Such rights usually do not appear on the balance sheet.

TABLE 2-38: OTHER STOCKHOLDERS' EQUITY ACCOUNTS

	Number of Companies			
	1992	1991	1990	1989
Cumulative translation adjustments	367	353	352	345
Guarantees of ESOP debt	98	90	94	76
Unearned compensation	86	79	71	69
Minimum pension liability adjustments	63	40	39	14
Unrealized losses/gains on noncurrent marketable equity securities	18	18	26	19
Receivables from sale of stock	14	17	17	26

Cumulative Translation Adjustments

DANAHER CORPORATION (DEC)

	1992	1991
	($000)	
Stockholders' Equity:		
Common stock, one cent par value; 125,000,000 shares authorized; 30,850,008 and 30,707,030 issued; 28,398,405 and 28,255,427 outstanding	$ 308	$ 307
Additional paid-in capital	278,232	275,372
Cumulative foreign translation adjustment	(1,430)	3,905
Retained earnings	108,758	77,157
Treasury stock, at cost; 2,451,603 shares	(37,489)	(37,489)
Total stockholders' equity	348,379	319,252

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation—Exchange adjustments resulting from foreign currency transactions are generally recognized in net earnings, whereas adjustments resulting from the translation of financial statements are reflected as a separate component of stockholders' equity. Net foreign currency transaction gains or losses are not material in any of the years presented.

EMERSON ELECTRIC CO. (SEP)

	1992	1991
	($ Millions)	
Stockholders' equity		
Preferred stock of $2.50 par value per share. Authorized 5,400,000 shares; issued—none	$ —	$ —
Common stock of $1 par value per share. Authorized 400,000,000 shares; issued 238,338,503 shares in 1992 and 238,316,823 shares in 1991	238.3	238.3
Retained earnings	3,798.6	3,445.7
Cumulative translation adjustment	133.0	17.6
	4,169.9	3,701.6
Less cost of common stock in treasury, 14,030,676 shares in 1992 and 14,248,309 shares in 1991	440.1	444.7
Total stockholders' equity	3,729.8	3,256.9
	$6,627.0	6,364.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation

The functional currency of nearly all of the Company's non-U.S. subsidiaries is the local currency. Adjustments resulting from the translation of financial statements are reflected as a separate component of stockholders' equity.

SNAP-ON TOOLS CORPORATION (DEC)

	1992	1991
	($000)	
Shareholders' equity		
Preferred stock—authorized 15,000,000 shares of $1 par value; none outstanding	$ —	$ —
Common stock—authorized 125,000,000 shares of $1 par value; issued and outstanding—42,414,962 and 42,211,354 shares	42,415	42,211
Additional contributed capital	40,312	35,576
Retained earnings	592,152	571,895
Foreign currency translation adjustment (Note 7)	(10,214)	3,037
Total shareholders' equity	664,665	652,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Foreign Currency Translation

The financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Net assets of certain non-U.S. subsidiaries whose "functional" currencies are other than the U.S. dollar are translated at current rates of exchange. Income and expense items are translated at the average exchange rate for the year. The resulting translation adjustments are recorded directly into a separate component of shareholders' equity. Certain other translation adjustments and transaction gains and losses continue to be reported in net income and were not significant in any year.

Guarantees of ESOP Debt

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

	1992	1991
	($ Millions)	
Shareowners' Equity		
Common shares–par value $1 per share	$ 1,340	$ 1,309
Authorized shares: 2,000,000,000 at December 31, 1992; 1,500,000,000 at December 31, 1991		
Outstanding shares: 1,339,831,000 at December 31, 1992; 1,309,352,000 at December 31, 1991		
Additional paid-in capital	11,425	10,624
Guaranteed ESOP obligation	(407)	(462)
Foreign currency translation adjustments	65	158
Retained earnings	6,498	4,599
Total shareowners' equity	18,921	16,228

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions)

K (In Part): Debt Obligations

In March 1990, AT&T established an Employee Stock Ownership Plan (ESOP) feature for its existing non-management savings and security plan. Under this feature, the plan's trust borrowed $550 through a private placement for a term of 10 years at an annual interest rate of 7.43% and used the proceeds to purchase AT&T common stock. Because AT&T has guaranteed the trust's borrowings, they are reported as long-term debt of AT&T. The shares issued by AT&T to the trust are reflected in shareowners' equity, and an amount corresponding to the borrowings (the guaranteed ESOP obligation) is reported as a reduction in shareowners' equity. As the principal amount of the borrowings is repaid, the liability and the guaranteed ESOP obligation are being reduced. AT&T recognizes expense each year based on the shares allocated method. AT&T's cash contributions are determined based on the ESOP's total debt service less dividends paid on ESOP shares. (See also Note L.)

CONSOLIDATED PAPERS, INC. (DEC)

	1992	1991
	($000)	
Shareholders' Investment		
Preferred stock, authorized and unissued 15,000,000 shares	$ —	$ —
Common stock, authorized 93,750,000 shares, par value $1.00 per share; issued 43,826,911 shares in 1992 and 43,709,472 shares in 1991	43,827	43,709
Capital in excess of par value	40,448	36,084
Cumulative translation adjustment	(2,004)	(1,643)
ESOP loan guarantee	(1,000)	(2,000)
Reinvested earnings	840,332	883,977
Total shareholders' investment	921,603	960,127

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. (In Part): Shareholders' Investment

In February 1989, Consolidated Employees' Stock Ownership Trust obtained a $5 million loan and used the proceeds to purchase 142,000 shares of company common stock from the estate of a significant shareholder. The company guarantee of the loan is recorded as a liability and a reduction of shareholders' investment. This guarantee and the related loan have been reduced by $1 million in each of the years 1992, 1991 and 1990.

MCDONNELL DOUGLAS CORPORATION (DEC)

	1992	1991
	($ Millions)	
Shareholders' Equity:		
Preferred Stock—none issued		
Common Stock—issued and outstanding: 1992, 39.2 shares; 1991, 38.4 shares	$ 39	$ 38
Additional capital	327	287
Retained earnings	2,702	3,538
Translation of foreign currency statements	(10)	14
Unearned ESOP compensation	(36)	
	3,022	3,877

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. (In Part): Retirement Plans

In August 1992, MDC converted the Company matching portion of its existing salaried employee savings plan to an employee stock ownership plan (ESOP). The ESOP borrowed $50 million from MDC to fund the plan. The ESOP used the proceeds to purchase 1,216,992 shares of MDC Common Stock. Unearned compensation (equal to the outstanding balance of the ESOP loan) of $36 million is reflected as a reduction of Shareholders' Equity at December 31, 1992.

PENTAIR, INC. (DEC)

	1992	1991
Shareholders' equity		
Preferred stock—at liquidation value Authorized: 5,000,000 shares Outstanding: 3,992,698 shares in 1992 and 4,007,487 shares in 1991	$120,137,000	$120,868,000
Unearned compensation relating to ESOP	(42,755,000)	(46,802,000)
Common stock—par value, $.16⅔ Authorized: 70,000,000 shares Outstanding: 10,548,412 in 1992 and 10,456,847 in 1991	1,758,000	1,743,000
Additional paid-in capital	112,125,000	109,000,000
Foreign currency translation adjustment	422,000	1,791,000
Excess pension obligation—net	(1,905,000)	(660,000)
Retained earnings	147,612,000	163,837,000
Total shareholders' equity	337,394,000	349,777,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employee Stock Ownership Plan (ESOP)

The Company has an Employee Stock Ownership Plan (ESOP) covering non-bargaining and some bargaining U.S. employees. The employees receive ESOP Preferred Stock in lieu of cash 401(k) matching contributions and other cash compensation.

To finance the plan, the ESOP borrowed $56.5 million from the Company and exchanged it for 1,867,768 shares of Callable Cumulative Voting Convertible Preferred Stock, Series 1990 at $30.25 per share. The unpaid balance of the twenty-year, 8.75% loan with interest only for the first four years is included in the Company's balance sheet as unearned compensation relating to ESOP.

Gross compensation expense (i.e. the value of shares allocated to participant accounts) was $4.7 million, $4.7 million and $3.4 million in 1992, 1991 and 1990, respectively. The stock held by the ESOP is released for allocation to participants' accounts as principal and interest is paid from dividends on unallocated shares ($3.8 million, $4.2 million and $3.7 million in 1992, 1991 and 1990, respectively) and Company contributions. Through December 31, 1992, the loan has been reduced $17.5 million; of this, $13.7 million (455,058 shares) has been allocated to participants' accounts as compensation and dividends; and the difference is included in unearned compensation.

Upon the retirement or other termination of an ESOP participant, the shares of preferred stock in which he or she is vested are automatically converted into common shares and distributed in that form, with fractional shares paid in cash.

Unearned Compensation Relating To Stock Award Plans

ALPHA INDUSTRIES, INC. (MAR)

	1992	1991
	($000)	
Stockholders' equity		
Common stock par value $.25 per share: authorized 30,000,000 shares; issued 7,690,601 and 7,647,369 shares	$ 1,923	$ 1,912
Additional paid-in capital	27,085	26,993
Retained earnings	9,868	9,746
	38,876	38,651
Less—Treasury shares 237,496 and 224,996 shares at cost	264	230
Unearned compensation-restricted stock (Note 10)	156	188
Total stockholders' equity	38,456	38,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Common Stock

b. Restricted Stock Awards

For fiscal years 1992 and 1991 respectively, a total of 13,000 and 84,500 restricted shares of the Company's common stock were granted to certain employees.

The market value of shares awarded $39,000 in 1992 and $211,000 in 1991 has been recorded as unearned compensation-restricted stock and is shown as a separate component of stockholders' equity. Unearned compensation is being amortized to expense over the five year vesting period and amounted to $40,000 and $21,000 in fiscal 1992 and 1991, respectively.

ANALOGIC CORPORATION (JUL)

	1992	1991
	($000)	
Stockholders' equity:		
Common stock, $.05 par; authorized 30,000,000 shares; issued 1992, 13,146,758 shares; issued 1991, 14,088,207 shares	$ 657	$ 704
Capital in excess of par value	14,516	22,994
Retained earnings	153,120	143,210
	168,293	166,908
Less:		
Treasury stock, at cost (1992, 1,078,751 shares; 1991, 1,020,352 shares)	12,020	9,192
Unearned compensation	414	400
Total stockholders' equity	155,859	157,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Stock option and stock bonus plans

Under the Company's key employee stock bonus plan, common stock may be granted to key employees under terms and conditions as determined by the Board of Directors. Participants under the stock bonus plan may not dispose or otherwise transfer stock granted for three years from date of grant. Restrictions lapse at the rate of 25% of the stock per year, commencing in the third year. Upon issuance of stock under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized over a period of six years. Amortization of $188,000, $300,000 and $245,000 was recorded in fiscal 1992, 1991 and 1990, respectively.

DEERE & COMPANY (OCT)

	1992	1991
	($ Millions)	
Stockholders' Equity		
Common stock $1 par value (authorized—200,000,000 shares; issued—76,524,114 shares in 1992 and 76,443,138 shares in 1991) at stated value	$ 840.0	$ 838.7
Retained earnings	2,004.3	2,119.0
Minimum pension liability adjustment	(156.4)	(86.4)
Cumulative translation adjustment	(19.4)	(16.4)
Unamortized restricted stock compensation	(7.3)	(6.5)
Common stock in treasury, 203,462 shares in 1992 and 208,370 shares in 1991, at cost	(10.9)	(12.6)
Total stockholders' equity	2,650.3	2,835.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock

In 1989, the stockholders approved a restricted stock plan for key employees of the company. Under the Plan, 750,000 shares may be granted as restricted stock. The company will establish the period of restriction for each award and hold the restricted stock during the restriction period, while the employee will receive any dividends and vote the restricted stock. No award may be made under the Plan providing for restrictions that lapse after October 31, 1999.

The market value of the restricted stock at the time of grant is recorded as unamortized restricted stock compensation in a separate component of stockholders' equity. This compensation is amortized to expense evenly over the period of restriction, which is currently four years. At October 31, 1992, 485,435 shares remained available for award under the Plan.

Changes in the unamortized restricted stock compensation account in 1990, 1991 and 1992 were as follows:

	Number of shares Granted	Amount *(in millions)*
Outstanding at October 31, 1989	52,970	$ 3
Granted during 1990	52,428	4
Amortized and vested	(10,272)	(2)
Cancelled	(424)	—
Outstanding at October 31, 1990	94,702	5
Granted	65,183	3
Amortized and vested	(4,791)	(2)
Outstanding at October 31, 1991	155,094	6
Granted	94,408	4
Amortized and vested	(23,002)	(3)
Outstanding at October 31, 1992	226,500	$ 7

LORAL CORPORATION (MAR)

	1992	1991
	($000)	
Shareholders' equity (Note 7):		
Common stock, $.25 par value; authorized 70,000,000 shares, issued 31,911,000 and 25,956,000 shares	$ 7,978	$ 6,489
Capital in excess of par value	419,397	197,460
Retained earnings	589,733	496,391
	1,017,108	700,340
Less:		
Treasury stock, at cost (22,000 and 15,000 shares)	756	348
Unearned compensation	18,567	27,658
Cumulative translation adjustment	447	365
Total shareholders' equity	997,338	671,969

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Shareholders' Equity:

The company has 2,000,000 authorized and unissued shares of preferred stock (par value $1.00). The designation of terms, conditions and amounts of such preferred stock may be set by the Board of Directors.

Under the Company's various stock option plans, options may be granted at prices determined by the Stock Option Committee. The Committee determines the exercise and expiration dates of the options, which may not be later than 10 years from the date of grant. For options granted at less than 75% of the fair market value at date of grant, the plans provide for return of stock issued on exercise of these options on a ratable basis should the recipient leave the Company's employment under certain circumstances within six years of the grant of these options. Unearned compensation with respect to options granted at less than fair market value at date of grant, included as a separate component of shareholders' equity, aggregated $13,632,000 and $13,389,000 at March 31, 1992 and 1991, respectively, and is being amortized over the period that the options vest.

Minimum Pension Liability Adjustments

DRESSER INDUSTRIES, INC. (OCT)

	1992	1991
	($ Millions)	
Shareholders' Investment:		
Preferred shares, 10,000,000 authorized		
Common shares, $0.25 par value		
Authorized shares: 400,000,000		
Issued shares: 166,596,116 in 1992 and 1991	$ 41.6	$ 41.6
Capital in excess of par value	439.0	419.4
Retained earnings	911.7	1,760.5
Cumulative translation adjustments	(41.1)	(27.3)
Pension liability adjustment	(4.0)	(3.0)
	1,347.2	2,191.2
Less treasury shares, at cost	397.8	430.0
Total Shareholders' Investment	949.4	1,761.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M (In Part): Postretirement Benefits

Defined Benefit Pension Plans

The Company recognized a minimum pension liability for underfunded plans. The minimum liability is equal to the excess of the accumulated benefit obligation over plan assets. A corresponding amount is recognized as either an intangible asset or a reduction of shareholders' investment. The Company had recorded additional liabilities of $19.5 million, $12.0 million and $9.6 million, intangible assets of $12.6 million, $8.4 million and $7.5 million, and shareholders' investment reductions, net of income taxes, of $4.0 million, $3.0 million and $1.7 million, as of October 31, 1992, 1991 and 1990, respectively.

LACLEDE STEEL COMPANY (DEC)

	1992	1991
	($000)	
Stockholders' Equity:		
Preferred stock, without par value, authorized 2,000,000 shares with none issued	$ —	$ —
Common stock, $13.33 par value, authorized 5,000,000 shares, issued 4,056,140 shares	54,081	54,081
Capital in excess of par value	247	247
Retained earnings	46,796	54,343
Minimum pension liability adjustment	(3,111)	—
Total stockholders' equity	98,013	108,671

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefits

In accordance with Statement No. 87, the Company has recorded an additional minimum pension liability for underfunded plans of $28,287,000 at December 31, 1992 and $26,145,000 at December 31, 1991, representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. A corresponding amount is recognized as an intangible asset except to the extent that these additional liabilities exceed related unrecognized prior service cost and net transition obligation, in which case the increase in liabilities is charged directly to stockholders' equity. For 1992, $5,017,000 of the excess minimum pension liability resulted in a charge to equity, net of income taxes, of $3,111,000.

SPS TECHNOLOGIES, INC. (DEC)

	1992	1991
	($000)	
Shareholders' equity		
Preferred stock, par value $1 per share		
Authorized 400,000 shares		
Issued none		
Common stock, par value $1 per share		
Authorized 30,000,000 shares		
Issued 6,361,606 shares	$ 6,362	$ 6,362
Additional paid-in capital	59,685	59,349
Retained earnings	96,412	123,349
Minimum pension liability	(723)	(448)
Common stock in treasury, at cost 1,256,177 shares (1991—1,278,331 shares)	(10,154)	(10,333)
Cumulative translation adjustments	(8,964)	1,009
Total shareholders' equity	142,618	179,288

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21 (In Part): Retirement Plans and Other Benefits

Under the requirements of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", an additional minimum pension liability for certain plans, representing the excess of accumulated benefits over plan assets and accrued pension costs, was recognized at December 31, 1992 and 1991. A corresponding amount was recognized as an intangible asset, to the extent of unrecognized prior service cost and unrecognized transition obligation, with the balance recorded as a separate reduction of shareholders' equity.

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

	1992	1991
	($000)	
Stockholders' equity:		
Common stock $.25 par value; $.55 stated value; 64,000,000 shares authorized, 31,306,800 shares issued	$ 17,365	$ 17,365
Capital in excess of stated value	12,190	12,120
Retained earnings	218,532	223,252
Minimum pension liability adjustment (Note 8)	(1,437)	—
	246,650	252,737
Less—Treasury stock, at cost (5,068,604 shares in 1992; 4,583,769 shares in 1991)	31,275	23,516
—Note receivable from employee stock ownership trust	4,755	4,946
Total stockholders' equity	210,620	224,275

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Retirement Plans and Other Benefit Plans

In accordance with the provisions of *Statement of Financial Accounting Standards No. 87—Employers' Accounting for Pensions,* the Company has recorded an additional minimum liability at January 3, 1993 representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liability. The additional liability has been offset by intangible assets to the extent of previously unrecognized prior service cost. Amounts in excess of previously unrecognized prior service cost are recorded as a $1,437,000 reduction of stockholders' equity.

Unrealized Losses/Gains On Noncurrent Marketable Equity Securities

ETHYL CORPORATION (DEC)

	1992	1991
	($000)	
Shareholders' equity:		
Common stock ($1 par value) Issued—118,357,515 shares in 1992 and 118,316,994 shares in 1991	$ 118,358	$ 118,317
Additional paid-in capital	1,708	865
Foreign currency translation adjustments	9,840	20,993
Unrealized gain on marketable equity securities (net of deferred income taxes of $33,434 in 1992 and $24,960 in 1991)	64,901	56,640
Retained earnings	1,206,472	1,022,498
	1,401,279	1,219,313

NOTES TO FINANCIAL STATEMENTS

17 (In Part): Accounting Policies Specific To Insurance Subsidiaries:

Investments—Investments in fixed maturities (bonds, notes and redeemable preferred stocks), mortgage loans on real estate, land, policy loans and short-term and other long-term investments are stated at cost, adjusted where appropriate for amortization of premiums or accrual of discounts (amortized cost); equity securities (common and nonredeemable preferred stocks) are stated at current market values; real estate is stated at cost less allowance for depreciation computed on a straight-line basis; oil and gas royalty interest is stated at cost less accumulated depletion. For investments subject to significant prepayment risk, such as collateralized mortgage obligations (CMOs) in the bond portfolio, adjustments to the amortization of the accrual of discount are required on an inception-to-date basis to generate a constant yield based on the current and projected payment activity of the underlying mortgages. The fair values for fixed-maturity securities (including redeemable preferred stocks) are based on quoted market prices, where available. For fixed-maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services or, in the case of private placements, are estmated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, call features and maturity of the investments. First Colony has the ability and intent to hold to maturity substantially all investments carried at amortized cost. Realized investment gains and losses are calculated on the specific identification basis. The fair values for equity securities are based on quoted market prices. Changes in market values of equity securities, net of deferred federal income taxes, are reflected as unrealized gains or losses directly in Shareholders' Equity and accordingly have no effect on net income. A decline in the value of an investment in fixed maturities or equity securities below carrying value that is considered to be other than temporary is recorded as a realized loss in the income statement. Short-term investments consist primarily of repurchase agreements collateralized by U.S. government-backed obligations with durations of less than 90 days and debt securities maturing within one year.

SCOPE INDUSTRIES (JUN)

	1992	1991
Shareowners' Equity:		
Common stock, no par value, 5,000,000 shares authorized; shares issued and outstanding: 1992—1,315,961; 1991—1,338,561	$ 3,921,287	$ 3,921,287
Net unrealized loss on non-current marketable securities	(3,411,517)	
Retained earnings	39,788,077	41,964,226
	40,297,847	45,885,513

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part) Summary of Significant Accounting Policies

Marketable Securities:

The non-current portfolio of marketable securities is stated at the lower of aggegate cost or market at the balance sheet date and consists of common and preferred stocks and bonds. Interest income is accrued as earned.

Realized gains or losses are determined on the specific identification method and are reflected in income. Net unrealized losses on non-current marketable securities are recorded directly in a separate shareowners' equity account except those unrealized losses that are deemed to be other than temporary, which losses are reflected in income.

Note 3 (In Part): Marketable Securities

Included in Investment and Other Income are recognized gains and losses on marketable securities. Net gains of $363,802, $482,454 and $1,834,871 were recognized in 1992, 1991 and 1990, respectively. The recognized gains and losses were from sales of marketable securities and from recognized losses on securities whose decline in value was deemed to be other than temporary of $99,972, $393,502 and $20,000 in 1992, 1991 and 1990, respectively.

At June 30, 1992, gross unrealized gains and losses on marketable securities were as follows:

	Non-current
Gross unrealized gains	$2,727,285
Gross unrealized losses	(6,138,802)

SERVICE CORPORATION INTERNATIONAL (DEC)

	1992	1991
	($000)	
Stockholders' equity:		
Preferred stock, $1 par value, 1,000,000 shares authorized, -0- issued and outstanding	$ —	$ —
Common stock, $1 par value, 200,000,000 shares authorized, 76,904,954 and 75,981,256 issued and outstanding (net of 521,455 and 895,435 treasury shares)	76,905	75,981
Capital in excess of par value	389,238	369,942
Retained earnings	220,497	168,371
Unrealized depreciation of investments	(1,254)	—
Foreign translation adjustment	(2,289)	1,482
Total stockholders' equity	683,097	615,776

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Investments

Investments, which include the amounts collected and held in trust for prearranged funeral and cemetery obligations, are carried on the balance sheet at the lower of cost or market. Unrealized depreciation, due to the aggregate of temporary differences between market value and cost, is reflected in stockholders' equity with no current effect on income. If declines in market value are considered to be other than temporary, the investment is reduced to net realizable value, and the reduction is recorded as a realized loss in current period earnings. Realized gains and losses on sales of investments are recognized on a first-in, first-out basis.

Receivables From Sale Of Stock

ARDEN GROUP, INC. (DEC)

	1992	1991
	($000)	
Stockholders' equity:		
Common stock, Class A, $.25 par value; 3,484,070 shares issued, including 2,214,762 treasury shares	$ 871	$ 871
Common stock, Class B, $.25 par value; 343,416 shares issued and outstanding	86	86
Capital in excess of par value	14,845	14,845
Notes receivable from officer/director	(1,490)	(478)
Retained earnings	67,416	62,933
	81,728	78,257
Less, treasury stock, at cost	20,855	20,855
Total stockholders' equity	60,873	57,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Related Party Transactions:

A director of the Company is associated with a law firm that rendered various legal services for the Company. The Company and its subsidiaries paid the firm approximately $717,000, $797,000 and $268,000 during 1992, 1991 and 1990, respectively, for legal services.

The Company presently holds three notes receivable for a total of $1,516,250 from an officer/director of the Company. Two notes arose from transactions in 1979 and 1980 whereby the Company loaned the officer/director money to purchase an aggregate of 200,000 shares of the Company's Class A common stock at the then fair market value. These notes, one of which bears interest at the rate of 6% per annum and the other of which bears interest at rates ranging from a minimum of 6% to a maximum of 9%, are due in full on January 1, 1995 and are collateralized by a second deed of trust on real property. A third loan for $1,000,000 was made to the officer/director in 1992 and related to his exercise in 1991 of an option to purchase 100,000 shares of the Company's Class A common stock. The note relating to the loan made in 1992 is due on January 1, 1995, bears interest at 6% per annum and is collateralized by the Class A common stock purchased in 1991. The amount of the receivable is shown on the balance sheets as a reduction in equity, and reflects the above amount discounted for the difference between the face value interest rate and the market rate at the transaction dates.

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

	1992	1991
	($000)	
Stockholders' Equity (Deficit):		
Preferred Stock, par value $1 per share; 10 million shares authorized; 450,000 shares outstanding at June 30, 1992	$ 450	
Common stock, par value $1 per share; 40 million shares authorized; shares outstanding: 17,845,000 and 9,101,000 at June 30, 1992 and 1991, respectively (excluding 22,800 shares held in treasury as of both dates)	17,845	$ 9,101
Capital in excess of par value	64,674	49,384
Retained earnings (deficit)	(82,487)	(208,810)
Unrealized pension liability adjustment	(1,968)	(1,576)
Notes receivable arising from stock purchase agreement	(4,000)	(4,000)
Total Stockholders' Equity (Deficit)	$ (5,486)	$(155,911)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Stockholders' Equity

Pursuant to the terms of the stock purchase agreement dated August 18, 1982, as amended, between the Company and a corporation wholly-owned by the President of the Company, the Company agreed to sell 1,000,000 shares of its Common Stock in four annual installments of 250,000 shares each at a purchase price of $5.00 per share, the closing price of Common Stock of the Company on the New York Stock Exchange on August 17, 1982. The final installment was purchased on March 10, 1986. The aggregate purchase price of $5,000,000 was paid $1,000,000 in cash and $4,000,000 in notes due, as amended, fifteen years after issuance. The notes bear interest, on principal only, at a rate equal to 70% of the average investment yield for the most recent auction of United States Treasury obligations with maturities of 52 weeks computed as of the first day of each month. The interest is payable at the time principal is paid. The notes are secured by the shares purchased, with shares released to the extent each note is paid. At June 30, 1992, the Company had receivables of $4,000,000 principal and $1,513,000 interest related to these notes.

Capital Stock Due From Another Company

ACCLAIM ENTERTAINMENT, INC. (AUG)

	1992	1991
Stockholders' Equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; None issued	$ —	$ —
Common Stock, $0.02 par value; 50,000,000 shares authorized; 23,303,535 and 18,647,618 shares isssued and outstanding, respectively	466,070	372,952
Additional paid in capital	30,533,421	13,353,406
Retained earnings	33,579,056	19,732,713
Capital stock due from MCA (Note 7)	(806,817)	(806,817)
Foreign currency translation adjustment	935,361	14,375
Total Stockholders' Equity	64,707,091	32,666,629

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Acquisitions

On April 20, 1990, the Company acquired from MCA, INC. ("MCA") the capital of LJN Toys, Ltd., pursuant to the terms of an Agreement for Purchase of Stock (the "Purchase Agreement"), dated March 9, 1990. The acquisition was accounted for as a purchase. The amount paid at closing was based on the interim unaudited "net asset value" of LJN (as such term is defined in the Purchase Agreement) as of April 12, 1990 and to the extent the audited "net asset value" of LJN as of April 20, 1990 differed from the unaudited interim net asset value of LJN, the purchase price was to be increased or decreased accordingly.

The Company and MCA entered into a settlement agreement resolving the disputes which had arisen as to LJN's net asset value. In accordance with the agreement, MCA must return to the Company 181,818 shares, with an approximate market value of $806,817 as of April 1, 1991.

Stock Purchase Rights

ALCO STANDARD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. (In Part): Shareholders' Equity

One preferred share purchase right (Right) exists for each outstanding share of common stock (the Shares). The Rights become exercisable ten days after the earlier of a public announcement by another entity that it has acquired beneficial ownership of 20% or more of the Shares or a public announcement of another entity's intention to commence a tender offer to acquire beneficial ownership of 30% or more of the Shares.

When the Rights become exercisable, each Right will entitle a holder to purchase 1/100th of a share of Series 12 Preferred Stock for an exercise price of $75. If the Company consolidates or merges with another entity, or sells assets that aggregate 50% of its consolidated assets or generates more than 50% of its consolidated operating income or cash flow, then each Right holder will have the right to purchase, for the exercise price, a number of shares of the other entity having a then-current market value equal to twice the exercise price.

If another entity owning 20% or more of the Shares (a) engages in certain transactions with the Company, or (b) causes the Company to forego or reduce quarterly dividends or take an action that would result in a more than 2% increase in the other entity's proportionate share of the outstanding shares; or if another entity becomes the beneficial owner of 30% or more of the outstanding shares; then each Right holder (other than the other enity) will have the right to purchase, for the exercise price, a number of shares of the Company having a then-current market value equal to twice the exercise price.

The Rights are redeemable by the Company prior to becoming exercisable at $.05 per Right and expire on February 10, 1998.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred stock purchase rights plan

In 1986, the Board of Directors declared a distribution of one right for each share of the company's common stock outstanding on and after March 21, 1986. Following the two-for-one stock split later in 1986, one-half of one right attaches to each share of common stock outstanding. In general, the rights become exercisable at $175 per right for a fractional share of a new series of Class A preferred stock (which will differ from the Series A Convertible Preferred Stock issued to the Employee Stock Ownership Plan described on page 24) 10 days after a person or group either acquires beneficial ownership of shares representing 20% or more of the voting power of the company or announces a tender or exchange offer that could result in such person or group beneficially owning shares representing 28% or more of the voting power of the company. If thereafter any person or group becomes the beneficial owner of 28% or more of the voting power of the company or if the company is the surviving company in a merger with a person or group that owns 20% or more of the voting power of the company, then each owner of a right (other than such 20% stockholder) would be entitled to purchase shares of common stock having a value equal to twice the exercise price of the right. Should the company be acquired in a merger or other business combination, or sell 50% or more of its assets or earnings power, each right would entitle the holder to purchase, at the exercise price, common shares of the acquirer having a value of twice the exercise price of the right. The exercise price was determined on the basis of the Board's view of the long-term value of the company's common stock. The rights have no voting power nor do they entitle a holder to receive dividends. At the company's option, the rights are redeemable prior to becoming exercisable at five cents per right. The rights expire on March 21, 1996.

CLARK EQUIPMENT COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Capital Stock

The Company has authorization for 40,000,000 shares of $7.50 par value Common Stock. There were 17,351,139 shares and 17,311,492 shares outstanding at December 31, 1992 and 1991, respectively. These shares include 2,355,211 shares held in the LESOP trust. Shares held as treasury stock were 1,840,595 shares and 1,880,242 shares at the respective year-ends. The Company also has authorization for 3,000,000 shares of $1.00 par value Preferred Stock, which have not been issued.

In 1987, the Board of Directors adopted a Rights Plan and declared a dividend distribution of one Right for each outstanding share of the Company's Common Stock. The Rights Plan was amended on August 14, 1990. Under the terms of the amended Rights Plan, each Right entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $80 per share. The Rights are exercisable a specified number of days following (i) the acquisition by a person or group of persons of 20% or more of the Company's Common Stock or (ii) the commencement of a tender or exchange offer for 30% or more of the Company's Common Stock. The Company has reserved 400,000 shares, $1.00 par value, of Series A Junior Participating Perferred Stock for issuance upon exercise of the Rights. The Rights may be redeemed by the Company, subject to the approval of the Board of Directors, for five cents per Right in accordance with the provisions of the Rights Plan. If the Rights are not redeemed, the holders of the Rights may purchase stock of the Company (or in certain circumstances, stock of an acquiring person) for approximately half its value. The Rights will expire on March 20, 1997, unless redeemed earlier by the Company.

HARRIS COMPANY (JUN)

NOTES TO FINANCIAL STATEMENTS

Preferred Stock Purchase Rights

Each outstanding share of Common Stock includes one perferred share purchase right that entitles the holder to purchase one two-hundredth share of a new series of participating preferred stock at an exercise price of $125. The rights will not be exercisable, or transferable apart from the Common Stock, until 10 days following an announcement that a person or affiliated group has acquired, or obtained the right to acquire, beneficial ownership of 20 percent or more of the Common Stock or until 10 days following an announcement of a tender or exchange offer for 30 percent or more of the Common Stock. The rights, which do not have voting rights, will be exercisable by all holders except for a holder or affiliated group beneficially owning 20 percent or more of the Common Stock. All rights will expire on November 23, 1996, and may be redeemed by the Corporation at a price of $.01 per right at any time prior to either their expiration or such time that the rights become exercisable.

In the event that the Corporation is acquired in a merger or other business combination or certain other events occur, provision shall be made so that each holder of a right shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the right.

IMC FERTILIZER GROUP, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 13 (In Part): Capital Stock

Pursuant to a Shareholders Rights Plan adopted by the Company in June 1989, a dividend of one preferred stock purchase right (Right) for each outstanding share of common stock of the Company was issued on July 12, 1989 to shareholders of record on that date. Under certain conditions, each Right may be exercised to purchase one one-hundredth of a share of a new series of participating preferred stock at a price of $150. This preferred stock is designed to participate in dividends and vote on essentially equivalent terms with a whole share of common stock. The Rights become exercisable apart from the common stock only if a person or group acquires 20 percent or more of the common stock or makes a tender offer for 20 percent or more of the outstanding common stock. However, the Rights do not become exercisable if a person or group becomes the owner of 20 percent or more of the common stock as a result of the purchase of common stock by the Company to reduce the number of shares outstanding and increase the proportionate number of shares owned by such person or group to 20 percent or more, unless such person or group subsequently becomes the owner of any additional shares of the common stock. In addition, upon the acquisition by a person or group of 20 percent or more of the common stock, each Right will entitle the holder to purchase, at the then-current exercise price of the Right, a number of shares of common stock having a market value at that time of twice the exercise price. The Rights may be redeemed at a price of $.01 per Right under certain circumstances prior to their expiration on June 21, 1999.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Shareholders' Equity

In 1986 the Board of Directors declared a dividend distribution of common stock purchase rights, with each share of common stock associated with one-half of a right. On June 27, 1991, the Board voted to redeem the 1986 common stock purchase rights at the redemption price of $0.0125 per share of common stock for shareholders of record on July 10, 1991. Simultaneously, the Board adopted a new shareholder rights plan and declared a dividend distribution of one right to be attached to each share of common stock to shareholders of record on July 10, 1991. The rights are currently not exercisable or transferable apart from the common stock. The basic right entitles the holder to purchase one two-hundredth of a share of a new series of participating preferred stock, which is substantially equivalent to one share of common stock, at an exercise price of $300 per share. These rights would become exercisable if a person or group acquires 15% or more of the company's common stock or announces a tender offer which would increase the person or group's beneficial ownership to 15% or more of the company's common stock, subject to certain exceptions. After the rights become exercisable, each right entitles the holder, instead, to purchase common stock having a market value of two times the exercise price. If the company is acquired in a merger or other business combination transaction, each exercisable right entitles the holder to purchase common stock of the acquiring company having a market value of two times the exercise price of the right. In certain events the Board of Directors may exchange rights for common stock or equivalent securities having a market price equal to the exercise price of the rights. Each right is redeemable at $0.005 any time before a person or group triggers the 15% ownership threshold. The rights expire on July 10, 2001.

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Preferred Stock Purchase Rights

At May 2, 1992, there were outstanding 11,597,960 rights to purchase Series A Junior Participating Preferred Stock. The rights were issued as a dividend on December 18, 1986 and as a result of the 25 percent stock dividend paid in January 1989, each outstanding share of common stock is entitled to 0.8 rights. Each right entitles the holder to purchase from the Company a unit (one two-hundredth of a share) of Series A Junior Participating Preferred Stock, $.10 par value, at $100 per unit subject to adjustment. The rights are not exercisable or transferable apart from the common stock until 10 days after a person or group has acquired 25 percent or more, or makes a tender offer for 30 percent or more, of the Company's common stock. Each right will entitle the holder, under certain circumstances (a merger, acquisition of 25 percent or more of the common stock of the Company by an acquiring person, self-dealing transactions by an acquiring person, or sale of 50 percent or more of the Company's assets or earning power), to acquire, at half the value, either common stock of the Company, a combination of cash, other property, common stock or other securities of the Company, or common stock of the acquiring person. Any such event would also result in any rights owned beneficially by the acquiring person or its affiliates becoming null and void. The rights expire on December 18, 1996 and are redeemable prior to the time an acquiring person acquires 25 percent or more of the Company's common stock at one cent per right. At May 2, 1992, 50,000 shares of Series A Junior Participating Preferred Stock were authorized but unissued and were reserved for issuance upon exercise of the rights.

TECUMSEH PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Stockholders' Equity

On April 22, 1992, the Company's stockholders approved an amendment which reclassified the existing common stock as voting Class B common stock, created a new class of non-voting Class A common stock and divided the authorized 50,000,000 shares of common stock into 25,000,000 shares of Class A common stock and 25,000,000 shares of Class B common stock.

The shares of Class A common stock and Class B common stock are identical except as to voting rights. Class A common stock has no voting rights, other than those required by law.

Stockholders of record on May 8, 1992, received one share of Class A common stock for each share of Class B common stock in the form of a stock dividend paid on May 29, 1992. Accordingly, all stock accounts and per share amounts shown in the accompanying financial statements have been adjusted to give effect to the stock dividend. The par value of Class A shares issued in the dividend was transferred from retained earnings to Class A common stock, $1 par value.

In 1991, the Company adopted a Shareholders' Rights Plan. This plan was amended in 1992 to clarify the effect of the Company's reclassification of the existing common stock as voting Class B common stock. In addition, in 1992, the Company adopted a new plan for the distibution of a Class A Right for each share of the newly created Class A common stock. Each Right entitles the registered holder, subject to the terms of the corresponding Rights Agreement, to purchase from the Company one share of the corresponding class of common stock at an exercise price of $160.00 per share, subject to adjustment.

The Rights are not currently exercisable, but (subject to certain "grandfathering" provisions applicable to persons or groups owning Class B Common Stock on April 22, 1992) would become exercisable if certain events occurred relating to a person or group (Acquiring Person) acquiring or attempting to acquire 10% or more of the outstanding shares of Class B common stock. In the event that the Rights become exercisable, each Right (except for Rights beneficially owned by the Acquiring Person, which become null and void) would entitle the holder to purchase, for the exercise price then in effect, shares of the Company's corresponding class of common stock having a value of twice the exercise price.

The Rights may be redeemed by the Board of Directors in whole, but not in part, at a price of $.005 per Right. The Rights have no voting or dividend privileges and at present are attached to, and do not trade separately from, the Class A and Class B common stock. The Rights expire on January 23, 2001.

As of December 31, 1992, 5,470,146 shares of Class A common stock and 5,470,146 shares of Class B common stock are reserved for future exercise under the Rights Agreements.

Section 3: Income Statement

INCOME STATEMENT TITLE

Table 3-1 summarizes the key word terms used in statement of income titles. Many of the survey companies used the term *operations* when one or more of the three years presented in a statement of income showed a net loss.

TABLE 3-1: INCOME STATEMENT TITLE

	1992	1991	1990	1989
Income	292	311	323	323
Operations	165	139	126	120
Earnings	132	137	140	145
Other	11	13	11	12
Total Companies	**600**	**600**	**600**	**600**

INCOME STATEMENT FORMAT

Either a single-step form or a multi-step form is acceptable for preparing a statement of income. Table 3-2 shows that the survey companies presented a multi-step income statement more frequently than a single-step income statement.

When nonhomogeneous operations constitute a significant portion of consolidated operations, certain survey companies presented income statements with formats differing from the commonly used formats by either segregating revenues and expenses of nonhomogeneous operations (8 companies) or by presenting, as part of the income statement, supplemental consolidating data (6 companies). Examples of income statement formats used to show nonhomogeneous operations and examples of disclosures for income statement reclassifications follow.

TABLE 3-2: INCOME STATEMENT FORMAT

	1992	1991	1990	1989
Single-step Form				
Federal income tax shown as separate last item	206	213	206	229
Federal income tax listed among operating items	5	3	9	3
Multi-step Form				
Costs and expenses deducted from sales to show operating income	230	222	229	220
Costs deducted from sales to show gross margin	159	162	156	148
Total Companies	**600**	**600**	**600**	**600**

Nonhomogeneous Operations

ALCO STANDARD CORPORATION (SEP)

	1992	1991	1990
		(in thousands)	
Revenues			
Net sales	$4,882,908	$4,481,324	$4,266,802
Dividends, interest and other income	3,292	6,088	8,529
Finance subsidiaries	38,936	28,565	18,099
	4,925,136	4,515,977	4,293,430
Costs and Expenses			
Cost of goods sold	3,638,494	3,390,246	3,259,889
Selling and administrative	1,069,602	946,756	864,415
Interest	31,680	37,426	41,792
Finance subsidiaries interest	19,523	15,747	11,150
	4,759,299	4,390,175	4,177,246
Investment Gain, net	6,683		5,599
Unusual Charges			(10,323)
Income from Continuing Operations Before Taxes	172,520	125,802	111,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Consolidation

All subsidiaries are consolidated and intercompany transactions have been eliminated. The finance subsidiaries results of operations included in the Company's consolidated net income were income (loss) of $6,055,000 in 1992, $3,591,000 in 1991 and $(1,983,000) in 1990.

The cumulative translation adjustment of foreign subsidiaries was a decrease to retained earnings of $6,622,000 at September 30, 1992 and an increase of $2,039,000 at September 30, 1991.

FORD MOTOR COMPANY (DEC)

	1992	1991	1990
		(in millions)	
AUTOMOTIVE			
Sales	$84,407.2	$72,050.9	$81,844.0
Costs and expenses			
Costs of sales	81,747.7	71,826.6	77,528.4
Selling, administrative and other expenses	4,434.5	3,993.4	4,000.0
Total costs and expenses	86,182.2	75,820.0	81,528.4
Operating (loss)/income	(1,775.0)	(3,769.1)	315.6
Interest income	653.3	676.5	624.7
Interest expense	860.7	902.6	564.4
Net interest (expense)/ income	(207.4)	(226.1)	60.3
Equity in net income/(loss) of affiliated companies	15.4	(28.4)	(96.9)
Net revenue/(expense) from transactions with Financial Services	15.4	(28.2)	(4.5)
(Loss)/Income before income taxes and cumulative effects of changes in accounting principles—Automotive	(1,951.6)	(4,051.8)	274.5
FINANCIAL SERVICES			
Revenues (Note 1)	15,725.1	16,235.4	15,806.0
Costs and expenses			
Interest expense	7,055.8	8,316.6	9,008.5
Operating and other expenses	2,944.8	2,822.6	2,716.4
Provision for credit and insurance losses (Note 9)	1,795.1	2,159.2	1,920.9
Depreciation (Note 8)	2,089.1	1,500.4	944.2
Total costs and expenses	13,884.8	14,798.8	14,590.0
Net (expense)/revenue from transactions with Automotive	(15.4)	28.2	4.5
Income before income taxes and cumulative effects of changes in accounting principles—Financial Services	1,824.9	1,464.8	1,220.5
TOTAL COMPANY			
(Loss)/Income before income taxes and cumulative effects of changes in accounting principles	(126.7)	(2,587.0)	1,495.0

NAVISTAR INTERNATIONAL CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Basis of Consolidation

Navistar International Corporation is a holding company and its principal operating subsidiary is Navistar International Transportation Corp. referred to as "Transportation." Transportation operates in one principal industry segment, the manufacture and marketing of medium and heavy trucks, diesel engines and replacement parts. As used hereafter, "Company" refers to Navistar International Corporation and its consolidated subsidiaries.

In addition to the consolidated financial statements, the Company has elected to provide financial information in a format that presents the operating results, financial condition and cash flow from operations designated as "Manufacturing" and "Financial Services." Manufacturing includes the consolidated financial results of Transportation's operations and the reporting of the Financial Services subsidiaries on a one-line basis under the equity method of accounting. Financial Services includes Navistar Financial Corporation (Navistar Financial), Harbour Assurance Company of Bermuda (Harbour Bermuda) and other foreign finance and insurance subsidiaries of Transportation. Through the first two quarters of 1992, Financial Services included the results of Harbour Assurance Company (U.K.) Ltd. This subsidiary was sold in July 1992. Navistar Financial's primary business is the retail and wholesale financing of products sold by Transportation and its dealers within the United States and the providing of commercial physical damage and liability insurance to Transportation's dealers and retail customers and to the general public through an independent insurance agency system. Harbour Bermuda's primary business is the insuring of general and product liability risks of Transportation.

The effects of transactions between Manufacturing and Financial Services have been eliminated to arrive at the consolidated totals. See Note 2 to the Financial Statements. The distinction between current and long-term assets and liabilities in the Statement of Financial Condition is not meaningful when finance, insurance and manufacturing subsidiaries are combined; therefore, the Company has adopted an unclassified presentation. Certain 1991 and 1990 amounts have been reclassified to conform with the presentation used in the 1992 financial statements.

Reclassifications

AVON PRODUCTS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Reclassifications—Beginning in the first quarter of 1992, to more accurately reflect the economic effect of foreign currency translation and monetary correction in countries with highly inflationary economies, changes have been made in the classification of certain expenses in the Consolidated Statement of Income. Amounts for prior years have been reclassified to conform to the 1992 presentation. Net income is not affected by these changes.

Foreign exchange gains resulting from the translation of the income tax provision and current year accrued income taxes in such countries, previously classified as Other Expense, net, are now included in the income tax provision. The effect of the reclassification is to increase Total Costs, Expenses and Other and to reduce Income Taxes by the amount of these foreign currency exchange gains, which results in an effective tax rate more reflective of local currency results in such countries.

Monetary correction charged principally on tax payments in Brazil was previously classified as Interest Expense and is now classified as Other Expense, net. This change results in interest expense that is more closely related to outstanding debt levels.

In addition, certain other amounts in the consolidated financial statements for prior years have been reclassified to conform to the 1992 presentation.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Description of Business and Summary of Accounting Policies

Reclassifications: To conform to the 1992 presentation, Sales and operating revenues for 1991 and 1990 have been reclassified to net all finished product Buy/Sell exchange revenue with the applicable cost of sale. As a result of this reclassification, Sales and operating revenues and Costs and operating expenses decreased $121,765,000, and $224,961,000, for 1991 and 1990, respectively. This reclassification had no effect on net income (loss) for either period.

To conform to the 1992 presentation, Sales and operating revenues and Costs and operating expenses for 1991 and 1990 have been adjusted to include all federal and state excise taxes. As a result, Sales and operating revenues and Costs and operating expenses increased $214,716,000 and $184,936,000 for 1991 and 1990, respectively. This adjustment had no effect on net income (loss) for either period.

Certain prior year items in the Notes to Consolidated Financial Statements have been reclassified to conform with the current year's presentation.

REVENUES AND GAINS

Paragraphs 78 and 82 of FASB *Statement of Financial Accounting Concepts No. 6* define revenues and gains.

> 78. Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.
>
> 82. Gains are increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from revenues or investments by owners.

Table 3-3 summarizes the descriptive income statement captions used by the survey companies to describe revenue. Gains most frequently disclosed by the survey companies are listed in Table 3-4. Excluded from Table 3-4 are segment disposals, gains shown after the caption for income taxes (Table 3-16), and extraordinary gains (Table 3-17). Examples of revenues and gains follow.

TABLE 3-3: REVENUE CAPTION TITLE

	1992	1991	1990	1989
Net Sales				
Net sales	344	346	345	350
Net sales and operating revenues	12	11	15	13
Net sales combined with other items	9	12	8	9
Sales				
Sales	85	81	82	76
Sales and operating revenues	30	28	24	28
Sales combined with other items	6	9	13	11
Other Captions				
Revenue	109	97	101	103
Gross sales, billings, shipments, etc.	5	16	12	10
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: GAINS

	Number of Companies			
	1992	1991	1990	1989
Interest	349	347	315	307
Sale of assets	121	110	131	160
Equity in earnings of investees	88	91	91	85
Dividends	84	91	89	82
Foreign currency transactions	50	59	56	51
Royalties	32	30	31	22
Litigation settlements	16	12	14	12
Rentals	10	14	19	13
Pension plan settlements	6	13	27	20

REVENUES

AMERON, INC. (NOV)

	1992	1991	1990
		($000)	
Sales	$446,477	$465,136	$445,900
Cost of sales	327,949	346,737	329,239
Gross profit	118,528	118,399	116,661

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition—Revenue from the sale of protective coatings and linings, fiberglass pipe, construction products and certain other products is recorded at the time the goods are shipped or when title passes. Revenue from concrete and steel pipe is recorded at the time the pipe is inspected and accepted by the customer.

BALL CORPORATION (DEC)

	1992	1991	1990
		(Dollars in Millions)	
Net sales	$2,177.8	$2,018.4	$1,120.9
Costs and expenses			
Cost of sales	1,881.2	1,740.0	977.9
Selling, general and administrative expenses	157.1	139.0	67.6
Unusual item	—	—	9.1
Interest expense	37.2	35.0	15.6
	2,075.5	1,914.0	1,070.2
Income from continuing operations before taxes on income	102.3	104.4	50.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Revenue Recognition

Sales and earnings are recognized primarily upon shipment of products except in the case of long-term government contracts for which revenue is recognized under the percentage of completion method. Certain of these contracts provide for fixed and incentive fees which are recorded as they are earned or when incentive amounts become determinable. Provisions for estimated contract losses are made in the period that such losses are determined.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

	1992	1991	1990
		($000)	
Revenues			
Net sales	$1,375,844	$1,584,114	$1,761,805
Other income	14,271	19,361	15,195
	1,390,115	1,603,475	1,777,000
Cost of Sales	1,068,931	1,264,847	1,438,100
Product Development, Selling and Administrative Expenses	210,437	217,708	215,383
Operating Income	110,747	120,920	123,517

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Revenue Recognition—Revenue on long-term contracts is generally recorded using the percentage-of-completion method for financial reporting purposes. Such contracts include contracts for papermaking machinery, certain mining equipment, custom-engineered cranes and systems engineering. Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus a proportionate amount of fees earned. Losses, if any, are recognized in full as soon as identified. Sales of other products and services are recorded as products are shipped or services are rendered.

ICOT CORPORATION (JUL)

	1992	1991	1990
		($000)	
Net sales	$26,324	$15,630	$14,344
Cost of Sales	12,671	8,433	8,040
Gross margin	13,653	7,197	6,304
Operating Expenses:			
Research and development	2,406	2,303	2,616
Marketing and sales	5,040	4,054	3,806
General and administrative	3,276	3,795	1,589
Provision for excess facilities	—	1,267	—
Litigation provision	—	1,175	—
Total operating expenses	10,722	12,594	8,011
Income (loss) from operations	2,931	(5,397)	(1,707)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition

The Company recognizes revenue from product sales upon shipment to the customer. Revenues from software and engineering development are recognized as the Company performs the services in accordance with contract terms. Revenues from maintenance and extended warranty agreements are recognized ratably over the term of the agreement. The Company also licenses products to Original Equipment Manufacturers ("OEMs") and recognizes royalties as specified in the license agreement upon shipment of product by the OEM.

In December 1991, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 91-1, "Software Revenue Recognition." The new SOP requires, among other things, that the sales value of post contract customer support which is included as part of an initial warranty period, must be deferred and amortized over the warranty period. The Company will be required to implement the new accounting rules in the first quarter of fiscal 1993, and the impact on previously reported results is believed to be immaterial.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

	1992	1991	1990
	(Dollars in Millions)		
Revenue:			
Sales	$33,755	$37,093	$43,959
Software	11,103	10,498	9,865
Maintenance	7,635	7,414	7,198
Services	7,352	5,582	4,124
Rentals and financing	4,678	4,179	3,785
	64,523	64,766	68,931

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Revenue

Revenue is recognized from sales or sales-type leases when the product is shipped; from software when the program is shipped, as monthly license fees accrue, or over the term of the post-contract customer support arrangement; from maintenance and services over the contractual period, or as the services are performed; from rentals under operating leases in the month in which they accrue; and from financing at level rates of return over the term of the lease or receivable.

GAINS

Sale Of Assets

H.J. HEINZ COMPANY (APR)

	1992	1991	1990
		($000)	
Sales	$6,581,867	$6,647,118	$6,085,687
Cost of products sold	4,102,816	4,063,423	3,726,613
Gross profit	2,479,051	2,583,695	2,359,074
Selling, general and administrative expenses	1,593,995	1,546,592	1,437,158
Gain on sale of The Hubinger Company	221,459	—	—
Operating Income	1,106,515	1,037,103	921,916
Interest income	46,607	34,967	26,748
Interest expense	134,948	137,592	108,542
Other expense, net	33,829	31,465	28,692
Income before income taxes	984,345	903,013	811,430

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Divestitures

In June 1991, the company sold The Hubinger Company of Keokuk, Iowa to Roquette Freres, a major worldwide producer of corn starches, for cash proceeds, net of fees, of $325.3 million. Hubinger is a producer of corn derivatives, including corn syrup, starch and ethanol. The sale resulted in a pretax gain of $221.5 million. Other divestitures did not have a material effect on operations.

HOMASOTE COMPANY (DEC)

	1992	1991	1990
Net sales	$23,482,259	$23,472,934	$28,130,134
Cost of sales	18,031,222	18,415,323	21,675,498
Gross profit	5,451,037	5,057,611	6,454,636
Selling, general and administrative expenses	4,878,854	5,055,054	5,822,666
Operating Income	572,183	2,557	631,970
Other income (expense):			
Gain on sale of assets	65,156	94,107	18,344
Interest income	38,567	36,338	52,995
Interest expense	(119,157)	(113,845)	(124,850)
Other income	—	—	18,688
	(15,434)	16,600	(34,823)
Earnings before income taxes	556,749	19,157	597,147

RAYCHEM CORPORATION (JUN)

	1992	1991	1990
		($000)	
Net sales	$1,296,301	$1,249,512	$1,114,713
Cost of products sold	671,388	643,357	562,102
Research and development expense	139,364	140,196	122,776
Selling, distribution and administrative expense	437,113	447,607	417,781
Provision for restructuring and divestitures	43,300	3,697	90,000
Interest expense (income), net	14,595	8,090	(2,240)
Gain on sale of land	(31,600)	—	—
Other expense, net	1,306	9,674	$10,555
Income (loss) before income taxes and extraordinary item	20,835	(3,109)	(86,261)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sale of Assets (In Part)

In the third quarter of 1992 the company sold 57 acres of undeveloped land at its headquarters in Menlo Park, California, for $39.0 million, resulting in a pretax gain of $31.6 million.

WESTERN DIGITAL CORPORATION (JUN)

	1992	1991	1990
		(In thousands)	
Revenues	$ 938,332	$ 986,201	$1,073,907
Costs and expenses:			
Cost of revenues	827,707	812,967	811,747
Research and development	89,566	93,107	82,111
Selling, general and administrative	88,012	116,361	140,058
Restructuring charges		81,540	
Total costs and expenses	1,005,285	1,103,975	1,033,916
Operating income (loss)	(66,953)	(117,774)	39,991
Net interest expense	20,203	14,737	9,067
Gain on sale of LAN business (Note 3)	15,784		
Net gain from retirement of debt			1,273
Income (loss) before income taxes	(71,372)	(132,511)	32,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Sale of LAN Business

In October 1991, the Company sold its Local Area Network ("LAN") business under an asset purchase agreement. Through this transaction the buyer acquired specific tangible and intangible assets, assumed certain liabilities and received appropriate licenses from Western Digital for specific LAN applications of more broadly based Western Digital technology. Further, Western Digital agreed not to manufacture or distribute similar products for a period of up to six years.

Western Digital received a cash payment of approximately $33.0 million in connection with this sale.

In 1992, 1991 and 1990, LAN business revenues totalled $30.4, $115.0 and $87.7 million, respectively, and costs and expenses totalled $24.3, $99.9 and $82.8 million, respectively.

Equity In Earnings Of Investees

SPS TECHNOLOGIES, INC. (DEC)

	1992	1991	1990
		($000)	
Net sales	$321,242	$383,875	$440,996
Cost of goods sold	270,495	318,359	375,518
Gross profit	50,747	65,516	65,478
Selling, general and administrative expense	44,513	48,010	57,588
Restructuring charge (credit)	9,600	(2,310)	5,850
Operating earnings (loss)	(3,366)	19,816	2,040
Other income (expense):			
Interest income	507	870	2,454
Interest expense	(5,384)	(7,722)	(10,601)
Equity in earnings (loss) of affiliates	588	(2,196)	389
Other, net	(654)	(56)	857
	(4,943)	(9,104)	(6,901)
Earnings (loss) from continuing operations before income taxes	(8,309)	10,712	(4,861)

UNOCAL CORPORATION (DEC)

	1992	1991	1990
	Dollars in millions		
Revenues			
Sales and operating revenues	$ 9,887	$10,735	$11,508
Interest, dividends and miscellaneous income	53	95	95
Equity in earnings of affiliated companies	66	52	83
Gain on sales of assets	55	13	122
Total revenues	10,061	10,895	11,808

Foreign Currency Transactions

FERRO CORPORATION (DEC)

	1992	1991	1990
		($000)	
Net sales	$1,097,793	1,056,940	1,124,833
Cost of Sales	809,948	797,556	858,416
Selling, Administrative and General Expenses	184,198	185,920	200,418
Restructuring Charge	—	45,303	—
	994,146	1,028,779	1,058,834
Operating Income	103,647	28,161	65,999
Other Income:			
Interest earned	6,224	5,110	8,326
Equity in net earnings of affiliated companies	2,707	1,863	736
Foreign currency transaction gain	3,997	2,159	2,245
	12,928	9,132	11,307
Other Charges:			
Interest expense	9,227	9,940	16,827
Settlement of litigation	—	—	12,000
Miscellaneous—net	9,659	7,004	4,970
	18,886	16,944	33,797
Income Before Taxes	97,689	20,349	43,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Translation of Foreign Currencies—Except for international companies whose functional currency is the United States dollar, financial statements of international companies are translated into United States dollar equivalents at exchange rates as follows: (1) balance sheet accounts at year-end rates; (2) income statement accounts at exchange rates weighted by the monthly volume of transactions occurring during the year. Translation gains or losses are recorded in shareholders' equity and transaction gains and losses are reflected in net income.

The United States dollar is the functional currency for the Company's Latin American operations due to the high inflation experienced in those countries. Translation gains or losses for these operations are reflected in net income.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

	1992	1991	1990
		($000)	
Net sales	$1,261,805	$1,124,902	$964,453
Operating costs and expenses:			
Cost of goods sold	$ 529,447	$ 497,086	$450,300
Research and development	92,171	78,508	72,588
Selling	297,371	265,105	222,215
General and administrative	99,860	95,747	84,332
Product discontinuation	—	—	3,542
	$1,018,849	$ 936,446	$832,977
Operating income	$ 242,956	$ 188,456	$131,476
Investment income	12,423	13,523	11,649
Interest expense	(16,509)	(22,320)	(16,648)
Net exchange gain (loss)	1,207	(10,075)	(3,782)
Income before items below	$ 240,077	$ 169,584	$122,695

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Translation of foreign currencies and foreign exchange hedging: All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at year-end exchange rates. Translation gains and losses are not included in determining net income but are accumulated as a separate component of shareholders' equity. For subsidiaries considered to be operating in highly inflationary countries and for certain other subsidiaries, the U.S. dollar is the functional currency, and translation gains and losses are included in determining net income. Foreign currency transaction gains and losses are included in determining net income. The Company uses forward foreign exchange contracts to hedge open foreign denominated payables and receivables and also to hedge firm sales and purchase commitments with its foreign subsidiaries. Realized and unrealized gains and losses are deferred and recognized as the related transactions are settled.

Litigation Settlements

HARLEY-DAVIDSON, INC. (DEC)

	1992	1991	1990
		($000)	
Net sales	$1,105,284	$939,863	$864,600
Cost of goods sold	808,871	706,140	635,551
Gross profit	296,413	233,723	229,049
Selling, administrative, and engineering	199,216	165,078	145,674
Income from operations	97,197	68,645	83,375
Interest income	956	950	1,736
Interest expense	(5,868)	(8,262)	(11,437)
Lawsuit judgement	2,200	—	(7,200)
Other—net	(5,676)	(3,239)	(3,857)
Income before provision for income taxes and extraordinary item	88,809	58,094	62,617

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingencies

In December 1990 a state court jury in California found the Company liable for compensatory and punitive damages of $7.2 million, including interest, in a lawsuit brought by a former supplier of aftermarket exhaust systems. The Company immediately appealed the verdict. This matter was resolved for $5.0 million during December 1992, in an out-of-court settlement.

MAXUS ENERGY CORPORATION (DEC)

	1992	1991	1990
	(Dollars in millions)		
Revenues			
Sales and operating revenues	$718.4	$790.8	$685.4
Settlement of litigation	120.8		
Other revenues, net	11.9	12.2	15.2
	851.1	803.0	700.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Three. Settlement of Litigation

On April 6, 1992, a New Jersey appellate court ruled that a war risk exclusion in certain of the Company's insurance policies precluded recovery from insurance carriers of an earlier settlement of claims by Vietnam veterans concerning Agent Orange. The Company had previously recorded the expected recovery as a $19.6 million receivable. Included in "Settlement of litigation" is the non-cash write-off of this receivable.

In October 1992, the Company settled its lawsuit against Kidder, Peabody & Co. Incorporated ("Kidder Peabody") arising out of transactions related to the acquisition of Natomas Company in 1983. Under the terms of the settlement, the Company received $165.0 million in cash, a portion of which represented payment for warrants to acquire eight million shares of common stock of the Company at a price of $13.00 per share for a period of five years. The fair market value of the warrants ($10.0 million) was recorded as additional paid-in capital; the remainder of the settlement ($155.0 million) was recorded as income, net of legal costs. None of the settlement proceeds was taxable for federal income tax purposes.

In November 1992, the Company also settled the above-referenced lawsuit with Ivan Boesky with a consent judgement in the amount of $50.0 million. Under the terms of the settlement, the Company believes it has a reasonable likelihood of recovering up to $15.0 million primarily from the division of assets of Mr. Boesky's former marriage and from his future earnings. Income will not be recorded until a cash payment is received from Mr. Boesky due to the uncertainties of the amount and timing of this payment.

MINNTECH CORPORATION (MAR)

	1992	1991	1990
Revenues			
Net sales—products	$34,793,390	$28,688,051	$24,162,418
Contract revenues	100,000	—	113,600
Total revenues	34,893,390	28,688,051	24,276,018
Operating Costs and Expenses			
Cost of product sales	19,709,208	17,061,579	15,571,265
Research and development	2,099,375	1,647,505	1,321,218
Selling, general and administrative	7,118,888	5,535,749	4,444,144
Total operating costs and expenses	28,927,471	24,244,833	21,336,627
Earnings from operations	5,965,919	4,443,218	2,939,391
Other Income (Expense)			
Interest expense and other, net	(325,984)	(194,143)	(161,778)
Interest income	203,899	277,037	115,725
Income from settlement of litigation, net of expenses	110,566	—	—
	(11,519)	82,894	(46,053)
Earnings before income taxes and cumulative effect of change in accounting principle	5,954,400	4,526,112	2,893,338

Redemption Of Shares In Foreign Company

AEL INDUSTRIES, INC. (FEB)

	1992	1991	1990
		($000)	
Sales and service revenues	$140,112	$144,258	$121,159
Operating costs and expenses:			
Cost of products and services	108,885	113,614	102,168
Administrative and selling expenses	16,979	16,581	15,651
Bid and proposal costs	7,183	5,835	5,711
Research and development costs	1,742	1,607	2,381
	134,789	137,637	125,911
Operating income (loss)	5,323	6,621	(4,752)
Interest expense	(3,272)	(3,809)	(4,503)
Investment income	322	321	552
Gain on redemption of shares in foreign company	14,368		
Other expenses, net of other income	(644)	(425)	(689)
	10,774	(3,913)	(4,640)
Income (loss) before income taxes and extraordinary credit	16,097	2,708	(9,392)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investment in Foreign Company

In December 1986, the Company exchanged its 58.7% interest in Elisra Electronic Systems Ltd. for redeemable shares representing a 6% interest in Tadiran Ltd., an electronics company in Israel. The Company accounted for the exchange under the cost method of accounting and recognized no gain at that time for financial reporting purposes. A deferred tax asset of $2,694,000 related to an income tax payment at the time of the exchange was included in the investment at February 22, 1991. In February 1992, the Company received $25,000,000 in settlement of its rights arising from redemption of the redeemable shares. For financial reporting purposes in fiscal year 1992, the Company recognized a gain of $14,368,000, net of related expenses.

Reversal Of Previous Accrual

ALPHA INDUSTRIES, INC. (MAR)

	1992	1991	1990
		($000)	
Sales	$71,032	$66,344	$ 64,684
Cost of sales	51,055	44,127	48,992
Research and development expenses	3,873	2,825	2,961
Selling and administrative expenses	16,074	16,484	16,569
Restructuring expense	—	—	11,431
	71,002	63,436	79,953
Operating income (loss)	30	2,908	(15,269)
Other income (expense)			
Interest expense	(662)	(670)	(594)
Interest income	51	148	354
Other income (expense) net (Note 8)	772	(137)	(436)
	161	(659)	(676)
Income (loss) before income taxes	191	2,249	(15,945)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Other Income (Expense)

Other income (expense) net, consisted of the following:

	1992	1991	1990
		(In thousands)	
Environmental related income (expenses)	$850	$ —	$(345)
Miscellaneous	(78)	(137)	(91)
Total	$772	$(137)	$(436)

The Company is involved in certain environmental actions. The first at the Adamstown, Maryland site of its wholly owned subsidiary, Trans-Tech, Inc., involves the contamination of groundwater at and near the plant for which Trans-Tech, Inc. denies responsibility. Trans-Tech, Inc. has had continuing discussions with the State of Maryland and has commenced remediation measures at the site.

In December 1986, forty residents of Adamstown filed a state court action against Trans-Tech, Inc. in which they sought $2,000,000 each in compensatory and punitive damages as a result of the contamination. On June 3, 1991, after a jury trial, the plaintiffs were awarded a total of $112,850 in compensatory damages, the claim for punitive damages having previously been dismissed.

In December 1991, a full settlement was reached in the matter which consisted of a general release from all forty of the original plaintiffs and the payment of a settlement amount which the Company does not regard as material.

The favorable settlement in this matter resulted in an $850,000 reversal of previously accrued contingent liability provisions.

The Company has been notified by federal and state environmental agencies of its potential liability with respect to the following three sites: the Charles George Reclamation Trust Landfill Superfund site in Tyngsborough, Massachusetts; the Spectron, Inc. Superfund site in Elkton, Maryland; and the Seaboard Chemical Corporation site in Jamestown, North Carolina. In each case several hundred other companies have also been notified about their potential liability regarding these sites.

The Company continues to deny that it has any responsibility with respect to these sites other than as a *de minimis* party. If found liable, the Company could be required to perform or finance certain remedial activities.

Restructuring Credits

AMERICAN BRANDS, INC. (DEC)

	1992	1991	1990
		($ Millions)	
Revenues			
Consumer products	$13,658.1	$13,193.4	$12,975.4
Life insurance	965.5	870.4	805.5
	14,623.6	14,063.8	13,780.9
Operating expenses			
Cost of products sold	3,823.5	3,685.6	3,762.3
Excise taxes on products sold	5,783.3	5,684.8	5,510.6
Insurance benefits	646.3	571.0	527.1
Advertising, selling and administrative expenses			
Consumer products	2,388.5	2,271.4	2,212.5
Life insurance	143.1	136.8	127.0
Amortization of intangibles	92.4	83.4	68.4
Restructuring credits	(8.5)	—	(29.6)
	12,868.6	12,433.0	12,178.3
Operating income	1,755.0	1,630.8	1,602.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information on Business Segments (In Part)

The Company's subsidiaries operate principally in the following business segments:

Tobacco products includes cigarettes manufactured by American Tobacco and cigarettes and other tobacco products manufactured by Gallaher.

Distilled spirits includes products produced or imported by Jim Beam and Whyte & Mackay.

Hardware and home improvement products includes kitchen and bathroom faucets, plumbing supply and repair products manufactured, packaged or distributed by Moen, locks manufactured by Master Lock, tool storage products manufactured by Waterloo and kitchen cabinets and bathroom vanities manufactured by Aristokraft.

Life insurance includes the operations of The Franklin group of companies.

Office products includes office supplies, stationery and other office products manufactured by ACCO World subsidiaries.

Specialty businesses includes golf and leisure products and rubber products of Acushnet, and optical goods and services, retail distribution and housewares products of Gallaher subsidiaries.

The intersegment elimination primarily includes sales of international tobacco products to retail distribution. Accordingly, prior years information has been reclassified.

The Company operates in the United States, Europe (principally the United Kingdom) and other areas (principally Canada and Australia).

Operating income in 1992 includes a restructuring credit of $8.5 million relating to the sale of two nonstrategic subsidiaries in the office products segment.

Unrealized Gain On Marketable Securities

BASSETT FURNITURE INDUSTRIES, INCORPORATED (NOV)

	1992	1991	1990
Net sales	$473,401,341	$401,616,062	$435,660,901
Operating costs and expenses:			
Cost of goods sold	385,294,583	331,139,815	359,995,572
Selling, general and administrative	59,852,470	55,651,707	60,018,134
Restructuring charges	-0-	-0-	14,300,000
	445,147,053	386,791,522	434,313,706
Income from operations	28,254,288	14,824,540	1,347,195
Other income	10,067,168	10,107,912	11,485,312
Other deductions	(279,554)	(249,424)	(214,918)
Net unrealized gain (loss) on marketable securities	1,224,796	2,190,000	(5,750,000)
Income Before Income Taxes	39,266,698	26,873,028	6,867,589

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D. Marketable Securities

During the first quarter of 1992, the portfolio of marketable securities was reclassified from a current to a noncurrent asset classification which better defines the characteristics and purpose of the portfolio. At November 30, 1992, the portfolio had an aggregate market value of $40,165,855 and an adjusted aggregate cost basis of $33,252,083. At November 30, 1991, the portfolio had a cost of $32,938,955 and net unrealized losses of $3,560,000. Net unrealized gains and losses on the securities in the portfolio were included in the determination of net income, through the date of reclassification.

Public Offering Of Subsidiary Stock

SUPER VALU STORES, INC. (FEB)

	1992	1991	1990
		($000)	
Net sales	$10,632,301	$10,104,899	$9,734,811
Costs and expenses			
Cost of sales	9,807,633	9,360,886	9,043,953
Selling and administrative expenses	583,789	531,972	484,586
Interest			
Interest expense	72,693	76,411	75,340
Interest income	38,373	44,970	42,236
Interest expense, net	34,320	31,441	33,104
Total costs and expenses	10,425,742	9,924,299	9,561,643
Earnings before equity in earnings of ShopKo, gain on sale of ShopKo stock, income taxes and cumulative effect of change in accounting principle	206,559	180,600	173,168
Equity in earnings of ShopKo	32,176	45,080	42,562
Gain on sale of ShopKo stock	84,105	—	—
Earnings before income taxes and cumulative effect of change in accounting principle	322,840	225,680	215,730

NOTES TO FINANCIAL STATEMENTS

C. Investment in ShopKo

On October 16, 1991, ShopKo, the company's mass merchandise discount subsidiary, completed a sale of 17,250,000 shares of its common stock at $15 per share in an initial public offering. This sale generated net proceeds to the company of $240.8 million and a gain of $84.1 million, reducing the company's ownership in ShopKo to 46 percent.

In conjunction with the ShopKo public offering, the company agreed to continue its previous lending arrangement with ShopKo on a formalized basis. Under this credit agreement ShopKo may borrow from the company on a revolving loan basis an aggregate amount not to exceed $240 million through February 29, 1992, reduced to $225 million thereafter through February 27, 1993. The agreement further provides that if ShopKo obtains other indebtedness, such proceeds shall be applied to reduce any principal balance owed to the company, to the extent loans are outstanding, and the company's commitment to lend funds to ShopKo will be reduced by the principal amount of such indebtedness. The revolving loan bears a floating interest rate which is a function of the reference rate announced from time to time by First Bank National Association. In March 1992, the outstanding principal balance was paid off and the company's future commitment to lend funds to ShopKo was reduced to $25 million.

The company and certain of its subsidiaries have also entered into certain other agreements with ShopKo including, but not limited to, a master corporate services agreement, a pharmacy management agreement and a Twin Valu management and supply agreement. These amounts are not significant and are included in selling, general, and administrative expenses in the Consolidated Statements of Earnings.

The following table summarizes the significant transactions between the company and ShopKo:

(In thousands)	1992	1991	1990
Sales to ShopKo	$27,493	$29,919	$34,739
Interest income	16,838	21,336	20,070

Summarized financial information of ShopKo is as follows:

(In thousands)	1992	1991	1990
Sales	$1,648,427	$1,520,545	$1,420,300
Gross profit	449,701	415,426	393,985
Net earnings	49,589	45,080	42,562

(In thousands)	1992	1991
Current assets	$ 260,352	$ 260,090
Non-current assets	445,223	432,006
Current liabilities	181,584	190,543
Non-current liabilities	204,490	228,121

Nonrecurring/Unusual Gains

ACME METALS INCORPORATED (DEC)

	1992	1991	1990
		($000)	
Net Sales	$391,217	$376,951	$446,042
Costs and Expenses:			
Cost of products sold	346,799	335,503	396,790
Depreciation expense	14,392	13,700	12,540
Gross profit	30,026	27,748	36,712
Selling and administrative expense	29,381	29,219	27,916
Restructuring charge	2,700		
Operating income (loss)	(2,055)	(1,471)	8,796
Non-Operating Income (Expense):			
Interest expense	(5,569)	(5,533)	(5,532)
Interest income	1,700	1,322	1,354
Unusual income item	1,047	1,241	4,005
Other—net	355	1,391	765
Income (loss) before income taxes and cumulative effect of changes in accounting principles	(4,522)	(3,050)	9,388

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unusual Income Item:

During 1992, the company sold all of its interests in certain coal producing property located in West Virginia. This transaction added approximately $1 million of pre-tax income to 1992 results.

In 1991, the company recorded a benefit from an unusual item related to the assignment of its rights in claims allowed in the LTV Steel Company, Inc. bankruptcy to a third party. This transaction added $1.2 million of pre-tax income to 1991 results.

Results for 1990 include a pre-tax gain of $4 million arising from the settlement of a bankruptcy claim filed by Wabush Iron Company on behalf of the Acme Steel Company and the other participants in an iron ore mining joint venture. The claim was filed against Wheeling-Pittsburgh Steel, a former participant that filed for bankruptcy in 1985. All proceeds were invested at the iron ore operation to fund its required capital expenditure program to control air emissions.

THE TIMES MIRROR COMPANY (DEC)

	1992	1991	1990
		($000)	
Revenues	$3,701,973	$3,614,061	$3,620,520
Costs and Expenses			
Cost of sales	2,031,560	1,991,382	2,000,547
Selling, general and administrative expenses	1,291,061	1,275,601	1,249,200
Restructuring charges	202,700	42,300	
	3,525,321	3,309,283	3,249,747
Operating Income	176,652	304,778	370,773
Interest expense	(74,504)	(77,405)	(76,376)
Nonrecurring gains (charges)	12,620	(71,503)	
Other, net	4,805	10,082	12,691
Income before income taxes and cumulative effect of changes in accounting principles	119,573	165,952	307,088

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E—Nonrecurring Gains (Charges)

During 1992, the company sold two of its Texas cable television systems for a gain of $8,673,000. The company also recorded a gain of $3,947,000 from the settlement of litigation over damage to the broadcast tower of the company's Dallas television station. These gains increased net income by $8,092,000, or 6 cents per share.

During 1991, the company sold Broadcasting Publications, Inc. at a loss of $20,614,000 and sold certain assets of its cable television subsidiary for gains of $14,111,000. The company also recorded a $65,000,000 writedown of the note and other assets outstanding from the 1987 sale of *The Denver Post*. These items reduced income before income taxes by $71,503,000 or $43,415,000 (35 cents per share) after applicable income taxes.

EXPENSES AND LOSSES

Paragraphs 80 and 83 of FASB *Statement of Financial Accounting Concepts No. 6* define expenses and losses.

> 80. Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.
>
> 83. Losses are decreases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners.

Table 3-5 reveals that most of the survey companies show a single caption and amount for cost of goods sold. Table 3-6 summarizes the nature of expenses, other than cost of goods sold. Excluded from Table 3-6 are rent (Table 2-28), employee benefits, depreciation (Table 3-12), and income taxes (Table 3-13).

Table 3-7 lists losses most frequently disclosed by the survey companies. Excluded from Table 3-7 are losses shown after the caption for income taxes (Table 3-16), segment disposals, and extraordinary losses (Table 3-17). Examples of expenses and losses follow.

TABLE 3-5: EXPENSES—COST OF GOODS SOLD CAPTIONS

	1992	1991	1990	1989
Single Amount				
Cost of sales	263	252	247	253
Cost of products sold	112	109	114	113
Cost of goods sold	108	113	106	102
Elements of cost	10	3	7	8
Other captions	69	87	89	83
	562	564	563	559
More Than One Amount	38	36	37	41
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Selling, general and administrative	353	355	336	327
Selling and administrative	152	157	166	166
General and/or administrative	68	60	72	80
Selling	15	8	14	21
Interest	579	585	575	572
Research, development, engineering, etc	297	296	301	284
Maintenance and repairs	82	79	84	94
Taxes other than income taxes	61	62	62	61
Advertising	44	41	47	53
Provision for doubtful accounts	29	31	29	26
Exploration, dry holes, abandonments	26	24	26	24

TABLE 3-7: LOSSES

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Restructuring of operations	138	141	114	93
Foreign currency transactions	101	88	99	94
Intangible asset amortization	90	89	85	69
Write-down of assets	48	68	71	47
Sale of assets	35	43	36	29
Minority interest	31	28	33	34
Equity in losses of investees	28	34	22	19
Environmental cleanup	23	29	29	N/C
Litigation settlements	16	17	19	9

N/C—Not Compiled.

EXPENSES

Cost Of Goods Sold

AMDAHL CORPORATION (DEC)

	1992	1991	1990
		($000)	
Revenues			
Equipment sales	$2,022,110	$1,234,616	$1,726,786
Equipment lease, maintenance and other	502,624	467,870	431,969
	2,524,734	1,702,486	2,158,755
Cost of Revenues			
Equipment sales	1,431,338	760,292	945,765
Equipment lease, maintenance and other	335,905	303,133	293,808
	1,767,243	1,063,425	1,239,573
Gross Margin	757,491	639,061	919,182
Operating Expenses			
Engineering and development	372,365	312,541	310,057
Marketing, general and administrative	407,030	358,670	350,112
	779,395	671,211	660,169
Income (loss) from operations	(21,904)	(32,150)	259,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Future Engineering Changes

Amdahl's computer systems are architecturally compatible at specific software and hardware interface levels with the basic functions of competing IBM computer systems. The introduction from time to time by IBM of certain product enhancements requires that Amdahl make product changes to remain fully compatible. In addition, the Company makes changes to enhance the functionality of its products. The Company accrues for estimated future engineering changes in connection with each sale. The accrual is intended to cover direct material, direct labor and manufacturing overhead associated with implementation of engineering changes. Amounts accrued and charged to cost of equipment sales were $60,278,000, $1,512,000, and $42,851,000 in 1992, 1991, and 1990, respectively.

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1992	1991	1990
		($000)	
Net Sales	$4,926,471	$4,786,403	$5,089,944
Cost of products sold	4,564,637	4,331,957	4,289,835
Selling, general and administrative expenses	288,463	275,262	266,734
Provision for restructuring (Note 10)	—	—	42,860
Income From Operations	73,371	179,184	490,515

DSC COMMUNICATIONS CORPORATION (DEC)

	1992	1991	1990
		($000)	
Revenue	$536,319	$461,455	$519,298
Operating costs and expenses:			
Cost of revenue	333,543	338,373	327,631
Research and product development	68,303	63,842	51,792
Selling, general and administrative	86,951	88,621	86,782
Write-down of assets	—	36,800	1,270
Provision for doubtful receivables	—	7,100	2,769
Restructuring costs	—	4,184	3,505
Other operating costs	5,091	4,440	1,977
Total operating costs and expenses	493,888	543,360	475,726
Operating income (loss)	42,431	(81,905)	43,572

DURACELL INTERNATIONAL INC. (JUN)

	1992	1991	1990
		(In millions)	
Net Sales	$1,616.7	$1,524.1	$1,334.6
Cost of products sold	590.4	585.6	521.4
Gross profit	1,026.3	938.5	813.2
Selling, general and administrative expense	741.0	682.4	587.6
Operating income	285.3	256.1	225.6

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	1992	1991	1990
		($000)	
Sales	$11,590,991	$11,390,943	$11,147,997
Cost of merchandise sold	8,377,710	8,237,372	8,211,263
Gross margin	3,213,281	3,153,571	2,936,734
Store operating, general and administrative expense	(3,009,427)	(2,818,716)	(2,628,621)
Income from operations	203,854	334,855	308,113

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

	1992	1991	1990
		($ Millions)	
Net Sales	$2,878	$2,783	$3,069
Cost of Sales (Note 7)	2,261	2,186	2,304
Gross margin	617	597	765
Operating Expenses			
Marketing and administrative expenses	307	285	309
Science and technology expenses	65	54	58
Provision for asbestos litigation claims	—	824	24
Other	32	62	81
Total operating expenses	404	1,225	472
Income (Loss) from Operations	213	(628)	293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Inventories

During 1992 and 1991, certain inventories were reduced, resulting in the liquidation of LIFO inventory layers carried at lower costs in prior years as compared with the current cost of inventory. The effect of these inventory reductions was to reduce 1992 and 1991 cost of sales by $4 million and $6 million, respectively.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1992	1991	1990
		($000)	
Net sales	$535,553	$534,808	$507,820
Cost of sales	346,570	347,521	317,310
Gross profit on sales	188,983	187,287	190,510
Selling, general and administrative expenses	166,521	162,747	162,732
	22,462	24,540	27,778
Other income (expense)—net	697	476	829
	23,159	25,016	28,607
Interest expense	12,339	17,172	18,941
Earnings before taxes	10,820	7,844	9,666

WORTHINGTON INDUSTRIES, INC. (MAY)

	1992	1991	1990
		($000)	
Net sales and revenues	$974,157	$874,884	$915,913
Cost of goods sold	820,587	742,601	768,961
Gross Margin	153,570	132,283	146,952

Interest Expense

BOISE CASCADE CORPORATION (DEC)

	1992	1991	1990
		(In thousands)	
Revenues			
Sales	$3,715,590	$3,950,490	$4,185,920
Other income (expense), net	14,800	93,220	(1,360)
	3,730,390	4,043,710	4,184,560
Costs and expenses			
Materials, labor, and other operating expenses	3,223,910	3,345,230	3,318,350
Depreciation and cost of company timber harvested	265,790	245,270	212,890
Selling and administrative expenses	335,170	411,020	419,430
	3,824,870	4,001,520	3,950,670
Income (loss) from operations	(94,480)	42,190	233,890
Interest expense	(166,450)	(175,340)	(116,620)
Interest income	1,830	4,700	3,610
Foreign exchange gain	6,590	310	520
	(158,030)	(170,330)	(112,490)
Income (loss) before income taxes	(252,510)	(128,140)	121,400

HUNT MANUFACTURING CO. (NOV)

	1992	1991	1990
		($000)	
Net sales	$234,929	$228,622	$220,099
Cost of sales	139,366	135,887	135,656
Gross profit	95,563	92,735	84,443
Selling and shipping expenses	49,605	46,560	43,918
Administrative and general expenses	23,064	23,466	20,201
Provision for relocation and consolidation of operations	—	3,644	—
Income from operations	22,894	19,065	20,324
Interest expense (less $50, $121 and $140 capitalized in 1992, 1991 and 1990, respectively)	(1,073)	(2,098)	(2,266)
Interest income	422	630	867
Other income (expense), net	(634)	(479)	(188)
Income before income taxes	21,609	17,118	18,737

NOTES TO FINANCIAL STATEMENTS

(In Thousands of Dollars Unless Otherwise Indicated)

Note 1 (In Part): Accounting Policies

Research, testing and development—Beginning in 1992, testing expense has been combined with research and development expenses for presentation on the Consolidated Statement of Income. The Consolidated Statements of Income for 1991 and 1990 have been reclassified to conform to the current presentation. Research and development expenses, excluding testing, were $91.2 million, $80.0 million and $74.4 million in 1992, 1991 and 1990.

Research And Development

THE LUBRIZOL CORPORATION (DEC)

	1992	1991	1990
		($000)	
Net sales	$1,544,670	$1,467,901	$1,444,758
Royalties and other revenues	7,578	8,405	7,943
Total revenues	1,552,248	1,476,306	1,452,701
Cost of sales	1,054,376	992,275	1,006,341
Selling and administrative expenses	181,326	172,418	157,953
Research, testing and development expenses	154,762	143,983	124,097
Total cost and expenses	1,390,464	1,308,676	1,288,391
Gain on sale of Genentech			101,921
Other income—net	11,905	9,500	504
Interest income	7,070	8,748	10,526
Interest expense	(3,615)	(7,738)	(6,049)
Income before income taxes	177,144	178,140	271,212

HERMAN MILLER, INC. (MAY)

	1992	1991	1990
		($000)	
Net Sales	$804,675	$878,732	$865,016
Cost of Sales	527,599	564,573	551,845
Gross Margin	277,076	314,159	313,171
Operating Expenses:			
Selling, general, and administrative	229,392	233,126	209,683
Design and research	20,725	23,212	20,784
Restructuring charges	24,970	18,615	—
Total Operating Expenses	275,087	274,953	230,467
Operating Income	1,989	39,206	82,704

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting and Reporting Policies (In Part):

Research, development, advertising, and other costs —Research, development, advertising materials, pre-production and start-up costs are expensed as incurred. Research and development costs included in "Design and research" expense in the accompanying statements of operations were $20.3, $21.3, and $19.1 million in 1992, 1991, and 1990, respectively.

VARIAN ASSOCIATES, INC. (SEP)

	1992	1991	1990
		($000)	
Sales	$1,288,024	$1,377,902	$1,264,840
Operating Costs and Expenses			
Cost of sales	871,667	923,522	872,233
Research and development	76,653	83,358	77,402
Marketing	172,688	169,605	156,259
General and administrative	101,490	101,031	75,272
Restructuring charges	—	—	51,482
Total operating costs and expenses	1,222,498	1,277,516	1,232,648
Operating Earnings	65,526	100,386	32,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):
Research and Development—Company-sponsored research and development costs related to both present and future products are expensed currently. Costs related to research and development contracts are included in inventory and charged to cost of sales upon recognition of related revenue. Total expenditures on research and development for fiscal 1992, 1991, and 1990 were $86.4 million, $98.8 million, and $90.7 million, respectively, of which $9.7 million, $15.4 million, and $13.3 million, respectively, were funded by customers.

Taxes Other Than Income Taxes

USX CORPORATION (DEC)

	1992	1991	1990
		($ Millions)	
Sales	$17,841	$18,825	$20,659
Operating costs:			
Cost of sales (excludes items shown below)	14,217	14,749	15,671
Inventory market valuation provision (credit)	(62)	260	(140)
Selling, general and administrative expenses	230	262	286
Depreciation, depletion and amortization	1,091	1,128	1,304
Taxes other than income taxes (Note 9, page 43)	1,985	2,080	1,753
Exploration expenses	172	179	229
Restructuring charges	125	426	—
Total operating costs	17,758	19,084	19,103
Operating income (loss)	83	(259)	1,556

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Taxes Other Than Income Taxes

(In millions)	1992	1991	1990
Consumer excise taxes	$1,655	$1,662	$1,333
Payroll taxes	140	138	143
Property taxes	151	148	135
Other state, local and miscellaneous taxes[a]	39	132	142
Total	$1,985	$2,080	$1,753

[a] Included a favorable adjustment of $119 million and $20 million in 1992 and 1991, respectively, for prior years' production taxes.

Advertising

THE DOW CHEMICAL COMPANY (DEC)

	1992	1991	1990
		($ Millions)	
Net Sales	$18,971	$18,807	$19,773
Operating Costs and Expenses			
Cost of sales	12,704	12,661	13,035
Insurance and finance company operations, pretax income	(15)	(95)	(65)
Research and development expenses	1,289	1,159	1,136
Promotion and advertising expenses	795	721	639
Selling and administrative expenses	2,328	2,181	2,084
Amortization of intangibles	147	129	126
Special charge	433	370	—
Total operating costs and expenses	17,681	17,126	16,955
Operating Income	1,290	1,681	2,818

Provision For Doubtful Accounts

HUGHES SUPPLY, INC. (JAN)

	1993	1992	1991
		($000)	
Net Sales	$528,363	$481,001	$548,475
Cost of Sales	425,029	386,653	439,814
Gross profit	103,334	94,348	108,661
Operating Expenses:			
Selling, general and administrative	90,211	86,655	89,283
Depreciation and amortization	6,551	7,108	9,187
Provision for doubtful accounts	1,733	2,552	2,591
Total operating expenses	98,495	96,315	101,061
Operating Income (Loss)	4,839	(1,967)	7,600

LOSSES

Restructuring Of Operations

DIGITAL EQUIPMENT CORPORATION (JUN)

	1992	1991	1990
		($000)	
Revenues			
Product sales	$ 7,696,029	$ 8,298,515	$ 8,145,491
Service and other revenues	6,234,843	5,612,489	4,797,032
Total operating revenues	13,930,872	13,911,004	12,942,523
Costs and Expenses			
Cost of product sales	4,248,118	3,905,355	3,825,897
Service expense and cost of other revenues	3,883,705	3,373,025	2,968,529
Research and engineering expenses	1,753,898	1,649,380	1,614,423
Selling, general and administrative expenses	4,680,822	4,471,629	3,971,059
Restructuring charges (Note M)	1,500,000	1,100,000	550,000
Operating income/(loss)	(2,135,671)	(588,385)	12,615

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M—Restructuring Charges

In the fourth quarter of fiscal year 1992, the Company recorded net restructuring charges of $1.5 billion. Included in the charges are the expected costs of employee separations, facility consolidations, asset retirements, relocations and related costs.

During fiscal year 1992, the Company took a number of actions consistent with the previously recorded charges. Approximately 10,000 employees were separated from the Company, including approximately 3,700 employees who elected early retirement through a special program offered to eligible individuals in the United States. The Company announced the closing of several plants in the United States and Western Europe. Other operations were moved from leased to owned facilities, and consolidated where appropriate.

The Company recorded net restructuring charges of $1.1 billion and $550,000,000 in fiscal years 1991 and 1990, respectively.

HURCO COMPANIES, INC. (OCT)

	1992	1991	1990
		($000)	
Sales	$87,828	$86,539	$99,683
Cost of sales	65,902	61,645	68,786
Gross margin	21,926	24,894	30,897
Selling, general and administrative expenses	24,489	20,623	21,890
Restructuring charge	1,070	—	—
Operating income (loss)	(3,633)	4,271	9,007

NOTES TO FINANCIAL STATEMENTS

2. Restructuring Charge

In the fourth quarter of 1992, the Company recorded a restructuring charge aggregating $1,070,000 (or $.19 per share), for which no tax benefit is currently available. The restructuring plan entails consolidating manufacturing, research and development, marketing and service functions and rationalizing product lines. This charge includes severance payments, write-downs of inventories and equipment to estimated realizable values and facilities consolidation costs.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

	1992	1991	1990
		($ Millions)	
Net sales	$1,717.5	$1,701.8	$1,675.0
Operating costs and expenses:			
Cost of sales	1,247.5	1,294.3	1,251.1
Research and development	192.1	198.6	252.4
Selling, general and administrative	251.0	241.9	224.3
Restructuring of operations	149.3	119.6	(8.0)
Total operating costs and expenses	1,839.9	1,854.4	1,719.8
Operating loss	(122.4)	(152.6)	(44.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Restructuring of Operations

During 1992, the Company recorded a restructuring charge of $149.3 million which related primarily to worldwide consolidations of underutilized manufacturing operations, including write-down of certain assets, workforce reductions, and process transfers. As of May 31, 1992, the Company has closed its manufacturing facilities in Brazil and Hong Kong, ceased discrete wafer fabrication operations in Santa Clara, California, begun the transfer of certain fabrication processes, and reduced portions of its workforce in certain locations worldwide. In addition, the Company plans to close a fabrication module at its Salt Lake City, Utah, location, which will necessitate transfer of production to other locations with a significant reduction in local workforce. The Company continues to maintain accrued liabilities for restructuring activities not yet completed.

During 1991, National incurred a $119.6 million restructuring charge in connection with the Company's exit from the very high-speed, high-density static random access memory business, which resulted in the sale of its Puyallup, Washington, wafer fabrication facility. The restructuring activities also included a worldwide reduction in workforce, closure of its Tucson, Arizona, assembly and test operations, and consolidation of certain wafer fabrication facilities.

TANDEM COMPUTERS INCORPORATED (SEP)

	1992	1991	1990
		($000)	
Revenues			
Product revenues	$1,665,695	$1,551,065	$1,539,506
Service and other revenues	371,222	371,114	326,367
Total revenues	2,036,917	1,922,179	1,865,873
Costs and expenses			
Cost of product revenues	574,841	501,707	447,106
Cost of service and other revenues	254,897	256,200	220,813
Research and development	285,117	266,627	253,581
Marketing, general, and administrative	851,477	838,504	755,687
Restructuring charges	106,000	—	—
Total costs and expenses	2,072,332	1,863,038	1,677,187
Operating income (loss)	(35,415)	59,141	188,686

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring

During 1992, plans were developed to significantly reduce the Company's cost structure and to improve productivity on a worldwide basis. This restructuring program involves reductions in the number of employees, consolidation of offices and facilities, and dispositions of assets that are no longer productive. The consolidated statement of income for 1992 includes $106 million of pretax charges ($86 million net of tax benefits, or $.79 per share) relating to this program. As of September 30, 1992, $44 million of this amount remained in accrued liabilities representing: approximately $12 million related to headcount reductions that were substantially completed during October 1992; approximately $8 million related to the consolidation and discontinuation of certain manufacturing activities in October 1992; approximately $18 million that will be incurred during the remaining terms of various facility leases; and approximately $6 million that is expected to be incurred for other nonheadcount-related actions during fiscal 1993.

TEKTRONIX, INC. (MAY)

	1992	1991	1990
		($000)	
Net sales	$1,297,243	$1,330,935	$1,408,253
Operating costs and expenses:			
Cost of sales	653,293	659,379	731,064
Research and development expenses	169,183	172,353	194,579
Selling, general, and administrative expenses	407,961	408,641	449,800
Restructuring charges	17,298	(636)	79,981
Total operating costs and expenses	1,247,735	1,239,737	1,455,424
Equity in joint venture earnings	2,414	6,792	5,948
Operating income (loss)	51,922	97,990	(41,223)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring Charges

In 1990, the Company provided for restructuring charges of $80.0 million for costs associated with downsizing of operations, consolidating facilities and the disposal, either through sale or abandonment, of certain product lines. The charges include severance costs, commitments to third parties, product line disposal costs, write-off of intangible assets and relocation costs. A $0.6 million credit was recognized in 1991 as a further result of these restructuring activities. In 1992, the Company provided for additional restructuring charges of $17.3 million for further reductions in operations, including severance costs and the write-off of certain assets.

Foreign Currency Transactions

THE UPJOHN COMPANY (DEC)

	1992	1991	1990
		($000)	
Net sales	$3,638,925	$3,401,799	$3,020,868
Other revenue	29,941	24,514	11,878
Total	3,668,866	3,426,313	3,032,746
Operating costs and expenses:			
Cost of products sold	981,574	874,656	823,227
Research and development	548,546	491,065	427,197
Marketing and administrative	1,432,436	1,342,383	1,158,065
Restructuring	23,956	5,000	(37,804)
Total	2,986,512	2,713,104	2,370,685
Operating income	682,354	713,209	662,061
Interest income	56,619	51,511	45,513
Interest expense	(31,253)	(19,956)	(30,954)
Foreign exchange (losses) gains	(4,212)	4,165	(4,030)
All other, net	(3,325)	(28,725)	(17,040)
Earnings from continuing operations before income taxes and minority equity	700,183	720,204	655,550

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Exchange—Results of operations for foreign subsidiaries, other than those located in highly inflationary countries, are translated using the average exchange rates during the period, while assets and liabilities are translated into U.S. dollars using current rates. Resulting translation adjustments are recorded in currency translation adjustments in shareholders' equity. For subsidiaries in highly inflationary countries, currency gains and losses resulting from translation and transactions are determined using a combination of current and historical rates and are reported directly in the earnings statement.

Intangible Asset Amortization

BAKER HUGHES INCORPORATED (SEP)

	1992	1991	1990
		($000)	
Revenues			
Sales	$1,839,771	$1,989,336	$1,859,393
Services and rentals	698,744	839,021	754,864
Total	2,538,515	2,828,357	2,614,257
Costs and Expenses:			
Cost of sales	1,076,378	1,160,915	1,100,762
Cost of services and rentals	347,020	402,365	452,209
Research and engineering	107,188	102,558	82,790
Marketing and field service	602,342	617,226	502,720
General and administrative	200,758	221,907	217,827
Amortization of goodwill and other intangibles	31,649	27,926	14,476
Unusual charges—net	79,190	62,946	66,846
Total	2,444,525	2,595,843	2,437,630
Operating income	93,990	232,514	176,627

VISHAY INTERTECHNOLOGY, INC. (DEC)

	1992	1991	1990
		($000)	
Net sales	$664,226	$442,283	$445,596
Costs of products sold	508,018	318,166	312,925
Gross Profit	156,208	124,117	132,671
Selling, general, and administrative expenses	101,327	75,973	77,740
Restructuring expense	—	3,700	—
	54,881	44,444	54,931
Other income (expense):			
Interest expense	(19,110)	(15,207)	(19,426)
Amortization of goodwill	(2,380)	(1,695)	(1,552)
Other	4,533	(289)	2,344
Unusual items	—	—	(2,441)
	(16,957)	(17,191)	(21,075)
Earnings Before Income Taxes	37,924	27,253	33,856

Write-Down Of Assets

ASARCO INCORPORATED (DEC)

	1992	1991	1990
		($000)	
Sales of products and services	$1,908,492	$1,911,806	$2,210,280
Operating costs and expenses:			
Cost of products and services	1,647,263	1,634,198	1,810,705
Selling, administrative and other	87,195	94,258	93,546
Provision for doubtful accounts	3,436	13,625	1,985
Depreciation and depletion	86,642	74,869	75,093
Research and exploration	21,410	26,431	26,644
Provision to reduce carrying value of certain facilities (7)	31,900	-	-
Provision for closed plant and environmental matters	72,400	7,305	75,527
Total operating costs and expenses	1,950,246	1,850,686	2,083,500
Operating income (loss)	(41,754)	61,120	126,780

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Property

Property is stated at cost and consists of the following:

At December 31,	1992	1991
	(In Millions)	
Buildings and equipment	$1,940.3	$1,857.0
Equipment capital leases	123.2	122.8
Mineral land	289.2	263.9
Land, other than mineral	66.5	64.6
Other	4.5	6.4
Total property	$2,423.7	$2,314.7

Accumulated depreciation applicable to capitalized leases amounted to $27.0 million in 1992, $16.5 million in 1991 and $10.0 million in 1990, including depreciation charged to earnings of $11.1 million in 1992, $6.5 million in 1991 and $1.7 million in 1990. An increase in the proven and probable ore reserves at the Ray mine resulting from normal reassessments had the effect of lowering depreciation by $3.7 million in 1992.

Exploration costs of $1.2 million in 1990 previously charged against earnings were credited to earnings and capitalized, as a result of the discovery of commercial ore bodies.

In the fourth quarter of 1992, the Company recorded a pretax charge of $31.9 million to reduce the carrying value of certain facilities, primarily at the El Paso, Texas, smelter, which are unlikely to be used following the completion of the modernization and expansion program at the copper smelter in early 1993.

ACCLAIM ENTERTAINMENT, INC. (AUG)

	1992	1991	1990
Revenues	$214,627,784	$122,135,724	$141,469,978
Cost of Revenues	114,113,363	76,422,332	75,377,019
Gross Profit	100,514,421	45,713,392	66,092,959
Operating Expenses			
Selling, advertising, general and administrative expenses	68,642,058	46,989,039	40,493,029
Operating interest	1,583,232	3,627,546	2,549,510
Depreciation and amortization	3,196,727	2,394,590	763,215
Total Operating Expenses	73,422,017	53,011,175	43,805,754
Earnings (Loss) From Operations	27,092,404	(7,297,783)	22,287,205
Other Income (Expense)			
Interest income	354,256	176,813	106,915
Other income	798,103	420,593	1,392,718
Loss from investment in Joint Venture (Note 6)	(3,105,116)	—	—
Interest expense	(1,302,600)	(1,041,527)	(669,646)
Earnings (Loss) Before Income Taxes	23,837,047	(7,741,904)	23,117,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Investment in Joint Venture

On May 15, 1990, the Company entered into a joint venture agreement with Bohbot Entertainment, Inc. and Saban Entertainment, Inc. to develop, produce and syndicate a children's television series, "Video Power" (the "Series"). The Company contributed to the Series the use of certain video game characters that it controls, together with loan financing in the amount of $5,300,000. The loan was to be repaid from revenues received by the joint venture from the first year of the Series, less certain costs.

During September 1992, the Company and its joint venturers agreed to discontinue the Series, in light of declining ratings and the resulting reduction in advertising revenues. As a result, the joint venture agreement was terminated. Pursuant to a termination agreement reached in October 1992 with one its joint venturers, the Company received an advertising credit of $2,500,000 from such joint venturer, to be utilized by the Company against future television advertising placed with that venturer. The Company recognized a charge to expense of $3,105,116 in the fourth quarter of fiscal 1992, which represents the remaining balance of its investment in the joint venture.

HECLA MINING COMPANY (DEC)

	1992	1991	1990
		($000)	
Sales of products	$100,651	$117,568	$152,106
Cost of sales and other direct production costs	83,288	84,853	106,349
Depreciation, depletion and amortization	13,493	21,161	24,900
	96,781	106,014	131,249
Gross profit	3,870	11,554	20,857
Other operating expenses:			
General and administrative	8,520	14,054	10,113
Exploration	7,659	5,693	8,430
Research	1,317	1,538	—
Depreciation and amortization	819	692	602
Provision for closed operations and environmental matters	12,670	3,638	2,970
Reduction in carrying value of mining properties (Note 5)	27,928	—	—
	58,913	25,615	22,115
Loss from operations	(55,043)	(14,061)	(1,258)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Properties, Plants and Equipment

The major components of properties, plants and equipment are:

(In Thousands):	December 31, 1992	1991
Mining properties	$ 39,811	$ 36,105
Deferred development costs	127,529	128,858
Plants and equipment	167,873	182,468
Land	6,176	5,667
	341,389	353,098
Less accumulated depreciation, depletion and amortization	161,562	154,082
	$179,827	$199,016

Based on its periodic reviews of the status of various mining properties and investments, the Company determined in the fourth quarter of 1992 that certain adjustments were appropriate to properly reflect estimated net realizable values. These adjustments consisted primarily of the write-downs of various properties, plants and equipment totaling approximately $28 million. The major portion of the adjustments related to the $13.5 million write-down of the Company's interest in the Apex Unit, a hydrometallurgical processing plant near St. George, Utah. The Apex Unit was originally designed to process germanium and gallium. However, due to depressed prices for these metals, processing became uneconomic. The Company continues to evaluate the feasibility of custom recoveries of specialty metals and chemical products. Due to continued depressed silver prices, the Company also recorded write-downs of approximately $9 million related to the Consolidated Silver and Hog Heaven silver properties, located in North Idaho and northwest Montana, respectively. The Lisbon Valley Project in Utah, a joint venture which is fully developed for uranium and vanadium production, was also written down by approximately $3.5 million due to continued depressed uranium prices to estimated net realizable value. Also included in the write-downs were approximately $1.5 million and $0.4 million related to the Company's interests in the Creede and Hardscrabble gold and silver properties, respectively, both located in Colorado.

On May 19, 1992, the Company acquired interests in a number of Mexican mineral concessions for approximately $2.9 million. The purchase consideration included the issuance of 184,862 shares of the Company's common stock valued at $1.8 million.

The net book values of the major mining properties of the Company that were on a standby or idle basis at December 31, 1992 and 1991 were approximately $5.3 million and $9.9 million, respectively.

Sale Of Assets

NORTHROP CORPORATION (DEC)

	1992	1991	1990
	($ Millions)		
Net sales	$5,550	$5,694	$5,490
Cost of sales			
Operating costs	4,866	4,811	4,748
Administrative and general expenses	455	531	451
Operating margin	229	352	291
Other income(deductions)			
Gain(loss) on disposals of property, plant and equipment	(11)	(6)	103
interest income	4	11	3
Other, net	5		10
Interest expense	(47)	(80)	(95)
Income(loss) before income taxes and cumulative effect of accounting principle changes	180	277	312

Minority Interest

MCDERMOTT INTERNATIONAL, INC. (MAR)

	1992	1991	1990
	(In Thousands)		
Revenues	$3,524,482	$3,069,849	$2,584,184
Costs and Expenses:			
Cost of operations	3,025,998	2,756,950	2,348,912
Depreciation and amortization	125,812	99,857	109,651
Selling, general and administrative expenses	258,859	226,426	219,526
	3,410,669	3,083,233	2,678,089
Operating Income (Loss)	113,813	(13,384)	(93,905)
Other Income (Expense):			
Interest income	53,768	73,094	74,751
Interest expense	(102,321)	(111,595)	(135,833)
Equity in income (loss) of investees	7,242	(29,685)	(9,422)
Minority interest	(19,065)	(1,220)	(14,726)
Other-net	70,369	9,590	52,128
	9,993	(59,816)	(33,102)
Income (Loss) from Continuing Operations before Provision for (Benefit from) Income Taxes	123,806	(73,200)	(127,007)

SOUTHDOWN, INC. (DEC)

	1992	1991	1990
	($ Millions)		
Revenues	$507.4	$506.9	$565.9
Costs and expenses:			
Operating	390.0	397.5	406.4
Depreciation, depletion and amortization	48.5	47.4	42.8
Selling and marketing	17.9	16.4	14.4
General and administrative	47.1	54.3	45.7
Other expense (income), net	(3.5)	5.2	(4.1)
	500.0	520.8	505.2
Write-down of environmental services assets	21.4	—	—
Lease termination charge	—	—	10.0
Minority interest in earnings of consolidated joint venture (Note 13)	2.6	1.8	3.1
	524.0	522.6	518.3
Operating earnings (loss)	(16.6)	(15.7)	47.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Minority Interest in Consolidated Joint Venture:

Kosmos Cement Company (Kosmos) is a partnership which includes a cement plant located in Kosmosdale, Kentucky and a cement plant located near Pittsburgh, Pennsylvania along with related terminals and facilities. The partnership is 25% owned by Lone Star Cement, Inc. (Lone Star) and 75% owned and operated by the Company. The Company's Consolidated Balance Sheet includes 100% of the assets and liabilities of Kosmos. Lone Star's 25% interest in Kosmos and the earnings therefrom have been reflected as "Minority interest in consolidated joint venture" and "Minority interest in earnings of consolidated joint venture" on the Company's Consolidated Balance Sheet and Statement of Consolidated Earnings, respectively.

Equity In Losses Of Investees

CULBRO CORPORATION (DEC)

	1992	1991	1990
		($000)	
Net sales and other revenue	$1,148,722	$1,104,272	$908,395
Costs and expenses			
Cost of goods sold	1,020,608	965,208	792,265
Selling, general and administrative expenses	108,629	110,680	98,568
Restructuring charge at Eli Witt	3,500	—	—
Loss on sale of business	—	3,300	—
Other expense (income), net	122	900	(2,264)
Operating income	15,863	24,184	19,826
Equity in net loss (income) of investees	882	1,940	(260)
Fees on sales of accounts receivable	2,037	1,063	—
Interest expense, net	10,405	15,271	14,904
Income before income taxes	2,539	5,910	5,182

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands except per share data)

Note 9 (In Part): Supplementary Financial Statement Information

Equity in Net Loss (Income) of Investees

Equity in net loss (income) of investees in the 1992 consolidated statement of operations reflects an equity loss of $897 on the Corporation's investment in Moll PlastiCrafters and equity income of $15 on the Corporation's investment in Centaur Communications Limited ("Centaur"). The equity loss related to Moll PlastiCrafters principally reflected the Corporation's relinquishment of its 25% investment in Moll PlastiCrafters as part of the December 17, 1992 Take-out Agreement (See Note 2). The Corporation's equity income from Centaur includes a gain of $300 reflecting the exercise of an option to purchase additional shares by another shareholder of Centaur at a price higher than the Corporation's carrying value of its shares in Centaur.

The Corporation's equity in net loss (income) of investees in 1991 and 1990 related entirely to the Corporation's investment in Centaur.

Environmental Cleanup

REYNOLDS METALS COMPANY (DEC)

	1992	1991	1990
		($ Millions)	
Revenues			
Net sales	$5,592.6	$5,730.1	$6,022.4
Equity, interest and other income	27.7	54.4	53.3
Gain on sale in investment	36.1	—	—
	5,656.4	5,784.5	6,075.7
Costs And Expenses			
Cost of products sold	4,761.9	4,760.2	4,823.4
Selling, administrative and general expenses	368.7	378.0	370.1
Provision for depreciation and amortization	284.0	265.1	214.2
Interest—principally on long-term obligations	166.8	160.9	96.1
Provision for estimated environmental costs	164.0	—	150.0
Operational restructuring and asset revaluation costs	106.4	—	—
	5,851.8	5,564.2	5,653.8
Income (loss) before income taxes and cumulative effects of accounting changes	(195.4)	220.3	421.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Contingent Liabilities and Commitments

The Company is involved in various worldwide environmental improvement activities resulting from past operations, including designation as a potentially responsible party, with others, at various EPA designated superfund sites. The Company has recorded amounts which, in management's best estimate, will be sufficient to satisfy anticipated costs of known remediation requirements. As a result of factors such as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites and the allocation of cost among potentially responsible parties, estimated costs for future environmental compliance and remediation are necessarily imprecise. Based upon information presently available, such future costs are not expected to have material adverse effect on the Company's competitive or financial position. However, it is not possible to predict the amount or timing of future costs of environmental remediation requirements which may subsequently be determined. Such costs could be material to results of operations in a future period.

TOSCO CORPORATION (DEC)

	1992	1991	1990
		($000)	
Sales	$1,860,969	$1,608,665	$1,854,624
Cost of sales	1,728,305	1,487,437	1,606,251
Environmental cost accrual	25,000	4,000	2,000
Selling, general and administrative expenses	38,728	30,214	48,126
Interest expense	23,941	22,737	32,315
Interest income	(6,018)	(6,188)	(8,044)
	1,809,956	1,538,200	1,680,648
Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	51,013	70,465	173,976

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or Tosco's commitment to a formal plan of action.

Product Withdrawal

ABBOTT LABORATORIES (DEC)

	1992	1991	1990
		($000)	
Net Sales	$7,851,912	$6,876,588	$6,158,682
Cost of products sold	3,505,273	3,139,972	2,910,092
Research and development	772,407	666,336	567,009
Selling, general and administrative	1,833,220	1,513,250	1,275,540
Provision for product withdrawal	215,000	—	—
Total Operating Cost and Expenses	6,325,900	5,319,558	4,752,641
Operating Earnings	1,526,012	1,557,030	1,406,041
Interest expense	52,961	63,831	91,425
Interest and dividend income	(42,250)	(45,117)	(51,596)
Other (income) expense, net	48,534	(5,906)	15,479
Gain on sale of investment	(271,986)	—	—
Earnings Before Taxes	1,738,753	1,544,222	1,350,733

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Other Significant Events

In June 1992, the Company voluntarily withdrew from the worldwide market its quinolone anti-infective, temafloxacin. In the second quarter 1992, the Company recorded a pre-tax charge of $215 million for costs associated with the withdrawal.

In May 1992, the Company sold its 20 percent investment in Boston Scientific Corporation for a pre-tax gain of $272 million. This investment had been accounted for under the equity method.

In 1991, the Company sold its investment in Amgen Inc. for an after-tax gain of $128 million. This investment, which represented less than 20 percent of Amgen's outstanding common stock, had been accounted for under the cost method. The sale was reported as an extraordinary gain in the 1991 first quarter.

Nonrecurring/Unusual Losses

THE BFGOODRICH COMPANY (DEC)

	1992	1991	1990
		($ Millions)	
Sales	$2,525.8	$2,471.6	$2,432.6
Operating costs and expenses:			
Cost of sales	1,892.8	1,892.7	1,790.7
Selling and administrative expenses	560.7	509.4	473.4
Non-recurring charges (Note C)	25.1	122.9	16.9
	2,478.6	2,525.0	2,281.0
Total Operating Income (Loss)	47.2	(53.4)	151.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note C (In Part): Business Segment Information

Geon Vinyl Products: This segment includes polyvinyl chloride ("PVC") resins and compounds, as well as the feedstocks and intermediate precursors to PVC—vinyl chloride monomer ("VCM"), chlorine and ethylene—and their by-products and co-products. External sales consist primarily of PVC resins and compounds, but also include VCM and caustic soda. Intersegment sales are insignificant.

Segment operating income is total revenues less operating expenses. Corporate items include Corporate general administrative and research expenses.

In the fourth quarter of 1992 the Company had non-recurring charges of $25.1. This amount is comprised of $16.0 in the Geon Vinyl Products segment and $5.5 in the Specialty Chemicals segment in connection with intentions to streamline operations by reducing employment in these segments and $3.6 in Corporate Items primarily related to a voluntary retirement program. The results of the Geon Vinyl Products segment for 1992 also include a $3.1 pension settlement gain and a $2.9 benefit from insurance adjustments. Effective in 1992, the Company adopted a revised allocation process that stresses more strongly its philosophy that certain costs should be retained at the Corporate level unless they are closely associated with an operating unit. It is estimated that the effect of this change was to increase Corporate Items for 1992 by approximately $4.0 and to decrease expenses allocated to Aerospace Products and Services, Specialty Chemicals and Geon Vinyl Products by $1.2, $1.2 and $1.6, respectively.

In the fourth quarter of 1991 the Company had non-recurring charges of $122.9. This amount is comprised of $5.6 for a voluntary retirement program and $105.8 primarily for the planned phase-out of high-cost domestic PVC resin manufacturing operations in the Geon Vinyl Products segment and $11.5 for a variety of actions in the Specialty Chemicals segment. Also included in the results of the Geon Vinyl Products segment for 1991 is a $7.1 pension curtailment gain.

Geon Vinyl Products operating income for 1990 included a non-recurring charge of $16.9, principally for closing certain Canadian PVC resin operations. Also included in the Geon Vinyl Products segment operating income for 1990 is a $6.5 benefit related to insurance settlements. Aerospace Products and Services operating income for 1990 includes a $4.7 gain from disposition of the Off-Highway Braking Systems business unit and a $5.0 benefit from reversal of a reserve that had been established in prior years in connection with a patent infringement suit.

Assets of a business segment include both assets directly identified with those operations and an allocable share of jointly used assets. Corporate assets consist primarily of cash and cash equivalents, short-term investments, deferred income tax assets, assets held for sale, intangible pension asset and other assets that cannot be directly associated with the operations of a business segment.

IMO INDUSTRIES INC. (DEC)

	1992	1991	1990
		($000)	
Net Sales	$928,257	$1,023,986	$1,018,078
Cost of products sold	709,973	759,881	748,802
	218,284	264,105	269,276
Selling, general and administrative expenses	178,864	175,181	166,505
Research and development expenses	16,941	15,839	14,973
Unusual items	51,942	—	—
Income (Loss) from Operations	(29,463)	73,085	87,798

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Unusual Items

During the third quarter of 1992, the Company recognized unusual charges of $51.9 million ($35.3 million or $2.09 per share after tax). These charges include provisions for the estimated costs associated with pending litigation and certain warranty and claim settlements of $27 million; costs associated with operational disruptions and restructuring at the Electro-Optical operations, including revised estimates-to-complete on current contracts, of $22 million, and other costs of $2.9 million related to the write-down of assets, principally inventories, to net realizable value.

JOHNSON PRODUCTS CO., INC. (AUG)

	1992	1991	1990
		($000)	
Net sales	$41,980	$38,406	$33,497
Costs and expenses:			
Cost of sales	17,948	18,167	15,909
Selling, general and administrative expenses	17,515	16,165	15,270
Non-recurring operating expenses (Note 12)	480	—	—
Total costs and expenses	35,943	34,332	31,179
Income from operations	6,037	4,074	2,318

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Non-Recurring Operating Expenses:

In March 1992, the former President and Chief Executive Officer resigned to pursue personal business interests. The Company incurred $480,000 of severance expense as a result of this resignation. In addition, over a one year period, the Company is paying $450,000 in connection with a two year non-compete agreement and $30,000 related to a one year consulting agreement.

MEREDITH CORPORATION (JUN)

	1992	1991	1990
		(In Thousands)	
Revenues (less returns and allowances):			
Advertising	$327,895	$322,536	$321,377
Circulation	235,734	222,227	216,027
Consumer books	92,026	121,667	119,349
All other	62,581	81,302	78,668
Total Revenues	718,236	747,732	735,421
Operating Costs and Expenses:			
Production, distribution and editorial	334,476	355,251	349,964
Selling, general and administrative	343,615	355,426	327,982
Depreciation and amortization	17,545	18,128	18,082
Unusual items (Note 6)	26,383	—	36,841
Total Operating Costs and Expenses	722,019	728,805	732,869
(Loss) Income from Operations	(3,783)	18,927	2,552

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Unusual Items

In the fourth quarter of fiscal 1992, unusual items of $26,383,000 were charged to operations. These items included $12,983,000 in restructuring charges related to the Company's special voluntary early retirement program and selective job eliminations; a $10,000,000 write-off in the Book Group, due to repositioning and downsizing its direct mail operations, of inventory and deferred promotion costs; and $3,400,000 for other corporate charges.

During fiscal 1990, $36,841,000 was charged against operations for unusual items. The amount reflects a $27,302,000 charge for the devaluation of broadcast films; a $5,000,000 accrual for outstanding litigation claims; a $2,192,000 write-down of obsolete book inventories; and $2,347,000 for other items.

UNIVERSAL FOODS CORPORATION (SEP)

	1992	1991	1990
		($000)	
Revenue	$883,438	$834,329	$873,697
Operating costs and expenses:			
Cost of products sold	593,006	557,917	609,552
Selling and administrative expenses	187,727	170,137	169,797
Unusual items—Note B	19,300		(2,899)
	800,033	728,054	776,450
Operating Income	83,405	106,275	97,247

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Acquisitions, Divestitures and Unusual Items

In July 1992, the Company terminated the lease of its frozen potato processing facility in Park Rapids, Minnesota. In connection with the lease termination, a one-time pre-tax charge to earnings of $19,300,000 was recorded and is shown as an unusual item. This charge includes early termination of the lease, disposition of leasehold improvements and other costs related to ceasing production in this facility. The charge results in a decrease in net earnings of $12,014,000 ($.45 per share) for the year ended September 30, 1992.

PENSION PLANS

Statements of Financial Accounting Standards No. 87 and *No. 88* are the authoritative pronouncements on pension accounting and reporting. Paragraph 54 of *SFAS No. 87* enumerates the disclosure requirements for a defined benefit pension plan. Those requirements include disclosing the discount rate and rate of compensation increase used to determine the projected benefit obligation and the expected rate of return on plan assets. Tables 3-8, 3-9, and 3-10 list the percents used by the survey companies for the actuarial assumptions.

Examples of pension plan disclosures follow.

TABLE 3-8: ASSUMED DISCOUNT RATE

%	1992	1991	1990	1989
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	1	—	—	—
6.5	7	2	2	3
7	21	12	6	8
7.5	34	25	16	25
8	165	117	88	96
8.5	165	182	137	137
9	75	107	154	152
9.5	7	23	54	44
10	2	4	17	12
10.5	1	—	—	1
11	—	—	—	—
11.5 or greater	—	1	1	1
Not disclosed	4	8	8	9
Companies Disclosing Defined Benefit Plans	**482**	**481**	**483**	**488**

TABLE 3-9: ASSUMED RATE OF COMPENSATION INCREASE

%	1992	1991	1990	1989
4.5 or less	28	22	21	18
5	128	108	89	90
5.5	101	94	82	83
6	147	158	162	162
6.5	28	37	52	56
7	10	22	37	31
7.5	5	5	5	7
8	2	4	3	3
8.5	3	—	—	1
9	2	3	2	2
9.5	—	—	—	2
10	—	—	—	—
10.5	—	—	1	—
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	28	28	29	33
Companies Disclosing Defined Benefit Plans	**482**	**481**	**483**	**488**

TABLE 3-10: EXPECTED RATE OF RETURN

%	1992	1991	1990	1989
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	3	2	1	1
6.5	1	—	—	3
7	4	7	7	7
7.5	12	9	10	10
8	49	51	57	66
8.5	39	39	43	55
9	148	139	135	130
9.5	78	80	81	68
10	92	87	88	87
10.5	19	19	17	17
11	12	20	18	22
11.5 or greater	17	16	14	9
Not disclosed	8	12	12	13
Companies Disclosing Defined Benefit Plans	**482**	**481**	**483**	**488**

Defined Benefit Plans

AMP INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Employee Retirement Plans

The Company has defined benefit pension plans for substantially all U.S. and Puerto Rican employees. Pension benefits are based on the higher of an employee's career earnings or years of service and earnings near retirement. Assets of the plans are comprised principally of equity securities and fixed income investments. The U.S. plan includes a provision to increase benefit obligations in the event of a change in control of the Company, as defined. It is the Company's policy to fund at least the minimum amounts required by Federal law and regulation. During 1992, the Company settled a portion of its retirement benefit obligation to certain retirees through the purchase of annuity contracts.

Certain international subsidiaries also have pension plans. In most cases, the plans are defined benefit in nature. Assets of the plans are comprised of insurance contracts and equity securities—or book reserves are maintained. Benefit formulas are similar to those used by the U.S. plans. It is the policy of these subsidiaries to fund at least the minimum amounts required by local law and regulation.

In the disclosures which follow, the Company has chosen to report its international operations in the aggregate. Each plan was valued using consistent economic assumptions. The fair value of individual plan assets was approximately equal to or greater than the respective accumulated benefit obligation.

Components of net periodic pension cost for the year ended December 31 were:

	1992		1991		1990	
(Dollars in Thousands)	U.S. Plans	International Plans	U.S. Plans	International Plans	U.S. Plans	International Plans
Service cost—benefits earned during the period	$ 16,575	$ 11,544	$ 14,098	$ 9,840	$ 11,086	$ 10,162
Interest cost on projected benefit obligation	33,049	12,864	34,819	10,772	34,456	8,737
Actual return on plan assets	(27,299)	(13,700)	(98,605)	(10,271)	25,017	(2,981)
Net amortization and deferral	(14,313)	1,990	54,389	(719)	(66,425)	(5,527)
Net periodic pension cost	$ 8,012	$ 12,698	$ 4,701	$ 9,622	$ 4,134	$ 10,391

The funded status of these plans at December 31 was:

	1992		1991	
(Dollars in Thousands)	U.S. Plans	International Plans	U.S. Plans	International Plans
Plan assets at fair value	$468,065	$173,057	$512,065	$157,826
Actuarial present value of benefit obligations:				
Vested benefits	$323,300	$121,606	$368,028	$ 98,070
Nonvested benefits	35,161	24,805	31,694	19,391
Accumulated benefit obligation	358,461	146,411	399,722	117,461
Additional benefits based on projected future salary increases	64,832	34,190	57,035	46,259
Projected benefit obligation	$423,293	$180,601	$456,757	$163,720
Plan assets greater (less) than projected benefit obligation	$ 44,772	$ (7,544)	$ 55,308	$ (5,894)
Accrued liability at year end	$ (46,794)	$ (13,558)	$ (39,801)	$ (14,205)
Unrecognized net gain	65,016	18,941	63,380	21,114
Unrecognized prior service cost	9,109	(110)	9,729	(130)
Unrecognized transition amount, net of amortization	17,441	(12,817)	22,000	(12,673)
Plan assets greater (less) than projected benefit obligation	$ 44,772	$ (7,544)	$ 55,308	$ (5,894)

Key economic assumptions used in these determinations were:

	1992		1991	
	U.S. Plans	International Plans	U.S. Plans	International Plans
Settlement rate—				
January 1	8.25%	8.00%	9.00%	8.25%
December 31	8.25%	7.25%	8.25%	8.00%
Rates of increase in compensation levels	5.00%	5.50%	5.00%	6.25%
Expected long-term rate of return	9.00%	7.25%	9.00%	7.75%

The Company provides health care coverage continuation for qualifying U.S. retirees from date of retirement to age 65. The cost of providing these benefits for current retirees has been projected and a liability established sufficient to cover all future benefits payable under the plan. Pursuant to Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," future health care costs for early retirees will be actuarially projected and allocated ratably over employees' future service periods. Adoption of the new standard should not have a significant impact on net income and has been deferred until the required implementation date of January 1, 1993.

The Company also provides a defined contribution 401(k) plan to substantially all U.S. employees. Amounts charged to expense for this plan were $8,245,000 in 1992, $6,609,000 in 1991 and $5,928,000 in 1990.

AMERICAN BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Other Retiree Benefits (In Part)

The Company has a number of pension plans covering substantially all employees. The plans provide for payment of retirement benefits, mainly commencing between the ages of 60 and 65, and also for payment of certain disability and severance benefits. After meeting certain qualifications, an employee acquires a vested right to future benefits. The benefits payable under the plans are generally determined on the basis of the employees' length of service and earnings. Annual contributions to the plans are sufficient to satisfy legal funding requirements.

U.S. Pension Plans

The components of net pension costs are as follows:

(In millions)	1992	1991	1990
Service cost	$ 21.2	$ 18.7	$ 18.3
Interest cost	67.8	65.3	61.6
Actual return on plan assets	(55.5)	(118.9)	(4.1)
Net amortization and deferral	(22.1)	55.3	(56.1)
	$ 11.4	$ 20.4	$ 19.7

The funded status of the plans as of December 31 was as follows:

(In millions)	1992		1991	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Accumulated benefit obligation				
Vested	$657.3	$ 56.2	$625.4	$ 49.8
Nonvested	28.9	2.6	24.9	1.7
	$686.2	$ 58.8	$650.3	$ 51.5
Projected benefit obligation	$810.0	$ 70.6	$759.2	$ 60.1
Fair value of plan assets, principally equity securities and corporate bonds	848.0	24.7	822.2	21.0
Excess (deficiency) of assets over projected benefit obligation	38.0	(45.9)	63.0	(39.1)
Unrecognized net transition (gain) loss	(2.3)	4.2	(2.5)	4.7
Unrecognized net loss (gain) from experience differences	24.4	10.3	(20.2)	5.1
Unrecognized prior service cost	13.0	7.3	10.9	7.4
Adjustment needed to recognize minimum liability	—	(11.6)	—	(9.2)
Prepaid pension cost (pension liability)	$ 73.1	$(35.7)	$ 51.2	$(31.1)
Actuarial assumptions:				
Discount rate	8.25%	8.25%	8.5%	8.5%
Weighted average rate of compensation increase	6.1%	6.1%	6.2%	6%
Expected long-term rate of return on plan assets	9.5%	9.5%	9.5%	9.5%

Non-U.S. Pension Plans
The components of net pension costs are as follows:

(In millions)	1992	1991	1990
Service cost	$ 29.1	$ 20.2	$ 26.9
Interest cost	66.5	57.5	55.4
Actual return on plan assets	(32.1)	(198.7)	92.8
Net amortization and deferral	(61.2)	125.5	(189.2)
	$ 2.3	$ 4.5	$ (14.1)

The funded status (assets exceed accumulated benefits) of the plans as of December 31 was as follows:

(In millions)	1992	1991
Accumulated benefit obligation		
Vested	$525.2	$ 584.6
Nonvested	2.9	3.3
	$528.1	$ 587.9
Projected benefit obligation	$633.1	$ 702.1
Fair value of plan assets, principally equity securities and corporate bonds	815.6	997.4
Excess of assets over projected benefit obligation	182.5[a]	295.3[a]
Unrecognized net transition gain	(40.7)	(55.8)
Unrecognized net gain from experience differences	(16.2)	(120.0)
Unrecognized prior service cost	52.3	69.5
Prepaid pension cost	$177.9	$ 189.0
Actuarial assumptions:		
Weighted average discount rate	9.75%	10%
Weighted average rate of compensation increase	7%	7%
Expected long-term rate of return on plan assets	9.5%	9.5%

[a] The excess of assets over the projected benefit obligation, calculated under the valuation method mandated by FAS Statement No. 87, "Employers' Accounting for Pensions," arises principally in the U.K. At December 31, under current U.K. legislation, no part of this excess could be repaid to the Company from the U.K. plans.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS
In millions, except for share amounts

M (In Part): Pension Plans and Other Postemployment Benefits

The Company has defined benefit pension plans which cover employees in the U.S. and a number of foreign countries. The Company's funding policy is to contribute annually, at a rate that is intended to approximate a level percentage of compensation for the covered employees, to those plans where pension laws and economics either require or encourage funding.

The U.S. funded plan is the largest plan. Its benefits are based on length of service and the employee's three-highest consecutive years of compensation. The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of projected benefit obligation were 8.25 and 6 percent, respectively, for 1992 and 8.50 and 6 percent, respectively, for 1991. The assumed long-term rate of return on assets was 9 percent for 1992 and 8 percent for 1991.

All other pension plans used assumptions in determining the actuarial present value of the projected benefit obligations that are consistent with (but not identical to) those of the U.S. plan.

The funded status of fully funded, significant defined benefit plans for the Company was as follows:

Fully Funded Plans at December 31

	1992	1991
Accumulated benefit obligation, including vested benefits of $(2,718) in 1992 and $(2,465) in 1991	$(2,913)	$(2,642)
Projected benefit obligation for services rendered to date	(3,752)	(3,402)
Plan assets at market value, primarily listed stocks and bonds	4,190	4,032
Plan assets in excess of projected benefit obligation	438	630
Unrecognized transition obligation	33	34
Unrecognized (gain) from experience favorable to assumptions	(386)	(551)
Prior service cost not yet recognized in pension cost	15	14
Prepaid pension cost	$ 100	$ 127

The funded status of partially funded, significant defined benefit plans for the Company was as follows:

Partially Funded Plans at December 31

	1992	1991
Accumulated benefit obligation, including vested benefits of $(197) in 1992 and $(123) in 1991	$(219)	$(129)
Projected benefit obligation for services rendered to date	(333)	(215)
Plan assets at market value	78	16
Plan assets (less than) projected benefit obligation	(255)	(199)
Unrecognized transition obligation	36	32
Unrecognized (gain) loss from experience favorable to assumptions	(17)	(22)
Prior service cost not yet recognized in pension cost	33	6
Additional minimum liability	(13)	(1)
Accrued pension cost	$(216)	$(184)

The net periodic pension cost for all significant defined benefit plans was as follows:

Net Periodic Pension Cost

	1992	1991	1990
Service cost—benefits earned during the period	$ 122	$ 101	$ 113
Interest cost on projected benefit obligation	306	271	265
Actual (return) loss on assets	(341)	(725)	33
Amortization and deferred amounts	47	459	(272)
Employee contributions to the plans	(9)	(8)	(8)
Net periodic pension expense	$ 125	$ 98	$ 131

Pension plans in the nature of defined contribution plans cover employees in Australia, New Zealand, Spain, the United Kingdom and some U.S. subsidiaries. In addition, employees in the U.S. are eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation. The Company matches compensation, depending on Company profit levels. Contributions charged to income for defined contribution plans were $98 in 1992, $89 in 1991 and $65 in 1990.

FANSTEEL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Retirement Plans

The Company has several noncontributory defined benefit plans covering approximately 34% of its employees. Benefits for salaried plans are generally based on salary and years of service, while hourly plans are based upon a fixed benefit rate in effect at retirement date and years of service. The Company's funding to the plans is equal to the minimum contribution required by ERISA.

The net pension plan costs (credits) in 1992, 1991 and 1990 are comprised of:

	1992	1991	1990
Service cost	$ 417,000	$ 544,000	$ 430,000
Interest cost on projected benefit obligations	2,979,000	2,843,000	2,655,000
Actual return on plan assets	(2,786,000)	(5,378,000)	(3,658,000)
Net amortization and deferral	(983,000)	(2,312,000)	(403,000)
Net pension credit	$ (373,000)	$(4,303,000)	$ (976,000)
Continuing operations	$ (373,000)	$ $9,000	$ (122,000)
Discontinued operations	—	(4,322,000)	(854,000)
	($ 373,000)	$(4,303,000)	$ (976,000)

In connection with the 1989 discontinuance of the Metal Products segment, the Company recorded approximately $854,000 in 1990 for estimated termination costs and losses relating to defined benefit plans from discontinued operations. In 1991, the Company elected to merge the defined benefit plan from the discontinued operations with the defined benefit plans of the continuing operations resulting in the $4,322,000 pension credit to discontinued operations as no termination costs or losses are expected.

The following table sets forth the plans' funded status and amounts recognized in the balance sheet at December 31:

	1992	1991
Actuarial present value of benefit obligations		
Vested	$36,448,847	$36,446,961
Non-vested	661,298	939,519
Total accumulated benefit obligations	$37,110,145	$37,386,480
Projected benefit obligations for services rendered to date	$39,067,404	$39,900,016
Plan assets at fair value, primarily U.S. Government securities and publicly traded stocks and bonds	42,974,737	43,290,596
Plan assets in excess of projected benefit obligations	3,907,333	$3,390,580
Effect of change in assumptions, net gains and losses	7,657,891	4,891,412
Effect of merging of plans	—	3,590,710
Unrecognized net excess plan assets at January 1, 1986 being recognized over approximately 15 years	(4,108,772)	(4,789,245)
	$ 7,456,452	$ 7,083,457

An assumed discount rate of 8% and a rate of increase in future compensation levels of 5.5% were used in determining the actuarial present value of projected benefit obligations at December 31, 1992, 1991 and 1990. The expected long-term rate of return on assets was 8% in 1992 and 9% in 1991 and 1990.

The Company has several deferred profit sharing plans covering approximately 55% of its employees. The deferred profit sharing plans have funding provisions which, in certain situations, require Company contributions based upon formulae relating to employee gross wages, participant contributions or hours worked. The deferred profit sharing plans also allow for additional discretionary Company contributions based upon profitability. The costs of these plans included in continuing operations for 1992, 1991 and 1990 were $1,024,000, $701,000 and $1,578,000, respectively.

The Company makes medical insurance available and provides limited amounts of life insurance to retirees. Retirees electing to be covered by Company sponsored health insurance pay the full cost of such insurance. The Company has accrued the present value of life insurance for retirees and the face amount of life insurance for vested employees of discontinued or otherwise closed operations. Costs of postretirement benefits other than pensions for the years ended December 31, 1992, 1991 and 1990 were $199,000, $145,000 and $380,000, respectively.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in Millions Except Per Share Amounts)

Note 19. Pension Plans

Honeywell and its subsidiaries have noncontributory defined benefit pension plans that cover substantially all of their U.S. employees. The plan covering non-union employees provides pension benefits based on employee average earnings during the highest paid 60 consecutive calendar months of employment during the 10 years prior to retirement. The plan covering union employees provides pension benefits of stated amounts for each year of credited service. Funding for these plans is provided solely through contributions from Honeywell determined by the board of directors after consideration of recommendations from the plans' independent actuary. Such recommendations are based on actuarial valuations of benefits payable under the plan.

For U.S. defined benefit pension plans, the components of net periodic pension cost are as follows:

	1992	1991	1990
Service cost of benefits earned during the period	$ 48.1	$ 45.4	$ 46.6
Interest cost of projected benefit obligation	192.2	175.6	175.1
Actual return on assets	(147.7)	(360.7)	17.5
Net amortization and deferral	(5.1)	212.2	(178.4)
	$ 87.5	$ 72.5	$ 60.8

Net pension cost allocated to the Alliant spin-off and included in the above totals was $9.6 in 1990.

Assumptions used in the accounting for the U.S. defined benefit plans were:

	1992	1991	1990
Discount rate used in determining present values	8.75%	8.75%	8.75%
Annual increase in future compensation levels	5.0%	5.5%	5.5%
Expected long-term rate of return on assets	8.75%	8.75%	8.5%

Employees in foreign countries who are not U.S. citizens are covered by various postemployment benefit arrangements, some of which are considered to be defined benefit plans for accounting purposes. The cost of all foreign plans charged to income was $9.0 in 1992, $9.8 in 1991 and $9.0 in 1990.

For foreign defined benefit pension plans, the components of net periodic pension cost are as follows:

	1992	1991	1990
Service cost of benefits earned during the period	$ 29.8	$ 24.1	$ 24.8
Interest cost of projected benefit obligation	47.0	40.5	32.5
Actual return on assets	(38.4)	(76.5)	19.3
Net amortization and deferral	(32.8)	16.0	(72.6)
	$ 5.6	$ 4.1	$ 4.0

Assumptions used in the accounting for foreign defined benefit plans were:

	1992	1991	1990
Discount rate used in determining present values	5.0–9.5%	6.0–11.0%	5.0–10.0%
Annual increase in future compensation levels	2.0–8.0%	2.0–9.0%	2.0–9.0%
Expected long-term rate of return on assets	6.0–10.3%	7.0–10.3%	5.0–10.0%

The plans' funded status as of September 30 and amounts recognized in Honeywell's statement of financial position for its pension plans are summarized below.

1992 (U.S. and Foreign)	Plans Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(1,876.8)	$(508.1)
Accumulated benefit obligation	$(2,050.0)	$(538.1)
Projected benefit obligation	$(2,426.4)	$(584.0)
Plan assets at fair value	2,307.6	425.9
Projected benefit obligation in excess of plan assets	(118.8)	(158.1)
Remaining unrecognized net transition obligation (asset)	(164.2)	62.5
Unrecognized prior service cost	210.3	41.3
Unrecognized net (gain) loss	(5.0)	(5.1)
Fourth-quarter 1992 contributions to plans	28.7	7.9
Adjustment to recognize minimum liability		(74.7)
Unfunded pension liability recognized in the statement of financial position	$ (49.0)	$(116.0)

1991 (U.S. and Foreign)	Plans Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(1,731.8)	$(511.2)
Accumulated benefit obligation	$(1,883.9)	$(549.1)
Projected benefit obligation	$(2,242.7)	$(572.6)
Plan assets at fair value	2,260.1	414.8
Projected benefit obligation (in excess of) or less than plan assets	17.4	(157.8)
Remaining unrecognized net transition obligation (asset)	(191.8)	74.2
Unrecognized prior service cost	210.6	41.9
Unrecognized net gain	(124.3)	(17.8)
Fourth-quarter 1991 contributions to plans	19.7	9.1
Adjustment to recognize minimum liability		(74.8)
Unfunded pension liability recognized in the statement of financial position	$ (68.4)	$(125.2)

Adjustments recorded to recognize the minimum liability required for defined benefit pension plans whose accumulated benefits exceed assets amounted to $74.7 in 1992 and $74.8 in 1991. Intangible assets of equal amounts were also recorded.

Plan assets are held by trust funds devoted to servicing pension benefits and are not available to Honeywell until all covered benefits are satisfied after a plan is terminated. The assets held by the trust funds consist of a diversified portfolio of fixed-income investments and equity securities.

JOHNSTON INDUSTRIES, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

15. Employee Benefit Plans

The Company has two noncontributory defined benefit pension plans covering substantially all hourly and salaried employees. The plan covering salaried employees provides benefit payments based on years of service and the employees' final average ten years' earnings. The plan covering hourly employees generally provides benefits of stated amounts for each year of service. The Company's current policy is to fund retirement plans in an amount that falls between the minimum contribution required by ERISA and the maximum tax deductible contribution. Plan assets consist primarily of bonds, convertible securities, growth equity securities, cash and cash equivalents, and unallocated insurance contracts.

The provisions of Financial Accounting Standards Board Statement No. 87, "Employers' Accounting for Pensions" (SFAS No. 87) require recognition in the balance sheet of an additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets. At June 30, 1992 and 1991, an additional liability of $4,281,000 and $2,876,000, respectively, and an intangible asset of equal amount are reflected in the consolidated balance sheets. The increase in 1992 was due to changes in the plan provisions for salaried employees including a change in the definition of final average earnings and recognition of past service credit for predecessor employees.

Net periodic pension cost for 1992, 1991, and 1990 was $1,735,000, $1,427,000 and $1,333,000, respectively, and included the following components:

	1992	1991	1990
Service cost	$ 726,000	$ 625,000	$ 583,000
Interest cost	1,645,000	1,504,000	1,365,000
Actual return on assets	(840,000)	(956,000)	(857,000)
Net amortization and deferral	204,000	254,000	242,000
Net periodic pension cost	$1,735,000	$1,427,000	$1,333,000

The following sets forth the funded status of the plans at June 30, 1992 and 1991:

	1992	1991
Actuarial present value of benefit obligations:		
Vested benefit obligation	$19,027,000	$16,329,000
Non-vested benefit obligation	203,000	158,000
Accumulated benefit obligation	$19,230,000	$16,487,000
Projected benefit obligation	$21,445,000	$18,479,000
Plan assets at fair value	13,616,000	12,342,000
Projected benefit obligation in excess of plan assets	$ 7,829,000	$ 6,137,000
Unrecognized prior service cost	$ 1,052,000	$ 759,000
Unrecognized net loss	2,466,000	834,000
Unrecognized net liability at date of initial adoption	2,978,000	3,276,000
Pension liability recognized	1,333,000	1,268,000
	$ 7,829,000	$ 6,137,000

For the salaried plan, the weighted average discount rate used in determining the projected benefit obligation was 8.5% for 1992 and 9% for 1991, and the rate of increase in future compensation levels was 6% for 1992 and 7% for 1991. The weighted average discount rate used to determine the projected benefit obligation for the hourly plan was 8.5% for 1992 and 9% for 1991. The expected long-term rate of return on plan assets was 9% for 1992 and 1991 for both plans. These changes had the effect of increasing pension expense by $227,000 in 1992.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands of dollars, except per share data)

Note 8 (In Part): Retirement Benefit Plans

The company has various retirement benefit plans covering substantially all U.S. employees and many employees outside the United States. The cost of these plans was $17,341 in 1992, $15,178 in 1991, and $10,763 in 1990.

Defined Benefit Plan (U.S.)

In the U.S. the company maintains a pension plan designed to provide guaranteed minimum retirement benefits to substantially all U.S. employees. It is the company's policy to fund retirement costs within the limits of allowable tax deductions. Plan benefits are calculated using a combination of the following: years of service, final average earnings, primary social security benefit, and age. The excess of plan assets over accumulated plan benefits is caused by favorable plan experience and a combination of pension plans in 1983. As a result of the excess, which is being amortized over ten years, no contributions were made to the plan in 1991 and 1990. Contributions to the plan were $7,520 in 1992. Plan assets include investments in the company's common stock of $5,240 and $4,450 at April 30, 1992 and 1991, respectively.

Net pension cost for the U.S. plan includes the following components:

	1992	1991	1990
Service cost—benefits earned during the year	$ 3,170	$ 2,787	$ 1,765
Interest cost on projected benefit obligation	3,410	2,940	2,336
Return on assets	(6,829)	(6,690)	(4,000)
Net amortization and deferral	1,976	2,209	(512)
Net pension cost (credit)	$ 1,727	$ 1,246	$ (411)

The funded status of the U.S. plan was as follows:

April 30,	1992	1991
Actuarial present value of benefit obligation:		
Vested benefits	$(25,755)	$(23,368)
Nonvested benefits	(1,703)	(1,476)
Accumulated benefit obligation	(27,458)	(24,844)
Excess of projected benefit obligation over accumulated benefit obligation	(16,512)	(13,055)
Projected benefit obligation	(43,970)	(37,899)
Plan assets at fair value	56,531	43,564
Plan assets in excess of projected benefit obligation	12,561	5,665
Unrecognized May 1, 1986, net asset	(5,234)	(6,434)
Unrecognized net actuarial gain	(2,136)	(72)
Unrecognized prior service cost	2,093	2.332
Net prepaid pension cost	$ 7,284	$ 1,491

The assumptions for the discount rate, expected long-term return on assets, and average increase in compensation used in determining the pension expense and funded status information above were 9.0%, 9.0%, and 6.0%, respectively, in each year.

Defined Benefit Plans (Non-U.S.)

Retirement coverage for non-U.S. employees of the company is provided, to the extent deemed appropriate, through separate plans. Funding policies are based on local statutes. Retirement benefits are based on years of service, final average earnings, and social security benefits.

Net pension cost for the non-U.S. plans includes the following components:

	1992	1991	1990
Service cost—benefits earned during the year	$1,132	$888	$1,279
Interest cost on projected benefit obligation	206	129	637
Return on assets	(37)	(47)	(494)
Net amortization and deferral	9	20	126
Net pension cost	$1,310	$990	$1,548

In certain countries, the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the company has pension plans which are underfunded. The following table sets forth the funded status of the non-U.S. plans:

April 30,	1992	1991
Actuarial present value of benefit obligation:		
Vested benefits	$(4,600)	$(3,122)
Nonvested benefits	(339)	(152)
Accumulated benefit obligation	(4,939)	(3,274)
Excess of projected benefit obligation over accumulated benefit obligation	(958)	(686)
Projected benefit obligation	(5,897)	(3,960)
Plan assets at fair value	617	501
Projected benefit obligation in excess of plan assets	(5,280)	(3,459)
Unrecognized May 1, 1989, net obligation	119	124
Unrecognized net actuarial loss	313	9
Net accrued pension liability	$(4,848)	($3,326)

The range of assumptions for the non-U.S. plans reflects the different economic environments within the various countries and includes:

	1992	1991	1990
Discount rate	8.5%-9.0%	8.5%-9.0%	6.8%-9.0%
Expected long-term return on assets	9.0%	9.0%	7.0%-9.0%
Averge increase in compensation	5.5%-6.0%	5.5%-6.0%	4.5%-6.0%

SCHLUMBERGER LIMITED (DEC)

NOTES TO FINANCIAL STATEMENTS

Pension and Other Deferred Benefit Plans (In Part)

U.S. Pension Plans

The Company and its principal U.S. subsidiary sponsor several defined benefit pension plans that cover substantially all employees. The benefits are based on years of service and compensation on a career-average pay basis. These plans are substantially fully funded with trustees in respect to past and current service. Charges to expense are based upon costs computed by independent actuaries. The funding policy is to contribute annually amounts that can be deducted for federal income tax purposes. These contributions are intended to provide for benefits earned to date and those expected to be earned in the future.

Net pension cost in the U.S. for 1992, 1991, and 1990 included the following components:

	(Stated in millions)		
	1992	1991	1990
Service cost—benefits earned during the period	$ 16	$ 16	$ 15
Interest cost on projected benefit obligation	38	36	33
Expected return on plan assets (actual return: 1992—$44; 1991—$88; 1990—$3)	(41)	(38)	(36)
Amortization of transition asset	(2)	(2)	(2)
Amortization of prior service cost/other	(5)	(5)	(4)
Net pension cost	$ 16	$ 17	$ 14

Effective January 1, 1993, the Company and its subsidiaries amended their pension plans to improve retirement benefits for current employees. The funded status of the plans at December 31, 1992 reflects the amendment.

The funded status of the plans at December 31, 1992 and 1991 was as follows:

	(Stated in millions)	
	1992	1991
Actuarial present value of obligations:		
Vested benefit obligation	$435	$400
Accumulated benefit obligation	$438	$402
Projected benefit obligation	$495	$462
Plan assets at market value	524	504
Excess of assets over projected benefit obligation	29	42
Unrecognized net gain	(86)	(88)
Unrecognized prior service cost	37	30
Unrecognized net asset at transition date	(13)	(14)
Pension liability	$ (33)	$ (30)

In each year, assumed discount rate and rate of compensation increases used to determine the projected benefit obligation were 8.5% and 6%, respectively; the expected long-term rate of return on plan assets was 9%. Plan assets at December 31, 1992 consist of common stocks ($336 million), cash or cash equivalents ($46 million), fixed income investments ($119 million) and other investments ($23 million). Less than 1% of the plan assets at December 31, 1992 represents Schlumberger Limited Common Stock.

Non-U.S. Pension Plans

Outside of the U.S., subsidiaries of the Company sponsor several defined benefit and defined contribution plans that cover substantially all employees who are not covered by statutory plans. For defined benefit plans, charges to expense are based upon costs computed by independent actuaries. These plans are substantially fully funded with trustees in respect to past and current service. For all defined benefit plans, pension expense was $20 million, $23 million, and $14 million in 1992, 1991, and 1990, respectively. The only significant defined benefit plan is in the U.K.

Net pension cost in the U.K. plan for 1992, 1991, and 1990 (translated into U.S. dollars at the average exchange rate for the periods) included the following components:

	(Stated in millions)		
	1992	1991	1990
Service cost-benefits earned during the period	$ 14	$14	$11
Interest cost on projected benefit obligation	10	7	6
Expected return on plan assets [actual return (loss): 1992—$30; 1991—$37; 1990—$(10)]	(12)	(9)	(9)
Amortization of transition asset and other	(1)	(1)	(1)
Net pension cost	$ 11	$11	$ 7

During 1992, the U.K. pension plan was amended to improve retirement benefits for retirees. The improvement is reflected as prior service cost.

The funded status of the plan (translated into U.S. dollars at year-end exchange rates) was as follows:

	(Stated in millions)	
	1992	1991
Actuarial present value of obligations:		
Vested benefit obligation	$105	$ 87
Accumulated benefit obligation	$105	$ 87
Projected benefit obligation	$125	$114
Plan assets at market value	154	141
Excess of assets over projected benefit obligation	29	27
Unrecognized net gain	(34)	(25)
Unrecognized net asset at transition date	(7)	(9)
Unrecognized prior service cost	6	—
Pension liability	$ (6)	$ (7)

The assumed discount rate and rate of compensation increases used to determine the projected benefit obligation were 8.5% and 6%, respectively; the expected long-term rate of return on plan assets was 9%. Plan assets consist of common stocks ($136 million), cash or cash equivalents ($4 million) and fixed income investments ($14 million). None of the plan assets represents Schlumberger Limited Common Stock.

For defined contribution plans, funding and cost are generally based upon a predetermined percentage of employee compensation. Charges to expense in 1992, 1991, and 1990 were $14 million, $16 million, and $15 million, respectively.

SPARTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Employee benefit plans

The Company has a contributory pension plan for the benefit of certain salaried and non-union hourly employees. Basic plan benefits are based upon the participants' years of service. Additional benefits are available to contributory participants based upon their years of contributory service and compensation. The Company's policy is to fund the plan based upon legal requirements and tax regulations.

The following major assumptions were used in the actuarial valuations:

Long-term rate of investment return	8.0%
Long-term rate of increase in compensation levels	5.0%
Discount rate	7.5%

Net periodic pension income of $273,000, $327,000 and $355,000 was recognized in fiscal 1992, 1991 and 1990, respectively. The components of these credits are as follows:

	1992	1991	1990
Service cost-benefits earned during the year	$ 286,000	$ 246,000	$ 251,000
Interest on projected benefit obligation	633,000	625,000	527,000
Actual return on plan assets	(2,555,000)	(1,159,000)	(1,202,000)
Net amortization and deferral	1,363,000	(39,000)	69,000
Net periodic pension income	$ (273,000)	$ (327,000)	$ (355,000)

The following table summarizes the funding status of the plan at March 31:

	1992	1991
Actuarial present value of benefit obligations:		
Accumulated benefit obligation:		
Vested	$ 6,919,000	$ 5,705,000
Non-vested	134,000	117,000
	$ 7,053,000	$ 5,822,000
Projected benefit obligation	$ 8,291,000	$ 7,625,000
Market value of plan assets consisting primarily of common stocks (including 319,100 shares of the Company's common stock), corporate bonds, and U.S. Government obligations	13,440,000	11,472,000
Excess of plan assets over projected benefit obligation	5,149,000	3,847,000
Unrecognized net (gain) loss	(296,000)	1,030,000
Unrecognized net transition asset	(2,963,000)	(3,260,000)
Prepaid pension cost included in other assets	$ 1,890,000	$ 1,617,000

The Company also maintains several contributory profit sharing retirement plans. The aggregate costs of these plans amounted to $500,000 for 1992, $331,000 for 1991 and $356,000 for 1990.

WESTVACO CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

N. Employee retirement plans

The 1992 net pension credit relating to employee pension and retirement benefits was $37,959,000 (1991—$30,118,000, 1990—$24,354,000). The net pension credits reflect cumulative favorable returns on plan assets.

The components of the net pension credit for 1992, 1991 and 1990 are as follows:

In thousands	1992	1991	1990
Service cost—benefits earned during the period	$ 22,874	$ 22,445	$ 19,833
Interest cost on projected benefit obligation	48,458	47,484	43,573
Actual return on plan assets	(110,102)	(106,146)	(59,588)
Net amortization and deferrals	811	6,099	(28,172)
Net pension credit	$ (37,959)	$ (30,118)	$(24,354)

The following table sets forth the funded status of the plans and amounts recognized in the consolidated balance sheet at October 31, based on a valuation date of July 31:

In thousands	1992	1991
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $[564,868] (1991—$[512,519])	$ (591,459)	$(535,246)
Projected benefit obligation	$ (719,691)	$(655,255)
Plan assets at fair value:		
Mainly listed stocks, including $93 million of company stock, and money market and fixed income investments	1,018,808	929,791
Plan assets in excess of projected benefit obligation	299,117	274,536
Unrecognized net gain from past experience different from that assumed	(105,908)	(101,049)
Unrecognized prior service cost	43,796	32,444
Unrecognized net transition asset	(64,100)	(70,985)
Prepaid pension cost included in the consolidated balance sheet	$ 172,905	$ 134,946

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.5% and 6% in 1992, 1991 and 1990. The expected long-term rate of return on plan assets used in determining net pension cost was 11.5% for 1992, 1991 and 1990.

During the second quarter of 1991, the company settled a portion of its retirement benefit obligations to certain retirees through the purchase of annuity contracts, resulting in a pretax gain of $8.2 million, which increased net income by $.08 per share.

Financial Accounting Standards Board Statement No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," was issued in December 1990. The statement which must be adopted no later than our fiscal year 1994, requires that the cost of providing postretirement medical and life insurance benefits be accrued over the average period of eligibility for those benefits. The company provides life insurance for substantially all retirees and medical benefits to some retirees in limited circumstances. The estimated pretax cost to recognize the liability for benefits earned up to the date of adoption is approximately $30 million. The annual cost of providing these benefits is not expected to be significant under the new rules.

Defined Contribution Plans

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Certain Benefit Plans (In Part)

In addition to the defined benefit plans described above, the Company also sponsors a qualified defined contribution plan covering all full-time nonunion employees. The Company matches, with equivalent value of Company stock, 50% of a participant's voluntary contributions up to a maximum of 6% of a participant's compensation. The Company's contribution expense was approximately $10 million in 1992 and $9 million in 1991 and 1990.

GENERAL HOST CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Pension Plan

Retirement benefits for both salaried and hourly employees were provided through a noncontributory, defined contribution plan. Contributions were a percent of each covered employee's salary. Costs of the plan charged to operations were $2,041,000 in 1991 and $1,867,000 in 1990. Effective September 1992 the plan was amended and contributions are now determined by the Board of Directors based upon assessment of the Company's fiscal year's profitability as related to pre-established financial objectives. There were no contributions made to the plan for 1992. The plan also includes a 401(k) component, permitting employers to invest from 1% to 10% of their salary in the employee's choice of an equity fund, a balanced fund or a fixed income fund. The Company does not match employee contributions.

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 16 (In Part): Retirement Plans

The Company has various retirement plans which cover a significant number of its employees. The major pension plans are defined contribution plans, which provide pension benefits in return for services rendered, provide an individual account for each participant, and have terms that specify how contributions to the participant's account are to be determined rather than the amount of pension benefits the participant is to receive. Contributions to these plans are based on pre-tax income and/or discretionary amounts determined on an annual basis. The Company's expense for the defined contribution plans totaled $73.7 million, $60.6 million, and $85.8 million in 1992, 1991, and 1990, respectively.

INTERSTATE BAKERIES CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Employee Benefit Plans

The Company sponsors a defined contribution retirement plan for eligible employees not covered by union plans. Contributions are based upon a fixed percentage of annual compensation plus a fixed percentage of voluntary employee contributions. Retirement expense related to this plan was $5,789,000, $5,345,000 and $5,159,000 for fiscal 1992, 1991 and 1990, respectively.

There are also in effect numerous negotiated pension plans covering employees participating by reason of union contracts. Expense for these plans was $26,566,000, $26,411,000 and $24,758,000 for fiscal 1992, 1991 and 1990, respectively. Information regarding assets and accumulated benefits of these plans has not been made available to the Company.

In addition to providing the above-mentioned retirement pension benefits, the Company provides certain health care benefits for retired employees. All non-union employees and certain union employees who have bargained into the Company-sponsored medical plan are eligible after meeting service and age requirements. The cost of retiree health care benefits is recognized as incurred, and these costs were $1,049,000, $1,056,000 and $1,100,000 for fiscal 1992, 1991 and 1990, respectively.

During December 1990, Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was issued. The new standard requires the accrual of postretirement benefits during the years the employees provide services. When adopted, the new standard provides for either immediate or delayed recognition of any transition benefit obligation. The Company will be required to adopt SFAS No. 106 by fiscal 1994. The impact on the financial position and results of operations of the Company is not presently known, and the method of adoption is under consideration.

UNITED FOODS, INC. (FEB)

NOTES TO FINANCIAL STATEMENTS

Note 10 (In Part): Employee Benefit Plans

Pension Plans

The Company has a defined contribution pension plan for hourly non-clerical employees. Contributions to the plan are based upon hours worked during the plan year and participants may make voluntary contributions to the plan up to 10% of their compensation (as defined). Costs of the plan charged to operations for fiscal 1992, 1991 and 1990 amounted to approximately $335,000, $531,000, and $402,000, respectively.

The Company also provides either an unfunded management retirement compensation plan or a funded defined contribution pension plan for salary and hourly clerical employees. Company contributions to the plans are discretionary but may not exceed 15% of participants' compensation. Participants may make voluntary contributions to the plan up to 10% in the funded plan and 25% in the unfunded plan of their compensation (as defined). Costs of these plans charged to operations for fiscal 1992, 1991 and 1990 amounted to approximately $31,000, $713,000 and $1,168,000, respectively.

Supplemental Retirement Plans

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Pension Plans

The Corporation has non-qualified supplemental pension plans covering certain employees, which provide for incremental pension payments from the Corporation's funds so that total pension payments equal amounts that would have been payable from the Corporation's principal pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation relating to these unfunded plans totals $9,431,000 at December 31, 1992. Pension expense for the plans was $1,771,000 in 1992, $1,809,000 in 1991 and $1,493,000 in 1990.

AVON PRODUCTS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In millions, except share data

9 (In Part): Employee Benefit Plans

Supplemental Executive Retirement and Life Insurance Plans—Avon has a Supplemental Executive Retirement Plan ("SERP"), which is a defined benefit plan under which Avon will pay supplemental pension benefits to key executives in addition to amounts received under Avon's retirement plan. The annual cost of this plan has been included in the determination of the net retirement plan expense shown above and amounted to $6.4 (1991—$4.2; 1990—$4.1). Such benefits will be paid from Avon's assets. The unfunded accumulated benefit obligation under this plan at December 31, 1992 was $12.6 (1991—$14.5) and is included in the accrued retirement plan cost shown above.

During 1990, the SERP was amended to permit participants who retired prior to July 1, 1988 to elect a lump sum distribution of their remaining benefits, to be paid in shares of Avon common stock. A distribution of 177,644 shares of Avon common stock with a market value at the date of the offer of $6.6 was made to participants electing the lump sum distribution. Additional expense of $2.1 was recognized as a result of this distribution.

Avon also maintains a Supplemental Life Insurance Plan ("SLIP") under which additional death benefits ranging from $.35 to $2.0 are provided to certain active and retired officers. Avon has acquired corporate-owned life insurance policies to provide partial funding of the benefits. The cash surrender value of these policies at December 31, 1992 was $20.6 (1991—$18.0) and is held in the grantor trust described below.

Avon has established a grantor trust to provide funding for the benefits payable under the SERP and SLIP. The trust is irrevocable and assets contributed to the trust can only be used to pay such benefits with certain exceptions. The assets held in the trust at December 31, 1992 amounted to $40.5 (1991—$37.8), consisting of a money market fund, a managed portfolio of equity securities and corporate-owned life insurance policies, and are included in Other Assets.

GARAN, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Pension and Retirement Plans

The Board of Directors adopted on April 1, 1989 a Supplemental Executive Retirement Plan for certain executive employees to restore pension benefits which have been reduced by legislative action. The Company purchases annuity contracts to fund its obligation for the four participants (all officers-directors of the Company) under such plan and reimburses the participants for the current tax recognition resulting from such purchases. The respective costs are being amortized over the remaining estimated employment lives of the participants. The 1992, 1991 and 1990 expense for such plan was $439,000, $391,000 and $400,000, respectively.

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in thousands except per share

7 (In Part): Employee Retirement Plans

Pension and Savings Plans: The Company maintains a qualified defined benefit pension plan which covers substantially all non-union employees. Plan benefits are based on the participant's years of service and average annual earnings. The Company has made no contribution to the plan for several years due to its overfunded status.

Supplemental defined benefit pension plans covering certain officers are also maintained. These plans are unfunded and non-qualified. The pension liability associated with the plans is accrued using the same actuarial methods and assumptions as those used for the Company's qualified plan.

The net periodic pension cost (credit) for these plans includes the following components:

	1992	1991	1990
Service cost			
Qualified plan	$ 3,374	$ 2,466	$ 2,023
Supplemental plans	47	46	25
Interest cost			
Qualified plan	5,562	4,236	3,671
Supplemental plans	169	125	110
Actual return on assets	(6,409)	(7,828)	(7,088)
Net amortization and deferral			
Qualified plan	(817)	1,132	976
Supplemental plans	46	5	(30)
Net pension cost (credit)	$ 1,972	$ 182	$(313)

The funded status and amounts recognized in the consolidated balance sheets as of February 29, 1992, February 23, 1991 and February 24, 1990 are as follows:

	Qualified plan			Supplemental plans		
	1992	1991	1990	1992	1991	1990
Actuarial present value of benefit obligations						
Vested benefit obligation	$ 45,726	$ 39,100	$31,571	$ 1,559	$ 1,005	$ 854
Accumulated benefit obligation	$ 46,141	$ 39,455	$31,927	$ 1,559	$ 1,005	$ 854
Projected benefit obligation	$ 68,708	$ 58,508	$ 44,713	$ 2,111	$ 1,580	$ 1,318
Plan assets at fair value	(67,574)	(63,185)	(56,858)	—	—	—
Projected benefit obligation in excess of (less than) plan assets	1,134	(4,677)	(12,145)	2,111	1,580	1,318
Unrecognized net gain (loss)	(8,418)	(5,315)	(64)	988	1,509	1,738
Unrecognized prior service cost	(3,146)	(3,400)	(2,441)	(310)	(334)	(318)
Unrecognized transition asset (obligation)	12,358	13,610	14,862	(1,023)	(1,126)	(1,228)
Pension liability recognized in the consolidated balance sheets	$ 1,928	$ 218	$ 212	$ 1,766	$ 1,629	$ 1,510

Actuarial assumptions used were as follows:

	1992	1991	1990
Discount rate	8.75%	9%	9%
Rate of increase in compensation levels	6%	5%	5%
Expected rate of return on plan assets	10%	10%	10%

TULTEX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Employee Benefits

The company has a nonqualified, unfunded supplementary retirement plan for which it has purchased cost recovery life insurance on the lives of the participants. The company is the sole owner and beneficiary of such policies. The amount of coverage is designed to provide sufficient revenues to recover all costs of the plan if assumptions made as to mortality experience, policy earnings and other factors are realized. Expenses related to the plan were $395,000 in 1992, $312,000 in 1991 and $325,000 in 1990. The actuarially determined liability which has been included in other deferrals was $2,313,000 at January 2, 1993, $1,962,000 at December 28, 1991 and $1,676,000 at December 29, 1990.

The following table sets forth the plan's status and amounts recognized in the company's financial statements at January 2, 1993 and December 28, 1991:

(In thousands of dollars)	1992	1991
Fair value of plan assets	$ —	$ —
Accumulated benefit obligation, including vested benefits of $2,284 and $1,952, respectively	2,313	1,963
Additional benefits based on estimated future salary levels	1,341	465
Projected benefit obligation	3,654	2,428
Projected benefit obligation in excess of plan assets	(3,654)	(2,428)
Unrecognized net (gain) loss	1,213	(215)
Unrecognized transitional obligation	1,193	1,293
Adjustment required to recognize minimum liability	(1,065)	(612)
Unfunded accrued supplementary costs	$(2,313)	$(1,962)

Net supplementary pension cost for the two years included the following components:

(In thousands of dollars)	1992	1991
Service cost-benefits earned during the period	$ 95	$ 83
Interest on projected benefit obligation	200	172
Actual return on plan assets	—	—
Net amortization	100	57
Net periodic supplementary pension cost	$395	$312

Multiemployer Plans

STANDEX INTERNATIONAL CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Employee Benefit Plans (In Part)

Retirement Plans

Certain U.S. employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Contributions and cost are determined in accordance with the provisions of negotiated labor contracts or terms of the plans. Pension expense for these plans was $939,000, $902,000 and $1,395,000 in 1992, 1991 and 1990, respectively.

THORN APPLE VALLEY, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Pension plans

The Company also makes contributions to union-sponsored multi-employer plans in accordance with negotiated labor contracts. Information on the actuarial present value of accumulated plan benefits and net assets available for benefits relating to these plans is not available. Contributions to all such plans were approximately $145,000, $169,000 and $185,000 in 1992, 1991 and 1990, respectively.

Amendment Of Plan

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Benefit Plans (in thousands)

The company has a noncontributory defined benefit pension plan which covers substantially all U.S. employees. The company also has a supplemental retirement benefit plan, which covers certain U.S. employees. Benefits under the plans are based on an employee's regular base pay and creditable years of service, as defined in the plans. Certain of the company's foreign subsidiaries also have retirement plans covering substantially all of their employees. Benefits under these plans are generally based on either career average or final average salaries and creditable years of service, as defined in the plans. Funds contributed to the plans are invested primarily in common stocks, debentures, cash equivalent securities, and insurance contracts.

The components of net pension (income) expense are as follows:

	Year Ended		
	Sept. 26, 1992	Sept. 28, 1991	Sept. 29, 1990
Service cost	$ 7,770	$ 6,633	$ 7,684
Interest on projected benefit obligation	8,443	5,768	5,148
Actual (gain) loss on plan assets	(6,566)	(14,234)	7,296
Deferral of net actuarial gains (losses) and amortization of transition surplus and prior service cost	(285)	7,674	(12,996)
Curtailment gain	—	—	(5,821)
Settlement gain	—	(677)	(2,529)
Net pension (income) expense	$ 9,362	$ 5,164	$ (1,218)

The funded status of the plans are as follows:

	Sept. 26, 1992	Sept. 28, 1991
Actuarial pesent value of benefit obligations:		
Vested benefit obligation	$ 97,995	$58,984
Accumulated benefit obligation	$102,821	$62,188
Projected benefit obligation	$122,448	$87,458
Market value of plan assets	86,307	80,636
Excess of projected benefit obligation over plan assets	36,141	6,822
Unrecognized actuarial loss	(7,730)	(572)
Unrecognized prior service cost	(21,807)	(6,229)
Unrecognized transition surplus, net	10,857	11,634
Adjustment required to recognize minimum liability	4,690	—
Net pension liability included in accrued expenses	$ 22,151	$11,655
Assumptions used in computing the funded status of the plans:		
Discount rate	6.0%-9.0%	6.0%-9.0%
Expected long-term rate of return on assets	6.0%-9.0%	5.0%-9.0%
Rate of increase in compensation levels	4.5%-7.0%	4.5%-7.0%

The assumptions used to compute the funded status of certain plans were changed in fiscal 1992. The changes in assumptions resulted in increases of approximately $6,800, $6,900, and $6,900, in the vested benefit obligation, accumulated benefit obligation, and projected benefit obligation, respectively.

During fiscal 1992, the U.S. plan was amended to change the benefit for creditable service prior to October 1, 1991 from 1½% of a participant's average base pay during the service period to 1½% of the participant's base pay on October 1, 1991. The benefit formula for creditable service subsequent to October 1, 1991 did not change. The update will generally result in increased benefits to participants with creditable service prior to October 1, 1991. The amendment resulted in increases of approximately $22,600, $24,100, and $16,800 in the fiscal 1992 vested benefit obligation, accumulated benefit obligation, and projected benefit obligation, respectively.

Statement of Financial Accounting Standard 87 requires recognition of a minimum pension liability to reflect the excess of accumulated benefits over the fair value of pension plan assets for defined benefit plans. As a result, in fiscal 1992 the company recorded a minimum pension liability of $4,690 with an offsetting intangible asset.

As a result of the company's restructuring and cost curtailment programs, total pension curtailment and settlement gains in fiscal 1990 amounted to $8,350. Of this amount, $7,042 was applied to the 1990 restructuring charge.

Curtailment Of Plan

McDERMOTT INTERNATIONAL, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Pension Plans and Postretirement Benefits

Pension Plans—McDermott International provides retirement benefits, primarily through non-contributory pension plans, for substantially all of its regular full-time employees, except certain non-resident alien employees of foreign subsidiaries who are not citizens of a European Common Market country or who do not earn income in the United States, Canada, or the United Kingdom. Salaried plan benefits are based on final average compensation and years of service, while hourly plan benefits are based on a flat benefit rate and years of service. McDermott International's funding policy is to fund applicable pension plans to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and, generally, to fund other pension plans as recommended by the respective plan actuary and in accordance with applicable law. At January 1, 1992 and 1991, approximately one-half of total plan assets were held in U.S. Government securities. The remaining assets were invested in listed stocks and bonds and investments of a short-term nature.

Net periodic pension cost (benefit) for fiscal years 1992, 1991 and 1990 included the following components:

	1992	1991	1990
	(In thousands)		
Service cost—benefits earned during the period	$ 23,915	$ 20,759	$ 18,052
Interest cost on projected benefit obligation	63,150	55,823	45,714
Actual return on plan assets	(177,882)	(5,783)	(153,530)
Net amortization and deferral	89,550	(91,724)	75,600
Net periodic pension cost (benefit)	$ (1,267)	$(20,925)	$ (14,164)

Due to the sale of Welded, McDermott International recognized a curtailment and settlement of a certain related hourly pension plan in the United States. Consequently, the loss from discontinued operations in fiscal year 1992 includes a net after-tax gain of $1,659,000 resulting from the curtailment and settlement.

Due to the sale of interests in its commercial nuclear fuel joint ventures, McDermott International recognized a curtailment and settlement of a certain related salaried pension plan in the United States. Consequently, income from continuing operations in fiscal year 1992 includes a net after-tax gain of $1,615,000 resulting from the curtailment and settlement. Accordingly, net periodic pension cost relating to this pension plan was remeasured at December 4, 1991. The impact on net periodic pension cost for fiscal year 1992 was to increase pre-tax income from continuing operations by $2,074,000.

Due to the sale of its Bailey operations, McDermott International curtailed certain related salaried pension plans in the United States and Canada. Consequently, income from discontinued operations in fiscal year 1990 includes a net after-tax gain of $3,118,000 resulting from the curtailments. Accordingly, net periodic pension cost relating to these pension plans was remeasured at October 31, 1989. The impact on net periodic pension cost for fiscal year 1990 was to reduce the pre-tax loss from continuing operations by $3,523,000.

The following table sets forth the plans' funded status and amounts recognized in McDermott International's consolidated financial statements:

	Plans for Which Assets Exceed Accumulated Benefits		Plans for Which Accumulated Benefits Exceed Assets	
	1992	1991	1992	1991
	(In thousands)			
Actuarial present value of benefit obligations:				
Vested benefit obligation	$ 506,394	$ 485,540	$ 82,279	$ 77,297
Accumulated benefit obligation	$ 555,324	$ 532,121	$100,556	$ 96,379
Projected benefit obligation	$ 671,278	$ 657,947	$102,406	$ 98,266
Plan assets at fair value	1,038,668	941,197	67,572	59,822
Projected benefit obligation (in excess of) or less than plan assets	367,390	283,250	(34,834)	(38,444)
Unrecognized net (gain) or loss	(49,578)	35,269	(4,432)	4,840
Prior service cost not yet recognized in net periodic pension cost	11,301	11,563	4,590	5,043
Unrecognized transition (asset) obligation	(101,850)	(116,498)	268	306
Adjustment required to recognize minimum liability	—	—	(2,797)	(8,205)
Prepaid pension cost (pension liability) recognized in the consolidated financial statements	$ 227,263	$ 213,584	$ (37,205)	$(36,460)

At January 1, 1992, 1991 and 1990, the weighted-average discount rate for active and retired employees and the expected long-term rate of return on assets were 8½%. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations was 5% for fiscal years 1992, 1991 and 1990.

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions," McDermott International recorded during fiscal 1992 and 1991, an additional minimum liability for certain of its plans of $2,797,000 and $8,205,000, respectively. These liabilities resulted in recognition of intangible assets of $936,000 and $5,628,000 and reductions in stockholders' equity of $1,264,000 and $2,577,000, respectively, in fiscal years 1992 and 1991.

The two principal ERISA pension plans provide that, subject to certain limitations, any excess assets in such plans would be used to increase pension benefits if certain events occurred within a 60-month period following a change in control of International.

WANG LABORATORIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Postretirement Benefits

Defined Benefit Plans: U.S. net pension cost consisted of (in millions):

Year ended June 30,	1992	1991	1990
Service cost	$7.0	$10.2	$11.8
Interest cost	2.5	2.6	1.9
Return on assets	(.8)	(1.2)	(1.6)
Other	(1.0)	(.1)	.2
	$7.7	$11.5	$12.3

The funded status of the U.S. plan was (in millions):

June 30,	1992	1991
Fair value of plan assets	$ 26.0	$ 17.4
Projected benefit obligation	(26.5)	(34.9)
Plan assets less than projected benefit obligation	(.5)	(17.5)
Unrecognized net loss	1.8	.5
Unrecognized net transition asset	(.8)	(.8)
Additional minimum liability	(.7)	—
Accrued pension costs	$ (.2)	$(17.8)
Accumulated benefits	$(26.3)	$(18.1)
Vested benefits	$(24.1)	$(15.3)

Non-U.S. net pension cost consisted of (in millions):

Year ended June 30,	1992	1991	1990
Service cost	$3.0	$4.1	$3.7
Interest cost	3.7	3.8	3.0
Return on assets	(4.6)	(4.7)	(3.9)
Other	.9	—	(.1)
	$3.0	$3.2	$2.7

The funded status of non-U.S. plans was (in millions):

June 30,	1992	1991
Fair value of plan assets	$ 49.2	$ 49.5
Projected benefit obligation	(43.9)	(46.2)
Plan assets in excess of projected benefit obligation	5.3	3.3
Unrecognized net loss	1.8	1.0
Unrecognized net transition liability	.1	.5
Prepaid pension costs	$ 7.2	$ 4.8
Accumulated benefits	$(32.6)	$(31.9)
Vested benefits	$(29.7)	$(30.1)

The following assumptions were used to measure net periodic pension cost for the defined benefit pension plans:

	U.S. Plan	Non-U.S. Plans
Discount rate	8.0%	7.0%– 9.5%
Expected long-term rate of return	8.0%	7.0%–10.0%
Average increase in compensation levels	5.0%	4.0%– 8.0%

The only significant change from fiscal 1991 and 1990 rates was a change in the discount rate from 8.5% to 8.0% for the U.S. plan. Plan assets consist principally of marketable securities and guaranteed investment contracts. Annual cost is determined using the projected unit credit actuarial method.

In March 1992, the Board of Directors approved an amendment to the U.S. pension plan which resulted in the freezing of all future benefits under the plan as of June 30, 1992, except for employees in Puerto Rico. As a result, the Company recognized a gain of $15.8 million. The curtailment gain is included in restructuring and other unusual items. See Note B for description of the new Wang Retirement Savings Plan. In addition, there were curtailment gains of $2.6 million in the non-U.S. plans, resulting primarily from the conversion of defined benefit plans to defined contribution plans.

Transfer Of Pension Assets To Fund Health Benefits

ROHM AND HAAS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Pension Plans and Other Retirement Benefits

The company maintains noncontributory pension plans which provide defined benefits to substantially all domestic employees meeting age and length of service requirements. Certain of the company's foreign locations have adopted the provisions of SFAS No. 87 in accounting for their pension plans. Disclosures include amounts for both the U.S. and certain foreign pension plans. Pension cost determined in accordance with plan provisions is presented below:

(Millions of dollars)	1992	1991	1990
Pension cost	$ (21)	$(20)	$(25)
Pension benefit payments	108	45	55

The negative cost in 1992, 1991 and 1990 primarily reflects recognition of favorable investment experience as stipulated by SFAS No. 87. The pension benefit payments in 1992 and 1990 include payments related to voluntary early retirement incentives. The incentive in 1992 was offered to U.S. salaried employees meeting certain age and length of service requirements; the 1990 incentive was offered to certain senior managers.

Pension cost includes the following components:

(Millions of dollars)	1992	1991	1990
Service cost—benefits earned during the year	$ 29	$ 26	$ 25
Interest cost on projected benefit obligation	54	51	49
Return on plan assets			
—actual	$ (76)	$(241)	$ 13
—less deferred	(11)	159	(94)
	(87)	(82)	(81)
Other amortization, net	(3)	(1)	(4)
Amortization of net gain existing at adoption of SFAS No. 87	(14)	(14)	(14)
Net pension cost	$ (21)	$ (20)	$ (25)

In addition to the 1992 pension income noted above, the company's 1992 early retirement program resulted in a pre-tax gain of $5 million, as the settlement gains from retirees electing lump-sum distributions exceeded the cost of the special termination benefits. The gain was recorded as other income for the period ended December 31, 1992.

The funded status of the pension plans at year end was as follows:

(Millions of dollars)	1992	1991
Actuarial present value of plan benefits		
Vested	$ 461	$ 482
Nonvested	—	—
Accumulated benefit obligation	461	482
Effect of projected future compensation increase	154	164
Projected benefit obligation	615	646
Plan assets at market value	1,017	1,080
Plan assets in excess of projected benefit obligation	402	434
Unrecognized net gain existing at adoption of SFAS No. 87	(110)	(138)
Other unrecognized net gain	(169)	(188)
Prepaid pension cost	$ 123	$ 108

Net assets of the pension trusts, which primarily consist of common stocks and debt securities, were measured at market value. For U.S. plans, the assumed long-term rate of return on trust assets was 8.5% in 1992 and 1991. Pension benefit obligations were determined from actuarial valuations using an assumed discount rate of 8.5% in 1992 and 1991, and an assumed long-term rate of compensation increase of 6% in 1992 and 1991. Non-U.S. plans assumed an average rate of return on trust assets of 9.1% in 1992 and 9.2% in 1991, an average 9.1% discount rate for pension benefit obligation in 1992 and 1991, and an average 6.6% and 6.9% long-term rate of compensation increase in 1992 and 1991, respectively. The remaining non-U.S. subsidiaries which maintain pension plans are not material in total. As of their latest valuation dates, the fair market value of assets of these plans exceeded the present value of vested benefits. The Revenue Reconciliation Act of 1990 provides for the transfer of excess pension plan assets to fund annual retiree medical expenses (Section 401(h) account). The company transferred excess pension plan assets of $7 million and $14 million in 1992 and 1991, respectively, to the 401(h) account to fund 1992, 1991 and 1990 retiree health costs.

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Effective for fiscal years beginning after December 15, 1992, *Statement of Financial Accounting Standards No. 106* requires publicly held companies to accrue the cost of postretirement health care and life insurance benefits. Of the 444 survey companies disclosing that they provide those benefits to their employees, 233 are now accruing the cost of such benefits.

Paragraph 74 of *SFAS No. 106* specifies the information that should be disclosed for postretirement health care and life insurance benefits. Required disclosures include the assumed health care cost trend rate used to calculate the expected cost of benefits and the assumed actuarial assumption rates. Eighty percent of the survey companies accruing the cost of postretirement health care and life insurance benefits used a health care cost trend rate ranging from 10 to 15%. Practically all of the survey companies disclosed an assumed discount rate while only a few disclosed a rate of compensation increase or expected rate of return. Ninety percent of the survey companies used a discount rate ranging from 8 to 9%.

Examples of postretirement benefit disclosures follow. Additional examples of companies adopting *SFAS No. 106* are presented on pages 39–41.

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO FINANCIAL STATEMENTS
(dollars in millions, except share amounts)

S. Postretirement Benefits

Alcoa and certain subsidiaries maintain health care and life insurance benefit plans covering most eligible U.S. retired employees and certain other retirees. Generally, the medical plans pay a stated percentage of medical expenses reduced by deductibles and other coverages. These plans are generally unfunded, except for certain benefits funded through a trust. Life benefits are generally provided by insurance contracts. Alcoa retains the right, subject to existing agreements, to change or eliminate these benefits.

Alcoa implemented the new accounting rule on postretirement benefits effective January 1, 1992. These benefits are now accrued over the period the employee provides services to the company. Prior to the change, costs were charged to expense as incurred. The accounting change resulted in a one-time charge to earnings of $1,166.4, net of taxes of $667.2.

Postretirement benefit expense was $175.1 in 1992 (including $89.1 due to the application of the new rule), $71.1 in 1991 and $61.0 in 1990. The components of expense in 1992 follow.

Service cost of benefits earned	$ 42.9
Interest cost on liability	135.9
Return on plan assets	(3.7)
Net postretirement benefit cost	$175.1

The accumulated postretirement benefit obligation (APBO) at year-end 1992 was:

Retirees	$1,023.6
Fully eligible active plan participants	757.1
Other active participants	224.9
APBO	$2,005.6
Postretirement benefit liability	$1,895.8
Plan assets, primarily stock and bonds at market	57.6
Amount provided for future benefits	$1,953.4

The APBO exceeds the amount provided for future benefits by $52.2 consisting of $87.9 of actuarial losses less $35.7 of prior service costs.

For measuring the liability and expense, an 11% annual rate of increase in the per capita claims cost was assumed for 1993, declining gradually to 5.5% by the year 2000 and thereafter. The APBO discount rate was 6.75%, and the rates for compensation increases and return on plan assets were 5.5% and 9%, respectively. A 1% increase in the trend rate for health care costs would have increased the APBO by 15% and service and interest costs by 18%.

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Other Postretirement Benefits

The Corporation and its subsidiaries sponsor defined postretirement benefit plans to provide other postretirement benefits to substantially all employees who retire having rendered the required years of service with the Corporation along with their spouses and eligible dependents. Health care benefits are provided primarily through comprehensive indemnity plans. Currently, the Corporation pays approximately 80 percent of the cost of such plans, but has the right to modify the cost-sharing provisions at any time. Life insurance benefits are based primarily on the employee's final compensation and are also partially paid for by retiree contributions, which vary based upon coverage chosen by the retiree.

The Corporation's current policy is to fund the cost of postretirement health care and life insurance plans on a pay-as-you-go basis. Pursuant to Section 401(h) of the Internal Revenue Code of 1986, excess pension assets totalling $21 million were transferred from the pension plans to health care benefit accounts within the pension plans for reimbursement of 1992 retiree health care benefits.

The following table sets forth the plans' combined postretirement benefit liability as of December 31, 1992:

Millions of dollars	Health Care	Life Insurance	Total
Accumulated postretirement Benefit obligation:			
Retirees	$416	$155	$571
Employees fully eligible	27	8	35
Other active participants	133	32	165
Total	576	195	771
Unrecognized loss	(14)	(4)	(18)
Accrued postretirement benefit cost recognized in the balance sheet	$562	$191	$753

The Corporation charges postretirement benefits costs as accrued, based on actuarial calculations for each plan. Net annual postretirement benefit costs for 1992 included the following components:

Millions of dollars	Health Care	Life Insurance	Total
Service cost-benefits earned during the period	$12	$ 3	$15
Interest cost on accumulated postretirement benefit obligation	46	15	61
Net postretirement benefit cost	$58	$18	$76

For the years ended December 31, 1991 and 1990, the Corporation recognized postretirement benefit costs as incurred. Accordingly, the amounts recognized as expense in prior years are not comparable.

The significant assumptions used in determining postretirement benefit cost and the accumulated postretirement benefit obligation were as follows:

Millions of dollars	December 31, 1992	January 1, 1992
Discount rate	8.5	8.75
Rate of salary progression	5.0	5.0

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care trend rate) for the health plans is 10 percent for 1992 to 1996, 8 percent for 1997 to 2001, and 6 percent thereafter. The effect of a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation as of December 31, 1992, by approximately 7 percent, and the aggregate of the service and interest cost components of net annual postretirement benefit cost by approximately 9 percent.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. (In Part) Retirement and Employee Benefit Costs

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), for its domestic unfunded postretirement health care and life insurance programs. This Statement requires the cost of postretirement benefits to be accrued during the service lives of employees. As prior years' costs were recognized as expense when the claims were paid by the Company, postretirement benefit cost is not comparable with prior periods. The cumulative effect on prior years of adopting SFAS No. 106 on an immediate recognition basis, including discontinued operations, was to decrease net earnings by $38.3 million. The Company had previously recognized approximately $9.6 million of its accumulated postretirement benefit obligation primarily in conjunction with the disposition of the non-Defense businesses of the Technical segment. Postretirement benefit cost was $6.7 million, $1.4 million and $1.1 million in 1992, 1991, and 1990, respectively.

Net periodic postretirement benefit cost of continuing operations for 1992 included the following components:

(In millions)	
Service cost-benefits attributed to service during the period	$1.9
Interest cost on accumulated postretirement benefit obligation	4.8
Net periodic postretirement benefit cost	$6.7

The amounts recognized in the Company's balance sheet at December 31, 1992 were as follows:

(in millions)	
Accumulated postretirement benefit obligation:	
Retirees	$31.7
Fully eligible active plan participants	4.4
Other active plan participants	26.4
Postretirement liability recognized in financial statements	$62.5

The accumulated postretirement benefit obligation was determined using an 8.5% weighted average discount rate and an assumed compensation increase of 5.5%. The health care cost trend rates were assumed to be 15% and 10% in 1993 for pre-65 and post-65 benefits, respectively, gradually declining to 6% after ten years and seven years, respectively, and remaining at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation by $8.6 million at December 31, 1992 and the net periodic cost by $1.1 million for the year.

THE COCA-COLA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Other Postretirement Benefits

The Company has plans that provide postretirement health care and life insurance benefits to substantially all U.S. employees and certain employees in international locations who retire with a minimum of five years of service. SFAS 106 requires companies to accrue the cost of postretirement health care and life insurance benefits within the employees' active service periods. As discussed in Note 1, the Company adopted SFAS 106 for all U.S. and international plans as of January 1, 1992. The Company elected to immediately recognize the accumulated postretirement benefit obligation upon adoption of SFAS 106. For consolidated operations, the Company recorded an accumulated obligation of $146 million, which is net of $92 million in deferred tax benefits. The Company also recorded an additional charge of $73 million, net of $13 million of deferred tax benefits, representing the Company's proportionate share of accumulated postretirement benefit obligations recognized by bottling investees accounted for by the equity method.

Annual pretax postretirement benefits expense for 1992 increased $20 million due to the implementation of SFAS 106. Equity income in 1992 decreased $10 million due to additional postretirement benefit expense of the Company's equity investees.

The net periodic cost for postretirement health care and life insurance benefits during 1992 includes the following (in thousands):

Year Ended December 31,	1992
Service cost	$ 8,727
Interest cost	20,718
Other	(267)
	$29,178

The Company has begun contributing to a Voluntary Employees' Beneficiary Association trust that will be used to partially fund health care benefits for future retirees. The Company is funding benefits to the extent contributions are tax-deductible, which under current legislation is limited. In general, retiree health benefits are paid as covered expenses are incurred. The following table sets forth the funded status for the Company's postretirement health care and life insurance plans (in thousands):

December 31,	1992
Accumulated postretirement benefit obligations:	
Retirees	$110,527
Fully eligible active plan participants	34,179
Other active plan participants	113,178
Total obligation	257,884
Plan assets at fair value[1]	23,667
Accrued postretirement benefit liability included in the consolidated balance sheet	$234,217

[1]*Consists of money market investments*

The assumed discount rate and the assumed rate of increase in compensation levels are 8.5 percent and 6 percent, respectively. The rate of increase in the per capita costs of covered health care benefits is assumed to be 13 percent in 1993, decreasing gradually to 7 percent by the year 2005. Increasing the assumed health care cost trend rate by 1 percentage point would increase the accumulated postretirement benefit obligation as of December 31, 1992, by approximately $32 million and increase net periodic postretirement benefit cost by approximately $5 million in 1992.

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

14 (In Part): Pension Plans & Other Postretirement Benefits

Other Postretirement Benefits—The Company also provides postretirement medical benefits and life insurance for certain groups of retired employees.

In 1992, the Company adopted FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company elected to immediately recognize the cumulative effect of the change in accounting for postretirement benefits of $56.1 million ($35.4 million net of income tax benefit) which represents the accumulated postretirement benefit obligation (APBO) existing at January 1, 1992, net of plan assets. In addition, the impact of the change on 1992 ongoing operations is an increase in expense of about $4.3 million ($2.7 million after income taxes). The Company continues to fund medical and life insurance benefit costs principally on a pay-as-you-go basis. Although the availability of medical coverage after retirement varies for different groups of employees, the majority of employees who retire from the Company before becoming eligible for Medicare can continue group coverage by paying the full cost of a composite monthly premium designed to cover the claims incurred by active and retired employees. The availability of group coverage for Medicare eligible retirees also varies by employee group with coverage designed either to supplement or coordinate with Medicare. Retirees generally pay a portion of the cost of the coverage.

Summary information on the Company's plans is as follows:

December 31,	*(In Thousands)* 1992
Financial status of plans:	
Accumulated postretirement benefit obligation as of December 31, 1992:	
Retirees	$48,361
Fully eligible, active plan participants	14,344
Other active plan participants	31,412
	94,117
Less plan assets at fair value	32,500
Less unrecognized net loss	1,267
Accrued postretirement benefit cost	$60,350

Plan assets are held under an insurance contract and reserved for retiree life insurance benefits.

The components of net periodic postretirement benefit cost are as follows:

Year ended December 31,	(In Thousands) 1992
Service cost (benefits attributed to employee services during the year)	$3,309
Interest cost on accumulated postretirement benefit obligation	6,884
Actual return on plan assets	(2,797)
Net periodic postretirement benefit cost	$7,396

The discount rate used in determining the APBO was 8%. The expected long-term rate of return on plan assets used in determining the net periodic postretirement benefit costs was 9.0% in 1992 and the estimated pay increase was 5%. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 15% in 1992, declining by 1% per year to an ultimate rate of 7%, except that managed care costs were assumed to begin at 12%, declining by 1% per year to 6%.

If the health care cost trend rate assumptions were increased by 1%, the APBO, as of December 31, 1992, would be increased by approximately $9.7 million. The effect of this change on the sum of the service cost and interest cost components of net periodic postretirement benefit cost for 1992 would be an increase of about $1.4 million.

The pay-as-you-go expenditures for postretirement benefits were $3,135,000 in 1992, $2,977,000 in 1991 and $2,770,000 in 1990.

The effects of the accounting change discussed above is summarized as follows:

	(In Thousands) 1992
Cumulative effect of accounting change on January 1, 1992	$56,089
Plus postretirement benefit expense in 1992	7,396
Less postretirement benefit cash expenditures in 1992	(3,135)
Accrued postretirement benefit cost at December 31, 1992	$60,350

IMCERA GROUP INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M. Postretirement Health Care Benefits

IMCERA provides certain health care benefits for U.S. salaried and hourly retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company.

Health care benefits are paid directly by IMCERA and the cost of providing these benefits to retirees is recognized as an expense when claims are paid. The cost to IMCERA of such health care benefits amounted to approximately $4.4 million, $5.0 million and $6.3 million in 1992, 1991 and 1990, respectively, all of which are included in results of continuing operations.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). The Company is not required to adopt this standard until fiscal 1994. FAS 106 will have no effect on cash flow but will change the method of accounting for other postretirement benefits by requiring that the cost be accrued by the date employees become eligible for the benefits. In accordance with FAS 106, the transition obligation, representing the unfunded and unrecognized accumulated past-service benefit obligation for all plan participants, may be recognized as an expense as the cumulative catch-up adjustment for an accounting change in the year of adoption or may be amortized on a straight-line basis over a 20-year period. IMCERA currently plans to implement FAS 106 in the first quarter of fiscal 1994 and expects such obligation to approximate $60–75 million after taxes at the time of adoption. It is also anticipated that such obligation will be recognized as an expense in the year of adoption. Once adopted, the Company's annual pretax expense for these other postretirement benefits is estimated to be approximately $10 million higher than the expense of $5–6 million currently being recognized.

KNIGHT-RIDDER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Postretirement Benefit Plans Other Than Pensions

The company and its subsidiaries have defined postretirement benefit plans that provide medical and life insurance for retirees and eligible dependents. Effective with the beginning of fiscal year 1992, the company implemented, on the immediate recognition basis, Statement of Financial Accounting Standards (FAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the cost of these benefits, which are primarily for health care and life insurance, be recognized in the financial statements throughout the employees' active working careers. The company's previous practice was to expense these costs on a cash basis, principally after retirement.

The cumulative effect of adopting FAS 106 on the immediate recognition basis, as of the beginning of 1992, was to reduce net income by $131.0 million (net of income taxes of $80.3 million), or $2.37 per share. The 1992 after-tax impact of FAS 106 (excluding the cumulative effect of adoption) was to reduce earnings by $4.0 million, or $.07 per share.

This charge includes a previously unrecognized accumulated postretirement benefit obligation of $211.3 million, including $47.2 million related to our share of the Detroit Newspaper Agency (DNA). This obligation was based on plans in place at the beginning of 1992 and on the following actuarial assumptions:

Discount rate: 8.5%
Return on plan assets: 8.5%
Annual rate of increase in salaries: 5.0%
Medical trend rate: 15.0% in 1992, reducing to 6.5% in 2001 and thereafter.

In 1992, the company announced several changes to its retiree non-union benefit plans that established a maximum annual dollar cap for medical premiums the company would pay and eliminated coverage for future retirees after the age of 65. Most current retirees will keep their current plans.

Proforma amounts for 1991 and 1990 show that net income would have been reduced by approximately $8.5 million and $8.1 million, respectively (approximately $.16 per share). The impact on 1992 is substantially less due to the effect of the plan amendments described above. These plan amendments resulted in an unrecognized reduction in prior service cost, which is being amortized over future years.

The following tables present the funded status of the company's benefit plans (excluding liabilities of the DNA that are reported in the Consolidated Balance Sheet under the investment caption "Equity in unconsolidated companies and joint ventures") and the components of 1992 periodic expense (in thousands):

	1992	
	Medical Plans	Life Insurance and Other Plans
Accumulated Postretirement Benefit Obligation:		
Retirees	$ 54,504	$13,375
Fully eligible active plan participants	22,293	3,030
Other active plan participants	26,411	18,558
Total	103,208	34,963
Fair value of assets	—	—
Accumulated benefit obligation in excess of plan assets	103,208	34,963
Unrecognized net reduction in prior service costs	34,592	—
Unrecognized net gain (loss)	—	—
Accrued liability recognized in the balance sheet	$137,800	$ 34,963

Net periodic postretirement benefit cost includes the following components:	
Service cost	$ 4,647
Interest cost	13,434
Amortization	(1,947)
Net periodic postretirement benefit cost	$16,134
Impact of One Percent Increase in Medical Trend Rate:	
Aggregate impact on 1992 service cost and interest cost	$ 2,350
Increase in Dec. 27, 1992, accumulated postretirement benefit obligation	$8,700

LONE STAR INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30. Postretirement Benefits Other than Pensions

The company provides retiree life insurance and health plan coverage to employees qualifying for early, normal or disability pension benefits under the company's salaried employees pension plan and certain of the pension plans providing for hourly-compensated employees. Life insurance protection presently provided to retirees under the salaried employees pension plan is one-half their active employment coverage declining to 25% of their active employment coverage at age 70. The coverage provided under hourly plans is fixed, as provided under the terms of the plans. Health care coverage presently is extended to retirees and their qualified dependents during the retirees' lifetime. The coverage provided assumes participation by the retiree in the Medicare program and benefit payments are integrated with Medicare benefit levels. The company's postretirement benefit plans other than pension plans are not funded. Claims are paid as incurred.

Benefits paid were approximately $9,600,000, $10,400,000 and $9,500,000 for the years ended December 31, 1992, 1991 and 1990. The cost of these benefits, net of liabilities recorded related to acquisitions, was expensed as claims were paid and approximated $8,900,000 and $8,000,000 for the years ended December 31, 1991 and 1990, respectively.

As of January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("SFAS No. 106"). In accordance with the requirements of the statement, the company has changed its accounting for postretirement benefits from a cash basis to an accrual basis over an employee's period of service, and has recognized the full liability as of the adoption date. The cumulative effect of the change in accounting principle resulted in a pre-tax charge of $144,654,000 offset by tax benefits of $14,144,000 for a net after-tax charge of $130,510,000 or $7.84 per share. The effect of adoption of SFAS No. 106 on 1992 operating results was to decrease earnings by approximately $3,919,000 or $0.24 per share.

Net periodic postretirement benefit cost for 1992 included the following components (in thousands):

	1992
Service cost—benefits attributed to service during the period	$ 1,704
Interest cost on accumulated postretirement benefit obligation	11,854
Net periodic postretirement benefit cost	$13,558

The actuarial and recorded liabilities for these postretirement benefits, none of which have been funded, are as follows at December 31, 1992 (in thousands):

	1992
Accumulated postretirement benefit obligation:	
Retirees	$109,306
Fully eligible plan participants	21,142
Other active plan participants	18,125
	148,573
Less current portion	10,955
Postretirement benefits other than pensions	$137,618

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.5%. Compensation levels are assumed to increase at a rate of 5.5% annually.

For measurement purposes, a 17% and 11% annual rate of increase was assumed for 1993 for pre-medicare and post-medicare claims, respectively; the rate was assumed to decrease 1% each year to 7% per year after 2002 for pre-medicare claims, and decrease ½% per year to 7% after 2000 for post-medicare claims. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1992 by approximately $12,600,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 1992 by approximately $1,200,000.

One of the company's domestic joint ventures will adopt SFAS No. 106 in 1993. Two other domestic joint ventures are not required to adopt until 1995. The effect of adoption of SFAS No. 106 by each of the joint ventures is not presently determinable.

In March 1992, pursuant to Section 1114 of the Bankruptcy Code, a retiree committee was formed to represent the interests of the company's salaried and non-union hourly retirees in connection with the company's proposed modifications of retiree benefits. The company is currently negotiating modifications with such committee and representatives of the union hourly retirees.

The company is also negotiating with representatives of the salaried and union employees and is seeking reductions and modifications of existing retiree medical and life insurance benefits.

The charge resulting from the adoption of SFAS No. 106 does not reflect the results of any of these negotiations.

MAPCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Employee Benefit Plans

On October 24, 1992, the Coal Industry Retiree Health Benefit Act of 1992 (the "Act") was signed by President Bush as part of the overall Energy Bill. The Act requires signatories of the National Bituminous Coal Wage Agreement of 1988 who provided health care benefits to retirees under individual employer plans to continue such benefits for life. MAPCO, through its wholly owned subsidiary, MC Mining, Inc., will be required to provide lifetime health care benefits to certain of its retired employees, disabled former employees, and active employees. Early adoption of SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* was elected and an unfunded charge of $5.6 million was recorded to reflect the accumulated post-retirement benefit obligation (APBO). For eligible participants, MC Mining, Inc. will continue comprehensive health care benefits with nominal co-payments. Of the total $5.6 million APBO, $1.9 million relates to retirees or employees eligible to retire with health benefits under provisions of the Act and $3.7 million relates to dependents. The assumed medical trend rate is 13 percent in 1993, gradually declines to 6 percent in 2004 and remains constant thereafter. The assumed discount rate is 8.5 percent. Assuming a one percent increase in the medical trend rate, the APBO would be $6.5 million.

Other than certain nominal monthly payments that MC Mining, Inc. may be required to make to the UMWA combined benefit fund for an eight-month period ending September 30, 1993, MC Mining, Inc. believes it will have no financial obligation for any of the several thousand beneficiaries covered by other provisions of the Act.

THE NEW YORK TIMES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Postretirement Benefits Other Than Pensions and Postemployment Benefits

The Company provides health and life insurance benefits to retired employees (and their eligible dependents) who are not covered by any collective bargaining agreements if the employee meets specified age and service requirements.

The Company adopted the provisions of SFAS 106, changing to the accrual method of accounting for these benefits effective January 1, 1992. Prior to 1992, postretirement benefit expenses were recognized on a pay-as-you-go basis and were not material.

As permitted by SFAS 106, the Company elected to recognize in 1992 the accumulated postretirement benefit obligation related to prior service costs. The Company restated 1992 first-quarter net income to record this obligation of $64,856,000 ($37,411,000 after taxes or $.48 per share) as the cumulative effect of an accounting change at January 1, 1992.

The adoption of SFAS 106 in 1992 resulted in a pre-tax charge to 1992 earnings of $7,776,000 ($.05 per share) to reflect the annual expense for postretirement benefits on an accrual basis. The components of this charge are as follows:

Dollars in thousands	
Service cost for benefits earned during the period	$ 3,299
Interest cost on accumulated postretirement benefit obligation	5,239
Curtailment gain (See Note 3)	(762)
Net periodic postretirement benefit cost	$ 7,776

The Company's policy is to fund the above-mentioned payments as claims and premiums are paid. The following table sets forth the amounts included in "Accrued Expenses" and "Other Liabilities" in the Consolidated Balance Sheets at December 31, 1992.

Dollars in thousands	
December 31	1992
Accumulated postretirement benefit obligation	
Retirees	$28,054
Fully eligible active plan participants	18,943
Other active plan participants	25,645
Total	72,642
Unrecognized net losses	2,198
Total accrued postretirement benefit liability	$70,444
Current portion included in accrued expenses	2,591
Long-term accrued postretirement benefit liability	$67,853

The accumulated postretirement benefit obligation was determined using a discount rate of 8.0 percent, an estimated increase in compensation levels of 5.5 percent and a health care cost trend rate of approximately 15.0 percent for pre-age-65 benefits, decreasing to 6.25 percent in the year 2014 and thereafter and a rate of 14.75 percent for post-age-65 benefits decreasing to 6.0 percent in the year 2014 and thereafter.

Increasing the assumed health care cost trend rates by one percentage point in each year and holding all other assumptions constant, would increase the accumulated postretirement benefit obligation as of December 31, 1992 by approximately $9,200,000 and increase the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for 1992 by approximately $1,500,000.

In connection with collective bargaining agreements, the Company contributes to several welfare plans including a joint Company-union plan and a number of joint industry-union plans. Contributions are determined as a function of hours worked or period earnings. Portions of these contributions, which cannot be disaggregated, related to postretirement benefits for plan participants. Total contributions to these welfare funds were approximately $16,800,000 in 1992.

The Company has also elected to adopt SFAS 112 as of the beginning of 1992. SFAS 112 requires that certain benefits provided to former or inactive employees, after employment but before retirement, such as workers' compensation, disability benefits and health care continuation coverage be accrued if attributable to employees' service already rendered. The cumulative effect on net income of this change in accounting method resulted in a one-time charge of $16,365,000 ($9,440,000 after taxes or $.12 per share) and has been reflected as of January 1, 1992. The annual incremental charge for 1992 was not material.

QUAKER STATE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Employee Retirement and Benefit Plans

In addition to providing pension benefits, Quaker State and certain of its subsidiaries provide health care and life insurance benefits for eligible active and retired employees. These plans are unfunded, and the company retains the right, subject to existing agreements, to modify or eliminate these benefits.

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Standard requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period the employee provides services to the company.

As of January 1, 1992, the company recognized the full amount of its estimated accumulated postretirement benefit obligation on that date, which represents the present value of the estimated future benefits payable to current retirees and a pro rata portion of the estimated benefits payable to eligible active employees after retirement. The accounting change resulted in a one-time charge to earnings of approximately $62,600,000, net of taxes of $40,100,000, or $2.30 per share.

Postretirement benefit expense other than pension was approximately $10,350,000 in 1992 (including approximately $5,600,000 ($3,400,000 after tax, $.13 per share) due to the application of this new rule of which approximately $3,600,000 ($2,200,000 after tax, $.08 per share) related to discontinued coal operations). Prior to 1992, postretirement benefit costs, which were charged to expense as paid, were $4,940,000 in 1991 and $4,371,000 in 1990. The components of periodic expense for postretirement benefits in 1992 were as follows:

(In thousands)	
Service costs of benefits earned	$ 1,865
Interest cost on liability	8,485
Net periodic postretirement benefit cost	10,350
Less: discontinued coal operations cost	6,344
Continuing operations cost	$4,006

The accumulated postretirement benefit obligation (APBO) at December 31, 1992, is summarized below:

(In thousands)	
Retirees	$67,345
Fully eligible active plan participants	15,119
Other active participants	9,628
APBO	92,092
Less: current portion	5,000
Long-term portion	$87,092

As a result of the company's decision during 1992 to discontinue its coal operations (Note 3), it recognized a $16,206,000 gain related to the curtailment of its postretirement benefit plans. This curtailment gain is reflected in the Consolidated Statement of Operations as a component of the loss on disposition related to the discontinued coal operations.

For measurement purposes, a 12% annual rate of increase in the per capita claims cost was assumed for 1993, declining gradually to 6% by the year 2002 and thereafter. The discount rate used to determine the APBO was 8.5% and the assumed long-term rate of compensation increase is 5.5%.

The health care cost trend rate assumption has a significant effect on the APBO and net periodic benefit costs. A 1% increase in the trend rate for health care costs would have increased the APBO by 15% and service and interest costs by 17%.

QUANTUM CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in millions, except for per share data)

Note 19. Postretirement Benefits Other Than Pensions

The Company provides, or makes available at low cost, welfare benefits for most of its retired employees. Substantially all of the Company's employees become eligible for such benefits if they reach retirement age while still working for the Company. The benefits are provided through insurance companies whose charges are based on benefits paid during the year. The Company has the right to modify or terminate these benefits.

Effective January 1, 1992, the Company changed its method of accounting for postretirement health care and other insurance benefits to conform to the provisions of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires accrual of these benefits over the period during which active employees become eligible for such benefits. Previously, the Company recognized the cost of providing such benefits by expensing insurance company charges in the years received.

At January 1, 1992, the actuarial present value of the accumulated postretirement benefit obligation for retirees and the obligation for prior service of currently active employees was $212.9 million. The one-time pre-tax charge amounted to $186.1 million ($114.8 million net after tax). This is in addition to $26.8 million which had been accrued in prior years representing the estimated cost of providing health care benefits primarily to retirees of disposed businesses. In addition to the one-time adjustment, the expense for postretirement welfare benefits for the year 1992 was $24.0 million versus cash payments of $10.8 million made in 1992. The cash payments for such benefits were $8.8 million and $7.4 million in 1991 and 1990, respectively.

The periodic expense for postretirement benefits included the following components:

Year ended December 31	1992
Service cost for benefits earned during the year	$ 6.0
Interest cost on accumulated benefit obligation	18.0
Total expense	$ 24.0

The actuarial and recorded liabilities for postretirement welfare benefits, none of which have been funded at December 31, 1992, were as follows:

Year ended December 31	1992
Accumulated postretirement benefit obligation:	
Retirees	$103.1
Fully eligible active plan participants	41.3
Other active plan participants	81.7
Total	$226.1
Less current portion	12.3
Noncurrent liability	$213.8

The 1992 accumulated benefit obligation was based on an actuarial valuation made in the fourth quarter of 1991 using claim data for the calendar year 1990.

The accumulated benefit obligation for 1992 was determined by using the projected unit credit method and a discount rate of 8.5%. The December 31, 1992, accumulated benefit obligation was based on a 16% increase in the cost of covered health care benefits during 1992. This rate is assumed to decrease gradually to 7% per year in 2001 and to remain at that level thereafter.

The effect on the present value of the accumulated benefit obligation at January 1, 1992, of a 1% increase each year in the health care cost trend used, would increase the amount of such obligation by $24.4 million; the net periodic expense (service cost and interest cost) would have increased by $3.2 million for 1992.

The Company is taking steps to control and moderate the escalating cost of health care benefits. Such steps will result in changes to the existing substantive plan and will have a significant effect on the amount of the accumulated benefit obligation and on the annual expense for 1993. The Company anticipates that a new plan will be in effect starting June 1, 1993. It is estimated that the anticipated plan revisions will decrease the accumulated benefit obligation by approximately $100.0 million and that the expense for 1993 will decrease by approximately $15.0 million, were the new plan to be recognized as of January 1, 1993.

SPS TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21 (In Part): Retirement Plans and Other Benefits

Other Postretirement Benefits

In addition to providing pension benefits, the Company and certain of its subsidiaries provide postretirement health care and life insurance benefits. All full-time non-bargaining employees hired prior to January 1, 1990, are eligible for medical benefits under a defined dollar benefit plan if they retire with at least 10 years of service and meet certain age requirements. Generally, Company-provided medical benefits terminate when covered individuals become eligible for Medicare benefits. The medical plan is contributory, with retiree contributions adjusted annually. The life insurance plan covers substantially all employees who retire from full-time employment after age 55 with at least 10 years of service. The life insurance plan is non-contributory. Both of the Company's postretirement plans are unfunded.

As of January 1, 1992, the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," were adopted (see Note 2).

The funded status of the plans and amounts recognized in the Company's consolidated financial statements as of December 31, 1992, were as follows:

Accumulated postretirement benefit obligation	
Current retirees	$ 7,660,000
Fully eligible actives	3,404,000
Other actives	4,450,000
Total accumulated postretirement benefit obligation	15,514,000
Unrecognized net gain	418,000
Accrued postretirement benefit liability	$15,932,000

Net periodic postretirement benefit cost for 1992 included the following components:

Service cost	$ 329,000
Interest cost	1,296,000
Net periodic postretirement benefit cost	$1,625,000

A 12 percent annual rate of increase in the per capita costs of covered health care benefits was assumed for 1993, gradually decreasing to 6 percent by the year 2003. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1992, by $178,000 and increase the interest cost component of net periodic postretirement benefit cost for 1992 by $15,000. A 6 percent increase in salaries and a discount rate of 8.5 percent were used to determine the accumulated postretirement benefit obligation.

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Postretirement Benefits Other Than Pensions

The Company provides health and life insurance benefits for retired employees and certain dependents when the employee becomes eligible for these benefits by satisfying plan provisions which include certain age and/or service requirements. Health and life insurance benefits are provided through insurance contracts or a group benefit trust. Health and life insurance benefits for retirees of foreign operations, where applicable, are provided through government sponsored plans to which contributions by the Company are required. The health insurance plans covering substantially all U.S. employees are contributory, with contributions adjusted annually, and these plans contain other cost-sharing features such as deductibles and coinsurance. Currently, the Company requires contributions, which are adjusted annually, only from employees who retired subsequent to 1991. The Company does not pre-fund these plans and has the right to modify or terminate any of these plans in the future.

In the second quarter of 1992, the Company adopted Statement of Financial Accounting Standards No. 106 (SFAS No. 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," retroactive to the first quarter of 1992. SFAS No. 106 requires that the projected future cost of retiree health and life insurance be recognized as an expense as employees render service instead of when the benefits are paid. Prior to 1992, the Company recognized retiree health and life insurance expense when benefits were paid. As a result of this adoption, the Company restated first quarter 1992 results of operations to record a pretax charge of $319.9 million ($205.0 million after taxes or $5.68 per share) as the cumulative effect of the accounting change at that date. Postretirement health and life insurance costs for 1992 were $35.6 million. Postretirement health and life insurance costs for 1991 and 1990, which were recorded on a cash basis, have not been restated and were $11.6 million and $9.0 million, respectively.

The components of postretirement benefit costs for 1992 were as follows:

(Amounts in millions)	Health Plans	Life Insurance Plans
Service cost	$ 6.8	$ .2
Interest cost	27.8	.8
Postretirement benefit cost	$ 34.6	$ 1.0

The funded status of the plans at December 31, 1992, was as follows:

(Amounts in millions)	Health Plans	Life Insurance Plans
Accumulated postretirement benefit obligation:		
Retirees	$227.2	$ 6.6
Eligible active plan participants	25.9	2.1
Other active plan participants	93.3	2.4
	346.4	11.1
Plan assets at market value	—	—
Accumulated postretirement benefit obligation in excess of plan assets	346.4	11.1
Unrecognized prior period gain or (loss)	(.1)	.3
Postretirement benefit liability recognized in the balance sheet	$346.3	$11.4

The assumed weighted average annual rate of increase in the per capita cost of medical and prescription drug benefits (applicable only to employees who retired prior to 1992) is 15 percent for 1993 and is assumed to decrease one percent per year from 1994 to 2001 and remain level at 7 percent thereafter. The assumed weighted average annual rate of increase in the per capita cost of dental benefits (applicable only to employees who retired prior to 1992) is 10 percent in 1993 and is assumed to decrease one percent per year from 1994 to 1997 and remain level at 6 percent thereafter. These rates have no effect on the Company's costs for employees retiring after 1991 as the Company's policy is to increase retiree contributions so that the Company's annual per capita cost increases at the general inflation rate. The assumed annual rate of increase in the general inflation rate (applicable to employees retiring after 1991) is 4.5 percent.

A one percent increase in the annual health care trend rates would have increased the accumulated postretirement benefit obligation at December 31, 1992, by $26.1 million and increased postretirement benefit expense for 1992 by $2.1 million. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation was 8.75 percent.

TRIBUNE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Postretirement Benefits Other Than Pensions

The Company provides postretirement health care and life insurance benefits to eligible U.S. and Canadian employees under a variety of plans. Employees become eligible for these benefits if they meet age and service requirements. In Canada, the Company provides supplemental medical coverage in conjunction with the Canadian national health care plan. In the U.S. and effective January 1991, the Company provides a fixed medical contribution to participants who retire between the age of 55 to 65 and have 10 or more years of service. Medical coverage for these participants ends when they reach age 65. Retirees are also eligible for life insurance benefits, which are primarily a function of both the years of service and the level of compensation at retirement.

As described in Note 1, the Company adopted FAS 106 as of the beginning of the 1992 fiscal year. Under FAS 106, the cost of postretirement medical and life benefits is accrued over the active service periods of employees to the date they attain full eligibility for such benefits. It is the Company's policy to fund postretirement benefits as claims are incurred.

Net postretirement benefit cost for 1992, exclusive of the transition obligation, includes the following components:

(In thousands)	U.S.	Canada	Total
Service cost of benefits earned during the year	$ 278	$ 492	$ 770
Interest cost on accumulated postretirement benefit obligation ("APBO")	3,175	2,249	5,424
Net postretirement benefit cost	$ 3,453	$ 2,741	$ 6,194

The APBO as of December 27, 1992 was comprised of the following:

(In thousands)	U.S.	Canada	Total
Retirees	$35,736	$15,578	$51,314
Active participants, fully eligible	1,980	3,284	5,264
Other participants	3,484	8,401	11,885
Total APBO	$41,200	$27,263	$68,463

In determining the APBO, the weighted average assumed discount rate used was 8.25% for U.S. employees and 8.5% for Canadian employees, while the average rate of increase in future salary levels was 5.5% for U.S. employees and 6.5% for Canadian employees.

For U.S. plans, 15.0% and 12.0% increases in the cost of covered health care benefits were assumed for fiscal 1993 for pre-age 65 employees and post-age 65 employees, respectively. These rates were assumed to decrease ratably to 7.0% after 10 years and remain at that level thereafter. For Canadian plans, 8.5% and 14.0% increases in the cost of covered health care benefits were assumed for fiscal 1993 for Quebec and Ontario provinces, respectively. These rates were assumed to decrease ratably to 6.0% after 10 years and remain at that level thereafter.

The effect of a one percentage point increase in the assumed health care cost trend rate for each future year used for both U.S. and Canadian employees would increase the total APBO at year-end 1992 by $5.9 million and the 1992 net benefit cost by $.6 million.

POSTEMPLOYMENT BENEFITS

Effective for fiscal years beginning after December 15, 1993, *Statement of Financial Accounting Standards No. 112* requires that companies providing postemployment benefits to their employees accrue the cost of such benefits. During 1992, 21 survey companies began to accrue the cost of postemployment benefits. An example of a company accruing the cost of postemployment benefits follows.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Postretirement Benefits Other Than Pensions and Postemployment Benefits (In Part)

In the fourth quarter of 1992, the company adopted, retroactive to January 1, 1992, the Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1992, postemployment benefit expenses were recognized on a pay-as-you-go basis. The company elected to immediately recognize the cumulative effect of the change in accounting for postemployment benefits of $60.6 million ($37.2 million after taxes) which represents the unfunded APBO as of January 1, 1992. The effect of this change on 1992 operating results was an increase in pre-tax postemployment benefit expense of $3.1 million. Total postemployment benefit expense was $8.9 million for 1992 under the new statement.

COMPENSATORY PLANS

In addition to pension plans and "traditional" stock option and stock purchase plans, many companies disclose the existence of compensatory plans of the nature indicated in Table 3-11. *APB Opinion No. 25* is the authoritative pronouncement on accounting for employee compensatory plans. Examples of disclosures for such plans follow.

TABLE 3-11: COMPENSATORY PLANS

	Number of Companies			
	1992	1991	1990	1989
Stock award	246	236	235	219
Savings/investment	202	203	181	153
Employee stock ownership	147	158	145	140
Profit-sharing	94	86	80	80
Incentive compensation	85	84	85	71
Deferred compensation	38	33	30	33

Stock Award Plans

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Restricted Stock and Stock Option Plans

The company's Restricted Stock Plan (The Plan) provides for the award of up to an aggregate of 100,000 shares of the company's Common stock to certain officers and key employees (100,000 shares issued at December 31, 1992). The Plan includes a provision permitting the company to reimburse a participant for the personal income tax liability resulting from the award. The company provides for any liability ratably throughout the restricted period. Plan participants are entitled to cash dividends and to vote their respective shares. Restrictions generally limit the sale or transfer of the shares during a restricted period, not exceeding eight years. The value of such stock is established by the market price on the date of grant. Restrictions on 26,500 shares expired during 1992.

Unearned compensation is charged for the market value of the restricted shares as these shares are issued in accordance with The Plan. The unearned compensation is amortized ratably over the restricted period. The unamortized unearned compensation value is shown as a reduction of shareholders' equity in the accompanying consolidated balance sheets.

During 1992, 1991 and 1990, $169,000, $223,000 and $190,000 was charged to compensation expense relating to this plan. The charge (credit) to operations for the personal income tax liability has been $23,000, $63,000 and $(13,000) for 1992, 1991 and 1990, respectively.

On April 24, 1989, the shareholders of the company approved the Badger Meter, Inc. 1989 Stock Option Plan (The Option Plan). The Option Plan provides for the issuance of options to key employees of the company to purchase up to an aggregate of 100,000 shares of Common stock. In February 1991, the company issued options to purchase 79,500 shares of Common stock at an option price of $17.125 per share, the closing price on the American Stock Exchange on the date the options were granted. In February 1992, the company issued options to purchase 11,100 shares of Common stock at an option price of $16.750, the closing price on the American Stock Exchange on the date the options were issued. At December 31, 1992, 90,600 of the options were outstanding of which 26,500 were exercisable.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Stock Option and Stock Related Plans

The corporation has stock option, stock appreciation and restricted stock plans under which certain officers and employees are participants.

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Under the corporation's restricted stock program, common stock of the corporation may be granted at no cost to certain officers and key employees. Plan participants are entitled to cash dividends and to vote their respective shares. Restrictions limit the sale or transfer of these shares during an eight-year period whereby the restrictions lapse on 50% of these shares after 4 years, 25% after 6 years and the remaining 25% after 8 years. Upon issuance of stock under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized to expense over the eight-year restriction period. Restricted shares granted, net of forfeitures, were 250, 56,500 and 117,500, in 1992, 1991 and 1990, respectively. The expense associated with these awards was $1,639,000 in 1992, $1,675,000 in 1991 and $1,053,000 in 1990.

MEREDITH CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Stockholders' Equity

Under the Company's Savings and Investment Plan [401 (k)], 62,828 common shares were issued during the year at market prices totaling $1,642,000 (65,331 shares were issued at market prices totaling $1,644,000 in 1991 and 48,054 shares were issued at market prices totaling $1,556,000 in 1990). A total of 4,260,000 shares has been reserved for the Plan, of which 3,848,078 were issued at June 30, 1992.

The Company's Management Incentive Plan provides for awards payable either in cash or in deferred awards of shares of common stock. A total of 300,000 shares has been reserved for issuance under this Plan, of which 20,633 shares were issued during the year (9,752 shares in 1991 and 9,553 shares in 1990), resulting in a total of 184,505 issued through June 30, 1992. Approximately 115,000 shares are reserved for future issuance in payment of existing unpaid deferred awards.

The 1986 Restricted Stock Award Plan provides for awards of common stock to eligible employees of the Company. Such shares are held by the Company for future distribution in three to 10 years in accordance with the restriction period of the award. A maximum of 400,000 shares has been reserved for use in the Plan; 59,300 shares were awarded in 1992 (34,150 shares were awarded in 1991 and 6,300 shares in 1990). Total expense is determined based on the market value at the time of grant and is being expensed over the period the restrictions lapse. Charges against net earnings for compensation under the Plan were $1,376,000 in 1992, $1,392,000 in 1991 and $1,523,000 in 1990.

At the Annual Meeting held November 12, 1990, stockholders approved the Meredith Corporation 1990 Restricted Stock Plan for Non-Employee Directors. The Plan provided for the issuance of 300 shares of restricted stock to each non-employee director immediately following the conclusion of that Annual Meeting. It also provided that future non-employee directors will automatically be issued 300 shares of restricted stock as they meet the criteria as a non-employee director. In addition, each non-employee director may make an irrevocable election to receive his or her annual retainer in shares of restricted stock. The number of shares to which any such electing non-employee director is entitled will be determined by dividing 125 percent of his or her retainer, for the year for which the election is made, by the fair market value (average of the high and low market price) of one share of the Company's common stock as of the first day of the relevant annual retainer period. Seven of the non-employee directors have elected to take their annual retainer in restricted stock. A maximum of 75,000 shares has been reserved for use in the Plan; 6,110 shares were issued in 1992 (9,645 in 1991). Total expense is determined based on the market value at the time of grant and is being expensed over the period the restrictions lapse. Charges against net earnings for directors' fees under the Plan were $63,000 in 1992 and $26,000 in 1991.

THE STANDARD PRODUCTS COMPANY (JUN)

NOTES TO FINANCIAL STATEMENTS

8 (In Part): Common Shares

In October 1991, shareholders also approved The Standard Products Company 1991 Restricted Stock Plan, reserving 300,000 common shares for restricted stock awards. Shares awarded are earned ratably over the term of the restricted stock agreement, based upon achieving specified performance goals. Generally, transferability of shares earned is restricted for a specified number of years following the year in which they were earned. Until the restrictions lapse, the recipient is entitled to all of the rights of a shareholder, including the right to vote the shares, but the shares are restricted as to transferability and subject to forfeiture to the Company during the restriction period. In 1992, 150,000 shares were awarded. Of those shares, 20,000 were earned in 1992, and $665,000 was charged to operations as compensation expense based upon the market value of the earned shares. At year end, 150,000 shares remain available for future awards.

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Plans (In Part):

Restricted stock has been granted at 100% of the fair market value at the date of grant. Shares of restricted stock are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. Restricted shares are entitled to all the rights of an outstanding share, except that during the forfeiture period the shares are nontransferable. The compensation expense resulting from the award is charged to income ratably over the forfeiture period. During the year ended December 31, 1992, no shares of restricted stock were granted, 600 shares were forfeited and the amount charged to income was immaterial. During the year ended December 31, 1991, no shares of restricted stock were granted, 109,746 shares were forfeited and $1.3 million was credited to income. During the year ended December 31, 1990, 24,500 shares of restricted stock were granted at market prices ranging from $3½ to $14⅛ per share, 42,674 shares were forfeited and $1.4 million was charged to income.

Performance units have been granted at 100% of the fair market value at the date of grant. The units are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. At the expiration of the period a cash payment will be made in an amount equal to the difference between the average fair market value of the Company's common stock in the two-month period preceding the expiration of the grant minus the fair market value of the Company's common stock on the date of grant. Such amount is recorded as compensation expense and charged to income ratably over the award period. During the year ended December 31, 1992, no performance units were granted and 48,000 units were forfeited. During the year ended December 31, 1991, 760,400 performance units were granted at a market price of $4⅛ per unit and 66,400 units were forfeited. The charge to income for performance units in 1992 and 1991 was $3.7 million and zero, respectively.

BLOUNT, INC. (FEB)

NOTES TO FINANCIAL STATEMENTS

Note 6 (In Part):

Under the Company's Long-Term Performance Share Plan, which was approved by the shareholders in June 1982, certain officers and key employees could be granted performance share awards annually. As of February 29, 1992, no additional performance shares may be awarded under the Plan. Each performance share, if earned, has a value equal to the fair market value of one share of Class A Common Stock. The awards are payable 50% at the close of the five year period from the date of grant and 50% at the close of the sixth year in equal portions of cash and common stock. Payment of performance shares is contingent on continued employment with the Company for the five-year award period (except in the case of death, disability or retirement) and the determination by the Compensation and Management Development Committee of the Board of Directors that the conditions for payment have been satisfied. As of the last day of February 1992 and 1991, performance share awards of 170,394 and 270,633 were outstanding. The expense was minimal in 1992, 1991 and 1990.

THE FAIRCHILD CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Stock Options, Warrants, and Deferred Performance Incentive Plan

Deferred Performance Incentive Plan

On December 12, 1986, stockholders approved a deferred performance incentive plan to promote the financial interest of the Company and its stockholders. The plan awards performance incentive units which can convert into cash or equity awards, subject to certain limitations, which have a term of six years from the date of grant, based on the incremental increase in earnings per share over the base of Fiscal 1986 earnings per share compounded annually by 15 percent.

During Fiscal 1989, the Board of Directors authorized 250,000 units for grants which were subsequently approved by stockholders. At June 30, 1992, there were 220,000 incentive units outstanding and 50,000 incentive units available for grant. No expense was recognized in Fiscal 1992 or 1991 based on provisions of the plan.

McGRAW-HILL, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

12. Stock Plan Awards

Under the 1975 Stock Option Plan, options for 1,200,000 shares of common stock could be granted at not less than fair market value at the date of grant. In April 1983, when the 1983 plan referred to below was approved, the 1975 Plan was terminated except with respect to outstanding options.

Under the 1983 Stock Option Plan, options for 1,200,000 shares of common stock may be granted at not less than fair market value at the date of grant. Both incentive stock options and non-qualified stock options may be granted. Options are generally exercisable in two equal installments after each 12 months of employment and expire within ten years. Stock appreciation rights may also be granted to any employee granted stock options. Upon the exercise of stock appreciation rights, the employee surrenders the unexercised related option and receives a cash payment equal to the excess of the fair market value at the time of exercise over the price of the related option.

Under the 1987 Key Employee Stock Incentive Plan, awards of 2,300,000 shares of common stock may be granted. The shares may be granted as incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, deferred stock or other stock-based awards.

Restricted stock performance awards have been granted under the 1987 Plan. These restricted stock awards will vest only if the company achieves certain financial goals over three-year performance periods. Other restricted stock awards have total vesting periods of up to seven years with vesting beginning on the first or third anniversary of the awards. Recipients of restricted stock awards are not required to provide consideration to the company other than rendering service and have the right to vote the shares and the right to receive dividends.

The changes in the number of common shares issuable under outstanding options, the number of shares reserved for issuance and the price range of options for 1992 were as follows:

	1987 Plan	1983 Plan	1975 Plan
Outstanding at beginning of year	602,720	529,816	7,653
Options granted	419,915	27,470	—
Less:			
Options exercised	32,075	63,004	7,653
Options cancelled and expired	45,189	30,000	—
Outstanding at end of year	945,371	464,282	—
Exercisable at end of year	435,935	430,092	—
Shares of common stock reserved for issuance at beginning of year	1,805,273	699,304	7,653
Shares of common stock reserved for issuance at end of year	1,676,203	636,300	—
Price range of options outstanding at end of year	$52.44 to $64	$37 to $67.38	— —
Price range of options exercised during year	$52.44 to $57.13	$37 to $61	$24.88

A total of 95,295 restricted shares were issued in 1992 under the 1987 Plan at an average market value of $57.37 per share. In 1991, a total of 102,660 restricted shares were issued at an average market value of $52.44 per share. The awards are recorded at the market value of the shares at the time the shares are awarded. Initially, the total market value of the shares is treated as unearned compensation and is charged to expense over the respective vesting periods. For performance incentive shares, adjustments are also made to expense for changes in market value and achievement of financial goals. Unearned compensation charged to expense was $3.0 million for 1992, $2.1 million for 1991 and $2.3 million for 1990. Restricted shares outstanding at the end of the year were 357,219 for 1992, 397,637 for 1991, and 384,499 shares for 1990.

NATIONAL SERVICE INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Common Stock and Related Matters

In 1990, the stockholders approved the National Service Industries, Inc. Long-Term Incentive Program for the benefit of officers and other key employees. There were 1,750,000 treasury shares reserved for issuance under the Program. Employee stock options for 161,476 shares of common stock of the corporation and 134,152 performance shares were awarded under the program in 1990. Stock options for 20,324 shares and 6,928 performance shares were subsequently cancelled. Stock options for 193,460 shares were awarded under the program in 1991 and 164,744 shares in 1992. Options for 20,396 and 2,952 shares, respectively, were subsequently cancelled. As of August 31, 1991, 63,612 shares of the performance shares had been issued from treasury stock pursuant to the terms of the award and the applicable performance share agreements. The issued performance shares had been placed in escrow subject to satisfaction of various performance criteria during a three-year period. As of August 31, 1992, the performance criteria had not been met and, consequently, the performance shares were cancelled and returned to treasury. Accordingly, paid-in capital and treasury stock have been charged for $1,300,000 and $258,000, respectively. No compensation expense related to the performance shares was recognized during 1992, 1991, or 1990.

The stock options become exercisable in four equal annual installments beginning one year from the date of the grant and expire at the end of ten years. Currently, 70,576 shares are exercisable at a purchase price of $29.00 per share and 43,266 shares are exercisable at a purchase price of $22.50 per share. Potential dilution of earnings per share applicable to these stock options is not significant.

Savings/Investment Plans

APPLE COMPUTER, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

Common Stock (In Part):

Savings Plan

The Company has an employee savings plan (the Savings Plan) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, participating U.S. employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit ($8,728 for calendar year 1992). The Company matches 30% to 50% of each employee's contributions, depending on length of service, up to a maximum of 6% of the employee's earnings. The Company's matching contributions to the Savings Plan were $11.1 million, $10.6 million, and $8.6 million in 1992, 1991, and 1990, respectively.

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Employee Benefit Plans

Stock Purchase Plan

Under the Employees' Stock Purchase Plan, participating subsidiaries match 50% of amounts contributed by employees. All contributions are invested in the common stock of the Company. The plan acquired 81,839 shares (1992), 95,974 shares (1991) and 105,147 shares (1990) of the Company's common stock on the open market. At October 31, 1992, the Stock Purchase Plan held 524,433 shares of the Company's common stock. Charges to income amounted to $414,000 (1992), $338,000 (1991) and $325,000 (1990).

CAMPBELL SOUP COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(million dollars)

8 (In Part): Pension Plans and Retirement Benefits

Savings Plans—The Company sponsors employee savings plans which cover substantially all U.S. employees. After one year of continuous service the Company generally matches 50% of employee contributions up to five percent of compensation. In fiscal 1992 the Company increased its contribution to 60% because earnings goals were achieved. Amounts charged to costs and expenses were $12.4 in 1992, $10.0 in 1991, and $10.6 in 1990.

CAPITAL CITIES/ABC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Employee Benefit Plans

The Company also has a Savings & Investment Plan which allows eligible employees to allocate up to 10% of salary, through payroll deduction, among a Company stock fund, a diversified equity fund and a fixed interest fund. The Company matches 50% of the employee's contribution, up to 5% of salary. In 1992, 1991 and 1990, the cost of this plan (net of forfeitures) was $10,982,000, $10,138,000 and $10,038,000, respectively.

Employee Stock Ownership Plans

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7—Employee Stock Ownership Plan

In 1989, the company added an Employee Stock Ownership Plan (ESOP) to its existing Deferred Income Stock Purchase and Savings Plans. Approximately 60% of all salaried and hourly employees are eligible for participation in the ESOP. The ESOP borrowed $500 million for a term of 15 years at an interest rate of 8.3% and used the proceeds to buy approximately 11.3 million shares of common stock from the company. The ESOP debt is guaranteed by the company and ESOP shares are being allocated to participants over 15 years as contributions are made to the plans.

ESOP cash contributions and ESOP expense accrued during the calendar year are determined by several factors including the market price and number of shares allocated to participants, ESOP debt service, dividends on unallocated shares and the company's matching contribution. Over the 15-year life of the ESOP, total expense will equal the total cash contributions made by the company.

ESOP cash contributions are made in March and September, based on the plan year which ends March 31. A summary of ESOP cash contributions and dividends on unallocated ESOP shares for the three years ended December 31 is presented below (in millions):

	Years Ended December 31		
	1992	1991	1990
Cash Contributions	$33.1	$32.6	$30.7
Dividends	$10.4	$10.2	$ 9.9

Total ESOP expense is allocated to operating expense and interest expense based upon the ratio of principal and interest payments on the debt. ESOP expense for each of the three years ended December 31 is presented below (in millions):

	1992	1991	1990
Operating Expense	$14.2	$13.2	$14.9
Interest Expense	18.8	19.9	27.0
Total Expense	$33.0	$33.1	$41.9

CARPENTER TECHNOLOGY CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

10. Employee Stock Ownership Plan:

On September 6, 1991, the Board of Directors established a leveraged employee stock ownership plan ("ESOP") to assist current employees with their future retiree medical obligations. The Company issued 461.5 shares of a new class of convertible preferred stock at $65,000 per share to the ESOP in exchange for a $29,998,000 15-year, 9.345% note which is included in the Company's balance sheet as "Deferred Compensation to ESOP." The preferred stock is recorded net of related issuance costs.

Principal and interest obligations on the note will be satisfied by the ESOP as the Company makes contributions to the ESOP and dividends are paid on the preferred stock. As payments are made on the note, shares of preferred stock will be allocated to participating employees' accounts within the ESOP. The Company contributed $383,000 to the ESOP in 1992. Compensation expense related to the plan was $1,333,000 for 1992.

The preferred stock is initially convertible into approximately 461,500 shares of common stock, at a conversion price of $65.00 per share of common stock. The shares of preferred stock will pay a cumulative annual dividend of $5,362.50 per share and are entitled to vote together with the common stock as a single class, and have 1,300 votes per share. The stock is redeemable by the Company at any time after September 5, 1996 at an initial price of $67,600 per share.

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Millions Except Per Share Amounts

6. Employee Stock Ownership Plan

In 1989, the Company expanded its employee stock ownership plan (ESOP) through the introduction of a leveraged ESOP covering employees who have met certain eligibility requirements. The ESOP issued $410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The long-term notes, which are guaranteed by the Company, are recorded on the accompanying Consolidated Balance Sheet. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of $65 per share and pays semiannual dividends equal to the higher of $2.44 or the current dividend paid on two common shares for the comparable six-month period. Each share may be converted by the Trustee into two shares of common stock.

Dividends on these preferred shares, as well as common shares also held by the ESOP, are paid to the ESOP trust and, together with Company contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Preferred shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan.

Dividends on these preferred shares are deductible for income tax purposes and, accordingly, are reflected net of their tax benefit in the Consolidated Statement of Retained Earnings.

Annual expense related to the leveraged ESOP, determined as interest incurred on the notes, less dividends received on the shares held by the ESOP, plus the higher of either principal repayments on the notes or the cost of shares allocated, was $8.1 in 1992, $6.9 in 1991 and $6.7 in 1990. Similarly, unearned compensation, shown as a reduction in shareholders' equity, is reduced by the higher of principal payments or the cost of shares allocated.

Interest incurred on the ESOP's notes amounted to $35.1 in 1992, $35.3 in 1991 and $35.5 in 1990. The Company paid dividends on the stock held by the ESOP of $32.8 in 1992, $34.0 in 1991 and $30.8 in 1990. Company contributions to the ESOP were $5.6 in 1992, $4.9 in 1991 and $7.0 in 1990.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

Under this plan, the Company sold to the ESOP 165,872 shares of a new issue of Series C cumulative convertible preferred stock for $100 million, or $602.875 per share. The Series C stock pays an annual dividend of 8% and will be allocated to eligible employees over a 10-year period, which began in September 1990.

Each share of Series C stock is entitled to vote as if it were converted to common stock and is convertible into 20 common shares at $30.14375 per share. At December 31, 1992, 164,608 Series C shares were outstanding. This was equivalent to 3,292,169 shares of common stock, about 1.5% of the Company's outstanding voting stock.

Each Series C share carries rights under the Company's preferred stock purchase rights plan and currently is entitled to five rights.

Proceeds received from the sale of Series C shares to the ESOP were used to retire Company debt. The ESOP purchased the Series C shares with borrowed funds. The ESOP loan principal and interest will be repaid on a semiannual basis over a 10-year period by Company contributions to the ESOP and by the dividends paid on the Series C shares. Company cash contributions and dividend payments of $18.1 million and $21.6 million were paid to the ESOP during 1992 and 1991, respectively. The ESOP made principal and interest payments of $11.7 million and $6.5 million during 1992, and $14.1 million and $7.6 million during 1991, respectively.

The Company has guaranteed the ESOP's borrowings and has reported the unpaid balance of this loan as a liability of the Company. An unearned ESOP compensation amount is reported as an offset to the Series C share amount in the equity section.

Compensation expense related to the plan is based upon the preferred shares allocated to participants and amounted to $11.1 million, $14.5 million, and $7.6 million in 1992, 1991 and 1990, respectively.

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Employee Benefit Plans

Defined Contribution Plans: The company maintains contributory 401(k) savings plans for salaried employees (the Salaried Plan) and hourly employees (the Hourly Plans) which cover substantially all employees.

The Salaried Plan

In 1989, a leveraged Employee Stock Ownership Plan (ESOP) was created and incorporated into the Salaried Plan. The ESOP purchased approximately 10.7 million shares of Lockheed stock with the proceeds from a $500 million note issue which is guaranteed by Lockheed (see Note 10). These shares are held in a suspense account in a salaried ESOP trust until allocated to participants as described below.

Under provisions of the Salaried Plan, employees' eligible contributions are matched by the company at a 60 percent rate. The company's matching obligation is accounted for as compensation and was $91 million in 1992, $85 million in 1991, and $86 million in 1990. Since January 1992, one half of the company match has consisted of cash contributions to employee-selected investment options (including Lockheed stock) and one half of the company match has consisted of Lockheed stock. In 1991 and 1990, the company match consisted entirely of Lockheed stock. The Lockheed stock portion of the matching obligation is fulfilled, in part, with stock allocated from the suspense account (approximately 710,000 shares per year) through the year 2004. The balance of the stock portion of the matching obligation is fulfilled through open market purchases of Lockheed stock. Approximately 184,000, 1.2 million, and 2.1 million shares of Lockheed stock were purchased on the open market by the salaried ESOP trust in 1992, 1991, and 1990, respectively. The ESOP trust also sold 285,000 shares purchased from retirees in 1992.

Company payments to the salaried ESOP trust consist of dividends on the unallocated shares, and an amount sufficient to fully service the ESOP debt and meet the company's matching obligation to employees that is not otherwise covered through the allocation of suspense account shares.

In each of the past three years, the company paid an amount in excess of matching funds. The amount varied due to changes in the market value of company stock allocated from the suspense account. These additional payments were included in Lockheed's interest expense. However, in the past two years, the impact of these payments on the company was more than offset by special tax benefits on dividends paid on ESOP shares and the tax deductibility of the payments themselves, resulting in a net favorable effect to the company of about $6 million in 1992 and about $5 million in 1991. In 1990, the tax benefits were not sufficient to fully offset the payments in excess of matching funds, resulting in net cost to the company of approximately $4 million.

The ESOP trust requirements and the company's payments are shown in the following table:

In millions	1992	1991	1990
ESOP trust requirements:			
Debt service (including interest of $38 million in 1992, $39 million in 1991, and $41 million in 1990)	$59	$ 59	$ 59
Purchase of additional shares (required to meet company matching obligation)	15	55	64
	$74	$114	$123
Met by:			
Dividends on unallocated shares	$18	$ 22	$ 18
Company matching funds (Lockheed stock portion)	48	85	86
Amount in excess of matching funds	8	7	19
	$74	$114	$123

The Hourly Plans

In 1990, ESOPs were created and incorporated into the Hourly Plans. The company matches 60 percent of a participating employee's eligible contribution to the Hourly Plans through payments to an ESOP trust. The company's match consists of Lockheed stock purchased by the ESOPs on the open market. The company's required match, which is reported as compensation, was $16 million in 1992, $17 million in 1991, and $16 million in 1990. Approximately 319,000, 370,000, and 280,000 shares were purchased on the open market to provide the company match in 1992, 1991, and 1990, respectively.

ESOP Ownership of the Company's Stock

At December 27, 1992, December 29, 1991, and December 30, 1990, the salaried and hourly ESOP trusts held approximately 16 million, 16 million, and 15 million shares of the company's stock, or about 26 percent, 25 percent, and 23 percent of the total shares outstanding, respectively.

Profit Sharing Plans

CONCORD FABRICS INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note F. Profit-Sharing Plan:

The Company's noncontributory profit-sharing plan, approved by the Treasury Department, for the benefit of eligible full time employees, provides for a minimum annual contribution to a trust fund based on percentages of pre-tax profits (as defined); the Board of Directors may increase such minimum annual contribution at its sole discretion but all contributions are limited to the maximum amount deductible for federal income tax purposes. Contributions of $189,000, $115,000 and $395,000 were made for the years ended August 30, 1992, September 1, 1991 and September 2, 1990, respectively.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

401(k) Profit Sharing Plan

The Company has a qualified 401(k) Profit Sharing Plan available to full-time employees who meet the plan's eligibility requirements. This plan, which is also a defined contribution plan, contains a profit sharing component, with tax-deferred contributions to each employee based on certain performance criteria, and also permits employees to make contributions up to the maximum limits allowed by Internal Revenue Code Section 401(k). Under the 401(k) component, the Company matches a portion of the employee's contribution under a predetermined formula on the level of a contribution and years of vesting service.

Company contributions to the plan for both profit sharing and matching of employee contributions were approximately $17.9 million, $15.1 million, and $12.7 million in 1992, 1991 and 1990, respectively.

HERMAN MILLER, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Plans (In Part):

Herman Miller, Inc., and three of its subsidiaries have a trusted profit-sharing plan that covers substantially all employees who have completed one year of employment. The plan provides for discretionary contributions (payable in the company's common stock) of not more than 6.0 percent of pretax income of participating companies, or such other lesser amounts as may be established by the board of directors. The cost of the plan charged against operations was $1.5, $3.0, and $3.5 million in 1992, 1991, and 1990, respectively.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Profit Sharing Plans (In Part):

Profit Sharing Plan:

The Company's profit sharing plan covers substantially all domestic employees of the Company and its participating subsidiaries, other than those employees covered by a union retirement plan. The plan provides that, unless the Board of Directors decides otherwise, the Company contribute annually the lesser of (a) the amount which, when added to forfeitures for the year, equals 7½% of the amount by which the consolidated net operating income before income taxes of the Company and its participating subsidiaries exceeds $500,000, or (b) the amount deductible for Federal income tax purposes. The provisions for fiscal years 1992, 1991 and 1990 were $3,988,000, $2,967,000 and $2,771,000, respectively.

THE PERKIN-ELMER CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Retirement Benefits

PE has a profit sharing and savings plan whereby, when pre-tax earnings per share of the common stock outstanding exceed $.3125 per share, the Company is required to fund the plan in an amount equal to 8% of consolidated pretax earnings, as defined by the plan, provided the amount of such payment does not reduce the balance of such earnings below $.3125 per share of common stock. The profit sharing payment by the Company is allocated among its domestic employees in direct proportion to their earnings. In fiscal 1991, the Board of Directors, within its discretionary authority, approved the exclusion of the $53 million provision for restructuring charge for the purpose of determining profit sharing earnings. PE's contribution was $7 million for fiscal 1992, $5.4 million for fiscal 1991 and $5.4 million for fiscal 1990.

SPECTRUM CONTROL, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Profit Sharing Plan:

The Company has a profit sharing plan which permits participants to make contributions by salary reduction pursuant to section 401(k) of the Internal Revenue Code. The Company matches contributions up to a maximum of 2.5% of compensation and may, at its discretion, make additional contributions to the plan. In connection with the required match, the Company's contribution to the plan was $107,000 in 1992, $88,000 in 1991, and $131,000 in 1990. In 1992, an additional discretionary contribution to the profit sharing plan of $50,000 was accrued and charged against net income.

Incentive Compensation Plans

AULT INCORPORATED (MAY)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part):

Incentive compensation plan: During fiscal 1988 the Company adopted an incentive compensation plan for key employees. Participants in the plan receive payments contingent upon the Company exceeding certain pretax earnings levels which are determined by the Board of Directors. For the year ended May 31, 1992, incentive compensation earned and charged to operating expenses was approximately $66,000. No provision was required for the years ended June 2, 1991, and May 27, 1990.

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Employee Benefit Plans

Productivity Incentive Plan—The Productivity Incentive Plan provides for quarterly distributions of common stock and cash to each eligible employee. The amounts of the distributions are based on consolidated pre-tax profit, the market price of the Company's common stock and the employee's salary. The fair market value of common stock issued and the cash distributed is charged to expense. For fiscal 1992, 12,000 shares (fair market value of $137,000) and $552,000 were accrued for the benefit of employees. For fiscal 1991, 9,000 shares (fair market value of $102,000) and $406,000 were accrued for the benefit of employees. For fiscal 1990, 10,000 shares (fair market value of $144,000) and $317,000 were accrued for the benefit of employees. At September 26, 1992, the Company had 129,000 shares of its common stock reserved for future issuance under the Plan.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Incentive Plans—The 1990 Long-Term Incentive Plan (Incentive Plan) initially reserved 4,000,000 shares for issue with 2,310,000 shares allocated but not awarded to plan participants at December 31, 1992. Specified portions of the shares allocated under this plan are awarded as restricted stock, at no cost to the employee, based on increases in the average market value of the Corporation's common stock. At the time awarded shares become vested, the Corporation will pay each participant a cash bonus in the amount of the estimated income tax liability to be incurred by the participant as a result of the award. Long-term incentive plan deferred compensation is amortized over the vesting (restriction) period, generally five years, with adjustments made quarterly for market price fluctuations.

The Incentive Plan replaced the 1988 Long-Term Incentive Plan (1988 Incentive Plan). As of December 31, 1992, 1,105,000 shares had been awarded to the plan participants under the 1988 Incentive Plan. These awarded shares will vest based on the provisions in the 1988 Incentive Plan.

The Corporation recognized Incentive Plan compensation expense of $51 million in 1992, $43 million in 1991 and $14 million in 1990. Additional information relating to the Incentive Plan is as follows:

	Year ended December 31		
	1992	1991	1990
Shares allocated but not awarded at January 1	2,708,000	2,733,000	536,000
Shares allocated	400,000	122,000	2,841,000
Previously allocated shares cancelled	(407,000)	(155,000)	(661,000)
Shares awarded	(538,000)	—	—
Previously awarded shares cancelled	147,000	8,000	17,000
Shares allocated but not awarded at December 31	2,310,000	2,708,000	2,733,000
Shares available for allocation at December 31	1,152,000	1,292,000	1,267,000
Total shares reserved	3,462,000	4,000,000	4,000,000

HANDY & HARMAN (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Stock Option and Long-term Incentive Plans

1988 Long-Term Incentive Plan

Shares issued under the 1988 Long-Term Incentive Plan are in the name of the employee, who has all the rights of a shareholder, subject to certain restrictions or forfeitures. Of the 400,000 shares which may be awarded under this plan 28,700 shares were issued in 1990, of which 400 shares were forfeited, and 22,000 shares were issued in 1992, of which 1,000 shares were forfeited. The market value of shares issued under the plan is recorded as unearned compensation and shown as a separate component of shareholders' equity. This compensation is amortized to expense over the period the employees become vested.

Compensation expense for both the Outside Director Stock Option Plan and Long-Term Incentive Plan amounted to $226,000, $214,000 and $248,000 in 1992, 1991 and 1990, respectively.

THE H.J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employees' Stock Option Plans and Management Incentive Plans

The company's management incentive plans cover certain officers and other key employees of the company. Participants in the plans may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Management incentive plans expense was $17.9 million in 1992, $24.9 million in 1991 and $20.7 million in 1990.

HUGHES SUPPLY, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefit Plans

Bonus Plan:

The Company has bonus plans, based on profitability formulas, which provide incentive compensation for key employees. Amounts charged to expense for bonuses to executive officers were $263,000 and $50,000 for the fiscal years ended in 1993 and 1992. There were no bonuses to executive officers charged to expense for the fiscal year ended in 1991.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 14 (In Part): Retirement Benefit and Incentive Compensation Programs

Under the OMC Executive Bonus Plan, which was approved by shareholders in January, 1990, the compensation committee, which administers the plan and whose members are not participants in the plan, has authority to determine the extent to which the company meets, for any fiscal year, the performance targets for that fiscal year which are set by the committee no later than the third month of the fiscal year. In fiscal year 1992, $5.1 million was charged to earnings under this plan. In 1991 and 1990, no incentive compensation was paid or provided under this plan.

TOSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Employee Benefit and Incentive Compensation Plans

Management Incentive Plans

A Cash Incentive Plan (CIP) was established for members of middle and senior management in 1987. The CIP sets forth suggested awards which are computed as a percentage of a participant's base salary, which percentage is dependent upon Tosco's pretax income (as defined). Effective January 1, 1990, Tosco also adopted a bonus plan for senior executives who are not participants in the CIP based on per share pretax income (as defined).

Results of operations for the years ended December 31, 1992, 1991 and 1990 include provisions for incentive compensation of $5,616,000, $4,100,000 and $7,970,000, respectively, of which $4,393,000, $3,398,000 and $6,900,000, respectively, were included in selling, general and administrative expense. In addition, a special one-time bonus of 2% of annual base salary (totaling $648,000), made at the discretion of Tosco's Board of Directors, was awarded to all employees not covered by management incentive plans in light of the strong operational and financial performance of Tosco in 1990.

Deferred Compensation Plans

GUILFORD MILLS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except per share data)

7 (In Part): Benefit Plans

The Company also maintains deferred compensation plans for certain officers and salaried employees. These plans are funded through life insurance and are being provided for currently. During 1992, 1991 and 1990, the annual provisions under these plans were $2,210, $2,952 and $2,093. The liability for deferred compensation was $15,821 at June 28, 1992 and $14,631 at June 30, 1991 and is included in other deferred liabilities in the accompanying balance sheets.

HARMON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments

Employee Benefits

The Company has a nonqualified, unfunded deferred compensation plan and trust for certain key executives providing for payments upon retirement, death or disability. Under the plan, certain employees receive retirement payments equal to a portion of the three highest continuous years' average compensation. These payments are to be made for the remainder of the employees' life with a minimum payment of ten years' benefits to either the employee or his or her beneficiary. The plan also provides for reduced benefits upon early retirement, disability or termination of employment. The deferred compensation expense was $493,000, $437,000 and $472,000 for the years ended December 31, 1992, 1991 and 1990, respectively.

The Company has recorded the assets and liabilities for the deferred compensation at gross amounts in the Consolidated Balance Sheets because such assets and liabilities belong to the Company rather than to any plan or trust. The assets are recorded at cost, and the liability is computed and recorded in accordance with SFAS 87, "Employers' Accounting For Pensions."

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Employee Benefit Plans

The Company has a Deferred Compensation Plan which permits eligible officers and directors to defer a portion of their compensation. The deferred compensation, which together with Company matching amounts and accumulated interest is accrued but unfunded, is distributable in cash after retirement or termination of employment, and at December 31, 1992 and 1991, amounted to approximately $1.2 million and $1.1 million, respectively. The Company has insured the lives of certain officers, who participate in the deferred compensation program, to assist in the funding of the deferred compensation liability. The Company is the owner and beneficiary of the insurance policies. At December 31, 1992, the cash surrender value of these policies was $2.1 million, which is net of $1.7 million of policy loans.

LABARGE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Employee Benefit Plans

The Company has a contributory profit-sharing plan which qualifies under Section 401(k) of the Internal Revenue Code for employees meeting certain service requirements. The plan allows eligible employees to contribute up to 15% of their compensation, with the Company matching 50% of the first $25 per month and 25% of the excess of the first 8% of this contribution. During 1992, 1991 and 1990, Company matching contributions were $222,607, $242,590 and $187,671, respectively.

At the discretion of the Board of Directors, the Company may also make contributions dependent on profits each year for the benefit of all eligible employees under the amended plan. There were no contributions for the years ended June 28, 1992, June 30, 1991 and July 1, 1990 other than Company matching discussed above.

In 1992, the Company started a deferred compensation plan for selected employees who, due to Internal Revenue Service guidelines, could not take full advantage of the contributory profit-sharing plan. This plan, which is not required to be funded, allows eligible employees to defer portions of their current compensation and the Company guarantees a return of 11% (compounded annually) on the deferral. To support the deferred compensation plan, the Company has elected to purchase company-owned life insurance. The costs associated with the plan for 1992 are $9,312 for the guaranteed return and $52,726 for the expense of the company-owned life insurance. The cash surrender value of the company-owned life insurance is in other assets. The liability for the deferred compensation is in accrued employee compensation.

Loan Programs

TYCO LABORATORIES, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Key Employee Loan Programs

Loans are made to employees under the 1981 and 1983 Key Employee Loan Programs for the payment of taxes as awarded restricted shares vest. The loans are unsecured and bear interest at 8% per annum except for loans prior to September 1987 under the 1981 Employee Loan Program which bear interest at 2%. Loans are generally repayable in ten years, except that earlier payments are required under certain circumstances. Loans under these programs were $10.1 million and $11.2 million at June 30, 1992 and 1991, respectively.

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12* stipulates that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph 5, Chapter 9C of *Accounting Research Bulletin No. 43* defines depreciation accounting (the process of allocating the cost of productive facilities over the expected useful lives of the facilities) as "a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation."

Table 3-12 summarizes the methods of depreciation used to allocate the cost of productive facilities. Examples of depreciation expense disclosures follow.

TABLE 3-12: DEPRECIATION METHODS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Straight-line	564	558	560	562
Declining-balance	26	28	38	40
Sum-of-the-years'-digits	12	8	11	16
Accelerated method—not specified	62	70	69	69
Units-of-production	47	50	50	50
Other	5	7	8	8

Straight-Line Method

MARK IV INDUSTRIES, INC. (FEB)

	1992	1991 ($000)	1990
Net sales	$1,145,574	$937,290	$832,959
Operating costs:			
Cost of products sold	740,498	590,874	524,391
Selling and administration	225,574	192,787	172,192
Research and development	27,866	24,032	20,794
Depreciation and amortization	31,011	24,383	19,873
Total operating costs	1,024,949	832,076	737,250
Operating income	120,625	105,214	95,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Property, Plant and Equipment

Property, plant and equipment is stated at cost and consists of the following at February 29, 1992 and February 28, 1991 (dollars in thousands):

	1992	1991
Land and land improvements	$ 32,077	$ 26,592
Buildings	100,523	107,024
Machinery and equipment	258,096	243,653
Total property, plant and equipment	390,696	377,269
Less accumulated depreciation	82,818	61,988
Property, plant and equipment, net	$307,878	$315,281

The cost of property, plant and equipment retired or otherwise disposed of, and the accumulated depreciation thereon, are eliminated from the asset and related accumulated depreciation accounts, and any resulting gain or loss is reflected in income.

The Company provides for depreciation of plant and equipment on methods and rates designed to amortize the cost of such plant and equipment over its useful life. Depreciation is provided principally on the straight-line method for financial reporting purposes, and amounted to approximately $25,400,000; $20,400,000; and $16,200,000 in fiscal 1992, 1991, and 1990, respectively.

MASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part):

Depreciation and Amortization

Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 to 10 percent, and machinery and equipment, 5 to 33 percent. Depreciation was $79.4 million, $70.2 million and $61.3 million in 1992, 1991 and 1990, respectively. The excess of cost over net assets of acquired companies is being amortized using the straight-line method over periods not exceeding 40 years; at December 31, 1992 and 1991, such accumulated amortization totalled $107.3 million and $93.3 million, respectively. Purchase costs of patents are being amortized using the straight-line method over their remaining lives. Amortization of intangible assets was $35.1 million, $32.5 million and $32.2 million in 1992, 1991 and 1990, respectively.

O'SULLIVAN CORPORATION (DEC)

Consolidated Statements of Cash Flows

	1992	1991 *($000)*	1990
Cash Flows from Operating Activities			
Net income	$10,802	$1,539	$14,685
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,623	9,859	6,675
Provision for doubtful accounts	710	550	730
Deferred income taxes	410	(1,932)	635
(Gain) loss on disposal of assets	72	130	(41)
Provision for restructuring and withdrawal of non-productive assets	—	4,055	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost, adjusted to current exchange rates where applicable. Depreciation is computed primarily by the straight-line method over the estimated useful lives of assets. The estimated useful lives are 20–40 years for buildings and range from 3–14 years for machinery and other equipment. Accelerated methods of depreciation are used for tax purposes. Expenditures for repairs and maintenance are charged to operations as incurred. Betterments and improvements which extend the useful life of an asset are capitalized. Upon sale and other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

Note 3. Property, Plant and Equipment

At December 31, property, plant and equipment were comprised of the following:

	1992	1991
Land	$ 1,931,340	$ 1,690,713
Buildings	43,888,616	40,769,034
Machinery and equipment	88,729,643	78,983,605
Transportation equipment	3,510,186	3,449,578
Property under capital leases	885,085	871,585
	$138,944,870	$125,764,515
Less accumulated depreciation	52,183,397	41,978,503
	$ 86,761,473	$ 83,786,012

Depreciation expense totaled $9,610,165, $9,589,074 and $6,675,117 in 1992, 1991 and 1990, respectively.

SCOTT PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and Cost of Timber Harvested

(Millions)	1992	1991	1990
Depreciation of buildings, machinery and equipment	$260.9	$329.8	$322.5
Cost of timber harvested and amortization of logging roads	4.9	4.9	4.9
	$265.8	$334.7	$327.4

Beginning in 1992, the Company revised the estimated average useful lives used to compute depreciation for most of its pulp and paper mill equipment from 16 years to 20 years and for most of its finishing and converting equipment from 12 years to 15 years. These revisions were made to more properly reflect the true economic lives of the assets and to better align the Company's depreciable lives with the predominant practice in the industry. The change had the effect of increasing net income by approximately $55 million. Estimated useful lives of 20 to 50 years for buildings were not revised.

Depreciation is principally calculated by the straight-line method. For certain major capital additions, depreciation is calculated on the units-of-production method during the learning curve phase of the project.

The cost of timber harvested is determined by calculating that portion of the investment in timber which the current year's harvest bears to the total standing timber. Amortization is the cost of logging roads absorbed as timber is harvested and is based on the estimated recoverable timber in areas serviced by the roads.

TYSON FOODS, INC. (SEP)

Consolidated Statements of Cash Flows

	1992	1991	1990
		($000)	
Cash Flows from Operating Activities:			
Net income	$160,534	$145,498	$120,015
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	119,363	106,630	97,655
Amortization	29,502	29,201	25,748
Deferred income taxes	17,883	3,784	14,831
Loss on dispositions of property and equipment	218	816	950

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment and Depreciation

Depreciation is provided primarily by the straight-line method using estimated lives for buildings and leasehold improvements—10 to 33 years; machinery and equipment—3 to 12 years; and other—3 to 20 years. Depreciation expense was $119.4 million in 1992, $106.6 million in 1991 and $97.7 million in 1990.

The company capitalized interest costs of $895 thousand in 1992, $1.4 million in 1991 and $1.5 million in 1990 as part of the cost of major asset construction projects.

Approximately $62.4 million will be required to complete construction projects in progress at October 3, 1992.

Declining-Balance Method

AULT INCORPORATED (MAY)

Consolidated Statements of Cash Flows

	1992	1991	1990
Cash Flows From Operating Activities			
Net income (loss)	$645,520	$(294,532)	$(167,645)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	539,628	498,333	429,179
Amortization	7,958	8,547	9,274
Provision for doubtful accounts	85,000	244,732	5,000
Loss on disposal of equipment	24,872	5,303	3,906

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Depreciation

It is the Company's policy to include depreciation expense on assets acquired under capital leases with depreciation expense on owned assets. Depreciation is based on the estimated useful lives of the individual assets. The methods and estimated useful lives are as follows:

	Method	Years
Machinery and equipment	Straight-line	3–10
Office furniture and equipment	Straight-line	5–10
EDP equipment	Double declining balance and straight-line	5–10
Leasehold improvements	Straight-line	3–10

Sum-Of-The-Years'-Digits Method

HOMASOTE COMPANY (DEC)

Consolidated Statements of Cash Flows

	1992	1991	1990
Cash flows from operating activities:			
Net earnings	$340,749	$ 7,157	$340,147
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	520,917	682,185	829,908
Gain on disposal of fixed assets	(60,487)	(92,706)	(14,716)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation

Depreciation of plant and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

Note 3 (In Part): Property, Plant and Equipment

	December 31, 1992		
	Cost	Accumulated Depreciation	Carrying Amount
Land	$ 93,543	$ —	93,543
Buildings and additions	9,183,932	3,989,209	5,194,723
Machinery and equipment	18,582,587	18,101,876	480,711
Office equipment	775,282	744,571	30,711
Automotive equipment	420,612	362,736	57,876
	$29,055,956	$23,198,392	$5,857,564

Estimated useful lives and depreciation methods are as follows:

	Estimated Useful Lives	Predominate Methods in Use
Buildings and additions	10–50 years	Straight line
Machinery and equipment	5–20 years	Sum-of-the-years digits
Office equipment	10 years	Sum-of-the-years digits
Automotive equipment	3–5 years	Declining balance

RAYTHEON COMPANY (DEC)

Statements of Cash Flows

	1992	1991	1990
	(In thousands)		
Cash flows from operating activities			
Net income	$635,073	$591,762	$557,293
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	302,133	306,117	303,503

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Property, Plant and Equipment

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

Provisions for depreciation are computed generally on the sum-of-the-years-digits method, except for certain operations which use the straight-line or declining-balance method. Depreciation provisions are based on estimated useful lives: buildings—20 to 45 years; machinery and equipment, including production tooling—3 to 10 years; equipment leased to others—5 to 10 years. Leasehold improvements are amortized over the lesser of the remaining life of the lease or the estimated useful life of the improvement.

Units-Of-Production Method

ASARCO INCORPORATED (DEC)

	1992	1991	1990
		($000)	
Sales of products and services	$1,908,492	$1,911,806	$2,210,280
Operating costs and expenses:			
Cost of products and services	1,647,263	1,634,198	1,810,705
Selling, administrative and other	87,195	94,258	93,546
Provision for doubtful accounts	3,436	13,625	1,985
Depreciation and depletion	86,642	74,869	75,093
Research and exploration	21,410	26,431	26,644
Provision to reduce carrying value of certain facilities	31,900	—	—
Provision for closed plant and environmental matters	72,400	7,305	75,527
Total operating costs and expenses	1,950,246	1,850,686	2,083,500
Operating income (loss)	(41,754)	61,120	126,780

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property

Assets are valued at cost or less. Betterments, renewals, costs of bringing new mineral properties into production, and the cost of major development programs at existing mines are capitalized. Maintenance, repairs, development costs to maintain production at existing mines, and gains or losses on assets retired or sold are reflected in earnings as incurred. Plant assets are depreciated over their estimated useful lives, generally by the units-of-production method. Depreciation and depletion of mine assets are computed generally by the units-of-production method using proven and probable ore reserves.

UNION CAMP CORPORATION (DEC)

	1992	1991	1990
		($000)	
Net sales	$3,064,358	$2,967,138	$2,839,704
Costs and other charges:			
Cost of products sold	2,289,516	2,193,968	1,983,338
Selling and administrative expenses	298,019	287,158	268,263
Depreciation and cost of company timber harvested	237,531	209,120	217,416
Special charge	57,000	—	—
Income from operations	182,292	276,892	370,687

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property and Depreciation

Plant and equipment is recorded at cost, less accumulated depreciation. Upon sale or retirement, the asset cost and related depreciation are removed from the balance sheet and the resulting gain or loss is included in income.

Depreciation is principally calculated on a straight-line basis with lives for buildings from 15 to 33 years and for machinery and equipment from 10 to 20 years. For major expansion projects, the company uses the units-of-production depreciation method until design level production is reasonably sustained. Accelerated depreciation methods are used for tax purposes.

In the first quarter of 1991, the company changed the estimated average useful lives used to compute depreciation for most of its pulp and paper mill equipment from 16 years to 20 years. The change better aligned the allocation of equipment cost with its expected use and results in useful lives more consistent with the predominant industry practice for this type of equipment. The effect of this change on income before tax was $51 million in 1991. The after-tax effect of this change was $32 million or $.46 per share. This change did not affect cash flow.

The cost of company timber harvested is charged to income as timber is cut. The charge to income is the product of the volume of timber cut multiplied by annually developed unit cost rates which are based on the relationship of timber cost to the estimated volume of recoverable timber.

Production-Variable Method

WHEELING-PITTSBURGH CORPORATION (DEC)

	1990	1991	1992
		($000)	
Net sales	$1,102,527	$957,307	$929,786
Cost and expenses:			
Cost of products sold	909,727	834,036	815,801
Selling, administrative and general expense	62,094	65,217	67,105
Depreciation	48,933	44,982	54,931
Restructuring charges	—	—	7,098
	1,020,754	944,235	944,935
Operating Income (loss)	81,773	13,072	(15,149)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Property, Plant and Equipment

Depreciation is computed on the modified units of production method for financial statement purposes and accelerated methods for income tax purposes. Interest cost is capitalized for qualifying assets during the assets' acquisition period. Capitalized interest cost is amortized on the same basis as the related depreciation.

Maintenance and repairs are charged to income. Renewals and betterments made through replacements are capitalized. Profit or loss on property dispositions is credited or charged to income.

Note F—Property, Plant and Equipment

Property, plant and equipment at December 31, 1991 and 1992 are as follows:

	December 31, 1991	December 31, 1992
	(Dollars in Thousands)	
Land and mineral properties	$ 30,369	$ 30,401
Buildings, machinery and equipment	687,754	747,917
Construction in progress	69,660	73,632
	787,783	851,950
Accumulated depreciation and amortization	44,959	99,432
	$742,824	$752,518

The Company utilizes the modified units of production method of depreciation which recognizes that the depreciation of steelmaking machinery is related to the physical wear of the equipment as well as a time factor. The modified units of production method provides for straight line depreciation charges modified (adjusted) by the level of raw steel production. In 1991 and 1992 depreciation under the modified units of production method was $2.6 million or 7.8% and $1.2 million or 3.2%, respectively, less than straight line depreciation.

Depletion

SONOCO PRODUCTS COMPANY (DEC)

Consolidated Statements of Cash Flows

	1992	1991	1990
		($000)	
Cash Flows From Operating Activities			
Net income	$ 43,359	$94,805	$ 50,368
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	83,309	76,561	72,152
Restructuring charge	39,130		64,237
Cumulative effect of changes in accounting principles	37,892		
Loss on assets retired	2,941	5,987	1,213
Equity in earnings of affiliates, net of dividends	(1,893)	(2,532)	(5,553)
Deferred taxes	(13,619)	(328)	(15,121)
Gain on sale of investment in affiliate		(8,525)	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share)

Note 6: Property, Plant and Equipment

Plant assets represent the original cost of land, buildings and equipment less depreciation computed under the straight-line method over the estimated useful life of the asset. Equipment lives range from 5 to 11 years, buildings from 20 to 30 years.

Timber resources are stated at cost. Depletion is charged to operations based on the number of units of timber cut during the year.

Depreciation and depletion expense amounted to $79,455 in 1992; $73,111 in 1991 and $67,464 in 1990. Details of property, plant and equipment at December 31 are as follows:

	1992	1991
Land	$ 19,151	$ 20,153
Timber resources	24,420	22,522
Buildings	226,758	210,912
Machinery & equipment	820,553	771,101
Construction in progress	44,118	27,446
	1,135,000	1,052,134
Accumulated depreciation and depletion	(520,982)	(471,347)
	$ 614,018	$ 580,787

Estimated costs for completion of authorized capital additions under construction totaled approximately $50,000 at December 31, 1992.

Certain operating properties and equipment are leased under non-cancellable operating leases. Total rental expense under operating leases was $23,400, $23,700 and $23,300 in 1992, 1991 and 1990, respectively. Future minimum rentals under noncancellable operating leases with terms of more than one year are as follows: 1993—$11,800; 1994—$10,600; 1995—$9,000; 1996—$7,100; 1997—$4,900; 1998—and thereafter—$14,500.

CALMAT CO. (DEC)

Consolidated Statements of Cash Flow

	1992	1991	1990
		($000)	
Operating Activities			
Net income (loss)	$(16,504)	$18,854	$80,845
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, cost depletion and amortization	27,892	26,248	38,300
Cumulative effect of change in accounting principle	6,000		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Depreciation is computed using primarily straight-line rates over estimated useful lives (5 to 35 years for plant structures and components and 4 to 25 years for machinery and equipment).

Depletion of rock and sand deposits is computed by the unit-of-production method based upon estimated recoverable quantities of rock and sand.

Significant expenditures which add materially to the utility or useful lives of property, plant and equipment are capitalized. All other maintenance and repair costs are charged to current operations.

The cost and related accumulated depreciation of assets replaced, retired or otherwise disposed of are eliminated from the property accounts and any gain or loss is reflected in income.

INCOME TAXES

PRESENTATION OF INCOME TAXES

Paragraphs 56-64 of *APB Opinion No. 11* state the financial reporting standards for income tax liabilities and expense. Effective for fiscal years beginning after December 15, 1992, *Statement of Financial Accounting Standards No. 109* supersedes *APB Opinion No. 11* as the authoritative pronouncement on accounting for and reporting income tax liabilities and expense. Paragraphs 41-49 of *SFAS No. 109* set forth standards for financial presentation and disclosure of income tax liabilities and expense. 259 survey companies have adopted *SFAS No. 109.*

Table 3-13 summarizes the descriptive captions used by the survey companies to identify income tax expense. Table 3-14 shows the nature of frequently disclosed timing or temporary differences giving rise to deferred taxes.

Examples of income tax presentation and disclosure follow.

TABLE 3-13: FEDERAL INCOME TAX EXPENSE

	1992	**1991**	**1990**	**1989**
Descriptive Terms				
Income taxes	557	547	538	536
Federal income taxes	31	35	43	45
United States (U.S.) income taxes	5	7	4	11
	593	**589**	**585**	**592**
Other or no current year amount	7	11	15	8
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-14: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Depreciation	456	425	444	454
Pensions	118	121	109	111
Other employee benefits	266	162	161	134
Inventory valuation	199	166	162	164
Discontinued operations	100	85	83	81
Unremitted earnings	57	50	48	47
Long-term contracts	40	50	56	61
Warranties	35	21	22	17
Leases	31	37	35	43
Intangible drilling costs	17	19	25	24
Installment sales	14	24	36	68

Expense Provision

BORDEN, INC. (DEC)

	1992	1991	1990
		($ Millions)	
Net sales	$7,142.6	$7,235.1	$7,632.8
Cost of goods sold	5,057.3	5,070.8	5,486.2
Marketing, general and administrative expenses	1,565.7	1.426.0	1,404.8
Restructuring and reorganization charges	642.0	71.6	
Interest expense	148.0	198.4	186.9
Equity in income of affiliates	(19.4)	(23.9)	(23.1)
Minority interest	39.7	2.8	2.8
Other (income) and expense, net	1.3	(7.5)	(.4)
Income taxes	(81.4)	166.0	212.0
	7,353.2	6,940.2	7,269.2
(Loss) income before cumulative effect of accounting changes	(210.6)	294.9	363.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

1 (In Part): Summary of Significant Accounting Policies

Income Taxes—In 1992 the Company adopted, effective January 1, 1992, Statement of Financial Accounting Standard (SFAS) No. 109 "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes.

The provision for income taxes includes Federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. A substantial portion of the undistributed earnings of foreign subsidiaries has been reinvested and is not expected to be remitted to the parent company. Accordingly, no Federal income taxes have been provided on such earnings and at December 31, 1992 the cumulative amount of reinvested income was approximately $620.0. The determination of the tax effect relating to such reinvested income is not practicable.

5. Income Taxes

In 1992 the Company adopted, effective January 1, 1992, SFAS No. 109 "Accounting for Income Taxes" which requires the use of the liability method of accounting for deferred income taxes. The cumulative effect as of January 1, 1992 of the change was a deferred tax expense of $40.0, or $.28 per share. The current year effect of the accounting change was to increase net income by $3.1, or $.02 per share.

Comparative analysis of the provisions for income taxes follows:

	1992	1991	1990
Current			
Federal	$ 5.6	$ 25.8	$ 63.4
State and Local	5.9	7.1	14.9
Foreign	47.3	50.1	33.0
	58.8	83.0	111.3
Deferred			
Federal	(124.9)	57.5	63.7
State and Local	(14.4)	8.1	8.7
Foreign	(.9)	17.4	28.3
	(140.2)	83.0	100.7
	$ (81.4)	$166.0	$212.0

The deferred tax provisions in 1992, 1991 and 1990 include $(166.8), $11.4 and $59.4, respectively, for the tax effects of costs and expenses related to the restructuring and reorganization programs which are deductible for income tax purposes in years when the assets are disposed of or expenditures incurred and which were charged against 1992 and 1991 operating results. The deferred tax provisions in 1992, 1991 and 1990 also reflect accelerated write-offs of property and equipment costs of $11.7, $15.5 and $3.6, respectively, and 1992 and 1991 pension contributions with tax effects of $6.2 and $10.4, respectively.

Reconciliations of the differences between income taxes computed at Federal statutory tax rates and consolidated provisions for income taxes are as follows:

	1992	1991	1990
Income taxes computed at Federal statutory tax rate	$(99.3)	$156.7	$195.7
State tax provisions, net of Federal benefits	(6.2)	10.0	15.6
Foreign tax differentials	1.7	2.8	9.5
Capital loss benefit	(17.9)	(11.7)	(16.8)
Restructuring program, primarily write-offs of assets with reduced tax bases	40.0		
Other—net	.3	8.2	8.0
Provisions for income taxes	$(81.4)	$166.0	$212.0

The domestic and foreign components of (loss) income before income taxes and cumulative effect of accounting changes are as follows:

	1992	1991	1990
Domestic	$(331.8)	$276.1	$425.2
Foreign	39.8	184.8	150.4
	$(292.0)	$460.9	$575.6

The net current and non-current components of deferred income taxes recognized in the balance sheet at December 31, 1992 follows:

	1992
Net current assets	$47.9
Net non-current liabilities	29.2
Net asset	$18.7

The amounts above include valuation allowances of $42.9 relating to non-current tax assets for net operating loss carryforwards that are not expected to be realized.

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 1992 follows:

	1992
Assets	
Postretirement benefit obligation	$118.4
Restructuring accrual	182.3
Accrued expenses	32.4
Foreign property, plant and equipment	12.8
Other	26.2
Gross deferred tax assets	372.1
Liabilities	
Property, plant and equipment	212.5
Certain foreign intangibles	23.9
Deferred gain on sale of partnership interest	20.5
Pension and health plan contributions	22.9
Prepaid expenses and deferred charges	50.8
Other	22.8
Gross deferred tax liabilities	353.4
Net asset	$ 18.7

CBS INC. (DEC)

	1992	1991	1990
		($ Millions)	
Net sales	$3,503.0	$3,035.0	$3,261.2
Cost of sales	(2,906.5)	(2,938.0)	(2,925.6)
Selling, general and administrative expenses	(422.9)	(384.6)	(409.3)
Other income, net	6.5	16.3	23.9
Operating income (loss)	180.1	(271.3)	(49.8)
Interest income on investments, net	107.6	140.1	210.1
Interest expense on debt, net	(60.7)	(47.4)	(57.9)
Interest, net	46.9	92.7	152.2
Income (loss) from continuing operations before income taxes	227.0	(178.6)	102.4
Income tax (expense) benefit (note 5)	(64.5)	79.9	(10.9)
Income (loss) from continuing operations	162.5	(98.7)	91.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

5. Income Taxes

Effective January 1, 1992, the Company adopted SFAS No. 109. "Accounting for Income Taxes." The cumulative effect of this adoption was an increase in net income of $.7 ($.05 per share).

Income tax expense (benefit) consisted of the following:

	Year ended December 31		
	1992	1991	1990
Federal:			
Current	$ 5.2	$ 14.9	$ 79.0
Deferred*	40.4	(81.2)	(76.5)
Other:			
Current	1.8	2.9	11.5
Deferred*	17.1	(16.5)	(3.1)
	$ 64.5	$(79.9)	$ 10.9
*Deferred taxes:			
Accrual for baseball and football television contracts	$ 54.8	$(99.9)	$(74.7)
Federal tax audit settlement	(17.9)		
Write-down of marketable securities	11.9	1.4	(18.1)
Amortization of intangibles	13.9	.4	6.8
Depreciation	(2.1)	(2.2)	1.0
Employee benefits, severance and relocation	1.6	4.1	(3.7)
Other state and local taxes	11.9	(11.9)	15.2
Other, net	(16.6)	10.4	(6.1)
	$ 57.5	$(97.7)	$(79.6)

In 1992 and 1991, there were net income tax refunds of $2.6 and $2.4, respectively. Income taxes of $143.4 were paid in 1990. In 1991 and 1990, the Company's income (loss) from continuing operations before income taxes reflected significant provisions for future losses over the remaining lives of its Major League Baseball and National Football League television contracts, as explained in note 3. The tax benefits attributable to these charges were included in deferred taxes and are realized as the transactions provided for become taxable events.

Reconciliations between the statutory federal income tax expense (benefit) rate and the Company's effective income tax expense (benefit) rate as a percentage of income (loss) from continuing operations before income taxes were as follows:

	Year ended December 31		
	1992	1991	1990
Statutory federal income tax expense (benefit) rate	34.1%	(34.1)%	34.1%
Federal tax audit settlement	(7.9)		
Income from tax preference securities	(4.2)	(5.6)	(28.9)
State and local taxes	5.3	(5.2)	5.2
Other, net	1.1	.1	.3
Effective income tax expense (benefit) rate	28.4%	(44.8)%	10.7%

Deferred tax assets and liabilities as of December 31, 1992 consisted of the following:

Deferred tax assets:	
Accrual for baseball and football television contracts	$130.8
Postretirement benefits other than pensions	56.7
Employee benefits, severance and relocation	39.8
Other	18.2
	$245.5
Deferred tax liabilities:	
Property, plant and equipment	$90.0
Safe harbor leases	96.5
Other	90.5
	$277.0

FARR COMPANY (DEC)

	1992	1991	1990
		($000)	
Net Sales	$112,094	$112,410	$ 84,899
Costs and Expenses:			
Cost of sales	90,069	86,546	59,207
Selling, general and administrative expenses	21,731	22,273	19,116
Interest expense	2,322	2,341	1,498
Restructuring costs	1,500	5,733	
Total Costs and Expenses	115,622	116,893	79,821
(Loss) Income Before Income Taxes and Cumulative Effect of Accounting Change	(3,528)	(4,483)	5,078
Income Taxes	562	(1,487)	1,680
(Loss) Income Before Cumulative Effect of Accounting Change	(4,090)	(2,996)	3,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Income Taxes

The Company adopted SFAS No. 109, "Accounting for Income Taxes," effective December 29, 1991, and the cumulative effect of this change is reported in the 1992 consolidated operations statement. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109. This new statement changes the criteria for the recognition and measurement of deferred tax assets or liabilities, including net operating loss carryforwards.

As of January 2, 1993, the Company has net loss carryforwards of approximately $3,000,000 which are available to offset future taxable income. These carryforwards, which are expected to be fully utilized, expire in the year 2007. Accordingly, the Company has recognized a deferred tax asset relating to these carryforwards.

The provision for income taxes is summarized as follows:

	For the Years Ended		
	Jan 2, 1993	Dec 28, 1991	Dec 29, 1990
Current—			
Federal	$ (532,000)	$(2,531,000)	$ 745,000
State		(357,000)	198,000
Foreign	722,000	645,000	528,000
	190,000	(2,243,000)	1,471,000
Deferred—			
Federal	245,000	513,000	215,000
State		227,000	14,000
Foreign	127,000	16,000	(20,000)
	372,000	756,000	209,000
	$ 562,000	$(1,487,000)	$1,680,000

The following is a reconciliation of income taxes at the Federal statutory rate with income taxes recorded by the Company:

	For the Years Ended		
	Jan 2, 1993	Dec 28, 1991	Dec 29, 1990
Computed income taxes at statutory rate	$(1,200,000)	$(1,524,000)	$1,727,000
State income taxes, net of Federal income tax benefit		(86,000)	140,000
Taxes on foreign subsidiaries' net income in excess of (less than) income taxes at statutory rates	73,000	65,000	(200,000)
Limitation on the utilization of tax benefits	1,800,000		
Other items, net	(111,000)	58,000	13,000
Provision (benefit) for income taxes	$ 562,000	$(1,487,000)	$1,680,000

Deferred taxes are recorded based upon differences between the financial statement and tax basis of assets and liabilities and available tax credit carryforwards. Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1992 were as follows:

	January 2, 1993
Net operating loss	$1,015,000
Depreciation	(1,223,000)
Employee compensation accruals	663,000
Plant relocation and restructuring	733,000
DISC commission accrual	(1,732,000)
Acquisition accruals	(1,491,000)
Inventory-Uniform Capitalization	1,266,000
Other items, net	(64,000)
	$ (833,000)

Included in total deferred tax liabilities was a current portion aggregating $691,000 which was reported in income taxes payable and current deferred income taxes.

During 1991 and 1990, deferred income taxes were provided for significant timing differences in the recognition of revenue and expenses for tax and financial statement purposes. Principally, these items consisted of the following: 1991—($172,000) depreciation, $943,000 for plant relocation and restructuring costs, $333,000 for DISC commission accrual and ($397,000) for inventory uniform capitalization; and 1990—($73,000) for depreciation, $294,000 for DISC commission accrual, ($147,000) for inventory uniform capitalization, and $62,000 for inventory allowances.

The consolidated income before income tax, by domestic and foreign source is as follows:

	For the Years Ended		
	Jan 2, 1993	Dec 28, 1991	Dec 29, 1990
Domestic	$(5,810,000)	$(6,236,000)	$2,995,000
Foreign	2,282,000	1,753,000	2,083,000
	$(3,528,000)	$(4,483,000)	$5,078,000

Net income taxes (refunded) paid were ($1,166,000), $983,000 and $1,924,000 in 1992, 1991 and 1990, respectively.

FLOWERS INDUSTRIES, INC. (JUN)

	1992	1991	1990
		($000)	
Sales	$879,193	$824,805	$835,085
Other income	9,529	6,394	8,392
	888,722	831,199	843,477
Materials, supplies, labor and other manufacturing costs	442,439	409,256	429,332
Selling, delivery and administrative expenses	355,417	341,084	320,628
Depreciation and amortization	33,438	31,639	29,125
Interest	8,192	9,421	8,453
	839,486	791,400	787,538
Income before income taxes and extraordinary item	49,236	39,799	55,939
Federal and state income taxes (Note 9)	17,571	15,754	21,686
Income before extraordinary item	31,665	24,045	34,253

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Income Taxes

During the fourth quarter of fiscal year 1992, the Company decided to adopt Statement of Financial Accounting Standards No. 109—"Accounting for Income Taxes" (SFAS 109) as of the beginning of fiscal year 1992. SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates. Previously, the Company used the Statement of Financial Accounting Standards No. 96—"Accounting for Income Taxes" (SFAS 96) asset and liability approach that gave no recognition to future events other than the recovery of assets and settlement of liabilities at their carrying amounts. Under SFAS 109, in the year of adoption, previously reported results of operations for that year should be restated to reflect the effects of applying SFAS 109, and the cumulative effect of adoption on prior years' results of operations should be shown in the income statement in the year of change. It was determined that there was no cumulative effect on prior year earnings or on previously reported quarterly earnings for fiscal year 1992.

The provision for income taxes consists of the following:

(Amounts in thousands)	For the Years Ended		
	June 27, 1992	June 29, 1991	June 30, 1990
Current taxes:			
Federal	$16,688	$16,681	$14,778
State	2,781	2,061	2,030
Total	19,469	18,742	16,808
Deferred taxes:			
Federal	(358)	(861)	5,847
State	451	(3)	194
Total	93	(864)	6,041
Investment tax credits, net of recapture	(125)	(88)	(60)
Benefit of operating loss carryforwards	(1,866)	(2,036)	(1,103)
Total	(1,991)	(2,124)	(1,163)
Provision for income taxes on income before extraordinary item	17,571	15,754	21,686
Tax benefit of extraordinary item			(4,045)
Provision for income taxes	$17,571	$15,754	$17,641

Deferred tax liabilities (assets) are comprised of the following:

	For the Years Ended	
	June 27, 1992	June 29, 1991
Depreciation	$ 35,033	$ 34,429
Other	647	726
Gross deferred tax liabilities	35,680	35,155
Self-insurance	(5,197)	(4,836)
Vacation	(1,975)	(1,862)
Pension	(1,151)	(141)
Loss carryforwards	(5,074)	(5,924)
Other	(2,932)	(2,724)
Gross deferred tax assets	(16,329)	(15,487)
Deferred tax assets valuation allowance	3,356	3,887
	$ 22,707	$ 23,555

The net change in the valuation allowance for deferred tax assets was a decrease of $531,000 in the fourth quarter of fiscal 1992 related to benefits arising from operating loss carryforwards.

The provision for income taxes on income before the extraordinary item differs from the amount computed by applying the U.S. federal income tax rate (34%) because of the effect of the following items:

(Amounts in thousands)	For the Years Ended		
	June 27, 1992	June 29, 1991	June 30, 1990
Tax at U.S. federal income tax rate:	$16,740	$13,531	$19,019
State income taxes, net of U.S. federal income tax benefit	2,133	1,591	1,790
Carryback of scheduled temporary differences to prior years at 46%			1,803
Benefit of operating loss carryforwards	(1,866)	(2,036)	(1,103)
Investment tax credits, net of recapture	(125)	(88)	(60)
Effect of Internal Revenue Service examination		988	
Other	689	1,768	237
Provision for income taxes on income before extraordinary item	$17,571	$15,754	$21,686

The amount of federal operating loss carryforwards generated by certain subsidiaries prior to their acquisition is $8,968,000 with expiration dates through the fiscal year 2001.

Additionally, these acquired subsidiaries have available federal tax credits of $213,000 with expiration dates through the fiscal year 2001. The use of preacquisition operating losses and tax credit carryforwards is subject to limitations imposed by the Internal Revenue Code. The Company does not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. Various subsidiaries have state operating loss carryforwards of $59,675,000 with expiration dates through the fiscal year 2007.

H.J. HEINZ COMPANY (APR)

	1992	1991	1990
		($000)	
Sales	$6,581,867	$6,647,118	$6,085,687
Cost of products sold	4,102,816	4,063,423	3,726,613
Gross profit	2,479,051	2,583,695	2,359,074
Selling, general and administrative expenses	1,593,995	1,546,592	1,437,158
Gain on sale of The Hubinger Company	221,459	—	—
Operating income	1,106,515	1,037,103	921,916
Interest income	46,607	34,967	26,748
Interest expense	134,948	137,592	108,542
Other expense, net	33,829	31,465	28,692
Income before income taxes	984,345	903,013	811,430
Provision for income taxes	346,050	335,014	306,979
Net income	$ 638,295	$ 567,999	$ 504,451

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Income Taxes

During 1992, the company adopted FAS No. 109, "Accounting for Income Taxes." The statement requires the use of an asset and liability approach for financial accounting and reporting for income taxes. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. (See Note 5 to the Consolidated Financial Statements.)

The company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes. In cases where they will not offset U.S. income taxes, appropriate provisions are included in the Consolidated Statements of Income.

5. Income Taxes

During 1992, the company adopted FAS No. 109, "Accounting for Income Taxes." The statement requires the use of the asset and liability approach for financial accounting and reporting for income taxes. Financial statements for prior years have not been restated and the cumulative effect of the accounting change was not material.

The following table summarizes the provision for U.S. federal and U.S. possessions, state and foreign taxes on income.

(Dollars in thousands)	1992	1991	1990
Current:			
U.S. federal and U.S. possessions	$197,287	$153,912	$140,299
State	48,001	29,654	29,171
Foreign	178,057	113,158	99,588
	423,345	296,724	269,058
Deferred:			
U.S. federal and U.S. possessions	(6,979)	(9,319)	15,121
State	2,508	3,936	1,812
Foreign	(72,824)	43,673	20,988
	(77,295)	38,290	37,921
Total tax provision	$346,050	$335,014	$306,979
Income before income taxes:			
Domestic	$643,396	$480,762	$504,435
Foreign	340,949	422,251	306,995
	$984,345	$903,013	$811,430

Tax expense resulting from allocating certain tax benefits directly to additional capital totaled $41.4 million in 1992, $44.9 million in 1991, and $16.0 million in 1990.

The differences between the U.S. federal statutory tax rate and the company's effective rate are as follows:

	1992	1991	1990
U.S. federal statutory tax rate	34.0%	34.0%	34.0%
Tax on income of foreign subsidiaries	—	1.5	2.0
Tax on income of U.S. possessions subsidiaries	(1.0)	(.6)	(1.4)
State income taxes (net of U.S. federal income tax benefit)	3.4	2.5	2.6
Other	(1.2)	(.3)	.6
Consolidated effective tax rate	35.2%	37.1%	37.7%

The deferred tax assets and deferred tax liabilities recorded on the balance sheets as of April 29, 1992 are as follows:

	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation/amortization	$ —	$234,273
Benefit plans	13,545	61,267
Asset revaluations	189,924	—
Provision for estimated expenses	37,793	
Operating loss carryforwards	37,415	—
Other	112,160	107,337
	390,837	402,877
Valuation allowance	139,976	—
Total	$250,861	$402,877

Net operating loss carryforwards total $89.0 million in 1992. Of that amount, $41.1 million expire between 1993 and 1999; the other $47.9 million carryforwards do not expire. Foreign tax credit carryforwards total $11.0 million and expire through 1997.

Deferred taxes for 1991 and 1990 resulted principally from depreciation, amortization of certain intangibles and benefit plans.

The company's consolidated United States income tax returns have been audited by the Internal Revenue Service for all years through 1987.

Undistributed earnings of foreign subsidiaries considered to be reinvested indefinitely amounted to $840.7 million at April 29, 1992.

In June 1991, Heinz's Italian affiliate, PLADA, elected to revalue certain assets for tax purposes as a result of legislation enacted by the Italian Parliament. The revaluation requires payment of approximately $75 million over two years in exchange for approximately $180 million of future tax benefits that the company estimates may be realized in fiscal years 1993 through 1997. One installment payment was made in 1992 for approximately $45 million. The remaining payment is due in 1993.

THE INTERLAKE CORPORATION (DEC)

	1992	1991	1990
		($000)	
Net Sales of Continuing Operations	$708,199	$714,742	$786,279
Cost of Products Sold	527,857	521,803	578,173
Selling and Administrative Expense	127,436	128,056	135,973
Unusual Items	2,523	3,344	13,482
Operating Income	50,383	61,539	58,651
Interest Expense	54,284	58,654	65,671
Interest Income	(2,859)	(2,508)	(3,634)
Dividend Income	—	(220)	(900)
Nonoperating (Income) Expense (1991 includes a $6,000,000 charge for environmental matters)	484	5,186	(2,378)
Income (Loss) from Continuing Operations Before Taxes on Income, Minority Interest, Extraordinary Loss and Accounting Changes	(1,526)	427	(108)
Provision for Income Taxes	9,040	10,530	8,536
Income (Loss) from Continuing Operations Before Minority Interest, Extraordinary Loss and Accounting Changes	(10,566)	(10,103)	(8,644)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Income Taxes

Provisions for income taxes were calculated according to the precepts of FAS No. 109 in 1992 and according to Accounting Principles Board Opinion No. 11 "Accounting for Income Taxes" in 1991 and 1990. The balance sheet effects related to the retroactive adoption of FAS No. 109 as of the beginning of 1992 were decreased short-term assets of $8,260,000, increased short-term liabilities of $7,314,000, increased long-term assets of $22,323,000 and decreased long-term liabilities of $1,148,000.

Pretax income (loss) from continuing operations consisted of:

	1992	1991	1990
	(In thousands)		
Domestic	$(16,854)	$(14,363)	$(9,785)
Foreign	15,328	14,790	9,677
	$ (1,526)	$ 427	$ (108)

The provisions for taxes on income from continuing operations consist of:

	1992	1991	1990
	(In thousands)		
Current:			
U.S. Federal	$ 1,080	$ 2,041	$ (550)
State	689	1,674	2,698
Foreign	6,527	6,856	7,308
Total	8,296	10,571	9,456
Deferred:			
U.S. Federal	—	—	—
State	—	—	—
Foreign	744	(41)	(920)
Total	744	(41)	(920)
Tax Provision	$ 9,040	$ 10,530	$ 8,536

In 1992, 1991, and 1990, high levels of net interest expense caused domestic losses which were not currently eligible for federal tax benefits. As a result, U.S. federal taxes in 1992, 1991 and 1990 were essentially the result of tax adjustments related to earlier years. As of December 27, 1992, the benefits of the tax net operating loss carryforwards and alternative minimum tax carryforwards were $9,386,000 and $2,303,000, respectively, and will not begin to expire until 2005. (Existing losses can be carried forward and tax benefits realized in future years to the extent that domestic income is earned.)

State and foreign taxes were essentially the result of incomes earned in their respective jurisdictions.

Actual cash disbursements for income taxes and other tax assessments were $16,151,000, $13,369,000 and $7,343,000 in 1992, 1991, and 1990, respectively.

Because of the Company's tax situation in 1992, 1991, and 1990, effective tax rate analysis would not be meaningful.

Deferred tax liabilities and assets were comprised of the following:

	End of 1992	Beginning of 1992
	(In thousands)	
Deferred tax liabilities		
Depreciation	$20,233	$ 23,928
Other	4,068	7,552
	$24,301	$ 31,480
Deferred tax assets		
Deferred employee benefits	$16,266	$ 16,548
Net operating loss carryforward	9,386	10,342
AMT carryforwards	2,303	2,003
Inventory	4,510	6,167
Other	8,898	10,052
	41,363	45,112
Valuation allowances	(17,178)	(13,627)
	$24,185	$ 31,485

As of December 27, 1992, U.S. Federal income tax returns for the years 1985 through 1987 were in the process of examination. Agreement has been reached with the Internal Revenue Service and a partial payment has been made for tax years 1982–1984 subject to acceptance by the Joint Committee of Taxation. The Company believes that adequate provision has been made for possible assessments of additional taxes.

No provision has been made for U.S. income taxes on approximately $17,200,000 of undistributed earnings of foreign subsidiaries. The Company anticipates that no material tax cost will be incurred upon distribution of these earnings.

TRW INC. (DEC)

	1992	1991	1990
	($ Millions)		
Sales	$8,311	$7,913	$8,169
Cost of sales	6,617	6,307	6,447
Gross profit	1,694	1,606	1,722
Administrative and selling expenses	826	841	862
Research and development expenses	393	346	309
Restructuring expense (income)	(29)	343	(7)
Interest expense	163	190	187
Other expense (income)—net	(7)	15	28
Earnings (loss) before income taxes and cumulative effect of accounting changes	348	(129)	343
Income taxes	154	11	135
Earnings (loss) before cumulative effect of accounting changes	194	(140)	208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Income taxes—Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to income recognition on long-term contracts, depreciation, restructuring accruals, postretirement benefits other than pensions and certain accruals. It is the company's intention to reinvest undistributed earnings of certain of its non-U.S. subsidiaries and thereby indefinitely postpone their remittance. Accordingly, deferred income taxes have not been provided for accumulated undistributed earnings of $246 million at December 31, 1992.

Income Taxes

Effective January 1, 1992, the company changed its method of accounting for income taxes from the deferred method to the liability method required by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." As permitted under the new rule, prior years' financial statements have not been restated. The cumulative effect of adopting this Statement as of January 1, 1992 was immaterial to net earnings.

The following is a summary of U.S. and non-U.S. earnings (loss) before income taxes and cumulative effect of accounting changes, the components of the provisions for income taxes and deferred income taxes and a reconciliation of the U.S. statutory income tax rate to the effective income tax rate.

Earnings (loss) before income taxes and cumulative effect of accounting changes:

In millions	1992	1991	1990
U.S.	$213	$(156)	$178
Non-U.S.	135	27	165
	$348	$(129)	$343

Provision for income taxes:

	Liability method	Deferred method	Deferred method
In millions	1992	1991	1990
Current			
U.S. federal	$ 60	$ 3	$ 64
Non-U.S.	59	39	75
U.S. state and local	21	22	33
	140	64	172
Deferred			
U.S. federal	13	(18)	(31)
Non-U.S.	3	(14)	7
U.S. state and local	(2)	(21)	(13)
	14	(53)	(37)
	$154	$ 11	$135

Provision for deferred income taxes:

	Liability method	Deferred method	Deferred method
In millions	1992	1991	1990
Income recognition on long-term contracts	$ 40	$ 89	$(48)
Difference between tax and book depreciation and amortization	(1)	(9)	17
Restructuring provisions	(3)	(71)	4
Alternative minimum tax	(10)	(22)	—
State and local taxes	(2)	(21)	(13)
Interest expense	(4)	(17)	6
Contract losses	(1)	10	4
Vacation accrual not currently deductible	—	(4)	(7)
ESOP contribution	—	—	(9)
Postretirement benefits other than pensions	(12)	—	—
Other temporary differences	7	(8)	9
	$ 14	$(53)	$(37)

Effective income tax rate:

	Liability method 1992	Deferred method 1991	Deferred method 1990
U.S. statutory income tax rate	34.0%	(34.0)%	34.0%
Losses on restructuring without income tax benefit	3.6	23.1	—
U.S. tax rate reduction on reversing timing differences	—	2.6	(3.9)
U.S. state and local income taxes net of U.S. federal tax benefit	3.6	.3	4.2
Non-U.S. tax rate variances net of foreign tax credits	4.2	14.9	3.0
Translation adjustments net of monetary correction	.6	(1.9)	2.2
Other	(1.7)	3.2	(.1)
Effective income tax rate	44.3%	8.2%	39.4%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 1992, the company had unused tax benefits of $36 million related to non-U.S. net operating loss carryforwards for income tax purposes, of which $25 million can be carried forward indefinitely and the balance expires at various dates through 1997. A valuation allowance of $36 million has been recognized to offset the related deferred tax assets due to the uncertainty of realizing the benefit of the loss carryforwards. The following is a summary of the significant components of the company's deferred tax assets and liabilities as of December 31, 1992.

In millions	Deferred tax assets	Deferred tax liabilities
Postretirement benefits other than pensions	$244	$ —
Completed contract method of accounting for long-term contracts	24	344
State and local taxes	89	42
Restructuring	124	27
Depreciation and amortization	—	150
Alternative minimum tax	32	—
Non-U.S. net operating loss carryforwards	36	—
Other	177	79
	726	642
Valuation allowance for deferred tax assets	(36)	—
Total	$690	$642

Credit Provision

THE BFGOODRICH COMPANY (DEC)

	1992	1991	1990
		($ Millions)	
Sales	$2,525.8	$2,471.6	$2,432.6
Operating costs and expenses:			
Cost of sales	1,892.8	1,892.7	1,790.7
Selling and administrative expenses	560.7	509.4	473.4
Non-recurring charges	25.1	122.9	16.9
	2,478.6	2,525.0	2,281.0
Operating Income (Loss)	47.2	(53.4)	151.6
Interest expense	(42.1)	(40.6)	(26.3)
Interest income	4.8	11.1	26.3
Other expense—net	(26.2)	(26.6)	(19.2)
Income (loss) from continuing operations before income taxes and cumulative effect of change in method of accounting	(16.3)	(109.5)	132.4
Income tax (expense) benefit (Note H)	6.9	28.9	(16.6)
Income (Loss) From Continuing Operations Before Cumulative Effect of Change in Method of Accounting	(9.4)	(80.6)	115.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note H: Income Taxes

"Income (loss) from continuing operations before income taxes and cumulative effect of change in method of accounting" as shown in the Consolidated Statement of Income comprises the following:

Year Ended December 31	1992	1991	1990
Domestic	$(10.9)	$(110.2)	$ 94.9
Foreign	(5.4)	.7	37.5
Total	$(16.3)	$(109.5)	$132.4

A summary of "Income tax (expense) benefit" included in the Consolidated Statement of Income is as follows:

Year Ended December 31	1992	1991	1990
Current:			
Federal	$ (4.2)	$ (6.6)	$ (11.5)
Foreign	(1.0)	(13.6)	(10.0)
State	(.2)	.4	(1.2)
	(5.4)	(19.8)	(22.7)
Deferred:			
Federal	7.3	43.8	8.9
Foreign	5.0	4.9	(2.8)
	12.3	48.7	6.1
Total	$ 6.9	$ 28.9	$ (16.6)

During the fourth quarter of 1988 the Internal Revenue Service ("IRS") completed its examination of the Company's federal income tax returns for the years 1984 and 1985, and proposed an adjustment that would have disallowed a $156.0 worthless-security deduction claimed by the Company. The Company protested the proposed adjustment through the IRS appeals process and due to the uncertain outcome of this item had not recorded any of the potential tax benefit related to the worthless-security deduction. In the third quarter of 1990 the Company reached an agreement with the IRS that allowed a substantial portion of this deduction. The Company reversed the related federal income tax accruals, thus benefiting net income for 1990 by $30.8.

Significant components of the Company's deferred income tax assets and liabilities at December 31, 1992 and 1991 are as follows:

	1992	1991
Deferred income tax assets:		
Accrual for postretirement benefits other than pensions	$ 154.6	$ 2.8
Other nondeductible accruals	85.7	65.6
Tax credit and net operating loss carryovers	74.3	58.3
Other	20.2	26.2
Total deferred income tax assets	334.8	152.9
Deferred income tax liabilities:		
Tax over book depreciation	(155.8)	(135.3)
Other	(17.8)	(15.6)
Total deferred income tax liabilities	(173.6)	(150.9)
Net deferred income taxes	$ 161.2	$ 2.0

Management has determined, based on the Company's history of prior operating earnings and its expectations for the future, that operating income of the Company will more likely than not be sufficient to recognize fully these net deferred tax assets. In addition, management's analysis indicates that the turnaround periods for certain of these assets are for long periods of time or indefinite. In particular, the turnaround of the largest deferred tax asset related to accounting for postretirement benefits other than pensions will occur over an extended period of time and as a result will be realized for tax purposes over those future periods and beyond. In addition, the tax credit and net operating loss carryovers are principally comprised of $16.4 of domestic net operating loss carryovers which will not expire until 2007, investment tax credit and other credits of $35.8 which expire from 1997 through 2006 and alternative minimum tax credits of $26.9 which have indefinite carryover periods. The remaining deferred tax assets and liabilities approximately match each other in terms of timing and amounts and should be realizable in the future given the Company's operating history.

The income tax rate expense (benefit) from continuing operations for the years ended December 31, 1992, 1991 and 1990 varied from the statutory federal income tax rate as set forth in the following table:

Percent of Pretax Income	1992	1991	1990
Statutory federal income tax rate	(34.0)%	(34.0)%	34.0%
Benefit of worthless-security deduction	—	—	(23.3)
Corporate-owned life insurance investments	(12.9)	(1.6)	.8
Amortization of Goodwill	9.8	1.4	.7
Difference in rates on consolidated foreign subsidiaries	(16.8)	1.9	—
Foreign withholding taxes	10.7	5.8	—
Other items	.9	.1	.3
Effective income tax rate for the year	(42.3)%	(26.4)%	12.5%

BFGoodrich has not provided for U.S. federal and foreign withholding taxes on $197.3 of foreign subsidiaries' undistributed earnings as of December 31, 1992 because such earnings are intended to be reinvested indefinitely. It is not practical to determine the amount of income tax liability that would result had such earnings been actually repatriated. On repatriation certain foreign countries impose withholding taxes. The amount of withholding tax that would be payable on remittance of the entire amount of undistributed earnings would approximate $17.0.

KERR-McGEE CORPORATION (DEC)

	1992	1991	1990
	($ Millions)		
Sales and Services	$3,382	$3,274	$3,683
Costs and Expenses			
Costs and operating expenses	2,634	2,464	2,720
Selling, general, and administrative expenses	150	166	169
Depreciation and depletion	294	285	285
Exploration, including dry holes and amortization of undeveloped leases	55	81	95
Provision for environmental reclamation and remediation of inactive sites	205	11	22
Taxes, other than income taxes	84	83	83
Interest and debt expense	66	78	86
Total Costs and Expenses	3,488	3,168	3,460
	(106)	106	223
Other Income	42	60	18
Loss on Sale of Soda Product Operations	—	—	(85)
Income (Loss) from Continuing Operations before Income Taxes, Extraordinary Charge, and Cumulative Effect on Prior Years of Changes in Accounting Principles	(64)	166	156
Provision (Benefit) for Income Taxes	(38)	64	43
Income (Loss) from Continuing Operations before Extraordinary Charge and Cumulative Effect on Prior Years of Changes in Accounting Principles	(26)	102	113

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Income Taxes

Effective January 1, 1992, the company adopted FAS No. 109, "Accounting for Income Taxes." For a discussion of the effects of this accounting change, see Note 2. The taxation of a company that has operations in several countries involves many complex variables, such as differing tax structures from country to country and the effect on U.S. taxation of international earnings. These complexities do not permit meaningful comparisons between the domestic and international components of income before income taxes and the provision for income taxes, and disclosures of these components do not provide indicators of relationships in future periods.

Income (loss) from continuing operations before income taxes, extraordinary charge, and cumulative effect on prior years of changes in accounting principles is composed of the following:

(In millions of dollars)	1992	1991	1990
Domestic	$(99)	$152	$128
International	35	14	28
Total	$(64)	$166	$156

The provision (benefit) for taxes on income (loss) from continuing operations before extraordinary charge and cumulative effect on prior years of changes in accounting principles for 1992, 1991, and 1990 is summarized below:

(In millions of dollars)	1992	1991	1990
U.S. Federal—			
Current	$ 20	$39	$ 99
Deferred	(67)	(3)	(101)
	(47)	36	(2)
International—			
Current	23	17	24
Deferred	(14)	5	10
	9	22	34
State	—	6	11
Total	$(38)	$64	$ 43

The net deferred tax asset in the following table is classified as Investments and Other Assets in the Consolidated Balance Sheet at December 31, 1992, as it represents the net deferred tax asset in a foreign tax jurisdiction. Deferred tax liabilities (assets) at December 31, 1992, are composed of the following:

(In millions of dollars)	
Net deferred tax liability—	
Accelerated depreciation	$ 313
Exploration and development	59
Undistributed earnings of foreign subsidiaries	34
Postretirement benefits	(39)
Dismantlement and reclamation	(119)
Foreign operating loss carryforwards	(51)
Other	(31)
	166
Net deferred tax asset—	
Accelerated depreciation	9
Other	4
Foreign operating loss carryforward	(33)
	(20)
Total deferred taxes	$146

The company has foreign net operating loss carryforwards totaling $239 million that have no expiration dates.

Prior to the change in accounting methods, the sources of deferred tax items and the corresponding tax effects during 1991 and 1990 were as follows:

(In millions of dollars)	1991	1990
U.S. Federal—		
Accelerated depreciation	$ 1	$ (11)
Exploration and development	5	(2)
Lease abandonment	3	2
Capitalized interest	(1)	(5)
Dismantlement and reclamation	12	(11)
Sale of domestic drilling operation	(23)	—
Sale of soda products operations	—	(74)
	(3)	(101)
International—		
Exploration and development	5	10
Total	$ 2	$ (91)

In the following table, the U.S. Federal income tax rate is reconciled to the company's effective tax rates for continuing operations before extraordinary charge and cumulative effect on prior years of changes in accounting principles as reflected in the Consolidated Statement of Income.

	1992	1991	1990
U.S. statutory rate	(34.0)%	34.0%	34.0%
Increases (decreases) resulting from—			
Statutory depletion in excess of cost depletion	(4.7)	(4.2)	(5.5)
Foreign income taxes	2.4	7.7	10.7
State income taxes	(2.7)	2.5	2.9
Adjustment related to sale of soda products operations	—	—	(11.8)
Adjustment of prior years' accruals	(12.6)	—	—
Other—net	(8.1)	(1.5)	(2.7)
Total	(59.7)%	38.5%	27.6%

The Internal Revenue Service has examined the company's Federal income tax returns for all years through 1986, and the years have been closed through 1981. The company believes that it has made adequate provision for income taxes that may become payable with respect to open tax years.

No Provision

AM INTERNATIONAL, INC. (JUL)

	1992	1991	1990
		($000)	
Revenues:			
Machines and supplies	$435,858	$642,963	$667,294
Service	182,888	214,923	209,251
Total revenues	618,746	857,886	876,545
Operating costs and expenses:			
Cost of sales			
Machines and supplies	340,706	459,000	473,792
Service	124,612	142,809	135,847
Total cost of sales	465,318	601,809	609,639
Selling, general and administrative	167,979	207,031	231,670
Research, development and engineering	14,418	19,150	25,799
Unusual items, net (income) expense	75,000	(5,350)	30,000
Total operating costs and expenses	722,715	822,640	897,108
Operating income (loss)	(103,969)	35,246	(20,563)
Non-operating income (expense):			
Interest income	1,625	2,130	2,322
Interest expense	(17,097)	(20,467)	(19,593)
Other, net	(5,337)	(5,496)	(2,948)
Income (loss) before income taxes	(124,778)	11,413	(40,782)
Income tax expense	—	2,600	750
Net income (loss)	$(124,778)	$ 8,813	$(41,532)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except as otherwise noted and per share amounts)

Note 1 (In Part): Significant Accounting Policies

Income Taxes: Income taxes are provided based on the liability method of accounting pursuant to Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The adoption of SFAS No. 109 did not have a material impact. Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Income tax benefits have not been recorded for operating losses, capital losses and tax credit carryforwards except as disclosed in Note 7 to the Consolidated Financial Statements.

Note 7—Income Taxes

The components of income tax expense are as follows:

	1992	1991	1990
Domestic:			
Current	$ 100	$ 3,497	$ 1,533
Deferred	—	—	—
Benefit of loss carryforwards	—	(3,197)	—
Settlement of prior federal income tax returns and adjustments to prior year federal and state accruals	(1,054)	(1,342)	—
Total Domestic	(954)	(1,042)	1,533
Foreign:			
Current	1,232	3,072	1,299
Deferred	(278)	570	—
Benefit of net operating loss carryforwards and carrybacks	—	—	(2,082)
Total Foreign	954	3,642	(783)
Income tax expense	$ 0	$ 2,600	$ 750

The domestic and foreign components of income (loss) before income tax expense are as follows:

	1992	1991	1990
Domestic	$ (79,625)	$ 3,868	$(26,274)
Foreign	(45,153)	7,545	(14,508)
Income (loss) before income taxes	$(124,778)	$11,413	$(40,782)

A reconciliation of the income tax expense on income per the U.S. Federal statutory rate to the reported income tax expense follows:

	1992	1991	1990
U.S. federal statutory rate applied to pretax income	$(42,425)	$ 3,880	$(13,866)
Benefit of federal loss carryforwards	—	(4,760)	—
Acquisition intangibles with no tax benefit	26,071	2,366	1,977
Settlement of prior federal income tax returns and adjustment to prior year federal and state accruals	(1,054)	(1,342)	—
Operating losses with no current tax benefit and varying tax rates of other national governments	17,308	2,639	13,397
Benefits of foreign net operating loss carryforwards	—	—	(2,082)
State income tax, net of state operating loss carryforwards and carrybacks	100	300	500
Other	—	(483)	824
Income tax expense	$ 0	$ 2,600	$ 750

The types of differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to significant portions of deferred income tax liabilities or assets are inventory valuation allowances, property and equipment, divestitures, asset valuations and accrued costs of reorganizations.

No U.S. federal deferred income tax liabilities were recorded on the undistributed earnings of foreign subsidiaries as the Company intends to reinvest permanently in international operations.

The Company has a federal net operating loss carryforward for financial statement purposes of approximately $245,000 at July 31, 1992. The loss is comprised of $124,000 operating loss carryforward for tax purposes (expiring in fiscal years 1997 to 2007) and approximately $121,000 of deductions to be claimed on future tax returns. In addition, the Company has capital loss carryforwards of approximately $22,000, substantially all expiring in 1994, approximately $3,700 of investment tax credits, generally expiring at various dates through the year 2001 and $1,800 of alternative minimum tax credits not limited by an expiration date. Certain provisions of the tax law may limit the net operating loss, capital loss and credit carryforwards available for use in any given year in the event of a significant change in ownership interest.

The Company has approximately $82,000 of loss carryforwards for financial statement purposes in certain foreign subsidiaries, principally Germany and the United Kingdom. These losses are comprised of approximately $77,000 in operating loss carryforwards for tax purposes, which are, generally, not limited by an expiration date and approximately $5,000 of deductions to be claimed on future tax returns.

Net cash paid (received) during the year for income taxes was $699, $(523) and $4,919 in 1992, 1991 and 1990, respectively.

OPERATING LOSS AND TAX CREDIT CARRYFORWARDS

Paragraph 63 of *APB Opinion No. 11* states that amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes should be disclosed. Paragraph 48 of *Statement of Financial Accounting Standards No. 109* reiterates this disclosure requirement. Examples of operating loss and tax credit carryforward disclosures follow.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands unless noted otherwise)

Note 4 (In Part): Income Taxes

The Company adopted Statement of Financial Accounting Standards 109 (SFAS 109), "Accounting for Income Taxes," by retroactively restating 1991 and 1990 reported results. The adoption of SFAS 109 changes the Company's method of accounting for income taxes from the deferred approach (APB 11) to an asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. The change in accounting principle decreased retained earnings at January 1, 1990 by $12.6 million.

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Deferred tax assets (liabilities) are comprised of the following at fiscal year-end:

	1992	1991
Gross deferred tax assets:		
Accrued employee benefits	$ 18,765	$ —
Inventory and receivables	3,393	3,805
Vacation	2,739	3,046
Medical	1,597	1,534
Early retirement	1,061	1,400
Other	709	—
Net operating losses and tax credit carryforward	8,235	8,358
Valuation allowance for deferred tax assets	(7,777)	(7,433)
Net deferred tax asset	28,722	10,710
Gross deferred tax liabilities:		
Depreciation	(36,122)	(40,240)
Pension	(3,129)	(3,109)
Other	—	(595)
Gross deferred tax liability	(39,251)	(43,944)
Net deferred tax liabilities	$(10,529)	$(33,234)

During 1992, no changes occurred in the conclusions regarding the need for a valuation allowance in any tax jurisdiction. Approximately $5,904 and $2,331 of deferred tax assets relating to net operating loss carryforwards and tax credit carryforwards, respectively, were available in various tax jurisdictions at January 3, 1993 expiring in the following years:

	NOLS	Tax Credits
1993	$ 309	$ 426
1994	394	1,268
1995	544	189
1996	1,302	3
1997	1,123	442
Unlimited	2,232	3
	$5,904	$2,331

CLARK EQUIPMENT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Effective January 1, 1992, the Company adopted the provisions of FAS No. 109, "Accounting for Income Taxes." This adoption resulted in the recognition of a cumulative net tax benefit of $92 million related to the recognition of additional net prepaid taxes. Other than the impact of the accounting change, the impact of the FAS No. 109 adoption on net income in 1992 is considered immaterial.

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As of December 31, 1992, the Company has foreign net operating loss and U.S. capital loss carryforwards of $29 million and $40 million, respectively, for which no financial statement benefit has been recognized. Approximately $16 million of the operating losses expire between 1994 and 1997, while the remainder have an indefinite carryforward period. The capital loss carryforward is limited to use against future capital gains and generally expires in 1997. Benefit relating to the capital loss carryforward has not been reflected because of the limited carryforward period. Future benefit may occur to the extent capital gains are earned prior to the expiration of the carryforwards. During 1992, capital gains approximating $1.8 million were earned, favorably impacting the Company's 1992 tax provision. No net benefit has been given to the foreign operating loss carryforwards because of the limited carryforward periods and/or the uncertain business conditions relating to the operations giving rise to such carryforwards. Future recognition of these carryforwards will be reflected if the foreign entities have sufficient earnings before the expiration periods of the respective loss carryforwards. In 1991, significant losses were incurred by these entities while in 1992, pre-tax financial statement earnings aggregated approximately $5 million. The 1992 tax provision was favorably impacted as a result of the utilization of carryforwards of offset these earnings. The Company also has alternative minimum tax credit carryforwards, which can be carried forward indefinitely in the amount of $2 million, for which tax benefit has been recognized. No other tax operating loss or credit carryforwards exist for which the Company has recognized a net financial benefit.

DSC COMMUNICATIONS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

During the fourth quarter of 1992, and effective January 1, 1992, the Company changed its method of accounting for income taxes from Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (FAS 96), to the method required by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). As permitted under the new rules, prior years' financial statements have not been restated. Accordingly, amounts shown for 1991 and 1990 reflect income tax accounting under FAS 96.

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At December 31, 1992, the Company had consolidated regular tax net operating loss carryforwards for federal tax purposes of approximately $50,000,000 available to be carried to future periods. The loss carryforwards expire from 2002 to 2007 if not used. Also a foreign subsidiary of the Company had approximately $6,500,000 of tax net operating loss carryforwards available to be carried to future periods which do not expire.

In addition, Optilink Corporation, which was acquired in 1990, had approximately $25,000,000 of net operating loss carryforwards. For financial reporting purposes, at acquisition date the tax benefit of that preacquisition net operating loss carryforward was utilized to reduce the Company's deferred tax liability by approximately $1,000,000.

For Federal income tax purposes, due to certain change of ownership requirements of the Internal Revenue Code, utilization of the Optilink net operating loss carryforwards is limited to approximately $4,000,000 a year. If the full amount of that limitation is not used in any year, the amount not used increases the allowable limit in the subsequent year. These loss carryforwards expire between 2001 and 2003 if not used.

If the net operating loss carryforwards of Optilink are realized, the tax benefits of approximately $7,500,000 from utilization of the Optilink losses will be used to reduce cost in excess of net assets of business acquisitions. The tax benefits from utilization of the consolidated loss carryforward relating to the exercise of stock options will increase "Additional capital" on the Consolidated Balance Sheets by approximately $6,000,000.

The Company has general business and other regular tax credit carryforwards of approximately $13,000,000 which expire from 1993 to 2005. The Company also has alternative minimum tax credits of approximately $1,500,000 which can be utilized against regular taxes in the future.

GULF USA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes

The Company adopted Statement 109 as of January 1, 1992. There was no cumulative effect of this change in accounting for income taxes as of January 1, 1992. The losses from foreign sources of $17.6 million, $12.1 million and $9.9 million for 1992, 1991 and 1990, respectively, are included in the pre-tax loss from continuing operations.

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At December 31, 1992 Gulf had net operating loss carryforwards for tax purposes of approximately $74.6 million (expiring in the years 2004 to 2007), of which $35.4 million are available for alternative minimum tax. In addition, the Company had general business tax credit carryforwards of $6.4 million, substantially all expiring in the years 1995 through 1999. The Company also had alternative minimum tax credit carryforwards of approximately $1.0 million which are available to reduce future Federal regular income taxes, if any, over an indefinite period. If changes in the Company's stock ownership exceed 50% of the value of the Company's stock during any three year period, the utilization of the tax net operating loss and tax credit carryforwards would be severely limited. The most recent required calculation disclosed a change in ownership of approximately 45% during the previous three year period.

INLAND STEEL INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Income Taxes

The Company adopted FASB Statement No. 109, "Accounting for Income Taxes," effective January 1, 1992. The cumulative effect of prior years at the date of adoption was not material to the results of operations or the financial position of the Company. Through December 31, 1991, income taxes were accounted for under APB Opinion No. 11.

For tax purposes, the Company had available, at December 31, 1992, net operating loss ("NOL") carryforwards for regular Federal income tax purposes of approximately $790 million which will expire as follows: $72 million in year 2000, $130 million in year 2005, $313 million in year 2006, and $275 million in year 2007. The Company also had investment tax credit and other general business credit carryforwards for tax purposes of approximately $24 million, which expire during the years 1993 through 2006. A valuation allowance of $13 million has been established for those tax credits which are not expected to be realized. Additionally, in conjunction with the Alternative Minimum Tax ("AMT") rules, the Company had available minimum tax credit carryforwards for tax purposes of approximately $13 million, which may be used indefinitely to reduce regular Federal income taxes.

The Company believes that it is more likely than not that the $790 million of NOL carryforwards will be utilized prior to their expiration. This belief is based upon the factors discussed below.

The NOL carryforwards and existing deductible temporary differences (excluding those relating to FASB Statement No. 106) are substantially offset by existing taxable temporary differences reversing within the carryforward period. Furthermore, any such recorded tax benefits which would not be so offset are expected to be realized by achieving future profitable operations based on the following:

First, the Company launched a turnaround strategy to improve performance by implementing a cost reduction program and enhancing asset utilization. This resulted in a $215 million restructuring provision in 1991 to write off uneconomic facilities and provide for future workforce reductions at the Inland Steel Company and the Company.

Second, in 1992 Inland Steel Company completed a major plant and equipment investment program that amounted to approximately $1.3 billion since 1988. This included the joint ventures of I/N Tek and I/N Kote and major upgrades to facilities in the flat products and bar business. As expected, these facility upgrades resulted in significant start-up costs and disruptions to operations that negatively impacted financial results. By year-end 1993, all facilities are expected to reach their design capabilities. This major investment program also shifts the product mix to higher value-added products which historically have not experienced significant price volatility. Consequently, the Company is now positioned with modern facilities that will enhance its ability to generate taxable profits.

Finally, the Company operates in a highly cyclical industry and consequently has had a history of generating and then fully utilizing significant amounts of NOL carryforwards (during the years 1986–1989 the Company utilized approximately $600 million of NOL carryforwards).

Subsequent to the adoption of FASB Statement No. 109, the Company adopted FASB Statement No. 106 and recognized the entire transition obligation at January 1, 1992, as a cumulative effect charge in 1992 (Note 10). This adoption resulted in a $415 million deferred tax asset at December 31, 1992, and future annual charges under FASB Statement No. 106 are expected to continue to exceed deductible amounts for many years. Thereafter, even if the Company should have a tax loss in any year in which the deductible amount would exceed the financial statement expense, the tax law provides for a 15-year carryforward period of that loss. Because of the extremely long period that is available to realize these future tax benefits, a valuation allowance for this deferred tax asset is not necessary.

While not affecting the determination of deferred income taxes for financial reporting purposes, at December 31, 1992, the Company had available for AMT purposes approximately $259 million of NOL carryforwards which will expire as follows: $115 million in 2006 and $144 million in 2007.

TAXES ON UNDISTRIBUTED EARNINGS

Paragraph 10 *APB Opinion No. 23*, as amended by *Statement of Financial Accounting Standards No. 109*, requires, except in certain specified situations, that undistributed earnings of a subsidiary included in consolidated income be accounted for as a temporary difference. If a deferred tax liability is not recognized, paragraph 44 of *SFAS No. 109* specifies what information should be disclosed. Examples of disclosures concerning undistributed earnings follow.

Taxes Accrued On Undistributed Earnings

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Income Taxes

The provisions for income taxes includes the following (in thousands):

	Year ended August 31,		
	1992	1991	1990
Current:			
United States	$5,970	$4,021	$12,899
Foreign	165	573	29
State and local	1,954	960	1,217
	8,089	5,554	14,145
Deferred	(302)	775	(245)
	$7,787	$6,329	$13,900

Taxes of $8,576,000, $6,295,000 and $13,580,000 were paid in 1992, 1991 and 1990, respectively.

Deferred taxes arise from the recognition of certain items of revenue and expense in different years for tax and financial statement purposes. The sources and tax effects of those differences are (in thousands):

	Year ended August 31,		
	1992	1991	1990
Tax on difference between tax and book depreciation	$ 159	$1,385	$ (82)
Foreign taxes paid on foreign income	(357)	(390)	(96)
U.S. taxes provided on foreign income	11	165	539
Other	(115)	(385)	(606)
	$(302)	$ 775	$(245)

As noted above, the Company provides United States taxes on unremitted foreign earnings. Such earnings have been reinvested in the foreign operations except for dividends of $1,362,000 and $4,700,000 received by the Company in 1992 and 1990, respectively.

The Company's effective tax rates were 38.4% in 1992, 34.5% in 1991 and 34.9% in 1990. Reconciliations of the United States statutory rates to the effective rates are as follows:

	Year ended August 31,		
	1992	1991	1990
Statutory rate	34.0%	34.0%	34.0%
Tax credits	(.6)	(.7)	(.6)
State and local taxes	6.1	4.3	5.9
Other	(1.1)	(3.1)	(4.4)
Effective tax rate	38.4%	34.5%	34.9%

The Company's 1989 and 1990 federal income tax returns are presently under audit by the Internal Revenue Service. The Company's returns for 1979 through 1988 are presently the subject of litigation seeking either a refund or reduction in deficiency. Taxes provided in past years are considered sufficient to cover any anticipated liabilities.

Taxes Not Accrued On Undistributed Earnings

AMOCO CORPORATION (DEC)

15 (In Part): Taxes

Effective January 1, 1992, the corporation adopted SFAS No. 109. The cumulative effect of the accounting change, relating to years prior to 1992, was to increase deferred income tax liabilities as of January 1, 1992, and reduce net income by $68 million ($.14 per share). In addition, net income before the cumulative effect was $215 million ($.43 per share) greater than it would have been under SFAS No. 96, the previous method. This amount primarily represents the change in the method of measuring the effects of currency exchange rate changes on foreign deferred taxes associated with non-monetary assets. The corporation had adopted SFAS No. 96, effective January 1, 1991. The cumulative effect of that accounting change was to decrease deferred income tax liabilities and increase 1991 net income by $311 million, or $.62 per share.

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Undistributed earnings of certain foreign subsidiaries and joint-venture companies aggregated $282 million on December 31, 1992, which, under existing law, will not be subject to U.S. tax until distributed as dividends. Since the earnings have been or are intended to be indefinitely reinvested in foreign operations, no provision has been made for any U.S. taxes that may be applicable thereto. Furthermore, any taxes paid to foreign governments on those earnings may be used in whole or in part, as credits against the U.S. tax on any dividends distributed from such earnings. It is not practicable to estimate the amount of unrecognized deferred U.S. taxes on these undistributed earnings.

BLOUNT, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Income Taxes

At February 29, 1992, deferred income tax assets were $20.1 million and deferred income tax liabilities were $43.1 million. Deferred income taxes applicable to principal temporary differences are as follows:

For the years ended the last day of February	1992	1991
In thousands		
Depreciation and other property, plant and equipment basis differences	$24,132	$29,244
Foreign income	4,216	5,233
Accrued expenses, principally employee benefits, net	(5,352)	(1,206)
	$22,996	$33,271

Deferred income taxes of approximately $3.2 million have not been provided on undistributed earnings of foreign subsidiaries in the amount of $27.5 million as the earnings are considered to be permanently reinvested.

BROWN-FORMAN CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Taxes on Income

Deferred income taxes arise from temporary differences in the recognition of certain items of revenue and expense for income tax and consolidated financial statement purposes. The source of each difference and the related tax effect are as follows (in thousands):

	1992	1991	1990
Depreciation	—	$ 1,171	$ 630
Intercompany transactions relating to inventories	$3,671	9,883	11,502
Inventory accounting methods	(994)	(2,322)	(2,548)
Deferred income	2,196	913	(783)
Undistributed foreign earnings	3,284	(2,293)	4,047
Other	(3,025)	(3,318)	3084
	$5,132	$ 4,035	$15,932

The company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," in fiscal 1990. The cumulative effect increased earnings by $11,526,000 or $.41 per share in that year.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which must be applied by fiscal 1994. Based on a preliminary review, the company believes that the adoption of this standard will not have a significant impact on the company's financial position and results of operations. The company expects to adopt Statement 109 concurrently with Statement 106.

Deferred income taxes were not provided on certain undistributed earnings ($50,567,000 at April 30, 1992) of certain foreign subsidiaries because such undistributed earnings are expected to be reinvested indefinitely overseas. If these amounts were not considered permanently reinvested, additional deferred taxes of approximately $16,484,000 would have been provided.

Cash paid for income taxes was $67,255,000 in 1992, $61,963,000 in 1991, $63,203,000 in 1990.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Income Taxes

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the adjustment of previously deferred taxes for changes in tax rates under the liability method. The corporation chose to reflect the cumulative effect of adopting this pronouncement as a change in accounting principle at the beginning of fiscal 1991 with a charge to earnings of $500,000. Prior years' financial statements were not restated. This charge represents the writedown of net deferred tax assets and liabilities from tax rates in effect when they arose to current statutory tax rates. The adoption of the new standard had no effect on the tax provision for 1991.

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There is approximately $27,000,000 of accumulated unremitted earnings from the corporation's Canadian subsidiary and approximately $38,000,000 from other foreign entities on which deferred taxes have not been provided. Based on the current United States and Canadian income tax rates, it is anticipated that no additional United States tax would be incurred if the accumulated Canadian earnings were distributed. In the event that the other foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of foreign tax credits, of approximately $13,000,000 would be due. The Internal Revenue Service has made an assessment that approximately $3,000,000 of U.S. taxes are currently due on unremitted foreign earnings. The corporation is vigorously protesting the assessment and believes that it will prevail.

GTI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
dollars in thousands, except per share amounts

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

Income Taxes—
The Company provides deferred income taxes for temporary differences that will result in taxable or deductible amounts in future years based on the reporting of certain costs in different periods for financial statement and income tax purposes.

The Company does not provide U.S. Federal income taxes on undistributed earnings of foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations. Accumulated undistributed earnings of foreign subsidiaries on which U.S. Federal income taxes have not been provided are approximately $24,200 which would result in federal income taxes, net of foreign tax credits, of approximately $4,900 at December 31, 1992.

McGRAW-HILL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Taxes on Income

The company changed its accounting for income taxes in 1992 to comply with the requirements of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Since the company had previously followed the provisions of SFAS No. 96, this change did not have a significant effect on 1992 earnings except as it relates to the recognition of tax benefits on postretirement and postemployment obligations. The 1991 balance sheet has been reclassified to be comparable with 1992.

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The company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately $50 million at December 31, 1992, excluding amounts which, if remitted, generally would not result in any additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $12 million would have been required.

UNIVERSAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Income Taxes
The company provides deferred income taxes primarily on temporary differences arising from depreciation, deferred compensation, and undistributed earnings of consolidated subsidiaries and unconsolidated affiliates not permanently reinvested. At June 30, 1992 the cumulative amount of undistributed earnings of consolidated subsidiaries on which no provision for U.S. income taxes had been made was $24.5 million. It is not practical to determine the amount of deferred income tax liabilities that would result had such earnings been actually repatriated.

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long-term contracts are discussed in *Accounting Research Bulletin No. 45,* Chapter 11 of *ARB No. 43* and AICPA *Statement of Position 81-1.*

Table 3-15 shows that usually the percentage of completion method or a modification of this method, the units-of-delivery method, is used to recognize revenue on long-term contracts. Thirty companies used both of the aforementioned methods. Examples of disclosures for long-term contracts follow.

TABLE 3-15: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	Number of Companies			
	1992	1991	1990	1989
Percentage-of-completion	94	92	91	92
Units-of-delivery	35	36	34	33
Completed contract	5	8	9	6
Not determinable	1	2	4	2

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition: Revenues are recorded at the time services are performed or when products are shipped except for long-term contracts which are recorded on the percentage-of-completion method. The percentage-of-completion method is used by the Elevator and Mechanical Divisions of the Amtech segment for its long-term contracts. Revenues and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Revenues and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

CRANE CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part):

Revenues—Revenues are generally recorded when title passes to the customer. Revenues on long-term contracts are recognized under the percentage-of-completion method of accounting and are measured principally on either a cost-to-cost or a unit of delivery basis. These contracts represent approximately 2% of sales in any one year. Accounts receivable include unreimbursed costs and accrued profits to be billed of $8,116,000, and $15,126,000 at December 31, 1992 and 1991, respectively.

DRESSER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition

Revenues and earnings from long-term construction contracts are recognized on the percentage-of-completion method, measured generally on a cost incurred basis. Estimated contract costs include allowances for completion risks, process and schedule guarantees and warranties that generally are not finally determinable until the latter stages of a contract. Estimated contract earnings are reviewed and revised periodically as the work progresses, and the cumulative effect of any change is recognized in the period determined. Estimated losses are charged against earnings in the period such losses are estimated. Revenues from sales of products other than from long-term construction contracts are recorded when the products are shipped.

Note E—Long-Term Contracts

Consistent with industry practice, service revenues and cost of services include the value of materials, equipment and labor contracts furnished by customers and for which the Company is responsible for the ultimate acceptability of performance of the project based on such material, equipment or labor. The value of such items was $248.4 million, $545.5 million and $588.7 million for the years ended October 31, 1992, 1991 and 1990, respectively.

Amounts billed in excess of revenues recognized to date are included in current liabilities under advances from customers on contracts.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Major Accounting Policies (In Part)

Engineering and Construction Contracts

The company recognizes engineering and construction contract revenues using the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs. Customer furnished materials, labor and equipment and in certain cases subcontractor materials, labor and equipment are included in revenue and cost of revenue when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are segmented between engineering and construction efforts and, accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. The company anticipates that a significant portion of incurred costs associated with contract work in progress at October 31, 1992 will be billed and collected in 1993. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

MAGNETEK, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in the notes to consolidated financial statements are expressed in thousands, except share and per share data.

1 (In Part): Summary of significant accounting policies

Revenue recognition and change in accounting for long-term contracts

Substantially all revenues are recognized when shipments are made. Prior to fiscal year 1992, sales and anticipated profits under certain fixed-price contracts were accounted for under the percentage-of-completion (cost-to-cost) method. During the year ended June 30, 1992, the Company changed its method of accounting for long-term contracts to the percentage-of-completion (units of delivery) method. The Company believes this change is preferable because it provides a more accurate measurement of the stage of completion for its current and anticipated future fixed-price contracts. This resulted in a charge to income in 1992 of $4,259, net of tax benefit, reflecting the cumulative effect of applying the units of delivery method as of the beginning of the fiscal year. Pro forma results from applying the units of delivery method to long-term contracts for the years ended June 30, 1991 and 1990 would not be materially different from the actual results reported for those years. Estimated losses on contracts are recorded when identified. During the fourth quarters of fiscal 1992 and 1991, the Company recorded charges against earnings of approximately $3,500 and $4,000, respectively, relating to revisions of estimated profits on long-term contracts. Amounts included in accounts receivable at June 30, 1991, which represent revenues recognized on contracts for which billings had not yet been presented to customers, were $14,844.

MARTIN MARIETTA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Revenues Recognition—Long-term fixed-price contracts generally are accounted for under percentage-of-completion methods, and sales include a proportion of the earnings expected to be realized in the ratio that costs incurred bear to estimated total costs. Sales are recorded on cost-type contracts as costs are incurred. Under all other contracts, sales are recorded when deliveries are made or as work is performed.

Contracts and programs in progress are reviewed quarterly, and sales and earnings are adjusted in current accounting periods based on revisions in contract value and estimated costs at completion. Performance incentives are incorporated in certain contracts that provide increased or decreased earnings based on performance to established targets. Incentives based upon cost performance are recorded currently, and other incentives and awards are recorded when the amounts reasonably can be estimated or are awarded. Provisions for estimated losses on contracts and programs are recorded when identified.

Commercial Titan III sales for the initial four-vehicle program, completed in 1992, were recorded upon the delivery of launch services. Cost of sales attributable to each launch was determined under the program-average cost method. Cost of sales on any future Commercial Titan III vehicles will be determined on a specific contract identification basis.

Sales in the Materials segment are recorded upon shipment of products or performance of services.

NORTHROP CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Sales

Sales under cost-reimbursement, service, research and development, and construction-type contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs (cost-to-cost type of percentage-of-completion method of accounting). Construction-type contracts embrace those fixed-price contracts that provide for the delivery of a small number of units after a lengthly period of time over which a significant amount of costs have been incurred. Sales under other types of contracts are recorded as deliveries are made and are computed on the basis of the estimated final average unit cost plus profit (units-of-delivery type of percentage-of-completion method of accounting). Certain contracts contain provisions for price redetermination or for cost or performance incentives. Such redetermined amounts or incentives are included in sales when the amounts can reasonably be determined. Amounts representing contract change orders, claims or limitations in funding are included in sales only when they can be reliably estimated and realization is probable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged against income. Loss provisions are first offset against costs that are included in assets with any remaining amount reflected in Other Current Liabilities. Other changes in estimates of sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Hence, the effect of the changes on future periods of contract performance is recognized as if the revised estimates had been the original estimates.

RAYTHEON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Contracts in Process

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

WHITTAKER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(E) Long-Term Contracts: Whittaker generally accounts for long-term contracts using the percentage-of-completion method. At October 31, 1992 and 1991, unbilled receivables relating to long-term contracts of \$44,931,000 and \$36,973,000, respectively, were included in trade accounts receivable. These amounts represent recoverable costs and accrued profits, not billable to customers at the balance sheet date, which are generally billable upon product delivery and acceptance and/or completion of milestones. Amounts representing retainages under contracts are not material. Amounts subject to further negotiations and which may not be collected within one year are approximately $4.5 million at October 31, 1992.

DISCONTINUED OPERATIONS

Paragraph 8 of *APB Opinion No. 30* states:

Discontinued Operations of a Segment of a Business. For purposes of this Opinion, the term *discontinued operations* refers to the operations of a segment of a business as defined in paragraph 13 that has been sold, abandoned, spun off, or otherwise disposed of or, although still operating, is the subject of a formal plan for disposal (see paragraph 14). The Board concludes that the results of continuing operations should be reported separately from discontinued operations and that any gain or loss from disposal of a segment of a business (determined in accordance with paragraphs 15 and 16) should be reported in conjunction with the related results of discontinued operations and not as an extraordinary item. Accordingly, operations of a segment that has been or will be discontinued should be reported separately as a component of income before extraordinary items and the cumulative effect of accounting changes (if applicable) in the following manner:

Income from continuing operations before income taxes	$xxx	
Provision for income taxes	xxx	
Income from continuing operations		$xxx
Discontinued operations (Note—):		
Income (loss) from operations of discontinued Division X (less applicable income taxes of $—)	$xxx	
Loss on disposal of Division X, including provision of $— for operating losses during phaseout period (less applicable income taxes of $—)	xxx	xxx
Net income		$xxx

Amounts of income taxes applicable to the results of discontinued operations and the gain or loss from disposal of the segment should be disclosed on the face of the income statement or in related notes. Revenues applicable to the discontinued operations should be separately disclosed in the related notes.

An *AICPA Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* provides illustrations of transactions which should and should not be accounted for as a business segment disposal. These examples are reprinted in Section I13 of *FASB Accounting Standards—Current Text.*

In 1992, 55 survey companies discontinued or plan to discontinue the operations of a business segment. Examples of discontinued operations accounted for as a disposal of a business segment follow.

Disposal Of Segments

AMCAST INDUSTRIAL CORPORATION (AUG)

	1992	1991	1990
		($000)	
Income (Loss) From Continuing Operations Before Income Taxes	$18,740	$11,944	$ (8,697)
Income taxes—continuing operations	6,746	4,539	(2,225)
Income (Loss) From Continuing Operations	11,994	7,405	(6,472)
Discontinued operation, net of taxes:			
Loss from operation	3,307	676	6,901
Estimated loss on disposal	14,520		
Net Incme (Loss)	$ (5,833)	$ 6,729	$(13,373)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in thousands except for per share data)

Discontinued Operation

Effective August 31, 1992, the company adopted a plan to sell Stanley G. Flagg & Co. (Flagg), a part of the Flow Control segment. Accordingly, Flagg is reported as a discontinued operation at August 31, 1992, and the consolidated financial statements have been reclassified to report separately the net assets and operating results of the business. The company's prior years operating results have been restated to reflect continuing operations.

Net assets of the discontinued operation at August 31, 1992 consist primarily of current assets and plant, property and equipment amounting to $32,870 after deducting an allowance for the estimated loss on disposal, and liabilities of $11,748 including estimated operating losses to disposal date.

The estimated loss on the disposal of Flagg is $14,520, net of taxes of $7,480, consisting of an estimated loss on disposal of the business of $12,342 and a provision of $2,178 for anticipated operating losses until disposal. Summary operating results of the discontinued operation for the three fiscal years ended August 31, 1992 are as follows:

	1992	1991	1990
Sales	$51,288	$54,887	$48,848
Intrasegment Sales	3,672	4,133	1,813
Loss Before Tax	5,167	1,090	11,131
Tax Benefit	1,860	414	4,230
Net Loss	3,307	676	6,901

KERR GROUP, INC. (DEC)

	1992	1991	1990
		($000)	
Earnings (loss) from continuing operations before income taxes	$ 4,413	$ 1,094	$(2,873)
Provision (benefit) for income taxes	1,826	700	(1,132)
Earnings (loss) from continuing operations	2,587	394	(1,741)
Discontinued operations:			
Metal Crown Business			
Earnings (loss) from discontinued operation, after applicable income tax provision (benefit) of $(1,704) in 1992, $(1,596) in 1991 and $207 in 1990	(2,684)	(2,540)	331
Loss on sale of Metal Crown Business, after applicable income tax benefit of $400	(2,600)	—	—
Total earnings (loss) related to discontinued Metal Crown Business	(5,284)	(2,540)	331
Commercial Glass Container Business			
Earnings from discontinued operation, after applicable income taxes of $1,314 in 1991 and $100 in 1990	—	1,663	158
Loss on sale of Commercial Glass Container Business, after applicable income tax benefit of $1,877	—	(2,982)	—
Cumulative effect of change in accounting related to discontinued operation, after applicable income taxes of $552	—	886	—
Total earnings (loss) related to discontinued Commercial Glass Container Business	—	(433)	158
Net loss	(2,697)	(2,579)	(1,252)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Discontinued Operations

Metal Crown Business

On December 11, 1992, the Company sold its Metal Crown Business to Crown Cork & Seal Company, Inc. for a cash payment of approximately $7,208,000. The sale included the Company's Arlington, Texas metal crown plant and related machinery equipment and inventory.

The sale resulted in a pretax loss of $3,000,000 ($2,600,000 after-tax or $0.71 per common share). This loss includes accruals for other estimated costs to be incurred in connection with the disposal of the Metal Crown Business. The amount of the tax benefit that can be immediately recognized against the pretax loss is limited under accounting rules.

The results of the Metal Crown Business have been reported separately as a component of discontinued operations in the Consolidated Statements of Earnings (Loss). Prior year consolidated financial statements have been restated to present the Metal Crown Business as a discontinued operation. Summarized results of the Metal Crown Business are as follows:

Years Ended December 31,	1992	1991	1990
		(In thousands)	
Net sales	$15,646	$19,759	$28,255
Costs and expenses	20,034	23,895	27,717
Earnings (loss) before income taxes	(4,388)	(4,136)	538
Provision (benefit) for income taxes	(1,704)	(1,596)	207
Earnings (loss) from discontinued operations	(2,684)	(2,540)	331
Loss on sale of Metal Crown Business	(2,600)	—	—
Total earnings (loss) related to discontinued Metal Crown Business	$(5,284)	$(2,540)	$ 331

Commercial Glass Container Business

On February 28, 1992, the Company sold its Commercial Glass Container Business to Ball Corporation for a cash payment of approximately $68,000,000. The Company's glass container manufacturing facilities located in Plainfield, Illinois, and Sand Springs, Oklahoma were purchased. The Company's other two glass container facilities located in Santa Ana, California and Dunkirk, Indiana were leased with options to purchase. The Company sold the machinery, equipment and inventory associated with the Commercial Glass Container Business.

The sale resulted in a pre-tax loss of $4,859,000 ($2,982,000 after-tax or $0.81 per common share), which included both a gain on the sale of assets and accruals for other estimated costs to be incurred in connection with the sale. The Company used the proceeds from the sale to repay all debt outstanding under the Company's Bank Credit Agreement and the ESOP I and II Term Loans of approximately $68,000,000.

The results of the Commercial Glass Container Business have been reported separately as a component of discontinued operations in the Consolidated Statements of Earnings (Loss). Summarized results of the Commercial Glass Container Business are as follows:

Years Ended December 31,	1992	1991	1990
		(In thousands)	
Net sales	$22,044	$148,211	$152,861
Costs and expenses	21,318	140,470	146,877
Allocated interest expense	726	4,764	5,726
Earnings before income taxes	—	2,977	258
Provision for income taxes	—	1,314	100
Earnings from discontinued operations	—	1,663	158
Loss on sale of Commercial Glass Container Business	—	(2,982)	—
Cumulative effect of change in accounting related to discontinued operations	—	886	—
Total earnings (loss) related to discontinued Commercial Glass Container Business	$ —	$ (433)	$ 158

Effective January 1, 1991, the Company changed its method of accounting for new machine repair parts related to discontinued operations. The cumulative effect of this change increased pre-tax earnings of the discontinued operations for the year ending December 31, 1991, by $1,438,000 ($886,000 after-tax or $0.24 per common share).

Interest expense was allocated to the Commercial Glass Container Business based upon the ratio of the Commercial Glass Container Business net assets to total Company net assets plus debt.

The assets and liabilities of the discontinued Metal Crown Business and Commercial Glass Container Business have been reclassified on the Consolidated Balance Sheets from the previously reported classification to separately identify them as net current assets and net non-current assets related to discontinued operations. These net assets consist of net working capital, net property, plant and equipment, other assets and intangible assets, less related liabilities.

PITTWAY CORPORATION (DEC)

	1992	1991	1990
		($000)	
Income From Continuing Operations Before Income Taxes	$21,853	$7,525	$18,307
Income Taxes			
Current	4,055	5,498	9,550
Deferred	5,338	(2,344)	(1,839)
	9,393	3,154	7,711
Income From Continuing Operations	12,460	4,371	10,596
Income From Discontinued Operations (Note 1):			
Earnings from discontinued operations, net of income taxes of $11,578, $13,496 and $8,239, respectively	18,380	21,145	13,467
Net gain on disposal of discontinued operations, net of income taxes of $9,779	16,558		
	34,938	21,145	13,467
Net Income	$47,398	$25,516	$24,063

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except Per Share)

Note 1—Discontinued Operations

In January 1992, the Company announced its intention to distribute its investment in the Seaquist packaging group to stockholders in a tax-free spinoff. The distribution is subject to satisfaction of certain minor conditions. Management expects the spinoff to be completed in the second quarter of 1993.

In July 1992, the Company sold its First Alert/BRK Electronics business to a new company formed by BRK management and an investment firm. The sale price was $87,154 plus a 16 2/3% ownership interest in the new company valued at $5 million. In October 1992, the Company sold its Barr packaging division operations, excluding real estate, for $4,205 cash and a $3,200 two-year note.

The net after-tax gain on the divestiture of all of these operations amounted to $16,558, or $1.20 per share. The consolidated financial statements have been restated to report separately the net assets and operating results of these discontinued operations.

At year end, the investment in the net assets of the discontinued operations consisted of:

	1992	1991
Current assets	$ 132,811	$ 181,070
Current liabilities	(102,329)	(111,328)
Net current assets	30,482	69,742
Net fixed assets	138,250	166,862
Other noncurrent assets	31,589	39,275
Non-current liabilities	(62,673)	(77,446)
	$ 137,648	$ 198,433

Net sales of the discontinued operations were $451,092, $465,288 and $438,898 in 1992, 1991 and 1990, respectively.

QUAKER STATE CORPORATION (DEC)

	1992	1991	1990
		($000)	
Income from continuing operations before income taxes and cumulative effect of accounting changes	$ 10,143	$22,930	$ 31,258
Provision for income taxes			
Current	6,350	12,800	19,600
Deferred	(5,600)	(5,000)	(10,100)
	750	7,800	9,500
Income from continuing operations before cumulative effect of accounting changes	9,393	15,130	21,758
Discontinued coal operations (Note 3)			
Income (loss) from operations, net of taxes	(2,941)	409	(2,201)
Loss on disposition, net of taxes	(37,700)	—	—
	(40,641)	409	(2,201)
Income (loss) before cumulative effect of accounting changes	(31,248)	15,539	19,557
Cumulative effect of accounting changes	(62,600)	7,170	—
Net income (loss)	$(93,848)	$22,709	$ 19,557

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Discontinued Coal Operations:

On December 30, 1992, the company sold certain assets of its subsidiary, The Valley Camp Coal Company, to various subsidiaries of Arch Mineral Corporation (Arch) for approximately $47,900,000 in cash, the assumption by the purchasers of certain liabilities and a semi-annual supplemental payment to be received from 1994 through 2013. Amounts in excess of the minimum semi-annual supplemental payment may be received subject to the delivery requirements of a long-term coal sales agreement of the purchaser. The sale resulted in a pretax gain of approximately $4,100,000 which includes $18,800,000 representing the present value of the minimum semi-annual supplemental payments. In connection with the sale, the company terminated its long-term coal supply agreement at the Donaldson Mine Company and used proceeds from the sale to repay the collateralized notes of approximately $19,500,000 related to this operation.

After the sale, the company announced its intention to dispose of the remaining coal operations. The company anticipates that the disposal will be completed during 1993 through the sale or closure of the remaining operations.

The disposal of the coal operations has been accounted for as a discontinued operation and accordingly, its operating results are segregated and reported as discontinued coal operations in the accompanying Consolidated Statement of Operations. Prior year financial statements have been reclassified to conform to the current year presentation.

The Condensed Statement of Operations relating to the discontinued coal operations for the years ended December 31, 1992, 1991 and 1990 are presented below:

(In thousands)	1992	1991	1990
Revenues	$ 95,140	$ 115,183	$ 115,298
Costs and expenses	(102,181)	(118,199)	(119,799)
Loss before income taxes	(7,041)	(3,016)	(4,501)
Income tax benefit	4,100	3,425	2,300
Net income (loss)	$ (2,941)	$ 409	$ (2,201)

The effective tax rates for discontinued operations differ from the federal statutory rate due primarily to percentage depletion, the amortization of deferred investment tax credits and state income taxes.

The estimated loss on disposal of $37,700,000, which is net of income tax benefits of $22,700,000, includes the gain on the Arch sale, the write-down of property, plant and equipment and other assets to estimated net realizable value, closure expenses, pension and other postretirement benefit curtailment gains (see Note 12) and the estimated loss through the date of disposal. In addition, the estimated operating loss on disposal includes a pretax charge of $24,000,000 representing the estimated health care and death benefit liability imposed on the company as a result of the Coal Industry Retiree Health Benefit Act of 1992.

The assets and liabilities relating to the discontinued coal operations have not been segregated in the Consolidated Balance Sheet as of December 31, 1992 and 1991. At December 31, 1992, assets held for sale of approximately $17,400,000 related to the discontinued coal operations are classified as other current assets in the Consolidated Balance Sheet and consist of the estimated net realizable value of property, plant, and equipment, mine supplies and coal inventories. Other assets and liabilities at December 31, 1992 related to the discontinued coal operations include receivables, reclamation and closure liabilities, workers' compensation and black lung liabilities and the health care and death benefit liabilities.

TRANSTECHNOLOGY CORPORATION (MAR)

	1992	1991	1990
		($000)	
Income from Continuing Operations Before Income Taxes	56	1,578	7,924
Provision (Credit) for Income Taxes	(149)	468	3,624
Income from Continuing Operations	205	1,110	4,300
Discontinued Operations (Note 2):			
Loss from operations (less applicable tax benefits of $1,983, $1,637, and $9,998 for 1992, 1991, and 1990, respectively)	(3,832)	(2,786)	(11,741)
Loss from disposal (includes a tax provision of $963 for 1992 and less applicable tax benefits of $1,418, and $853 for 1991 and 1990, respectively)	(5,788)	(2,333)	(1,001)
Net Loss	$(9,415)	$(4,009)	$(8,442)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Discontinued Operations

In March 1992, the Company sold its Financial Systems division, entered into agreements to sell its textile machinery and special elastomer products divisions and entered into discussions with a prospective buyer regarding its weather instruments division. Financial Systems was sold for $35.3 million in cash, of which $5.1 million was placed in escrow pending resolution of matters specified in the purchase agreement, and a $2.5 million note due in March 1995. The sale of Financial Systems resulted in a gain on disposal of $.7 million (net of applicable income tax expense of $2.6 million). The sales of the textile machinery and special elastomer products divisions were completed in June 1992 and consisted of $4.3 million in cash, a $2.0 million note due in April 1997 and a receivable of $0.3 million. The sales of these divisions resulted in a loss on disposal of $1.6 million (net of applicable income tax benefit of $.8 million). The weather instruments division was written down to its net realizable value based on its expected sales price, which resulted in a loss on disposal of $.1 million (net of applicable tax benefits of $.1 million).

In August 1991, the Company discontinued its Computer Graphics manufacturing operation. In connection with such decision, the Company recorded a loss on disposal of $4.1 million (net of applicable income tax benefit of $0.3 million).

In March 1990, the Company entered into an agreement to sell substantially all of the inventories and plant and equipment of its Space Ordnance Systems division. Losses on disposal of $.8 million, $2.3 million and $.2 million were recorded in 1992, 1991 and 1990, respectively (net of applicable income tax benefits of $.5 million, $1.4 million and $.2 million in 1992, 1991 and 1990, respectively). The losses in 1992 and 1991 consist of increased disposal costs over previous estimates associated primarily with legal and environmental matters and the settlement of a contract claim receivable in 1991.

Operating results of the discontinued businesses were as follows:

	1992	1991	1990
Total revenues	$66,239,000	$76,702,000	$89,364,000
Loss before income taxes	$5,815,000	$4,423,000	$21,739,000
Income tax benefit	1,983,000	1,637,000	9,998,000
Loss from operations	$3,832,000	$2,786,000	$11,741,000

The loss from operations includes interest expense of $1.8 million, $2.2 million and $4.1 million in 1992, 1991 and 1990, respectively.

Net assets of the discontinued businesses at March 31, 1992 were as follows:

Accounts Receivable	$ 3,111,000
Inventory	7,173,000
Property	5,216,000
Other Assets	870,000
Liabilities	(7,489,000)
Net Assets of Discontinued Businesses	$ 8,881,000

Other assets and liabilities retained by the Company associated with the discontinued businesses at March 31, 1992 are included in the following balance sheet captions:

Other Long-term Assets	$1,750,000
Other Current Liabilities	$3,957,000

Sale Of Assets In Year Subsequent To Year Of Discontinuance

CLARCOR INC. (NOV)

	1992	1991	1990
		($000)	
Earnings from continuing operations before income taxes and cumulative effect of change in accounting method	$25,305	$28,543	$30,204
Provision for income taxes	8,796	10,068	10,999
Earnings from continuing operations before cumulative effect of change in accounting method	16,509	18,475	19,205
Discontinued operations:			
Earnings from operations, net of income taxes of $925 and $1,152 in 1991 and 1990, respectively	—	297	1,200
Gain on disposition, net of income of $1,342 in 1992	—	—	—
Earnings before cumulative effect of change in accounting method	16,509	18,772	20,405

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)

L. Discontinued Operations

In June 1991, the Company adopted a plan to dispose of its Precision Products Group (Group). Effective November 30, 1992, the Company sold the Group for $20,700 in cash, with settlement on December 31, 1992, and a $2,500 note receivable, included in other assets. The 8% note receivable, due December 30,1997, has certain collateral pledged from the buyer, a highly leveraged entity. The sale was recorded as of November 30, 1992 and resulted in a pretax gain of $1,342 after considering estimated costs to be incurred in connection with the sale, operating results through the date of disposition, and including a $686 curtailment gain of certain pension benefits related to the Group. The income tax effects, net of $1,342, which offsets the gain, exceeds the normal statutory tax rate due principally to nontax deductible costs.

Revenues applicable to the Group were $40,698, $38,563 and $44,431 for the years ended November 30, 1992, 1991 and 1990, respectively.

This Group has been reported as Discontinued Operations in the Consolidated Statements of Earnings and Cash Flows. Certain other disclosures and amounts in the footnotes for 1991 and 1990 include amounts related to the Precision Products Group.

Adjustment Of Loss Reported In Prior Period

LABARGE, INC. (JUN)

	1992	1991	1990
Earnings from continuing operations before income taxes, extraordinary items and cumulative effect of accounting change	$ 2,570,554	$2,539,367	$1,642,611
Income tax expense (benefit)	(21,000)	914,200	603,500
Earnings from continuing operations before extraordinary items and cumulative effect of accounting change	2,591,554	1,625,167	1,039,111
Discontinued operations:			
Loss on settlement of law suit from discontinued operations, net of income tax benefit of $13,200	(715,352)	—	—
Earnings before extraordinary items and cumulative effect of accounting change	1,876,202	1,625,167	1,039,111
Extraordinary items:			
Loss on early extinguishment of debt, net of income tax benefit of $19,800	(1,077,172)	—	—
Tax effect of net operating loss carryforwards	—	863,400	570,500
Earnings (loss) from extraordinary items	(1,077,172)	863,400	570,500
Cumulative effect of change in accounting for income taxes	2,334,522	—	—
Net earnings	$ 3,133,552	$2,488,567	$1,609,611

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Litigation and Contingencies

The Company is involved in litigation arising in the normal course of business and the discontinued operations of the casual furniture segment. In the opinion of management, the ultimate disposition of the litigation will not have a material adverse effect on the financial position of the Company.

Subsequent to June 28, 1992, the Company settled a class action lawsuit brought against it which alleged that the Company's former Tubular Division (which was divested in 1984) and other defendents had conspired to artificially raise the price of specialty steel pipe. Although the Company believes it had valid defenses, all other defendants settled, leaving the Company as the sole defendant. Considering the costs associated with defending itself and the risk of loss, the Company elected to settle the suit.

In the settlement, the Company agreed to give the plaintiffs 100,000 shares of Common Stock and make three payments as follows: $75,000, 12 months after the final settlement date; $125,000, 24 months after the final settlement date; and $275,000, 36 months after the final settlement date. The present value of the settlement is $540,552. Including the other costs associated with the settlement, a loss of $728,552 before taxes was recorded in 1992.

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-16 indicates the nature of changes or credits, other than extraordinary items, positioned on an income statement after the caption for income taxes applicable to income from continuing operations. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Cumulative effect of accounting change	221	47	15	22
Minority interest	60	64	55	58
Equity in earnings or losses of investees	36	36	40	36
Other	9	9	7	3

BAXTER INTERNATIONAL INC. (DEC)

	1992	1991	1990
	($ millions)		
Income from continuing operations before income taxes and cumulative effect of accounting change	$ 753	$688	$ 16
Income tax expense	192	181	40
Income (loss) from continuing operations before cumulative effect of an accounting change	561	507	(24)
Discontinued operations			
Income from discontinued operations net of applicable income taxes of $31, $32 and $26 for 1992, 1991 and 1990, respectively	63	84	64
Costs associated with effecting the business discontinuance net of income tax benefit of $6	(18)	—	—
Total discontinued operations	45	84	64
Income before cumulative effect of an accounting change	606	591	40
Cumulative effect of an accounting change net of income tax benefit of $50	(165)	—	—
Net income	$ 441	$591	$ 40

CBI INDUSTRIES, INC. (DEC)

	1992	1991	1990
		($000)	
Income before Income Taxes, Minority Interest and Cumulative Effect of Accounting Changes	$145,500	$136,965	$122,849
Provision for Income Taxes	(62,700)	(60,300)	(60,100)
Income before Minority Interest and Cumulative Effect of Accounting Changes	82,800	76,665	62,749
Minority Interest in Income	(11,667)	(15,589)	(7,614)
Income before Cumulative Effect of Accounting Changes	71,133	61,076	55,135
Cumulative Effect of Changes in Accounting for Income Taxes and Other Postretirement Benefits	(7,170)	—	—
Net Income	63,963	61,076	55,135

LORAL CORPORATION (MAR)

	1992	1991	1990
		($000)	
Income from continuing operations, before income taxes, minority interest and equity in net loss of affiliate	$240,990	$165,801	$123,061
Income taxes	89,166	61,346	45,533
Income from continuing operations, before minority interest and equity in net loss of affiliate	151,824	104,455	77,528
Minority Interest	28,710	11,664	
Equity in net loss of affiliate	1,319	2,435	
Income from continuing operations	121,795	90,356	77,528
Income from discontinued operations, net of income taxes of $416,000			707
Net income	$121,795	$ 90,356	$ 78,235

UNIVAR CORPORATION (FEB)

	1992	1991	1990
		($000)	
Income (Loss) Before Provision for (Benefit of) Taxes on Income and Minority Interest	$(7,803)	$33,645	$36,032
Provision for (Benefit of) Taxes on Income	(1,785)	13,997	14,487
Income (Loss) Before Minority Interest	(6,018)	19,648	21,545
Minority Interest in Univar Europe Loss (Note 1)	392	—	—
Net Income (Loss)	$(5,626)	$19,648	$21,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Minority Interest—Minority interest represents Univar Europe's minority shareholder's 49% share of the common equity and net loss of Univar Europe.

EXTRAORDINARY ITEMS

APB Opinion No. 30 defines extraordinary items as "events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence," and states that an event or transaction "should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion." *Opinion No. 30* and the *AICPA Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* illustrate events and transactions which should and should not be classified as extraordinary items. These examples are reprinted in Section I17 of *FASB Accounting Standards—Current Text. Statement of Financial Accounting Standards No. 4* specifies that material debt extinguishment gains and losses be classified as extraordinary items.

Table 3-17 shows the nature of items classified as extraordinary by the survey companies. Paragraphs 61 of *APB Opinion No. 11* specified that realized loss carryforwards be reported as extraordinary items. *SFAS No. 109*, effective for fiscal years beginning after December 15, 1992, requires that realized loss carryforwards be classified as a component of income tax expense.

Examples of extraordinary items follow.

TABLE 3-17: EXTRAORDINARY ITEMS

	1992	**1991**	**1990**	**1989**
Nature				
Debt extinguishments	60	33	36	16
Operating loss carryforwards	17	20	24	26
Litigation settlements	2	1	2	3
Other	5	4	5	9
Total Extraordinary Items	**84**	**58**	**67**	**54**
Number of Companies				
Presenting extraordinary items	81	55	63	49
Not presenting extraordinary items	519	545	537	551
Total Companies	**600**	**600**	**600**	**600**

Debt Extinguishments

CARPENTER TECHNOLOGY CORPORATION (JUN)

	1992	1991	1990
		($000)	
Income before income taxes and extraordinary charge	$22,827	$46,698	$73,199
Income taxes	7,943	16,627	28,182
Income before extraordinary charge	14,884	30,071	45,017
Extraordinary charge—premium on purchase of long-term debt, net of income taxes	1,238	—	—
Net income	$13,646	$30,071	$45,017

NOTES TO FINANCIAL STATEMENTS

5 (In Part): Debt Arrangements

During the quarter ended March 31, 1992, the Company used proceeds from short-term borrowings to purchase at a premium $18,380,000 of its 12 7/8% debentures originally due in 2014. The purchase resulted in an extraordinary charge of $1,238,000, net of $661,100 of tax benefit, or $.15 per share.

GENERAL CINEMA CORPORATION (OCT)

	1992	1991	1990
		($000)	
Earnings (loss) before income taxes, extraordinary gain and cumulative effect of accounting change	$187,046	$(363,024)	$62,603
Income tax expense (benefit)	72,947	(69,902)	32,220
Earnings (loss) before extraordinary gain and cumulative effect of accounting change	114,099	(293,122)	30,383
Extraordinary gain on elimination of debt, net	419,557	—	—
Charge for cumulative effect of change in accounting for postretirement healthcare benefits, net	(39,196)	—	—
Net earnings (loss)	$494,460	$(293,122)	$30,383

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Merger with Harcourt Brace

Effective November 25, 1991, the Company issued 2,879,734 shares of its Class B Stock and 2,398,559 shares of its Common Stock in exchange for all of the common stock and the preferred stock of Harcourt Brace, a publishing and insurance company, in a business combination accounted for as a pooling of interests.

The Company's acquisition of Harcourt Brace was contingent upon the successful completion of its tender offer to purchase approximately $1.7 billion book value of certain Harcourt Brace indebtedness for $1.1 billion in cash. The tender offer was successful, and the Harcourt Brace debt was purchased by the Company on November 23, 1991. Subsequent to November 23, approximately $159.1 million book value of Harcourt Brace indebtedness was purchased for approximately $168.2 million in cash. In the aggregate, these purchases resulted in a net extraordinary gain on a consolidated basis of $419.6 million. The gain is net of $175 million of costs associated with the acquisition of the debt including transaction fees, redemption premiums, other direct costs and taxes.

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

	1992	1991	1990
		($000)	
Income (loss) before extraordinary item and the cumulative effect of changes in accounting principles	$(122,075)	$78,291	$9,678
Extraordinary loss on early extinguishment of debt, net of income tax benefit of $19,227	(31,423)		
Cumulative effect of changes in accounting principles:			
Change in accounting for income taxes	35,923		
Change in accounting for postretirement benefits other than pensions, net of income tax benefit of $189,534	(309,765)		
Net income (loss)	$(427,340)	$78,291	$9,678

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Long-Term Debt

Refinancing Program

During the fourth quarter of 1992, James River recorded an extraordinary loss of $50.6 million ($31.4 million after taxes or $.38 per share) in connection with the early retirement of a total of $566.8 million principal amount of notes and debentures which were targeted for refinancing. The aggregate purchase price of such indebtedness was $613.8 million, financed principally through newly issued debt and preferred stock. As of December 27, 1992, $259.3 million of such refinancings, including $250 million of 10¾% debentures, had been completed; the remaining $307.5 million will be completed by the end of April 1993.

Litigation Settlements

RAYCHEM CORPORATION (JUN)

	1992	1991	1990
		($000)	
Income (loss) before income taxes and extraordinary item	$ 20,835	$ (3,109)	$ (86,261)
Provision for income taxes	37,393	20,320	25,137
Loss before extraordinary item	(16,558)	(23,429)	(111,398)
Extraordinary item—funding of class action litigation settlement, net of $0 income taxes	8,250	—	—
Net loss	$(24,808)	$(23,429)	$(111,398)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Extraordinary Item—Settlement of Class Action Litigation

In the second quarter of 1992 the company and its insurer reached settlement with the plaintiffs in a class action securities suit. The company and its insurer together funded a total of $19.5 million for the settlement. The company's funding in this matter, totalling $8.3 million, or $0.21 per common share, was reported as an extraordinary charge. The company expects to recover a portion of this funding, either through litigation or when a definitive agreement is reached with its insurer, and has filed suit against its insurer to resolve this issue. There is no tax benefit recognized for the extraordinary item because it increases U.S. losses.

RYKOFF-SEXTON, INC. (APR)

	1992	1991	1990
		($000)	
Income before provision for income taxes and extraordinary item	$21,026	$23,037	$18,823
Provision for income taxes	8,410	9,214	7,530
Income before extraordinary item	12,616	13,823	11,293
Extraordinary item, net of income taxes	2,610	—	—
Net income	$10,006	$13,823	$11,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Extraordinary Item

In September 1991, the Board of Directors approved a settlement of a securities class action lawsuit filed against the Company and certain officers and directors in February 1990. The settlement, recorded as an extraordinary item, reduced income by $2,610,000, net of the income tax benefit of $1,740,000.

Benefits Payable Under Coal Industry Retiree Benefit Act of 1992

AMAX INC. (DEC)

	1992	1991	1990
		($000)	
Earnings (loss) before extraordinary item and cumulative effect of accounting changes	$(147,700)	$30,200	$225,900
Extraordinary item—postretirement health care and life insurance benefits, net of $22,400 tax benefit—Note 20	(37,600)		
Cumulative effect of accounting changes			
Income taxes	192,000		
Postretirement health care and life insurance benefits net of $173,100 tax benefit	(291,000)		
Net earnings (loss)	$(284,300)	$30,200	$225,900

NOTES TO FINANCIAL STATEMENTS

20 (In Part): Postretirement Benefits

Health Care and Life Insurance

In addition, health care and life insurance benefits of certain retirees are covered by multi-employer benefit trusts established by the United Mine Workers of America and the Bituminous Coal Operators' Association, Inc. Current and projected operating deficits of these trusts led to the passage of the Coal Industry Retiree Health Benefit Act of 1992 (the "Act"). The Act established a new multi-employer benefit trust called the United Mine Workers of America Combined Benefit Fund that will provide health care and life insurance benefits to all beneficiaries of the earlier trusts who were receiving benefits as of July 20, 1992. The Act provides for the assignment of beneficiaries to their former employers and any unassigned beneficiaries to employers based on a formula. The obligation in connection with retirees expected to be assigned to the Company of $38 million ($.43 per share), net of a $22 million tax benefit, has been recorded as an extraordinary item. Benefits expense was $10 million in 1992 (1991-$9 million, 1990-$8 million) for these plans.

EARNINGS PER SHARE

Paragraph 12 of *APB Opinion No. 15* states in part:

12. The Board believes that the significance attached by investors and others to earnings per share data, together with the importance of evaluating the data in conjunction with the financial statements, requires that such data be presented prominently in the financial statements. The Board has therefore concluded that earnings per share or net loss per share data should be shown on the face of the income statement. The extent of the data to be presented and the captions used will vary with the complexity of the company's capital structure. . .

Examples of earnings per share presentations follow.

TABLE 3-18: EARNINGS PER SHARE—1992

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation....	13	26	256	31
Included in fully diluted per share calculation.........	30	41	19	3
No dilution	47	51	132	15
Not disclosed	25	21	150	6
No additional shares issuable...........	485	461	43	545
Total Companies ...	**600**	**600**	**600**	**600**

ALLIED-SIGNAL INC. (DEC)

	1992	1991	1990
	((Dollars in millions except per share amounts)		
Net income (loss)	$ (712)	$ (273)	$ 462
Earnings (loss) per share of common stock: (a)			
Before cumulative effect of changes in accounting principles	$ 3.80	$(2.00)	$3.35
Cumulative effect of changes in accounting principles:			
Accounting for income taxes	(1.05)	—	—
Accounting for postretirement benefits other than pensions, net of income taxes	(7.80)	—	—
Net earnings (loss)	$(5.05)	$(2.00)	$3.35

(a) Earnings per share of common stock are based upon the following weighted average number of shares: 1992, 140,986,503 shares; 1991, 136,583,876 shares; and 1990, 138,242,467 shares. No dilution results from outstanding common stock equivalents.

ANACOMP, INC. (SEP)

	1992	1991	1990
	(Dollars in thousands, except per share amounts)		
Net income available to common stockholders	$24,763	$27,047	$7,418
Earnings per common and common equivalent share:			
Income (loss) before extraordinary credits:			
Continuing operations (net of preferred stock dividends and discount accretion)	$ .42	$ .42	$ .09
Discontinued operations	(.04)	(.04)	(.05)
Extraordinary credits	.21	.27	.16
Net income	$ .59	$ .65	$ .20
Earnings per common share assuming full dilution:			
Income (loss) before extraordinary credits:			
Continuing operations (net of preferred stock dividends and discount accretion)	$ .42	$ .42	$ .09
Discontinued operations	(.04)	(.04)	(.05)
Extraordinary credits	.20	.26	.16
Net income	$ .58	$ .64	$ .20

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Earnings Per Share

The computation of earnings per common and common equivalent share is based upon the weighted average number of common shares outstanding during the period plus (in periods in which they have a dilutive effect) the effect of common shares contingently issuable, primarily from stock options and exercise of warrants.

The fully diluted per share computation reflects the effect of common shares contingently issuable upon the exercise of warrants in periods in which such exercise would cause dilution. Fully diluted earnings per share also reflect additional dilution related to stock options due to the use of the market price at the end of the period, when higher than the average price for the period.

The weighted average number of common and common equivalent shares used to compute earnings per share is:

	Year ended September 30,		
	1992	1991	1990
For earnings per common and common equivalent share	41,712,865	41,689,577	37,987,953
For earnings per share assuming full dilution	42,771,365	42,173,487	37,987,953

GTI CORPORATION (DEC)

	1992	1991	1990
	Dollars in thousands, except per share amounts		
Net income	$9,030	$4,278	$2,332
Net income per share of Common Stock—primarily and fully diluted	$ .93	$.45	$ .29

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Net Income Per Share of Common Stock—

Net income per share of common stock for 1992 and 1991 is computed on the basis of the weighted average shares of common stock outstanding plus common equivalent shares arising from the effect of cumulative convertible preferred stock, using the if-converted method, and dilutive stock options, using the treasury stock method. In 1990, stock options did not impact net income per share as they were either insignificant or antidilutive. The weighted average number shares of common stock and common equivalent shares outstanding for the calculation of primary earnings per share was 9,670,000 in 1992, 9,498,000 in 1991, and 8,168,000 in 1990. The weighted average number of shares used to compute net income per share, assuming full dilution, was 9,713,000 in 1992, 9,561,000 in 1991, and 8,168,000 in 1990.

GOULDS PUMPS, INC. (DEC)

	1992	1991	1990
	(Dollars in thousands except per share data)		
Net earnings (loss)	$(7,893)	$30,731	$30,620
Net earnings (loss) per common share			
Earnings before extraordinary charge and cumulative effect of accounting change	$ 1.04	$ 1.51	$ 1.49
Extraordinary charge	—	(.03)	—
Cumulative effect of change in accounting principle	(1.42)	—	—
Net earnings (loss) per common share	$ (.38)	$ 1.48	$ 1.49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Net Earnings (Loss) Per Share

Net earnings (loss) per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year (21,027,000 in 1992, 20,781,000 in 1991, and 20,589,000 in 1990). No effect has been given to options outstanding under the Company's Stock Option Plans as no material dilutive effect would result from the exercise of these items. In December 1988, the Board of Directors approved a shareholders' rights plan designed to ensure that all of the Company's shareholders receive fair and equal treatment in the event of any proposal to acquire control of the Company. Under the rights plan, each shareholder will receive a dividend of one right for each share of the Company's outstanding common stock, entitling the holders to purchase one additional share of the Company's common stock. The rights become exercisable after any person or group acquires 20% or more of the Company's outstanding common stock, or announces a tender offer which would result in the offeror becoming the beneficial owner of 20% or more of the Company's outstanding common stock. These rights, which may have a potentially dilutive effect, have been excluded from the weighted average shares computation as preconditions to the exercisability of such rights were not satisfied.

SARA LEE CORPORATION (JUN)

	1992	1991	1990
	(In millions except per share data)		
Net income available for common stockholders	$ 732	$ 499	$ 441
Net Income per Common Share—Primary	$3.08	$2.15	$1.91
Average shares outstanding	238	232	230
Net Income per Common Share—Fully Diluted	$3.00	$2.09	$1.87
Average shares outstanding	248	243	240

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Net income per common share—Primary net income per common share is based on the average number of common shares outstanding and common share equivalents and net income reduced for preferred dividends, net of the tax benefits related to the ESOP convertible preferred stock dividends. The fully diluted net income per share calculation assumes conversion of the ESOP convertible preferred stock into common stock and further adjusts net income for the additional ESOP compensation expense, net of tax benefits, resulting from the assumed replacement of the ESOP convertible preferred stock dividends with common stock dividends.

TOKHEIM CORPORATION (NOV)

	1992	1991	1990
Earnings (loss) per common share:			
Continuing operations	$ (5.86)	$ (3.96)	$ (.34)
Discontinued operations	1.63	.22	.07
Net loss	$ (4.23)	$ (3.74)	$ (.27)
Weighted average shares outstanding	6,307	6,307	6,351

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except dollars per share)

8. Earnings Per Share

Primary earnings per share are based on the weighted average number of shares outstanding during each year and the assumed exercise of dilutive employees' stock options less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company's common stock.

The following table presents information necessary to calculate earnings per share for fiscal years ended November 30, 1992, 1991, and 1990:

	1992	1991	1990
Shares outstanding (in thousands):			
Weighted average outstanding	6,307	6,307	6,342
Share equivalents	—	—	9
Adjusted outstanding	6,307	6,307	6,351
Net earnings:			
Loss from continuing operations	$(35,184)	$(23,148)	$ (264)
Earnings from discontinued operations	10,278	1,402	430
Net earnings (loss)	(24,906)	(21,746)	166
Less preferred stock dividend	(1,790)	(1,831)	(1,854)
Loss applicable to common stock	$(26,696)	$(23,577)	$ (1,688)
Net earnings (loss) per common share:			
Continuing operations	$ (5.86)	$ (3.96)	$ (.34)
Discontinued operations	1.63	.22	.07
Net loss per common share	$ (4.23)	$ (3.74)	$ (.27)

For 1992, 1991, and 1990, the loss per share, assuming full dilution, is considered to be the same as primary since the effect of the common stock equivalents would be antidilutive.

UNISYS CORPORATION (DEC)

	1992	1991	1990
	(Millions, except per share data)		
Earnings (loss) on common shares	$239.1	$(1,514.5)	$(551.0)
Earnings (loss) per common share			
Primary			
Before extraordinary item	$ 1.06	$ (9.37)	$(3.45)
Extraordinary item	.40		
Total	$ 1.46	$ (9.37)	$ (3.45)
Fully diluted			
Before extraordinary item	$ 1.04	$ (9.37)	$ (3.45)
Extraordinary item	.36		
Total	$ 1.40	$ (9.37)	$ (3.45)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Earnings per common share

In 1992, the computation of primary earnings per share is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of stock options. The computation of fully diluted earnings per share further assumes the conversion of the 8¼% convertible subordinated notes due August 1, 2000. In 1991 and 1990, both primary and fully diluted earnings per common share were based on the weighted average number of outstanding common shares. The inclusion of additional shares assuming the conversion of Series A Cumulative Convertible Preferred Stock would have been antidilutive in all three years. Accounting rules governing the computation of earnings per share require that dividends on cumulative preferred stock, whether declared or not, be deducted in the earnings per share computation. The shares used in the computations for the three years ended December 31, 1992 were as follows (in thousands):

	1992	1991	1990
Primary	163,725	161,552	159,683
Fully diluted	181,813	161,552	159,683

SOCIAL AWARENESS EXPENDITURES

Certain survey companies disclosed contributions to charitable organizations, grants to community related activities, expenditures to aid minority groups or enterprises, and other forms of social awareness or responsibility. Such disclosures of social awareness or responsibility are almost always made in the annual report narrative which is not part of the financial statements; accordingly, no attempt was made to tabulate those disclosures. Examples of such disclosures follow.

BRISTOL-MYERS SQUIBB COMPANY (DEC)

PROGRAMS OF PUBLIC INTEREST

Bristol-Myers Squibb Marks 15th Anniversary of Unrestricted Biomedical Research Grants Program

In 1992, Bristol-Myers Squibb celebrated the 15th anniversary of its unrestricted biomedical research grants program. The program was initiated in 1977 with support of cancer research. Since then it has been expanded to include support for research—with no strings attached—in the areas of nutrition, orthopaedics, pain, neuroscience, cardiovascular and infectious disease, as well as cancer research.

Each of these programs consists of three parts: unrestricted research grants to medical schools and research institutions in North America, Europe and Asia; an annual award for distinguished achievement to individual researchers; and a symposium organized by one of the participating grant institutions. To date, Bristol-Myers Squibb has committed more than $40 million in support of these programs.

In 1992, the second annual Bristol-Myers Squibb Award for Distinguished Achievement in Infectious Disease Research was presented to Dr. Bernard N. Fields, of Harvard Medical School, for his discoveries in the field of virus-host and virus-cell interactions in the generation of viral disease.

Total funding for the unrestricted infectious disease grants program since its inception is $4.5 million.

The company's cardiovascular research grants program has provided institutional grants totaling $3.5 million since it was begun in 1989. In 1992, the second annual Bristol-Myers Squibb Award for Distinguished Achievement in Cardiovascular Research was presented to Dr. Robert J. Lefkowitz, of Duke University Medical Center in Durham, North Carolina. Dr. Lefkowitz's pioneering research with crucial adrenergic reports helped lay the foundation for modern receptor biology.

The neuroscience research grants program marked its fifth year of unrestricted grants, now totaling $5.3 million. Seymour Benzer, Ph.D., of the California Institute of Technology; Sydney Brenner, D.Phil, of the University of Cambridge; and Mario Capecchi, Ph.D., of the Howard Hughes Medical Institute, University of Utah, were chosen to share the Bristol-Myers Squibb Award for Distinguished Achievement in Neuroscience Research for their introduction of molecular genetics to the study of the nervous system and behavior.

The 15th annual Bristol-Myers Squibb Award for Distinguished Achievement in Cancer Research was presented to Dr. Thomas A. Waldmann, of the National Cancer Institute, for his many crucial discoveries culminating in his definition of the interleukin-2 receptor as a useful target for monoclonal antibody immunotherapy.

To date, 29 grants, totaling more than $15 million, have been awarded to 26 research centers around the world since the inception of the unrestricted cancer research grants program.

More than $6 million, representing 25 grants, has been committed to support biomedical research in nutrition. Dr. Samuel J. Fomon, of the University of Iowa, Iowa City, Iowa, was awarded the 12th annual Bristol-Myers Squibb/Mead Johnson Award for Distinguished Achievement in Nutrition Research, for his outstanding research in defining the nutritional needs of healthy, full-term infants.

Funding committed to the pain research grants program since it began in 1988 totals $2.75 million. Dr. Raymond W. Houde, of Memorial Sloan-Kettering Cancer Center in New York City, received the fifth annual Bristol-Myers Squibb Award for Distinguished Achievement in Pain Research, for his work in developing an assay to measure analgesic efficacy in the treatment of cancer pain.

The orthopaedic research grants program, initiated in 1983 and expanded in 1987 and sponsored by Bristol-Myers Squibb and Zimmer, in conjunction with the Orthopaedic Research and Education Foundation, has awarded $3.25 million in unrestricted funding since its inception.

Dr. Carl T. Brighton, of the University of Pennsylvania School of Medicine in Philadelphia, Pennsylvania, received the fifth annual Bristol-Myers Squibb/Zimmer Award for Distinguished Achievement in Orthopaedic Research, for his pioneering work on the biophysics of bone.

Equal Employment Opportunity

Bristol-Myers Squibb Company respects the diversity of its work force and is committed to ensuring equitable representation of women and minority group members at all levels of job responsibility. Currently, 35.7 percent of the company's professional and managerial employees in the U.S. are women and 14.4 percent are minority group members. For a copy of the company's most recent report on its equal opportunity policy and initiatives, write to Communications Services, Bristol-Myers Squibb Company, 345 Park Avenue, New York, NY 10154.

Programs for Women and Minorities

The company continues to support a wide variety of programs aimed at helping women, minorities and the disabled to advance in their career goals. Direct grants and scholarship assistance are provided to educational institutions to support scholarships and fellowships for women and minorities. The company also helps fund community programs for women, minorities and the disabled to help them in their careers.

Environmental Programs

Early in 1992, Bristol-Myers Squibb launched Environment 2000, a comprehensive pollution prevention program. The program, based on product life cycle management, stresses the need to minimize undue environmental impacts of all company products and activities, thereby making environmental protection every employees' responsibility.

During the year, the company published and distributed "Environment 2000: Pollution Prevention Throughout the Product Life Cycle," a document for its employees around the world that emphasizes the company's environmental ethic and outlines strategies to minimize the environmental impacts of key business functions.

The company is committed to planning sensibly for environmental progress while continuing to meet the growth needs of individual businesses. During the year, the Bio/Chem Division, responsible for the manufacture of the company's pharmaceutical products in the U.S., achieved an overall 37 percent reduction in the release of chemicals targeted by the Environmental Protection Agency's Voluntary Industrial Toxics Program, when compared to a 1988 baseline. The company is committed to reducing the release of those chemicals by 50 percent by 1995. Key to this reduction have been manufacturing process modifications, including ultrafiltration and solvent recovery, and substitutions of certain raw materials used.

Bristol-Myers Squibb remains dedicated to continual environmental improvement and to participating in the resolution of the environmental challenges we face as a society—on a local, national and global basis.

For a copy of the company's latest environmental progress report, write to the Office of Environmental Affairs, Occupational Health and Safety, Bristol-Myers Squibb Company, 345 Park Avenue, New York, NY 10154.

Alternatives to Animal Testing

For more than 10 years, Bristol-Myers Squibb has maintained a program to reduce its reliance on animal-testing methods; develop, validate and use nonanimal tests; and provide the highest level of care for those animals whose use remains unavoidable.

The company has placed grants totaling over $1 million with institutions involved in the development of nonanimal-testing methods. It spends several times that amount annually in its own laboratories to develop, validate and use nonanimal tests. In fact, over 100 nonanimal-testing methods currently are in use at Bristol-Myers Squibb.

The company believes its use of laboratory animals is the minimum possible to ensure the safety of its products and gain regulatory approval. Approximately 98 percent of animal use supports the development and safety testing of pharmaceutical and other health care products.

Bristol-Myers Squibb Foundation

During 1992, charitable contributions from the Bristol-Myers Squibb Foundation, the company, its subsidiaries and divisions totaled more than $21 million. Health-related, medical research and community service organizations received 48 percent of combined company and Foundation contributions; educational institutions and education-related programs received 34 percent; and civic and cultural activities received 18 percent.

Employee Community Volunteer Service Awards

Now in its second year, the Bristol-Myers Squibb Employee Community Volunteer Service Award Program recognizes the outstanding efforts of employees who contribute their personal time and talents to volunteer work in their communities. To be eligible for nomination, an employee has had to donate at least eight hours a month at a nonprofit health or human services organization.

Thirty-five award winners and 28 honorees were selected from 27 division locations in the U.S. and Puerto Rico. Both award winners and honorees received certificates of recognition from the company. In addition, the nonprofit organizations where the award winners and honorees volunteered received contributions of $1,500 and $500, respectively, from the Bristol-Myers Squibb Foundation. Health and human services organizations assisted through this program include shelters and hospitals as well as community service groups dealing with substance abuse, literacy, homelessness, hunger, family violence and youth unemployment.

CPC INTERNATIONAL INC. (DEC)

CORPORATE RESPONSIBILITY

The paragraphs below highlight some of the areas in which CPC endeavors within its many communities to be a responsible corporate citizen.

Environmental Protection: CPC has long had a corporate policy on protection of the environment, overseen by the Board's Corporate Affairs Committee and top management, and has communicated this policy broadly and regularly throughout the Company.

In 1992 the Best Foods Division adopted a set of environmental goals to: elevate environmental protection to the same high level as product quality and safety as it plans for current or new products; keep consumers informed of its efforts to be environmentally responsible and their opportunities to do the same; constantly seek ways to minimize the quantity of materials and energy needed to produce, package, and deliver its products; use recycled or recyclable materials whenever possible; support recycling research and efforts to build recycling programs; safeguard the environment in the communities where it has factories, and make sure working conditions and practices in its facilities are environmentally safe; advertise any environmental benefits of its products truthfully.

When environmental problems have arisen, as has happened at sites of chemical operations divested by the Company from the early 1970s to the mid-1980s, CPC has provided funds to develop and implement effective remedies.

Employees: CPC employs approximately 38,000 people worldwide. Its goal in each of the 55 countries where it operates is to hire, train, and develop local personnel and to promote from within. CPC intensified its emphasis on management development in 1992. Using formal and informal programs and methods, the Company seeks to develop managers who not only deliver business results locally but also work to forge synergies worldwide. Of CPC's 7,411 employees in the U.S., 32% are minorities and 30% are women. The Company has several programs to further the hiring and upward mobility of minorities and women. For example, four-year internships are provided to talented minority college students. This program will be a major recruiting source to fill managerial-track positions within CPC.

Contributions: In 1992 the Company made contributions valued at $15 million in cash and food products. CPC contributes mainly to educational institutions; health, welfare, and community service organizations; and other cultural and charitable groups. Most of the recipients serve the communities in which our employees live and work; however, some contributions are directed to national and international organizations. Best Foods responded to Hurricane Andrew by donating thousands of cases of Best Foods products, and the use of tractor trailers and drivers.

Worker Health and Safety: CPC carries out programs of employee safety training and education at all manufacturing locations, regularly audits workplace conditions to determine whether its high safety standards are being maintained, and carefully examines its experiences at each site for lessons that can be applied at other CPC facilities. In 1992, as it does regularly, CPC held workshops in the U.S., Europe, and Latin America to provide practical safety information for plant managers and safety coordinators.

CONAGRA, INC. (MAY)

CORPORATE CITIZENSHIP

ConAgra's role as a corporate citizen is a broad one. This year, we highlight two aspects of our role as a corporate citizen: environmental initiatives and charitable contributions.

ConAgra and the Environment

ConAgra's strategic plan includes this fundamental commitment: "We will conduct our planning and operations and advocate public policy with full consideration for protecting and preserving the environment consistent with reasonable economics, a concept becoming more broadly known as "sustainable development."

We are adopting technologies, programs and operating methods consistent with sustainable development which reduce pollutants, preserve the environment and support economic growth. ConAgra independent operating companies have invested millions of dollars in programs to develop cleaner production processes, reduce solid waste, improve recycling and develop environmental protection strategies for all phases of their operations. ConAgra's board of directors annually reviews the environmental performance and programs of ConAgra independent operating companies.

During fiscal 1992, ConAgra was one of nine U.S. companies on the international Business Council for Sustainable Development. We worked with 47 other leading companies from around the world to offer real solutions to the United Nations' Earth Summit in June 1992.

Corporate Contributions

We seek to invest our cash contributions to improve the quality of life in communities where ConAgra employees work and live. Our objective, which we achieved in fiscal 1992, is to contribute in cash the equivalent of one percent of pretax earnings, over time.

During fiscal 1992, ConAgra gave cash contributions to more than 300 nonprofit organizations. In addition to cash donations, we made substantial in-kind donations of products, equipment and facilities, including hundreds of thousands of pounds of food products. Here are just a few of the many examples of fiscal 1992 contributions.

- We contributed to the construction of five new or expanded YMCAs and YWCAs in Nebraska, Arkansas and Missouri.
- We contributed start-up funds for a new Boys & Girls Club in an Alabama community.
- We sponsored a statewide food drive in Nebraska that collected about 150,000 pounds of food.

- We contributed funds to support a national hotline to make nutrition information more accessible to consumers.
- We contributed to a pilot employability project that teaches productive behavior, motivation and skills to low-income minority children from kindergarten through 8th grade.
- We contributed to a comprehensive national program to increase high school students' literacy about our food supply and food safety.
- We contributed to more than 30 colleges and universities in 14 states and Puerto Rico.
- We contributed to more than 30 arts and cultural organizations in five states.
- We sponsored the Midwest touring programs of the Omaha Symphony, Ballet Omaha and the Nebraska Theatre Caravan.
- We contributed cash to help Nebraska farmers and ranchers replace fences lost in a flood.
- We contributed to an Illinois program that puts retired executives' skills to work on inner city problems.
- We contributed to an international sustainable development initiative aimed at finding environmentally sustainable forms of economic progress.

These are just a few examples of hundreds of fiscal 1992 contributions.

MCDONNELL DOUGLAS CORPORATION (DEC)

COMMUNITY INVOLVEMENT

Mark Stallion, 29, an electrical engineer on the F/A-18 program, devotes one night each week to the Junior Achievement Center in East St. Louis, Illinois. Over the last seven years, Stallion has worked with groups of high school students in helping them to establish new businesses. "It takes a lot of time and a lot of commitment. The advisers tend to be very demanding of the students," he says. The payoff, for Stallion, comes in seeing the students develop confidence both in their abilities, and in the free enterprise system.

Community involvement for MDC teammates takes many forms. . . providing help for laid-off teammates and their families. . . distributing warm blankets to the homeless on a cold night. . . making the dream of a college education a reality. And McDonnell Douglas teammates in 1992 were more willing than ever to play their part.

Despite adverse economic conditions, the spirit of giving thrived among teammates across the corporation. The average annual per capita contribution to the Employees' Community Funds increased by 16%—from $73.03 in 1991 to $84.51 in 1992. But total contributions to the Employees' Community Funds fell from $7.75 million in 1991 to $7.26 million in 1992, a reflection of MDC's reduced employment.

Six Employees' Community Funds, organized geographically to serve the communities where MDC teammates live and work, are supported by payroll deductions and each is governed by its own board of directors.

This was the second year for the Employees' Community Funds-sponsored Crystal Vision Awards. Established in 1990 as a source of funds for creative programs not ordinarily eligible for traditional grants, the awards in 1992 focused on programs that benefit youth at risk. Programs which help improve the quality of life for children of all ages received $317,670 in grants. One grant recipient, the Izard County Consolidated School District of Arkansas, used the funds to construct and furnish a new Early Childhood Development Center.

MDC teammates also donated thousands of hours of their time. More than 6,400 teammates, retirees and their families worked to support 140 company-sponsored programs. Through a variety of fund-raising efforts, MDC volunteers collected more than $1.5 million to benefit local and national charitable organizations.

"Volunteerism is very much alive in Mesa," says Jan Wolfe. "We want the community to know that we're still a company that cares." Wolfe, an administrative assistant, is one of seven MDC teammates in Mesa, Arizona, who have formed a volunteer steering committee to coordinate volunteer and charitable activities at the helicopter manufacturing plant. Working on their own time, the committee members organized several successful programs during the year. More than 1,200 articles of clothing were collected during a drive in August for local agencies. And through the Salvation Army's Christmas Angels program, teammates in Mesa purchased gifts for more than 300 needy children.

The McDonnell Douglas Foundation, the corporation's philanthropic arm, distributed more than $8.3 million in grants in 1992. The Foundation awarded more than $3.5 million to educational institutions and $1.8 million in grants to United Way agencies. The remaining funds supported health and human services, civic organizations, environmental causes, international organizations, and the arts. In support of the arts, the Foundation donated a portrait bust of Eugene Jacques Bullard to the Smithsonian Institution. Bullard was the first black American to become a combat pilot. He flew with the French forces in World War I.

The Foundation's matching gift program for colleges and universities was amended in 1992 to provide for matching donations from employees to selected minority education programs, and elementary math and science programs. Under this program, $523,909 in matching gifts was awarded to 479 organizations.

Section 4: Stockholders' Equity

This section reviews the presentation of transactions, other than net income (loss) for the year, affecting the stockholders' equity accounts.

RETAINED EARNINGS

PRESENTATION OF CHANGES IN RETAINED EARNINGS

Table 4-1 summarizes the presentation formats used by the survey companies to present changes in retained earnings. Examples of statements showing the increase or decrease in retained earnings resulting from 1992 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1992	1991	1990	1989
Statement of Stockholders' Equity	481	473	461	456
Separate statement of retained earnings	48	47	56	60
Combined statement of income and retained earnings	27	27	30	35
Schedule in notes	44	53	53	49
Total Companies	**600**	**600**	**600**	**600**

DIVIDENDS

Chapter 7B of *Accounting Research Bulletin No. 43* discusses the accounting for stock dividends. *APB Opinion No. 15* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-2 shows the nature of distributions made by the survey companies to their shareholders. Approximately 64% of the survey companies paying cash dividends to common stock shareholders indicate the per share amount of such dividends in the statement of retained earnings; approximately 36% of the survey companies made a similar disclosure for cash dividends paid to preferred stock shareholders. Stock purchase rights enable the holder to purchase additional equity in a company if an outside party acquires or tenders for a substantial minority interest in the subject company. Rarely is an amount attributed to the distribution of such rights.

Examples of distributions to shareholders follow.

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1992	1991	1990	1989
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	290	286	288	301
Per share amount not disclosed in retained earnings statements	162	170	175	174
Total	**452**	**456**	**463**	**475**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	47	52	53	63
Per share amount not disclosed in retained earnings statements	83	86	93	87
Total	**130**	**138**	**146**	**150**
Dividends Paid By Pooled Companies	**1**	**2**	**1**	**—**
Stock Dividends	**10**	**10**	**10**	**10**
Dividends in Kind	**12**	**7**	**5**	**7**
Stock Purchase Rights	**2**	**9**	**25**	**54**

Cash Dividends

AMERICAN MAIZE-PRODUCTS COMPANY

Consolidated Statements of Income and Retained Earnings

For the years ended December 31, 1992, 1991 and 1990.

	1992	1991	1990
	(Dollars in thousands, except per share amounts)		
Net income	$ 13,011	$ 11,287	$ 13,520
Retained earnings, beginning of year	118,437	111,257	101,989
Less: Cash dividends paid ($.64 per share in 1992, 1991 and 1990)	4,124	4,107	4,252
Retained earnings, end of year	$127,324	$118,437	$111,257

STANHOME INC.

Consolidated Statements of Retained Earnings

For the years ended December 31, 1992, 1991 and 1990

	1992	1991	1990
Balance beginning of year	$297,474,456	$270,555,352	$235,660,654
Net income	46,716,270	45,053,100	51,067,163
Cash dividends, $.96 per share in 1992, $.92 per share in 1991 and $.83 per share in 1990	(18,949,658)	(18,133,996)	(16,172,465)
Balance, end of year	$325,241,068	$297,474,456	$270,555,352

HARRIS CORPORATION

Consolidated Statement of Retained Earnings

	Years ended June 30		
In thousands	1992	1991	1990
Balance at beginning of year	$801,723	$844,587	$752,024
Net income for the year	75,169	19,455	130,691
Cash dividends ($1.04 per share in 1992 and 1991, $.96 per share in 1990)	(40,483)	(40,612)	(38,128)
Treasury stock retired	—	(21,707)	—
Balance at end of year	$836,409	$801,723	$844,587

POTLATCH CORPORATION

Statements of Stockholders' Equity

For the years ended December 31

(Dollars in thousands-except per-share amounts)	1992	1991	1990
Common stock			
Balance at beginning of year	$ 32,722	$ 32,722	$ 32,686
Conversion of debentures into common stock	—	—	36
Balance at end of year	$ 32,722	$ 32,722	$ 32,722
Additional Paid-in Capital			
Balance at beginning of year	$123,838	$123,459	$121,503
Exercise of stock options	1,027	379	365
Conversion of debentures into common stock	—	—	1,591
Balance at end of year	$124,865	$123,838	$123,459
Retained Earnings			
Balance at beginning of year	$836,986	$820,053	$757,022
Net earnings	78,914	55,802	98,612
Dividends:			
Common, $1.425 per share ($1.34 per share in 1991 and $1.23 per share in 1990)	(41,476)	(38,869)	(35,581)
Balance at end of year	$874,424	$836,986	$820,053
Common shares in treasury			
Balance at beginning of year 3,688,899 shares (3,750,524 in 1991 and 3,827,269 in 1990)	$ 78,796	$ 80,112	$ 81,751
Exercise of stock options 110,740 shares (61,625 in 1991 and 76,745 in 1990)	(2,366)	(1,316)	(1,639)
Balance at end of year 3,578,159 shares (3,688,899 in 1991 and 3,750,524 in 1990)	$ 76,430	$ 78,796	$ 80,112

H.B. FULLER COMPANY

Consolidated Statements of Stockholders' Equity

Years Ended November 30, 1992, 1991 and 1990

(In thousands, except share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustment
Balances at November 30, 1989	$306	$ 9,355	$10,029	$160,557	$ 6,268
Stock options exercised		27	373		
Retirement of common stock		(368)	(393)	(8,183)	
Tax benefit from exercise of stock options			12		
Net earnings—1990				21,145	
Dividends paid:					
Preferred: $.3333 per share				(15)	
Common: $.3967 per share				(5,413)	
Change in foreign currency translation					3,491
Balances at November 30, 1990	306	9,014	10,021	168,091	9,759
Stock options exercised		136	2,095		
Retirement of common stock		(12)	(14)	(494)	
Tax benefit from exercise of stock options			469		
Net earnings—1991				27,687	
Dividends paid:					
Preferred: $.3333 per share				(15)	
Common: $.41 per share				(5,583)	
Change in foreign currency translation					(2,410)
Balances at November 30, 1991	306	9,138	12,571	189,686	7,349
Stock options exercised		94	1,498		
Retirement of common stock		(5)	(9)	(195)	
Tax benefit from exercise of stock options			714		
Net earnings—1992				35,622	
Common stock dividend		4,598		(4,598)	
Dividends paid:					
Preferred: $.3333 per share				(15)	
Common: $.4633 per share				(6,404)	
Change in foreign currency translation					4,690
Balances at November 30, 1992	$ 306	$13,825	$14,774	$214,096	$12,039

Stock Dividends

HAMPTON INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock at Cost	
	Shares	Amount			Shares	Amount
Balance						
December 30, 1989	4,290,780	$4,290,780	$25,843,195	$28,113,186	473,982	$4,610,344
Net loss	—	—	—	(496,618)	—	—
Treasury Stock acquired	—	—	—	—	26,700	267,000
Balance						
December 29, 1990	4,290,780	$4,290,780	$25,843,195	$27,616,568	500,682	4,877,344
Net loss	—	—	—	(602,077)	—	—
Balance						
December 28, 1991	4,290,780	$4,290,780	$25,843,195	$27,014,491	500,682	4,877,344
Net earnings	—	—	—	1,438,451	—	—
10% Common Stock dividend	428,882	428,882	4,932,143	(5,363,436)	50,068	—
Balance						
December 26, 1992	4,719,662	$4,719,662	$30,775,338	$23,089,506	550,750	$4,877,344

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Stockholders' Equity

Common Stock

The Board of Directors declared a 10% stock dividend payable on July 9, 1992, to stockholders of record on June 4, 1992. No common stock dividend was paid in 1991 or 1990. Earnings per share have been restated to reflect the stock dividend declared. During 1992 the stockholders approved an increase in the authorized shares from 6,000,000 to 10,000,000 shares.

PORTEC, Inc.

Statement of Stockholders' Equity

	Thousands of Dollars					
	Common Stock	Additional Capital	Treasury Stock	Accum. Deficit	Cumulative Translation Adjustment	No. of Shares Common Stock Issued
Balance at December 31, 1989	$2,937	$36,092	$ —	$(36,412)	$ 300	2,937,351
Net income	—	—	—	3,481	—	—
Company's 1989 Investment Plan contribution	7	19	—	—	—	6,739
Current year translation adjustment	—	—	—	—	354	—
Balance at December 31, 1990	$2,944	$36,111	$	$(32,931)	$ 654	2,944,090
Net income	—	—	—	807	—	—
Company's 1990 Investment Plan contribution	69	212	—	—	—	69,271
Current year translation adjustment	—	—	—	—	46	—
Balance at December 31, 1991	$3,013	$36,323	$ —	$(32,124)	$700	3,013,361
Net income	—	—	—	5,513	—	—
Company's 1991 Investment Plan contribution	20	59	—	—	—	19,675
Stock dividend—10%	303	948	—	(1,251)	—	303,292
Exercise of stock options	21	56	—	—	—	21,390
Cost of treasury stock acquired	—	—	(66)	—	—	—
Current year translation adjustment	—	—	—	—	(1,206)	—
Balance at December 31, 1992	$3,357	$37,386	$(66)	$(27,862)	$ 506	3,357,718

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Stockholders' Equity

On October 5, 1992, the Company declared a 10 percent stock dividend to shareholders of record October 26, 1992, paid on December 1, 1992. The transaction was valued based on the closing market price of the Company's stock on October 2, 1992. Accumulated deficit was charged $1,251,000 as a result of the issuance of 303,292 shares of the Company's common stock, and cash of $3,000 was paid in lieu of fractional shares.

Dividends-in-Kind

DRESSER INDUSTRIES, INC.

Consolidated Statements of Shareholders' Investment

In Millions— Years Ended October 31	1992	1991	1990
Common Shares, Par Value			
Beginning of year	$ 41.6	$ 41.6	$ 20.8
Shares issued upon stock split	—	—	20.8
End of year	$ 41.6	$ 41.6	$ 41.6
Capital In Excess of Par Value			
Beginning of year	$ 419.4	$ 423.3	$ 442.8
Shares issued in connection with the acquisition of business	23.3	—	—
Shares issued under employee benefit and dividend reinvestment plans	(3.7)	(3.9)	1.3
Shares issued upon stock split	—	—	(20.8)
End of year	$ 439.0	$ 419.4	$ 423.3
Retained Earnings—Note B			
Beginning of year	$1,760.5	$1,694.3	$1,584.6
Net earnings (loss)	(365.5)	146.8	184.4
Redemption of preferred stock rights	—	—	(3.4)
Distribution of INDRESCO Inc. shares	(402.2)	—	—
Dividends on common shares at $.60 a share in 1992, $.60 a share in 1991 and $.525 a share in 1990	(81.1)	(80.6)	(71.3)
End of year	$ 911.7	$1,760.5	$1,694.3
Cumulative Translation Adjustments—Note B			
Beginning of year	$ (27.3)	$ 11.4	$ (39.3)
Translation rate changes	(2.1)	(38.7)	60.9
Distribution of INDRESCO Inc. shares	(11.7)	—	—
Disposition of investment	—	—	(10.2)
End of year	$ (41.1)	$ (27.3)	$ 11.4
Pension Liability Adjustment			
Beginning of year	$ (3.0)	$ (1.7)	$ —
Additional minimum pension liability in excess of unrecognized prior service cost	(1.0)	(1.3)	(1.7)
End of year	$ (4.0)	$ (3.0)	$ (1.7)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Discontinued Operations

The Company divested its industrial products and equipment businesses effective August 1, 1992. The divestiture/spin-off was accomplished by a distribution of one INDRESCO share for every five shares of the Company's common stock. The distribution is included as charges totaling $413.9 million to retained earnings and accumulated translation adjustment in the 1992 statement of shareholders' investment.

The businesses included in INDRESCO were in the Company's Industrial Products segment and included Marion Division—walking draglines and power shovels; Jeffrey Division—underground continuous mining machines; Jeffrey-Brazil—conveyor systems; Harbison-Walker Division—minerals and refractory products; Industrial Tool Division—pneumatic tools, pneumatic and hydraulic precision drilling equipment, cleaners and expanders; and Standard Compressors Europe Division—medium pressure screw air compressors. Also transferred to INDRESCO were the Company's 50% interest in the Komatsu Dresser Company, which manufactures construction and mining equipment, and the Company's 50% interest in KOMDRESCO, a construction and mining equipment operations in South Africa.

In October, 1992, the Company decided to exit a non-core business. As a result, the Company recorded a $12.0 million charge for the estimated costs of disposal and future operating losses.

The Consolidated Statements of Earnings for 1991 and 1990 have been restated to report the results of operations net of income taxes of the INDRESCO businesses and the non-core business as discontinued operations. The results of operations net of income taxes for the INDRESCO businesses for the nine months ended July 31, 1992, and for the non-core business for the twelve months ended October 31, 1992 (including the $12 million charge) are also reported as discontinued operations.

Summarized information on the Discontinued Operations is as follows (in millions):

	1992	1991	1990
Net sales	$469.0	$709.9	$755.7
Earnings (loss) before income taxes	(39.2)	13.4	55.5
Income tax expense (benefit)	(3.9)	5.6	20.5
Earnings (loss) before extraordinary item	(35.3)	7.8	35.0
Tax benefits from loss carryforwards	—	1.4	—
Net earnings (loss)	$(35.3)	$ 9.2	$ 35.0

UNIVERSAL CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

Years Ended June 30, 1992, 1991 and 1990

(In thousands of dollars)	1992	1991	1990
Common Stock:			
Balance at beginning of year	$ 13,914	$ 13,890	$ 14,304
Issuance of common stock	109	70	
Exercise of stock options	1,576		
Common shares repurchased	(2)	(46)	(414)
Balance at end of year	15,597	13,914	13,890
Retained Earnings:			
Balance at beginning of year	377,932	383,706	377,857
Net income	70,721	20,224	45,105
Cash dividends declared ($.79 per share in 1992; $.755 in 1991; $.73 in 1990)	(25,946)	(24,748)	(24,373)
Distribution of title insurance shares*	(131,941)		
Common shares repurchased		(1,250)	(14,883)
Balance at end of year	290,766	377,932	383,706
Foreign Currency Translation Adjustments			
Balance at beginning of year	(5,136)	(4,379)	(7,962)
Translation adjustments for the year	728	(1,418)	5,353
Allocated income taxes	(259)	661	(1,770)
Balance at end of year	(4,667)	(5,136)	(4,379)
Net Unrealized Investment Gains:			
Balance at beginning of year	3,119	3,842	2,239
Net unrealized gains (losses) for the year	4,705	(723)	1,603
Distribution of title insurance shares*	(7,824)		
Balance at end of year	0	3,119	3,842
Shareholders' Equity at End of Year	$ 301,696	$389,829	$397,059

* Equivalent to the net assets of Lawyers Title at October 1, 1991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Discontinued Operations

On June 24, 1991, the Board of Directors of the company announced a plan to spin off Lawyers Title Insurance Corporation to the company's shareholders. In October 1, 1991, all of the shares of a newly formed holding company for Lawyers Title were distributed to Universal shareholders of record as of October 1, 1991 in a tax-free spin-off. Shares were distributed on the basis of one share of Lawyers Title for each four shares of Universal common stock. The operating results of Lawyers Title have been classified as discontinued operations for fiscal years 1991 and 1990. The net assets of Lawyers Title at June 30, 1991 of $135.2 million have been reported separately in the Consolidated Balance Sheet.

Operating results of discontinued operations are summarized as follows:

	1991	1990
Gross revenues	$377,971	$425,782
Pretax losses	(30,027)	(17,721)
Expected operating losses and transaction costs	(10,400)	
Tax benefit on losses	19,468	7,555
Deferred tax write-off	(11,391)	
Cumulative effect of an accounting change—FAS 96		2,933
Net Loss	$ (32,350)	$ (7,233)

The 1991 loss included $6.6 million net of tax for expected losses through the distribution date and transaction costs associated with the spin-off. Actual losses were not materially different than the provision. Also included in the 1991 results was $11.4 million expense for the write-off of deferred tax benefits that could not be recognized under generally accepted accounting principles once Lawyers Title became a separate company.

At June 30, 1991 the net assets of Lawyers Title were:

Assets	
Current	$ 51,203
Investments	181,592
Other noncurrent	89,630
Total	322,425
Liabilities	
Current	64,752
Noncurrent	122,475
Total	187,227
Net Assets	$135,198

ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

Reasons for which the opening balance of retained earnings is properly restated include certain changes in accounting principles, changes in reporting entity, and prior period adjustments. *Statement of Financial Accounting Standards No. 16*, as amended by *SFAS No. 109*, stipulates that only corrections of errors are properly accounted for as prior period adjustments.

Table 4-3 summarizes the reasons disclosed by the survey companies as to why the opening balance of retained earnings was adjusted. Examples of adjustments to the opening balance of retained earnings follow.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1992	1991	1990	1989
Income taxes	12	6	3	4
Poolings of interests	6	7	1	2
LIFO discontinued	3	3	2	—
Other—Described	5	4	1	—

Income Taxes

THE COCA-COLA COMPANY

Consolidated Statements of Share-Owners' Equity

Three Years Ended December 31, 1992	Preferred Stock	Common Stock	Paid-In Capital	Reinvested Earnings	Outstanding Restricted Stock	Foreign Currency Translation	Treasury Stock
(In thousands except per share data)							
Balance December 31, 1989	$300,000	$418,910	$437,324	$5,618,312	$ (45,892)	$ (7,206)	$(3,235,963)
Restatement for change in accounting principle for income taxes	—	—	—	(186,871)	—	—	—
Balance December 31, 1989 as restated	300,000	418,910	437,324	5,431,441	(45,892)	(7,206)	(3,235,963)
Sales of stock to employees exercising stock options	—	905	28,999	—	—	—	(2,762)
Tax benefit from employees' stock option and restricted stock plans	—	—	13,286	—	—	—	—
Translation adjustments (net of income taxes of $573)	—	—	—	—	—	11,237	—
Stock issued under restricted stock plans, less amortization of $11,655	—	429	33,094	—	(21,868)	—	—
Purchases of common stock for treasury	—	—	—	—	—	—	(303,905)
Redemption of preferred stock	(225,000)	—	—	—	—	—	—
Net income	—	—	—	1,381,904	—	—	—
Dividends							
Preferred	—	—	—	(18,158)	—	—	—
Common (per share—$.40)	—	—	—	(534,482)	—	—	—
Balance December 31, 1990 as restated	75,000	420,244	512,703	6,260,705	(67,760)	4,031	(3,542,630)
Sales of stock to employees exercising stock options	—	972	38,422	—	—	—	(2,421)
Tax benefit from employees' stock option and restricted stock plans	—	—	20,015	—	—	—	—
Translation adjustments (net of income taxes of $958)	—	—	—	—	—	(8,940)	—
Stock issued under restricted stock plans, less amortization of $22,323	—	622	68,850	—	(47,149)	—	—
Purchases of common stock for treasury	—	—	—	—	—	—	(396,655)
Redemption of preferred stock	(75,000)	—	—	—	—	—	—
Net income	—	—	—	1,618,002	—	—	—
Dividends							
Preferred	—	—	—	(521)	—	—	—
Common (per share—$.48)	—	—	—	(639,543)	—	—	—
Balance December 31, 1991 as restated	—	421,838	639,990	7,238,643	(114,909)	(4,909)	(3,941,706)
Sales of stock to employees exercising stock options	—	2,155	129,109	—	—	—	(34,552)
Tax benefit from employees' stock option and restricted stock plans	—	—	92,758	—	—	—	—
Translation adjustments (net of income taxes of $67)	—	—	—	—	—	(266,302)	—
Stock issued under restricted stock plans, less amortization of $24,828	—	58	9,492	—	15,278	—	—
Purchases of common stock for treasury	—	—	—	—	—	—	(1,224,936)
Net income	—	—	—	1,664,382	—	—	—
Common dividends (per share—$.56)	—	—	—	(738,001)	—	—	—
Balance December 31, 1992	$ —	$424,051	$871,349	$8,165,024	$ (99,631)	$(271,211)	$(5,201,194)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Income Taxes

As discussed in Note 1, the Company adopted SFAS 109 in 1992 and has applied the provisions of SFAS 109 retroactively to January 1, 1989. SFAS 109 requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, the new accounting standard requires the recognition of future tax benefits, such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. The adoption of SFAS 109 resulted in a cumulative effect charge of $265 million, or $.19 per common share, at January 1, 1989. Excluding the cumulative effect charge, the application of SFAS 109 increased net income by $78 million in 1989, which primarily relates to the sale of the Company's equity interest in Columbia Pictures Entertainment, Inc. The change in accounting for income taxes did not have a material effect on the consolidated statements of income for the years ended December 31, 1991 and 1990. Accordingly, these statements have not been restated and the immaterial effect related to 1991 and 1990 has been included in 1992 results.

THE DUN & BRADSTREET CORPORATION

Consolidated Statement of Shareowners' Equity

Dollar amounts in millions, except per share data

Three Years Ended December 31, 1992	Common Stock ($1 Par Value)	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Total
Balance, January 1, 1990	$188.4	$54.7	$2,152.3	$(157.6)	$(53.1)	$2,184.7
Adjustments for the cumulative effect on prior years of changes in accounting			(34.1)			(34.1)
Balance, January 1, 1990	188.4	54.7	2,118.2	(157.6)	(53.1)	2,150.6
Net Income			506.7			506.7
Cash Dividends ($2.09 per share)			(379.1)			(379.1)
Treasury shares reissued under stock options and deferred compensation plans (200,336)		.6		6.1		6.7
Treasury shares reissued under restricted stock plan (54,977)				2.3		2.3
Less unearned portion				(2.3)		(2.3)
Plus earned portion of grants				4.9		4.9
Treasury shares acquired (6,797,948)				(293.0)		(293.0)
Change in cumulative translation adjustment					47.3	47.3
Balance, December 31, 1990	188.4	55.3	2,245.8	(439.6)	(5.8)	2,044.1
Net Income			506.5			506.5
Cash Dividends ($2.15 per share)			(383.9)			(383.9)
Treasury shares reissued under stock options and deferred compensation plans (341,477)		1.2		11.5		12.7
Treasury shares reissued under restricted stock plan (40,096)				1.8		1.8
Less unearned portion				(1.8)		(1.8)
Plus earned portion of grants				3.4		3.4
Treasury shares acquired (553,383)				(25.8)		(25.8)
Change in cumulative translation adjustment					(33.9)	(33.9)
Balance, December 31, 1991	188.4	56.5	2,368.4	(450.5)	(39.7)	2,123.1
Net Income			553.5			553.5
Cash Dividends ($2.25 per share)			(401.3)			(401.3)
Treasury shares reissued under stock options and deferred compensation plans (577,296)		2.9		23.6		26.5
Treasury shares reissued under restricted stock plan (71,884)				4.0		4.0
Less unearned portion				(4.0)		(4.0)
Plus earned portion of grants				3.2		3.2
Treasury shares acquired (864,108)				(48.3)		(48.3)
Change in cumulative translation adjustment					(100.7)	(100.7)
Balance, December 31, 1992	$188.4	$59.4	$2,520.6	$(472.0)	$(140.4)	$2,156.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Accounting Changes

During 1992 the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes," and the American Institute of Certified Public Accountants' Statement of Position (SOP) 91-1, "Software Revenue Recognition." The Company has applied the provisions of these standards retroactive to January 1, 1989. The effect of these restatements was to decrease net income by $2.0 million and $1.5 million for 1991 and 1990, respectively ($.01 per share in each year). The cumulative effect of these changes resulted in a reduction of $34.1 million in retained earnings at January 1, 1990. There was no impact on cash flow from these accounting changes.

As a result of restating prior-years' financial statements for SFAS 109, net income for the years 1991 and 1990 decreased by approximately $7.5 million ($.04 per share), and $14.7 million ($.08 per share), respectively. The cumulative effect of this change resulted in a reduction of $27.2 million in retained earnings at January 1, 1990.

As a result of restating prior-years' financial statements for SOP 91-1, net income for the years 1991 and 1990 increased by approximately $5.5 million ($.03 per share), and $13.2 million ($.07 per share), respectively. The cumulative effect of this change resulted in a reduction of $6.9 million in retained earnings at January 1, 1990.

FLUOR CORPORATION

Consolidated Statement of Shareholders' Equity

In thousands, except per share amounts Year ended October 31, 1990, 1991 and 1992	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Cumulative Translation Adjustment	Total
Balances at October 31, 1989 as Previously Reported	$49,871	$522,615	$152,172	$ (4,439)	$ 144	$720,363
Adoption of new income tax accounting standard		(138,441)	7,992			(130,449)
Balances at October 31, 1989 as Restated	49,871	384,174	160,164	(4,439)	144	589,914
Net earnings			154,626			154,626
Cash dividends ($.24 per share)			(19,227)			(19,227)
Exercise of stock options, net	299	7,452				7,751
Amortization of executive stock plan expense				2,070		2,070
Issuance of restricted stock, net	74	4,318		(4,436)		(44)
Tax benefit of net operating loss		2,900				2,900
Translation adjustment (net of deferred taxes of $1,682)					3,266	3,266
Balances at October 31, 1990	50,244	398,844	295,563	(6,805)	3,410	741,256
Net earnings			164,148			164,148
Cash dividends ($.32 per share)			(25,825)			(25,825)
Exercise of stock options, net	394	10,364				10,758
Stock option tax benefit		8,463				8,463
Amortization of executive stock plan expense				839		839
Issuance of restricted stock, net	57	4,646		(4,831)		(128)
Tax benefit of net operating loss		2,299				2,299
Translation adjustment (net of deferred taxes of $600)					(1,165)	(1,165)
Balances at October 31, 1991	50,695	424,616	433,886	(10,797)	2,245	900,645
Net earnings			5,818			5,818
Cash dividends ($.40 share)			(32,486)			(32,486)
Exercise of stock options, net	217	5,996				6,213
Stock option tax benefit		4,024				4,024
Amortization of executive stock plan expense				1,425		1,425
Issuance of restricted stock, net	20	5,093		(5,238)		(125)
Common stock repurchase	(7)	(3,666)				(3,673)
Translation adjustment (net of deferred taxes of $535)					(1,039)	(1,039)
Balances at October 31, 1992	$50,925	$436,063	$407,218	$(14,610)	$1,206	$880,802

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

The company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109) retroactive to the year ended October 31, 1987. The effect of adopting SFAS No. 109 was to increase (decrease) earnings as follows:

$ in thousands, except per share amounts

Year ended October 31,	1992	1991	1990
Earnings:			
Continuing operations	$1,779	$3,631	$6,536
Discontinued operations	844	(271)	1,204
Net earnings	$2,623	$3,360	$7,740
Earnings per share:			
Continuing operations	$ .02	$ .04	$ .08
Discontinued operations	.01	—	.01
Net earnings	$ .03	$ .04	$ .09

The restatement also resulted in a $138 million reduction of additional capital at October 31, 1987. This charge was made to additional capital because the company's quasi reorganization in 1987 eliminated the retained earnings balance.

Pooling of Interest

NEWELL CO.

Consolidated Statements of Stockholders' Equity

	Preferred Stock	Common & Treasury Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Unrealized Loss on Marketable Securities
	(In thousands, except per share amounts)					
Balance at December 31, 1989						
As previously reported	$6,330	$59,005	$166,442	$218,625	$ 5,416	$ —
Pooling of interests with Sanford Corporation	—	13,797	4,873	62,119	—	—
Balance, as restated	$6,330	$72,802	$171,315	$280,744	$ 5,416	$ —
Net income				125,502		
Cash dividends:						
Preferred stock $ 100.00 per share				(559)		
Newell common stock $0.50 per share				(29,678)		
Sanford common stock				(2,817)		
Foreign currency translation					(3,463)	
Redemption of Foley preferred	(1,582)		(1,417)			
Exercise of stock options		533	3,106			
Purchase and retirement of common stock		(50)	(912)			
Tax benefit on stock options			1,400			
Purchase of treasury stock		19	(20)			
Conversion of debentures			4			
Unrealized loss on marketable securities						(16,700)
Balance at December 31, 1990	$4,748	$73,304	$173,476	$373,192	$ 1,953	$(16,700)
Net income				135,637		
Cash dividends:						
Preferred stock $75.00 per share				(366)		
Newell common stock $0.60 per share				(36,524)		
Sanford common stock				(3,410)		
Foreign currency translation					170	
Redemption of Foley preferred	(4,748)		(4,252)			
Exercise of stock options		638	4,522			
Tax benefit on stock options			1,290	490		
Purchase of treasury stock		31	(33)			
Conversion of debentures			4			
Pooling of interests with Rogers/Keene		2,057	441	6,181		
Unrealized loss on marketable securities						16,700
Balance at December 31, 1991	$ —	$76,030	$175,448	$475,200	$ 2,123	$ —
Adjustment to conform fiscal year of Sanford Corporation				(4,311)		
Net income				119,137		
Cash dividends:						
Common stock $0.60 per share				(46,331)		
Stock issue in Stuart Hall acquisition		1,582	52,999			
Foreign currency translation					(4,331)	
Exercise of stock options		720	8,318			
Tax benefit on stock options			2,736			
Purchase of treasury stock		(14)	(1)			
Conversion of debentures			3			
Balance at December 31, 1992	$ —	$78,318	$239,503	$543,765	$(2,208)	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions and Divestitures of Businesses

On February 14, 1992, a subsidiary of the Company completed its merger with Sanford Corporation ("Sanford"), a designer, manufacturer and marketer of marking and writing instruments, plastic desk accessories and file storage boxes, and other office and school supplies. The Company issued approximately 13.8 million shares of common stock for all the common stock of Sanford. This transaction was accounted for as a pooling of interests; therefore, prior financial statements have been restated to reflect this merger. Sanford prepared its financial statements on a November 30 fiscal year end. Sanford's fiscal year has been changed to December 31 to conform to the Company's year end. The restated financial statements for 1991 and 1990 include Sanford amounts as of November 30, 1991 and 1990, respectively. As a result, Sanford's operations for the one month ended December 31, 1991 are not reflected in the Consolidated Statements of Income or Cash Flows. Sanford's loss for this period of $4.3 million has been charged to retained earnings. Sanford's results of operations for the one month ended December 31, 1991 are summarized as follows:

	(In Thousands)
Net sales	$ 8,224
Net loss	$(4,311)

Net sales and net income included in the Company's Consolidated Statements of Income are as follows:

Year Ended December 31,	1991	1990
	(In Thousands)	
Net sales:		
Newell	$1,118,886	$1,072,566
Sanford	140,072	131,876
	$1,258,958	$1,204,442
Net income:		
Newell	$ 112,205	$ 101,350
Sanford	23,432	24,152
	$ 135,637	$ 125,502

Prior Period Adjustment

GOTTSCHALKS INC.

Consolidated Statements of Stockholders' Equity
(In thousands of dollars, except share data)

	Common Stock		Additional Paid-In	Retained	Treasury	
	Shares	Amount	Capital	Earnings	Stock	Total
Balance February 3, 1990						
(As restated—Note 2)	7,982,263	$ 80	$22,872	$26,984		$49,936
Net income (as restated)				5,613		5,613
Issuance of common stock under employee stock purchase plan	96,252	1	1,090			1,091
Issuance of common stock pursuant to nonqualified stock options	100,350	1	566			567
Issuance of common stock pursuant to incentive stock options	35,224		300			300
Shares purchased and retired	(142,892)	(1)	(1,736)			(1,737)
Compensation expense related to stock option plan			205			205
Balance, February 2, 1991						
(As restated—Note 2)	8,071,197	81	23,297	32,597		55,975
Net income (as restated)				4,060		4,060
Issuance of common stock	2,230,500	22	32,378			32,400
Issuance of common stock under employee stock purchase plan	26,123		365			365
Issuance of common stock pursuant to nonqualified stock options	115,250	1	1,010			1,011
Issuance of common stock pursuant to incentive stock options	42,976	1	496			497
Shares purchased and retired	(78,519)	(1)	(1,767)			(1,768)
Compensation expense related to stock option plan			180			180
Balance, February 1, 1992						
(As restated—Note 2)	10,407,527	104	55,959	36,657		92,720
Net loss				(7,991)		(7,991)
Issuance of common stock pursuant to nonqualified stock options	4,000		29			29
Shares purchased and retired	(770)		(8)			(8)
Compensation expense related to stock option plan			118			118
Purchase of 35,000 shares of treasury stock					$(339)	(339)
Balance, January 30,1993	10,410,757	$104	$56,098	$28,666	$(339)	$84,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Prior Period Adjustments

The Company has restated its previously issued fiscal 1991 and 1990 financial statements to reflect adjustments principally related to the timing of when certain recurring costs are recognized in the financial statements. These adjustments relate primarily to promotional markdowns, advertising, annual bonuses, discretionary contributions to the Company's 401(k) Retirement Savings Plan and workers' compensation expense, and reduced previously reported retained earnings as of February 3, 1990 by $1,895,000 and previously reported results of operations as follows:

(In thousands of dollars, except per share data)	February 1, 1992	February 2, 1991
Income before income taxes:		
As previously reported	$ 7,029	$10,369
As restated	6,588	9,011
Net income:		
As previously reported	$ 4,324	$ 6,428
As restated	4,060	5,613
Net income per common share:		
As previously reported	$ .44	$ .80
As restated	.41	.70
Retained earnings:		
As previously reported	$39,631	$35,307
As restated	36,657	32,597

OTHER CHANGES IN RETAINED EARNINGS

In addition to opening balance adjustments, the retained earnings account is affected by direct charges and credits. The most frequent direct charges to retained earnings are net loss for the year, losses on treasury stock transactions, and cash or stock dividends. The most common direct credit to retained earnings is net income for the year. Direct charges and credits—other than net loss, net income, dividends and stock splits—are summarized in Table 4-4. Examples of such charges and credits follow.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	Number of Companies			
	1992	**1991**	**1990**	**1989**
Charges				
Purchase or retirement of capital stock	50	66	81	87
Treasury stock issued for less than cost	32	40	37	36
Translation adjustment	15	7	6	12
Pension liability adjustment	13	8	12	6
Preferred stock accretion	7	9	9	9
Redemption of stock purchase rights	3	5	6	7
Other—Described	17	9	17	19
Credits				
Tax benefit on dividends paid to ESOP	20	12	6	—
Pension liability adjustment	4	9	—	—
Translation adjustment	4	7	13	14
Poolings of interests	4	6	2	4
Other—Described	17	20	27	31

Treasury Stock Transactions

BASSETT FURNITURE INDUSTRIES, INCORPORATED

Consolidated Statement of Stockholders' Equity

	Common Stock		Additional	Retained	Treasury Stock at Cost	
	Shares	Amount	Capital	Earnings	Shares	Amount
Balance, December 1, 1989	9,572,968	$47,864,840	$ 6,652,906	$243,303,693	1,472,863	$35,255,338
Net income	—	—	—	5,145,589	—	—
Cash dividends	—	—	—	(9,787,901)	—	—
Purchase of treasury stock	—	—	—	—	411,448	14,494,148
Contribution of treasury stock to Employee Savings/Retirement Plan	—	—	476,139	—	(23,655)	(357,827)
Exercise of stock options	—	—	282,691	—	(2,258)	282,595
Balance, November 30, 1990	9,572,968	47,864,840	7,411,736	238,661,381	1,858,398	49,674,254
Net income	—	—	—	19,843,028	—	—
Cash dividends	—	—	—	(7,705,563)	—	—
Purchase of treasury stock	—	—	—	—	53,745	1,785,998
Contribution of treasury stock to Employee Savings/Retirement Plan	—	—	270,726	—	(14,174)	(202,582)
Exercise of stock options	—	—	311,156	—	(3,025)	294,037
Balance, November 30, 1991	9,572,968	47,864,840	7,993,618	250,798,846	1,894,944	51,551,707
Net income	—	—	—	27,492,698	—	—
Cash dividends	—	—	—	(9,205,978)	—	—
Purchase of treasury stock	—	—	—	—	3	92
Contribution of treasury stock to Employee Savings/Retirement Plan	—	—	232,780	—	(10,929)	(148,369)
Exercise of stock options	—	—	38,837	—	(1,642)	(9,233)
Retire treasury stock	(1,882,376)	(9,411,880)	(8,265,235)	(33,717,082)	(1,882,376)	(51,394,197)
3 for 2 stock split distributed April, 1992	3,844,750	19,223,750	—	(19,223,750)	—	—
Balance, November 30, 1992	11,535,342	$57,676,710	$ 0	$216,144,734	0	$ 0

PREMIER INDUSTRIAL CORPORATION

Consolidated Statement of Shareholders' Equity

Years Ended May 31, 1992, 1991 and 1990 *(In thousands)*	1992	1991	1990
Capital stock and other paid-in capital:			
At beginning of year	$ 58,175	$ 58,175	$ 39,871
Transfer from retained earnings, in connection with common stock split	—	—	18,304
At end of year	58,175	58,175	58,175
Retained earnings:			
At beginning of year	252,196	204,871	186,673
Net earnings	78,835	74,718	74,715
Cash dividends paid ($.46, $.42 and $.36 per share, respectively)	(26,442)	(24,124)	(20,875)
Transfer to capital stock, in connection with common stock split	—	—	(18,810)
Excess cost of treasury shares used in common stock split	—	—	(15,242)
Excess cost of treasury shares over proceeds from stock plans	(2,090)	(3,269)	(1,590)
At end of year	302,499	252,196	204,871
Foreign currency translation adjustment	1,288	1,247	1,122
Treasury shares at cost:			
At beginning of year	(19,540)	(12,849)	(14,379)
Purchase of treasury shares (300,900, 710,252 and 1,008,031 shares, respectively)	(8,215)	(17,423)	(22,808)
Issuance of shares under stock plans	10,740	10,732	9,096
Shares used in stock split	—	—	15,242
At end of year	(17,015)	(19,540)	(12,849)
	$344,947	$292,078	$251,319

RAYCHEM CORPORATION

Consolidated Statement of Stockholders' Equity

(In thousands except share data)	Common Stock	Additional Contributed Capital	Retained Earnings	Currency Translation	Notes Receivable from Sale of Stock	Total
Balance June 30, 1989	$35,241	$202,844	$ 532,187	$(26,448)	$(9,538)	$ 734,286
Net loss	—	—	(111,398)	—	—	(111,398)
Common Stock issued (1,234,026 shares) net of repurchases (51,000 shares)	1,183	27,314	(1)	—	(1,173)	27,323
Cash dividends ($0.32 per share of Common Stock)	—	—	(11,424)	—	—	(11,424)
Currency translation	—	—	—	49,975	—	49,975
Repayments on notes receivable	—	—	—	—	1,705	1,705
Balance June 30, 1990	36,424	230,158	409,364	23,527	(9,006)	690,467
Net loss	—	—	(23,429)	—	—	(23,429)
Common Stock issued (1,817,305 shares)	1,817	25,626	—	—	(424)	27,019
Cash dividends ($0.32 per share of Common Stock)	—	—	(11,879)	—	—	(11,879)
Currency translation	—	—	—	(31,283)	—	(31,283)
Repayments on notes receivable	—	—	—	—	1,078	1,078
Balance June 30, 1991	38,241	255,784	374,056	(7,756)	(8,352)	691,973
Net loss	—	—	(24,808)	—	—	(24,808)
Common Stock issued (2,118,271 shares) net of repurchases (117,608 shares)	2,001	31,538	(1,381)	—	(146)	32,012
Cash dividends ($0.32 per share of Common Stock)	—	—	(12,486)	—	—	(12,486)
Currency translation	—	—	—	63,259	—	63,259
Repayments on notes receivable	—	—	—	—	5,238	5,238
Balance June 30, 1992	$40,242	$287,322	$ 335,381	$ 55,503	$ (3,260)	$ 715,188

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock (In Part)

Repurchase of Common Stock

During 1992 the company repurchased 117,608 shares of common stock from former Series B stockholders for an aggregate price of $3.4 million. The stockholders used the proceeds to retire their outstanding Series B loans. All of the repurchased shares have been reissued under the employee stock purchase and stock option plans at an aggregate price of $2 million. The $1.4 million difference between the repurchase and reissuance prices was treated as a reduction of retained earnings.

Tax Benefit From ESOP Dividends

TRIBUNE COMPANY

Consolidated Statements of Stockholders' Investment

(In thousands, except per share data)	Series B Convertible Preferred Stock	Common Stock [1]	Additional Paid-In Capital	Retained Earnings	Treasury Stock Cost	Unearned Compensation (ESOP)	Cumulative Translation Adjustment
Balance at December 31, 1989	$348,644	$1,018	$104,857	$1,523,675	$(537,230)	$(369,150)	$ 6,182
Net loss				(63,533)			
Translation adjustment							(1,664)
Redemptions of convertible preferred stock	(426)		4		143		
Dividends declared							
Common—$.96/share				(63,204)			
Preferred—$17.05/share				(27,092)			
Tax benefit on dividends paid to the ESOP				10,186			
Repayment of ESOP debt						10,619	
Stock options exercised			90		3,276		
Other stock plans			(1,193)		7,140		
Treasury stock purchased					(187,830)		
Balance at December 30, 1990	348,218	1,018	103,758	1,380,032	(714,501)	(358,531)	4,518
Net income				141,981			
Translation adjustment							(1,014)
Redemptions of convertible preferred stock	(2,356)		36		449		
Dividends declared							
Common—$.96/share				(61,736)			
Preferred—$17.05/share				(26,909)			
Tax benefit on dividends paid to the ESOP				10,230			
Repayment of ESOP debt						16,499	
Stock options exercised			(1,670)		27,857		
Other stock plans			(848)		5,674		
Stock tendered as payment for options exercised					(21,006)		
Balance at December 29, 1991	345,862	1,018	101,276	1,443,598	(701,527)	(342,032)	3,504
Net income				119,825			
Translation adjustment							(27,370)
Redemptions of convertible preferred stock	(5,228)		107		1,003		
Dividends declared							
Common—$.96/share				(62,450)			
Preferred—$17.05/share				(26,502)			
Tax benefit on dividends paid to the ESOP[2]				8,545			
Repayment of ESOP debt						20,342	
Stock options exercised			(555)		52,637		
Other stock plans			(383)		5,048		
Stock tendered as payment for options exercised					(24,829)		
Balance at December 27, 1992	$340,634	$1,018	$100,445	$1,483,016	$(667,668)	$(321,690)	$(23,866)

[1] Issued shares of common stock totaled 81,771,658 for all dates presented.

[2] Excludes the tax benefit on dividends paid on allocated preferred shares, held by the ESOP, which under FAS 109 must be credited to income tax expense.

Preferred Stock Accretion

CBS INC.

Consolidated Statements of Retained Earnings
(Dollars in millions, except per share amounts)

	Year ended December 31		
	1992	1991	1990
Balance at beginning of year	$2,092.3	$2,143.9	$2,149.9
Net income (loss)	81.0	(85.8)	110.8
Cash dividends:			
Common stock (per share—1992 and 1991, $1.00; 1990, $4.40)	(13.4)	(13.2)	(104.1)
Preference stock, Series B ($10.00 per share)	(12.5)	(12.5)	(12.5)
Accretion of preference stock, Series B (note 13)	(.2)	(.2)	(.2)
Reclassification of common stock subject to redemption		60.1	
Balance at end of year	$2,147.2	$2,092.3	$2,143.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Preference Stock

The Company's certificate of incorporation provides authority for the issuance of 6.0 million shares of preference stock, $1 par value.

In 1985, the Company issued 1.25 million shares of preference stock, specifically authorized and designated as $10 Convertible Series B preference stock. The net proceeds of the issuance was $123.1 million. The issue has an aggregate liquidation preference of $125.0 million. The difference between the redemption value and the net proceeds from the issue is being amortized to retained earnings over 10 years.

Each share is entitled to receive cumulative cash dividends at the rate of $10 per year, payable in equal quarterly installments, is subject to mandatory redemption on August 1, 1995, and is convertible, at the option of the holder, into .6915 of a share of common stock. At December 31, 1992 there were 1.25 million shares of Series B preference stock outstanding, for which there were 864,375 common shares reserved for issuance upon conversion. Upon redemption, or in the event of voluntary liquidation, each shareholder will be entitled to $100 per share plus any accrued or unpaid dividends.

The terms of the Series B preference stock provide that the Company may not take any action that would result in the Company's ratio of total debt to total capitalization exceeding .75 to 1. As of December 31, 1992 this ratio was .61 to 1.

ADDITIONAL PAID-IN CAPITAL

PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

APB Opinion No. 12 states in part:

> 10. When both financial position and results of operations are presented, disclosure of changes in the separate accounts comprising stockholders' equity (in addition to retained earnings) and of the changes in the number of shares of equity securities during at least the most recent annual fiscal period and any subsequent interim period presented is required to make the financial statements sufficiently informative. Disclosure of such changes may take the form of separate statements or may be made in the basic financial statements or notes thereto.

Table 4-5 summarizes the presentation formats used by the survey companies to present changes in additional paid-in capital.

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1992	1991	1990	1989
Statement of stockholders' equity	407	392	394	390
Statement of additional paid-in capital	6	7	7	11
Schedule in notes	79	79	81	81
No statement or schedule but changes disclosed	8	9	12	11
Balance unchanged during year	39	49	38	40
Subtotal	**539**	**536**	**532**	**533**
Additional paid-in capital account not presented	61	64	68	67
Total Companies	**600**	**600**	**600**	**600**

STOCK SPLITS

Chapter 7B of *Accounting Research Bulletin No. 43* discusses the accounting for stock splits. *APB Opinion No. 15* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-6 shows the number of survey companies disclosing stock splits and summarizes the accounting treatments for stock splits. Examples of stock splits follow.

TABLE 4-6: STOCK SPLITS

	1992	1991	1990	1989
Ratio				
Less than three-for-two	1	5	4	8
Three-for-two (50%) to two-for-one	21	8	8	15
Two-for-one (100%)	39	29	31	20
Greater than two-for-one	6	2	7	5
Total Companies	**67**	**44**	**50**	**48**
Account charged				
Additional paid-in capital	28	19	19	17
Retained earnings	15	5	14	16
No charge	24	20	17	15
Total Companies	**67**	**44**	**50**	**48**

DEAN FOODS COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (In Part):

The 1988 shareholder rights plan, as amended, protects shareholders in the event the Company becomes the target of coercive and unfair takeover tactics. The rights were distributed to shareholders on the basis of one preferred stock purchase right for each share of Dean Foods Company common stock. Each right entitles shareholders to purchase one one-hundredth of a share of preferred stock and will become exercisable only if a person or group acquires 15% or more of the Company's common stock. The rights may be redeemed by the Company for $.05 per right at any time prior to a public announcement that a person or group has acquired 15% or more of the Company's common stock. The rights expire on August 10, 1998, unless previously redeemed or exercised.

On July 25, 1991, the Board of Directors authorized a three-for-two stock split, effected in the form of a stock dividend, payable to shareholders of record on August 16, 1991. Accordingly, all per share and stock option data have been restated to reflect the split. In connection with the split, common stock was credited and capital in excess of par value was charged for the aggregate par value of the shares that were issued.

Following is a summary of changes in Common Stock, Capital in Excess of Par Value and Treasury Stock for the three years ended May 31, 1992:

	Shares of Common Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock
Balance May 28, 1989	26,305	$26,986	$3,947	$(19,265)
Exercise of stock options	56	56	1,064	—
Purchase of treasury stock	(144)	—	—	(4,933)
Issuance of treasury stock	796	—	4,257	23,224
Issuance of common stock	69	69	2,289	—
Balance May 27, 1990	27,082	27,112	11,557	(974)
Exercise of stock options	67	67	1,608	—
Purchase of treasury stock	(10)	—	—	(351)
Balance May 26, 1991	27,139	27,179	13,165	(1,325)
Exercise of stock options	63	63	2,422	—
Three-for-two stock split	13,614	13,614	(13,614)	—
Purchase of treasury stock	(1,213)	—	—	(27,938)
Balance May 31, 1992	39,603	$40,856	$1,973	$(29,263)

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

Years Ended October 31, 1990, 1991 and 1992 *(In thousands, except per share amounts)*	Common Stock		Additional Capital	Retained Earnings
	Shares	Amount		
Balance October 31, 1989	3,927	$39	$18,686	$50,664
Net income				11,233
Dividends ($.47 per common share)				(3,749)
Stock issued under employees' stock purchase and option plans and for acquisitions	93	1	2,684	
Balance October 31, 1990	4,020	40	21,370	58,148
Net income				11,100
Dividends ($.473 per common share)				(3,861)
Stock issued under employees' stock purchase and option plans	110	1	2,756	
Balance October 31, 1991	4,130	41	24,126	65,387
Net income				11,992
Dividends ($.49 per common share)				(4,127)
Two-for-one stock split	4,227	42	(42)	
Stock issued under employees' stock purchase and option plans	157	2	3,404	
Balance October 31, 1992	8,514	$85	$27,488	$73,252

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. (In Part) Capital Stock

On June 16, 1992, the Company's Board of Directors approved a two-for-one split of the Company's common stock in the form of a 100% stock dividend for shareholders of record as of July 15, 1992. A total of 4,226,701 shares of common stock were issued in connection with the split. The stated par value of each share was not changed from $.01. A total of $42,267 was reclassified from the Company's additional paid in capital account to the Company's common stock account. All share and per share amounts have been restated to retroactively reflect the stock split.

DONALDSON COMPANY, INC.

Consolidated Statements of Changes in Shareholders' Equity

(Thousands of dollars except per share amounts)	Common Stock	Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Receivable from ESOP
Balance July 31, 1989	$47,822	$ 187	$ 77,715	$ (463)	$ —	$(17,745)
Treasury stock acquired					(613)	
Stock options exercised	285	(23)			613	
Payment received from ESOP						1,785
Tax reduction—employee plans		211				
Net earnings			21,026			
Translation adjustments				1,775		
Dividends paid—$.27 per share			(3,788)			
Balance July 31, 1990	48,107	375	94,953	1,312	—	(15,960)
Treasury stock acquired					(13,524)	
Stock options exercised	98	(151)	(289)		826	
Payment received from ESOP						1,890
Performance awards		1,303				
Tax reduction—employee plans		322				
Net earnings			24,048			
Translation adjustments				(198)		
Dividends paid—$.29 per share			(4,165)			
Balance July 31, 1991	48,205	1,849	114,547	1,114	(12,698)	(14,070)
Treasury stock acquired					(9,693)	
Stock options exercised	281	(416)	(3,779)		4,341	
Payment received from ESOP						1,995
Performance awards		(1,285)	223		1,106	
Tax reduction—employee plans		2,349				
Net earnings			25,769			
Translation adjustments				5,709		
Three-for-two stock split	20,436	(674)	(36,720)		16,944	
Dividends paid—$.38 per share			(5,230)			
Balance July 31, 1992	$68,922	$1,823	$94,810	$6,823	$ —	$(12,075)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Shareholders' Equity

On May 20, 1992, the Company's Board of Directors authorized a three-for-two stock split in the form of a stock dividend payable July 10, 1992, to shareholders of record June 19. The split resulted in the issuance of 4,087,147 new shares of Common Stock and the reissuance of 489,822 shares of Common Stock held in treasury. All references in the financial statements to average numbers of shares outstanding and related prices, per share amounts and Stock Option Plan data have been restated to reflect the split.

EG&G, INC.

Consolidated Statement of Stockholders' Equity

For the Three Years Ended January 3, 1993:

(Dollars in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments	Cost of Shares Held in Treasury	Total Stockholders' Equity
Balance, December 31, 1989	$30,051	$ 5,728	$345,429	$ 2,095	$(34,316)	$348,987
Net income	—	—	73,966	—	—	73,966
Cash dividends	—	—	(21,711)	—	—	(21,711)
Exercise of employee stock options and related income tax benefits	—	(718)	—	—	3,945	3,227
Translation adjustments	—	—	—	8,002	—	8,002
Issuance of common stock for employee benefit plans	—	—	(3,775)	—	16,667	12,892
Purchase of common stock for treasury	—	—	—	—	(55,732)	(55,732)
Balance, December 30, 1990	30,051	5,010	393,909	10,097	(69,436)	369,631
Net income	—	—	81,242	—	—	81,242
Cash dividends	—	—	(23,453)	—	—	(23,453)
Exercise of employee stock options and related income tax benefits	—	(931)	—	—	5,371	4,440
Translation adjustments	—	—	—	(4,147)	—	(4,147)
Issuance of common stock for employee benefit plans	—	—	(7,459)	—	24,687	17,228
Purchase of common stock for treasury	—	—	—	—	(24,230)	(24,230)
Balance, December 29, 1991	30,051	4,079	444,239	5,950	(63,608)	420,711
Net income	—	—	87,779	—	—	87,779
Cash dividends	—	—	(27,575)	—	—	(27,575)
Exercise of employee stock options and related income tax benefits	—	(422)	(43)	—	8,901	8,436
Translation adjustments	—	—	—	(7,273)	—	(7,273)
Issuance of common stock for employee benefit plans	—	—	(4,744)	—	24,907	20,163
Purchase of common stock for treasury	—	—	—	—	(28,605)	(28,605)
Effect of 2-for-1 stock split (Note 10)	30,051	(3,657)	(26,394)	—	—	—
Balance, January 3, 1993	$60,102	$ —	$473,262	$ (1,323)	$ (58,405)	$473,636

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Stockholders' Equity

On January 22, 1992, the Board of Directors declared a 2-for-1 stock split, paid May 8, 1992, in the form of a dividend of one additional share of the Company's common stock for each share owned by stockholders of record at the close of business on April 17, 1992. Par value remained at $1 per share. The stock split resulted in the issuance of 30,051,000 additional shares of common stock from authorized but unissued shares. The issuance of authorized but unissued shares resulted in the transfer of $3,657,000 from capital in excess of par value and $26,394,000 from retained earnings to common stock, representing the par value of the shares issued. Accordingly, earnings per share, cash dividends per share, weighted average shares of common stock outstanding and the stock option and purchase plan information in this note for prior periods presented have been restated to reflect the stock split.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in Millions Except Per Share Amounts)

Note 17 (In Part): Capital Stock

	Common Stock	Additional Paid-In Capital	Treasury Stock
Balance January 1, 1990	$ 71.0	$614.4	$ (575.0)
Purchase of treasury stock—5,621,500 shares			(506.8)
Issued for employee stock plans—1,179,018 treasury shares		(21.1)	89.6
65,902 shares cancelled	(0.1)		
Adjustment for two-for-one stock split—47,292,840 shares	70.9	(70.9)	
Balance December 31, 1990	141.8	522.4	(992.2)
Purchase of treasury stock—2,108,327 shares			(123.6)
Issued for employee stock plans—1,313,025 treasury shares		8.0	47.0
157,696 shares cancelled	(0.2)		
Balance December 31, 1991	141.6	530.4	(1,068.8)
Purchase of treasury stock—5,586,254 shares			(192.0)
Issued for employee stock plans—2,965,328 shares		35.0	41.8
355,342 shares cancelled	(0.5)		
Adjustment for two-for-one stock split—94,397,423 shares	141.6	(141.6)	
Balance December 31, 1992	$282.7	$423.8	$(1,219.0)

Stock Splits

On November 13,1990, the board of directors authorized a two-for-one stock split in the form of a stock dividend payable to stockholders of record November 30,1990. On November 9, 1992, the board of directors authorized a two-for-one stock split in the form of a stock dividend payable to stockholders of record November 27, 1992. All references in the financial statements to average number of shares outstanding and related prices, per share amounts, stock plan data and the 1992 share amounts in the table above have been restated to reflect these splits.

SUNRISE MEDICAL, INC.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Foreign Currrency Translation Adjustment	Total Stockholders' Equity
Balance at June 30, 1989	4,429	$ 4,429	$22,025	$ 1,531	$ 227	$28,212
Exercise of stock options	46	46	249	—	—	295
Tax benefit arising from early dispositions of stock issued upon exercise of stock options	—	—	61	—	—	61
Receipt of Section 16(b) common stock profits, net of tax	—	—	66	—	—	66
Net income	—	—	—	5,280	—	5,280
Foreign currency translation adjustment	—	—	—	—	720	720
Balance at June 29, 1990	4,475	4,475	22,401	6,811	947	34,634
Exercise of stock options	80	80	445	—	—	525
Tax benefit arising from early dispositions of stock issued upon exercise of stock options	—	—	362	—	—	362
Conversion of subordinated debentures	1,408	1,408	23,305	—	—	24,713
Net income	—	—	—	8,068	—	8,068
Foreign currency translation adjustment	—	—	—	—	(836)	(936)
Balance at June 28, 1991	5,963	5,963	46,513	14,879	11	67,366
Exercise of stock options	78	78	518	—	—	596
Tax benefit arising from early dispositions of stock issued upon exercise of stock options	—	—	611	—	—	611
Issuance of stock for acquisitions	306	306	9,144	—	—	9,450
Net income	—	—	—	12,027	—	12,027
Foreign currency translation adjustment	—	—	—	—	2,206	2,206
2-for-1 stock split	6,347	6,347	(6,347)	—	—	—
Balance at July 3, 1992	12,694	$12,694	$50,439	$26,906	$2,217	$92,256

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stockholders' Equity

On August 25, 1992 the company's Board of Directors authorized a 2-for-1 stock split in the form of a 100% stock dividend payable on September 10, 1992 to stockholders of record September 3, 1992. All references in the financial statements to average number of shares outstanding and related prices, per share amounts, common stock purchase rights and stock option plan data have been restated to reflect the split.

CHANGES IN ADDITIONAL PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to additional paid-in capital. Examples of such credits and charges follow.

Common Stock Issued In Connection With Employee Benefit Plans

HERCULES INCORPORATED

Consolidated Statement of Stockholders' Equity

	Common Stock	Paid-In Capital	Translation Adjustment	Retained Earnings	Reacquired Stock
			(Dollars in thousands)		
Balances at January 1, 1990	$30,049	$343,287	$ 42,733	$2,035,379	$554,242
(Common shares: Issued 57,694,847; reacquired, 11,155,967)					
Net income	—	—	—	95,993	—
Cash dividends, $2.24 per common share	—	—	—	(105,030)	—
Foreign currency translation adjustment	—	—	44,763	—	—
Issuance of common stock:					
Incentive plans, net, 23,925 shares	13	574	—	—	—
Savings Plan purchases, 393,831 shares	205	13,562	—	—	—
Conversion of debentures, 3,995 shares	2	138	—	—	—
Pooled company stock options, 933 shares	1	10	—	—	—
Balances at December 31, 1990	30,270	357,571	87,496	2,026,342	554,242
(Common shares: Issued 58,117,531; reacquired, 11,155,967)					
Net income	—	—	—	94,885	—
Cash dividends, $2.24 per common share	—	—	—	(105,220)	—
Foreign currency translation adjustment	—	—	(7,129)	—	—
Purchase of common stock, 494,558 shares	—	—	—	—	21,085
Retirement of reacquired stock, 187,171 shares	(98)	(9,194)	—	—	(9,292)
Issuance of common stock:					
Incentive plans, net, 214,416 shares	112	8,991	—	—	—
Conversion of debentures, 11,152 shares	6	390	—	—	—
Balances at December 31, 1991	30,290	357,758	80,367	2,016,007	566,035
(Common shares: Issued 58,155,928; reacquired, 11,463,354)					
Net income	—	—	—	167,897	—
Cash dividends, $2.24 per common share	—	—	—	(100,561)	—
Foreign currency translation adjustment	—	—	(44,989)	—	—
Purchase of common stock, 4,336,450 shares	—	—	—	—	231,433
Retirement of reacquired stock, 157,005 shares	(82)	(7,675)	—	—	(7,757)
Issuance of common stock:					
Incentive plans, net, 338,667 shares	176	17,978	—	—	—
Conversion of debentures, 826,958 shares	431	18,530	—	—	—
Balances at December 31, 1992	$30,815	$386,591	$ 35,378	$2,083,343	$789,711

(Common shares: Issued 59,164,548; reacquired, 15,642,799)

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands, except per share)

11. Stock-based Incentive Plans

The incentive compensation plans provide for the grant of stock options and the award of common stock and other market-based units to certain key employees and non-employee directors.

Shares of common stock awarded under these plans normally are either restricted stock (shares subject to restrictions on transfer and subject to risk of forfeiture until earned by continued employment) or performance shares (shares subject to the same restrictions and risk of forfeiture, whose ultimate distribution is contingent on performance as measured against predetermined objectives over a specified period of time). During the performance or restriction period, award holders have the rights of stockholders, including the right to vote and receive cash dividends, except for the right to transfer ownership. Shares are forfeited and revert to the company as a result of employment termination, except in the case of death, disability, retirement, or other specified events. The number of awarded shares outstanding was 473,365, 418,285 and 274,480 at December 31, 1992, 1991 and 1990, respectively. The cost of stock awards and other market-based units, which is charged to income over the period during which the restrictions lapse or over the performance period, amounted to $12,304, $6,730 and $3,968 during 1992, 1991 and 1990, respectively. At December 31, 1992, there were 882,100 shares of common stock available for award under the plans.

Under the company's stock option plans, options are granted at the market price on the date of grant, are exerciseable at various periods from one to five years after date of grant, and expire ten years after date of grant.

A summary of the status of the company's stock option plans for the three years ended December 31, 1992, follows:

	Shares		
	Available for Grant	Outstanding	Price Range
January 1, 1990	562,280	437,720	$43.00-$57.12
Granted	(375,200)	375,200	$35.50-$36.62
December 31, 1990	187,080	812,920	$35.50-$57.12
Terminated Plan	(117,080)		
Authorized	1,950,000		
Granted	(285,400)	285,400	$34.00-$41.87
Exercised		(14,550)	$35.50
December 31, 1991	1,734,600	1,083,770	$34.00-$57.12
Granted	(337,400)	337,400	$49.00-$55.50
Exercised		(233,030)	$35.50-$57.12
Cancelled	1,980	(30,375)	$35.50-$57.12
December 31, 1992	1,399,180	1,157,765	$34.00-$57.12

Options exercisable at December 31, 1992, 1991 and 1990 were 820,365, 798,370, and 437,720, respectively.

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1992	1991	1990	1989
Credits				
Common stock issued for:				
Employee benefits	364	361	366	382
Debt conversions/ extinguishments	30	26	32	38
Preferred stock conversions	22	21	20	28
Business combinations	30	30	28	28
Public offerings	70	31	19	21
Stock compensation tax benefits	70	57	51	51
Purchase or retirement of capital stock	10	13	8	7
Warrants issued or exercised	7	13	10	14
Other—Described	49	27	54	33
Charges				
Purchase or retirement of capital stock	79	97	113	108
Treasury stock issued for less than cost	72	77	73	63
Conversion of preferred stock	10	11	10	12
Stock issue cost	9	4	2	5
Other—Described	50	45	44	42

KEVLIN CORPORATION

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock Number of Shares	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total
Balance—May 31, 1989	2,913,881	$291,388	$1,798,893	$5,129,183	$(497,612)	$6,721,852
Net income	—	—	—	274,220	—	274,220
Exercise of common stock options	10,053	1,005	5,128	—	—	6,133
Issuance of 16,842 treasury shares of ESOP contribution	—	—	12,715	—	27,285	40,000
Purchase of 2,230 shares of common stock	—	—	—	—	(6,133)	(6,133)
Balance—May 31, 1990	2,923,934	292,393	1,816,736	5,403,403	(476,460)	$7,036,072
Net income	—	—	—	553,817	—	553,817
Exercise of common stock options	26,947	2,695	35,748	—	—	38,443
Issuance of 137,333 treasury shares	—	—	(19,239)	—	193,988	174,749
Purchase of 239,132 shares of common stock	—	—	—	—	(275,968)	(275,968)
Balance—May 31, 1991	2,950,881	295,088	1,833,245	5,957,220	(558,440)	$7,527,113
Net income	—	—	—	620,031	—	620,031
Exercise of common stock options	78,500	7,850	103,650	—	—	111,500
Issuance of 16,791 treasury shares	—	—	17,853	—	23,748	41,601
Purchase of 491 shares of common stock	—	—	—	—	(1,461)	(1,461)
Balance—May 31, 1992	3,029,381	$302,938	$1,954,748	$6,577,251	$(536,153)	$8,298,784

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Stock Options and Warrants

The Company has a 1990 Incentive Stock Option Plan (the "Plan") which provides for the issuance to key employees of up to 700,000 shares of common stock in accordance with the Plan. Under this Plan, options are granted at prices determined by the Incentive Compensation Committee of the Board of Directors. The options granted may qualify as incentive stock options and are exercisable over a period of ten years. The Plan provides for the option price to be paid in shares of the Company's common stock owned by the option holder, cash or in a combination of such shares and cash. Under the Company's prior stock option plan, which terminated in 1990, options to acquire 275,500 shares remain exercisable through August 14, 2000.

The Company has granted non-qualified options for shares of common stock to certain directors and former directors of the Company. The options are exercisable for up to ten years after the date of grant. The option price may be paid in cash or shares as described above.

All outstanding options were issued at an exercise price at least equal to fair market value at date of grant.

As discussed in Note 2, in 1991, the Company issued warrants to purchase 50,000 shares of common stock at $3.00 per share. The warrants are exercisable until December 1994.

A summary of certain stock option information follows:

	Number of Shares	Weighted Average Price
Incentive Stock Options		
Outstanding at		
May 31, 1991	533,000	$1.81
May 31, 1992	642,000	$1.97
Exercisable at		
May 31, 1991	382,300	$1.87
May 31, 1992	439,500	$1.94
Exercised in the year ended		
May 31, 1991	21,947	$1.44
May 31, 1992	51,000	$1.44
Non-Qualified Options		
Outstanding at		
May 31, 1991	202,000	$1.99
May 31, 1992	187,000	$2.10
Exercisable at		
May 31, 1991	192,000	$2.01
May 31, 1992	164,500	$2.12
Exercised in the year ended		
May 31, 1991	5,000	$1.38
May 31, 1992	27,500	$1.38

There were no non-qualified options exercised in 1990. During fiscal 1992, 23,500 incentive stock options at an average exercise price of $1.50 were cancelled. There were no stock option cancellations during fiscal 1991.

MCGRAW-HILL, INC.

Consolidated Statement of Shareholders' Equity

(in thousands except shares) Years ended December 31, 1992, 1991 and 1990

	$1.20 preference $10 par	Common $1 par	Additional Paid-In Capital	Retained Income	Foreign Currency Translation Adjustments	Less—Common Stock in Treasury—at Cost Shares	Amount	Less—Unearned Compensation on Restricted Stock
Balance at January 1, 1990	$18	$51,453	$55,558	$ 907,569	$ (8,376)	2,771,978	$118,629	$ 7,439
Net income	—	—	—	172,475	—	—	—	—
Dividends	—	—	—	(105,322)	—	—	—	—
Exercise of stock options	—	—	(175)	—	—	(30,384)	(1,328)	—
Issuance of restricted stock	—	—	3,490	—	—	(261,459)	(11,428)	13,688
Restricted stock expense and forfeitures	—	—	(586)	—	—	42,528	1,859	(4,770)
Foreign currency translation adjustments—net	—	—	—	—	2,399	—	—	—
Other	(1)	1	51	—	—	3,970	205	—
Balance at December 31, 1990	17	51,454	58,338	$ 974,722	(5,977)	2,526,633	107,937	16,357
Net income	—	—	—	148,010	—	—	—	—
Dividends	—	—	—	(107,272)	—	—	—	—
Exercise of stock options	—	—	10	—	—	(57,477)	(2,516)	—
Issuance of restricted stock	—	—	894	—	—	(102,660)	(4,489)	5,383
Restricted stock expense and forfeitures	—	—	(363)	—	—	27,744	1,212	(3,688)
Foreign currency translation adjustments—net	—	—	—	—	144	—	—	—
Other	—	1	25	—	—	15,375	832	—
Balance at December 31, 1991	17	51,455	58,904	$1,015,460	(5,833)	2,409,615	102,976	18,052
Net income	—	—	—	28,568	—	—	—	—
Dividends	—	—	—	(109,386)	—	—	—	—
Exercise of stock options	—	—	213	—	—	(102,732)	(4,505)	—
Issuance of restricted stock	—	—	1,297	—	—	(95,295)	(4,169)	5,466
Restricted stock expense and forfeitures	—	—	(1,242)	—	—	95,803	4,189	(7,956)
Foreign currency translation adjustments—net	—	—	—	—	(15,918)	—	—	—
Other	(1)	4	232	—	—	17,593	957	—
Balance at December 31, 1992	$16	$51,459	$59,404	$ 934,642	$(21,751)	2,324,984	$ 99,448	$15,562

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Stock Plan Awards

Under the 1975 Stock Option Plan, options for 1,200,000 shares of common stock could be granted at not less than fair market value at the date of grant. In April 1983, when the 1983 plan referred to below was approved, the 1975 Plan was terminated except with respect to outstanding options.

Under the 1983 Stock Option Plan, options for 1,200,000 shares of common stock may be granted at not less than fair market value at the date of grant. Both incentive stock options and non-qualified stock options may be granted. Options are generally exercisable in two equal installments after each 12 months of employment and expire within ten years. Stock appreciation rights may also be granted to any employee granted stock options. Upon the exercise of stock appreciation rights, the employee surrenders the unexercised related option and receives a cash payment equal to the excess of the fair market value at the time of exercise over the price of the related option.

Under the 1987 Key Employee Stock Incentive Plan, awards of 2,300,000 shares of common stock may be granted. The shares may be granted as incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, deferred stock or other stock-based awards.

Restricted stock performance awards have been granted under the 1987 Plan. These restricted stock awards will vest only if the company achieves certain financial goals over three-year performance periods. Other restricted stock awards have total vesting periods of up to seven years with vesting beginning on the first or third anniversary of the awards. Recipients of restricted stock awards are not required to provide consideration to the company other than rendering service and have the right to vote the shares and the right to receive dividends.

The changes in the number of common shares issuable under outstanding options, the number of shares reserved for issuance and the price range of options for 1992 were as follows:

	1987 Plan	1983 Plan	1975 Plan
Outstanding at beginning of year	602,720	529,816	7,653
Options granted	419,915	27,470	—
Less:			
Options exercised	32,075	63,004	7,653
Options cancelled and expired	45,189	30,000	—
Outstanding at end of year	945,371	464,282	—
Exercisable at end of year	435,935	430,092	—
Shares of common stock reserved for issuance at beginning of year	1,805,273	699,304	7,653
Shares of common stock reserved for issuance at end of year	1,676,203	636,300	—
Price range of options outstanding at end of year	$52.44 to $64	$37 to $67.38	— —
Price range of options exercised during year	$52.44 to $57.13	$37 to $61	$24.88

A total of 95,295 restricted shares were issued in 1992 under the 1987 Plan at an average market value of $57.37 per share. In 1991, a total of 102,660 restricted shares were issued at an average market value of $52.44 per share. The awards are recorded at the market value of the shares at the time the shares are awarded. Initially, the total market value of the shares is treated as unearned compensation and is charged to expense over the respective vesting periods. For performance incentive shares, adjustments are also made to expense for changes in market value and achievement of financial goals. Unearned compensation charged to expense was $3.0 million for 1992, $2.1 million for 1991 and $2.3 million for 1990. Restricted shares outstanding at the end of the year were 357,219 shares for 1992, 397,637 shares for 1991, and 384,499 shares for 1990.

Common Stock Issued in Debt Conversion

DSC COMMUNICATIONS CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(In thousands)	Common Stock Shares Outstanding	Common Stock Par Value $.01	Additional Capital	Accumulated Translation Adjustments	Retained Earnings	Cost of Treasury Shares	Total
Balances, December 31, 1989	40,169	$443	$189,059	$(232)	$ 97,387	$(32,741)	$ 253,916
Shares purchased for treasury	(902)	—	—	—	—	(10,341)	(10,341)
Treasury shares contributed to employee stock ownership plan	149	—	520	—	—	1,130	1,650
Shares issued upon exercise of options	435	5	2,328	—	—	—	2,333
Shares issued for stock purchase plans	319	3	3,228	—	—	—	3,231
Income tax benefit related to stock options	—	—	881	—	—	—	881
Shares issued for business acquisition	525	5	6,951	—	—	—	6,956
Translation adjustments	—	—	—	473	—	—	473
Net income	—	—	—	—	20,122	—	20,122
Balances, December 31, 1990	40,695	456	202,967	241	117,509	(41,952)	279,221
Shares purchased for treasury	(2)	—	—	—	—	—	—
Shares issued upon exercise of options	166	2	818	—	—	—	820
Shares issued for stock purchase plans	503	5	2,680	—	—	—	2,685
Restricted shares issued to employees, net of unearned compensation	313	3	287	—	—	—	290
Translation adjustments	—	—	—	(2)	—	—	(2)
Net loss	—	—	—	—	(108,328)	—	(108,328)
Balances, December 31, 1991	41,675	466	206,752	239	9,181	(41,952)	174,686
Shares purchased for treasury	(98)	—	—	—	—	(1,505)	(1,505)
Shares issued upon exercise of options	2,221	22	14,582	—	—	—	14,604
Shares issued for stock purchase plans	226	2	912	—	—	—	914
Income tax benefit related to stock options	—	—	1,860	—	—	—	1,860
Restricted shares issued to employees, net of unearned compensation and forfeitures	90	1	694	—	—	—	695
Conversion of subordinated convertible debentures into common stock	1	—	18	—	—	—	18
Translation adjustments	—	—	—	(239)	—	—	(239)
Net income	—	—	—	—	11,594	—	11,594
Balances, December 31, 1992	44,115	$491	$224,818	$ —	$ 20,775	$(43,457)	$ 202,627

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt (In Part)

Subordinated Convertible Debentures

7.75% Debentures

The 7.75% debentures, which are due in 2014, are subordinated in the right of payment to the Company's existing and future senior indebtedness and provide for an annual sinking fund of $4,313,000 beginning in August, 2000. These debentures are convertible into shares of common stock of the Company at a conversion price of $18.60 per share, subject to adjustment under certain circumstances. Interest of 7.75% is payable semi-annually. The debentures are redeemable at the option of the Company in whole or in part at 105.43% of the principal amount through August 1993 and at declining prices to 100% in August 1999, with accrued interest. In 1992, $18,000 of the debentures were converted into approximately 1,000 shares of common stock.

During 1990, the Company purchased $14,742,000 of the debentures at favorable market prices resulting in extraordinary gains (see "Extraordinary Items, Net"). As a result of these purchases, the Company has satisfied sinking fund requirements through the year 2002.

DEP CORPORATION

Consolidated Statements of Stockholders' Equity
(Dollar amounts in thousands)

	Common Stock, at Cost		Additional		Foreign Currency	Treasury Stock, at Cost	
Years ended July 31, 1992, 1991 and 1990	Shares	Amount	Paid-In Capital	Retained Earnings	Translation Adjustment	Shares	Amount
Balance, July 31, 1989	5,868,261	$59	$ 6,339	$16,909	$(62)	(43,500)	$ (348)
Stock issued under option plan	49,074		21				
Purchase of treasury stock						(88,000)	(372)
Cumulative translation adjustment					(16)		
Net income for the year				1,882			
Balance, July 31, 1990	5,917,335	59	6,360	18,791	(78)	(131,500)	(720)
Purchase of treasury stock						(99,500)	(285)
Cumulative translation adjustment					3		
Net income for the year				4,832			
Balance, July 31, 1991	5,917,335	59	6,360	23,623	(75)	(231,000)	(1,005)
Cumulative translation adjustment					37		
Conversion of Debentures	534,717	6	5,686				
Net income for the year				5,963			
Balance at July 31, 1992	6,452,052	$65	$12,046	$29,586	$(38)	(231,000)	$(1,005)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Long-term debt:

During the fiscal year ended July 31, 1992, the Company issued 534,717 shares of common stock upon conversion of the $5,882,000 principal amount of Debentures. Accordingly, the Company transferred $5,882,000 less $190,000 of unamortized issue costs, to stockholders' equity.

DIBRELL BROTHERS, INCORPORATED

Statement of Stockholders' Equity

	Common Stock	Additional Capital	Retained Earnings	Accumulated Translation Adjustments	Additional Pension Liability	Total Stockholders' Equity
Balance, June 30, 1989	$ 6,612,638	$16,869,626	$51,275,803	$ 330,485	$ —	$ 75,088,552
Net income for the year			12,020,531			12,020,531
Cash dividends—$0.36 per share			(4,761,099)			(4,761,099)
Translation of foreign currency financial statements				(754,619)		(754,619)
Additional minimum pension liability					(331,250)	(331,250)
Balance, June 30, 1990	6,612,638	16,869,626	58,535,235	(424,134)	(331,250)	81,262,115
Net income for the year			21,160,741			21,160,741
Cash dividends—$0.42 per share			(5,554,616)			(5,554,616)
Translation of foreign currency financial statements				426,164		426,164
Additional minimum pension liability					(14,829)	(14,829)
Par value of shares issued in stock split-up effected in the form of a 100% stock dividend	6,612,638		(6,612,638)			—
Balance, June 30, 1991	13,225,276	16,869,626	67,528,722	2,030	(346,079)	97,279,575
Net income for the year			30,288,601			30,288,601
Cash dividends—$0.51 per share			(6,749,357)			(6,749,357)
Translation of foreign currency financial statements				(917,972)		(917,972)
Additional minimum pension liability					(73,922)	(73,922)
Conversion of 7¾% Convertible Debentures to Common Stock	29,776	546,443				576,219
Balance, June 30, 1992	$13,255,052	$17,416,069	$91,067,966	$(915,942)	$(420,001)	$120,403,144

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Long-Term Debt

On June 3, 1991, Dibrell Brothers, Incorporated issued $57.5 million of 7¾% Convertible Subordinated Debentures due on September 30, 2006. The bonds are convertible into shares of the Company's Common Stock at a conversion price of approximately $20.16 at any time prior to maturity. The Debentures are subordinated in right of payment to all existing and future senior indebtedness, as defined, of the Company. The Debentures are redeemable at the option of the Company under certain circumstances on or after September 30, 1994. Beginning September 30, 2002, and ending September 30, 2005, the Company will make payments each year to a sinking fund in an amount sufficient to redeem 5% of the aggregate principal amount of the securities. At June 30, 1992, principal amounts of $600,000 have been converted into 29,776 shares of the Company's Common Stock.

Common Stock Issued in Preferred Stock Conversion

CYPRUS MINERALS COMPANY

Consolidated Statement of Shareholders' Equity

(Columns for Translation adjustment, Treasury stock, and Savings plan deleted for presentation purposes)

	Preferred Stock		Common Stock			
(In thousands)	Shares Outstanding	Amount	Shares Outstanding	Amount	Paid-In Capital	Accumulated Deficit
Balance, December 31, 1989	3,932	$ 196,600	38,255	$498	$1,435,386	$(302,920)
Net Income						111,031
Dividends						
Preferred Stock, Series B						(14,745)
Common Stock						(32,372)
Common Stock Issued for Employee Benefit Plans and Exercise of Stock Options			4,702	42	94,547	
Purchase of Common Stock			(4,023)			
Foreign Currency Translation Adjustment						
Balance, December 31, 1990	3,932	196,600	38,934	540	1,529,933	(239,006)
Net Income						42,744
Dividends						
Preferred Stock, Series B						(14,745)
Common Stock						(31,156)
Common Stock Issued for Employee Benefit Plans and Exercise of Stock Options			100		(674)	
Foreign Currency Translation Adjustment						
Balance, December 31, 1991	3,932	196,600	39,034	540	1,529,259	(242,163)
Net Loss						(333,569)
Dividends						
Preferred Stock, Series B						(11,059)
Common Stock						(35,304)
Common Stock Issued for Employee Benefit Plans and Exercise of Stock Options			338		166	
Non-Employee Directors			4		19	
Conversion and Redemption of Preferred Stock, Series B for Common Shares	(3,932)	(196,600)	7,917	80	195,516	
Foreign Currency Translation Adjustment						
Balance, December 31, 1992	—	$ —	47,293	$620	$1,724,960	$(622,095)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Preferred Stock Transactions

In October 1992 the Company called for redemption of all of its outstanding $3.75 Convertible Exchangeable Preferred Stock, Series B, (Preferred Stock) at a redemption price of $52.25 per share. At the option of the holder prior to the close of business on October 21, 1992, the Preferred Stock was convertible into shares of the Company's Common Stock at a conversion price of $24.83 per share (or approximately 2.01 shares of Common Stock for each Preferred share). As a result, 3,854,110 shares of Preferred Stock were converted to 7,759,853 shares of Common Stock. Fractional shares were paid in cash. Holders of 75,889 shares of Preferred Stock had their shares redeemed resulting in the issuance of 152,817 shares of Common Stock. In an earlier transaction, 2,000 shares of Preferred Stock were converted to 4,026 shares of Common Stock.

In 1989 the Board of Directors of Cyprus declared a dividend of one Preferred share purchase right for each outstanding share of Common Stock in connection with the redemption of then existing rights. The rights are neither presently exercisable nor separable from the Common Stock. If they become exercisable following the occurrence of certain specified events, each right will entitle the holder, within certain limitations, to purchase two-thirds of one one-hundredth of a share of Series A Preferred Stock for $93.33 subject to certain anti-dilution adjustments. If a person or group acquires 10 percent of Cyprus' Common Stock, every other holder of a right will be entitled to buy at the right's then-exercise price a number of shares of Cyprus Common Stock having a value of twice such exercise price. After the threshold is crossed, the rights become non-redeemable, except that, prior to the time a person or group acquires 50 percent or more of the Common Stock, the rights other than those held by such person or group can be exchanged at a ratio of one share of Common Stock for each right. In the event of certain extraordinary transactions, including mergers, the rights entitle holders to buy at the right's then-exercise price equity in the acquiring company having a value of twice such exercise price. The rights do not have any voting rights nor are they entitled to dividends. The rights are redeemable by Cyprus at $.0067 each until a person or group acquires 10 percent of Cyprus' Common Stock or until the rights expire.

MCDONALD'S CORPORATION

Consolidated Statement of Shareholders' Equity

(Columns for ESOP note, Retained earnings, and Foreign currency translation adjustment deleted for presentation purposes)

	Preferred Stock Issued		Common Stock Issued		Additional Paid-In	Common Stock in Treasury	
(Dollars and shares in millions, except per share data)	Shares	Amount	Shares	Amount	Capital	Shares	Amount
Balance at December 31, 1989	7.0	$ 200.0	415.2	$46.2	$158.9	(53.3)	$(1,172.0)
Net income							
Common stock cash dividends ($.33 per share)							
Preferred stock cash dividends ($2.01 per share)							
ESOP Notes payment							
Treasury stock acquisitions						(4.9)	(156.5)
Translation adjustments (including tax benefits of $27.4)							
Stock option exercises and other (including tax benefits of $13.7)	(.1)	(.3)			14.8	2.1	26.5
Balance at December 31, 1990	6.9	199.7	415.2	46.2	173.7	(56.1)	(1,302.0)
Net income							
Common stock cash dividends ($.36 per share)							
Preferred stock cash dividends ($2.01 for Series B and $1.74 for Series C)							
Preferred stock issuance	3.0	100.0			(.2)		
ESOP Notes payment							
Treasury stock acquisitions						(3.4)	(116.7)
Translation adjustments (including taxes of $1.0)							
Stock option exercises and other (including tax benefits of $15.9)		(1.5)			28.4	3.0	36.7
Balance at December 31, 1991	9.9	298.2	415.2	46.2	201.9	(56.5)	(1,382.0)
Net income							
Common stock cash dividends ($.39 per share)							
Preferred stock cash dividends ($2.01 for Series B, $2.32 for Series C and $.16 for Series E depositary share), (net of tax benefits of $6.4)							
Preferred stock issuance		500.0			(15.1)		
Preferred stock conversion	(4.1)	(118.0)			22.9	3.2	95.1
ESOP Notes payment							
Treasury stock acquisitions						(1.9)	(92.3)
Translation adjustments (including taxes of $21.2)							
Common equity put options issuance							(91.5)
Stock option exercises and other (including tax benefits of $29.7)					50.5	3.6	47.9
Balance at December 31, 1992	5.8	$680.2	415.2	$46.2	$260.2	(51.6)	$(1,422.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital stock (In Part)

Preferred stock

In December 1992, the Company issued $500.0 million of Series E 7.72% Cumulative Preferred Stock; 10,000 preferred shares are equivalent to 20.0 million depositary shares having a liquidation preference of $25.00 per depositary share. Each preferred share is entitled to one vote under certain circumstances, and is redeemable at the option of the Company beginning on December 3, 1997, at its liquidation preference plus accrued and unpaid dividends.

In September 1989 and April 1991, the Company sold $200.0 million of Series B and $100.0 million of Series C ESOP Convertible Preferred Stock, respectively, to the LESOP. The LESOP financed the purchase by issuing Notes which are guaranteed by the Company and are included in Long-term debt, with an offsetting reduction in Shareholders' equity. Each preferred share has a liquidation preference of $28.75 and $33.125, respectively, and is convertible into a minimum of .7692 and .8 common share (conversion rate), respectively. Upon termination, employees are guaranteed a minimum value payable in common shares, equal to the greater of the conversion rate; the fair market value of their preferred shares; or the liquidation preference plus accrued dividends, not to exceed one common share. Each preferred share is entitled to one vote and is redeemable at the option of the Company three years after issuance and, under certain circumstances, is redeemable prior to that date. In 1992, 4.1 million shares of Series B stock was converted into 3.2 million common shares.

Purchase Method Acquisitions

ALBERTO-CULVER COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Treasury Stock and Additional Paid-In Capital

Changes in treasury stock and additional paid-in capital during 1992, 1991 and 1990 were as follows (in thousands):

	Treasury Stock		Additional Paid-In
	Shares	Amount	Capital
Balance at September 30, 1989	6,205	$28,833	$46,239
Stock options exercised	(568)	(2,628)	677
Tax benefit on exercise of options	—	—	2,353
Stock purchased for treasury	70	1,447	—
Net proceeds from issuance of stock	—	—	33,649
Balance at September 30, 1990	5,707	27,652	82,918
Stock options exercised	(44)	(270)	63
Stock purchased for treasury	305	5,098	—
Other	—	—	(146)
Balance at September 30, 1991	5,968	32,480	82,835
Stock options exercised	(95)	(641)	303
Treasury stock issued for acquisition (note 11)	(213)	(1,007)	3,269
Balance at September 30, 1992	5,660	$30,832	$86,407

11. Acquisition (Fiscal Years 1991 and 1992)

In September, 1991, the company purchased a 23.7% equity interest, representing 74.0% voting control, in Cederroth International AB, formerly Cederroth Nordic AB, for approximately $17.4 million in cash. During fiscal year 1992, the company purchased additional Cederroth shares and convertible notes and terminated a Scandinavian license agreement for $21.5 million in cash and 212,500 shares (valued at $4.3 million) of Class A common stock. The additional share and note purchases increased the company's equity interest to 92.3%, representing 97.2% voting control. The acquisition was accounted for as a purchase. The excess of purchase price over historical cost was allocated to Cederroth's assets in fiscal year 1992.

The company's voting control of Cederroth required that its operations be included in the company's consolidated financial statements since September, 1991. The minority interest not acquired by the company, which is immaterial, is included in earnings before provision for income taxes on the statement of earnings and other liabilities on the consolidated balance sheet. Had Cederroth been acquired at the beginning of fiscal year 1990, the pro-forma inclusion of its operating results would not have had a significant effect on the reported consolidated net earnings for the three year period ended September 30, 1992.

COLGATE-PALMOLIVE COMPANY

Consolidated Statements of Changes in Capital Accounts

Dollars in Millions	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount
Balance, January 1, 1990	132,186,336	$169.9	$ 92.7	37,676,908	$698.7
Shares issued for stock options	1,284,214	1.2	30.9	—	—
Treasury stock acquired	(472,868)	—	—	472,868	13.8
Other	209,534	—	—	(209,534)	(6.0)
Balance, December 31, 1990	133,207,216	171.1	123.6	37,940,242	706.5
Shares issued through public offering	11,500,000	—	230.9	(11,500,000)	(214.6)
Shares issued in connection with acquisitions	1,571,730	—	33.3	(1,571,730)	(29.3)
Shares issued for stock options	1,238,377	.4	14.6	(827,203)	(15.4)
Treasury stock acquired	(188,245)	—	—	188,245	.2
Other	14,258	—	9.0	(14,258)	.3
Balance, December 31, 1991	147,343,336	171.5	411.4	24,215,296	447.7
Shares issued in connection with acquisition	11,648,693	11.7	532.4	—	—
Shares issued for stock options	2,441,044	—	9.5	(2,441,044)	(46.6)
Treasury stock acquired	(976,983)	—	—	976,983	54.0
Other	(215,686)	—	32.0	221,656	12.2
Balance, December 31, 1992	160,240,404	$183.2	$985.3	22,972,891	$467.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions)

2 (In Part): Acquisitions

In March 1992, the Company acquired The Mennen Company ("Mennen") in a tax-deferred reorganization for an aggregate purchase price of $670.0, paid with 11.6 million unregistered shares of the Company's common stock and $127.0 in cash. The acquisition included Mennen's personal care products business and businesses held for sale which were sold in August 1992. The results of operations of Mennen have been included in the Consolidated Financial Statements since March 27, 1992.

THOMAS & BETTS CORPORATION

Consolidated Statement of Shareholders' Equity

In thousands (except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock Shares	Treasury Stock Amount
Balance at December 31, 1989	17,084	$8,542	$ 25,735	$301,762	$2,526	(65)	$(3,031)
Net earnings	—	—	—	48,400	—	—	—
Dividends declared ($2.09 per share)	—	—	—	(35,601)	—	—	—
Stock options and incentive awards	7	4	(799)	—	—	72	3,339
Treasury stock repurchases	—	—	—	—	—	(96)	(4,510)
Translation adjustments, net of income taxes of $2,175	—	—	—	—	4,223	—	—
Balance at December 31, 1990	17,091	8,546	24,936	314,561	6,749	(89)	(4,202)
Net earnings	—	—	—	48,450	—	—	—
Dividends declared ($2.21 per share)	—	—	—	(37,708)	—	—	—
Stock options and incentive awards	1	1	(738)	—	—	78	3,643
Translation adjustments, net of income taxes of $435	—	—	—	—	(844)	—	—
Balance at December 31, 1991	17,092	8,547	24,198	325,303	5,905	(11)	(559)
Net earnings	—	—	—	50,923	—	—	—
Dividends declared ($2.24 per share)	—	—	—	(41,948)	—	—	—
Stock options and incentive awards	150	74	6,597	—	—	(32)	(2,164)
Business acquisitions	1,564	782	88,255	—	—	—	—
Translation adjustments, net of income taxes of $1,468	—	—	—	—	(2,851)	—	—
Balance at December 31, 1992	18,806	$9,403	$119,050	$334,278	$3,054	(43)	$(2,723)

Preferred Stock: Authorized 500,000 shares without par value. To date, none of these shares has been issued.
Common Stock: Authorized 40,000,000 shares, par value $.50 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions

On January 2, 1992, the Corporation acquired FL Industries Holdings, Inc. ("FLIH" or "American Electric") for consideration of $436.8 million. The consideration consisted of $89.6 million (1,564,434 shares) of newly issued common stock, $17.1 million in cash and $330.1 million to retire certain long-term debt of FLIH. The acquisition has been accounted for using the purchase method of accounting and therefore the accompanying financial statements include the accounts of FLIH since the date of acquisition.

If the acquisition had occurred on January 1, 1991, management estimates that on an unaudited pro forma basis, revenues, net earnings and earnings per share would have been $1,023 million, $28 million and $1.51, respectively, for the year ended December 31, 1991. These estimates include a $17 million provision recorded by FLIH for restructured operations and claims relating to businesses sold. These estimates were prepared based on assumptions that management deems appropriate, but the results are not necessarily indicative of those that might have occurred had the acquisition taken place on January 1, 1991.

KNAPE & VOGT MANUFACTURING COMPANY

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock
Balance, June 30, 1989	$8,283,800	$ 2,520,154	$39,459,339	$ 634,093	$(3,529,552)
Net income for 1990	—	—	9,749,107	—	—
Cash dividends	—	—	(2,448,013)	—	—
Stock issued under stock option plan	1,000	6,250	—	—	—
Reclassification pursuant to Michigan law (note 11)	(447,878)	—	(3,081,674)	—	3,529,552
Foreign currency translation adjustment	—	—	—	228,471	—
Balance, June 30, 1990	7,836,922	2,526,404	43,678,759	862,564	—
Net income for 1991	—	—	5,479,248	—	—
Cash dividends	—	—	(2,664,356)	—	—
10 percent stock dividend (note 11)	784,374	4,412,103	(5,197,923)	—	—
Stock issued under stock option plan	24,900	150,463	—	—	—
Purchase of 73,759 shares of stock	(147,518)	—	(828,828)	—	—
Foreign currency translation adjustment	—	—	—	253,919	—
Balance, June 30, 1991	8,498,678	7,088,970	40,466,900	1,116,483	—
Net income for 1992	—	—	6,634,933	—	—
Cash dividends	—	—	(2,988,661)	—	—
10 percent stock dividend (note 11)	850,738	6,712,783	(7,567,516)	—	—
Stock issued under stock option plan	95,462	508,418	—	—	—
Issuance of stock related to acquisition (note 11)	160,718	1,258,101	—	—	—
Foreign currency translation adjustment	—	—	—	(768,709)	—
Balance, June 30, 1992	$9,605,596	$15,568,272	$36,545,656	$ 347,774	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Stockholders' Equity

On February 29, 1988, the Company acquired Feeny Manufacturing Company. Under the terms of the purchase agreement, the Company issued 80,359 shares of common stock on October 1, 1991, with a value of $1,418,819. Of this amount, $705,101 was allocated to fixed assets and $713,718 to goodwill.

On June 27, 1991 and August 17, 1990, the Board of Directors declared 10 percent stock dividends of the Company's common stock and Class B common stock. On September 6, 1991, and September 7, 1990, shareholders received one additional share of stock for each 10 shares held. Earnings per share, dividends per share and weighted average shares outstanding have been restated to reflect the 10 percent stock dividend.

Pursuant to a change in Michigan law, shares of common stock reacquired by a corporation constitute unissued shares. Accordingly, treasury shares were classified as reductions to issued common stock and retained earnings in the year ending June 30, 1990.

Public Offerings

AMERICAN GREETINGS CORPORATION

Consolidated Statement of Shareholders' Equity

	Years ended February 29, 1992, and February 28, 1991 and 1990					
	Common Shares		Capital in Excess of Par Value	Shares Held In Treasury	Cumulative Translation Adjustment	Retained Earnings
	Class A	Class B				
	Thousands of dollars except per share amounts					
Balance February 28, 1989	$29,692	$2,497	$105,245	$(14,767)	$ (4,790)	$447,111
Net income						72,177
Cash dividends—$.66 per share						(21,108)
Exchange of shares	25	(25)				
Sale of shares under benefit plans, including tax benefits	440	4	4,989	4,472		(941)
Purchase of treasury shares	(211)	(413)		(16,397)		
Translation adjustment					(3,396)	
Balance February 28, 1990	29,946	2,063	110,234	(26,692)	(8,186)	497,239
Net income						82,497
Cash dividends—$.70 per share						(22,117)
Exchange of shares	24	(24)				
Sale of shares under benefit plans, including tax benefits	550	41	4,794	17,387		(9,814)
Purchase of treasury shares	(966)	(25)		(32,279)		
Translation adjustment					11,934	
Balance February 28, 1991	29,554	2,055	115,028	(41,584)	3,748	547,805
Net income						97,462
Cash dividends—$.76 per share						(26,475)
Exchange of shares	20	(20)				
Sale of shares under benefit plans, including tax benefits	353	5	6,439	3,112		(1,719)
Purchase of treasury shares	(25)	(25)		(1,816)		
Translation adjustment					(4,299)	
Retirement of treasury shares			(11,764)	11,764		
Class A common share issuance	3,967		131,461			
Balance February 29, 1992	$33,869	$2,015	$241,164	$(28,524)	$ (551)	$617,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Dollars)

Note F (In Part): Common Shares and Stock Options

On May 29, 1991, the Corporation issued an additional 3,967,500 shares of Class A common stock through a public offering, resulting in net proceeds of $135,428. Shares outstanding at February 29, 1992 and February 28, 1991 were 33,869,314 and 29,554,013 Class A and 2,014,479 and 2,055,329 Class B shares, respectively. On July 29, 1991, the Corporation's shareholders approved an increase in the authorized common stock for the Corporation from 36,900,000 Class A and 3,041,242 Class B shares to 46,900,000 Class A and 3,958,242 Class B shares. Class A shares have one vote per share and Class B shares have ten votes per share. If holders of Class B shares wish to sell their shares, they must first offer to sell the shares to the Corporation at the closing price of the Class A shares on the day preceding the making of such offer. If the Corporation elects not to purchase the shares offered, the Class B shareholder may convert the Class B shares into Class A shares, on a share-for-share basis. During 1990, the Corporation purchased 303,922 Class B shares from a Director of the Corporation at the then-current market price of the shares.

INTERSTATE BAKERIES CORPORATION

Consolidated Statement Of Stockholders' Equity (Deficit)

(In Thousands)

	Common Stock		Additional		Notes
	Number of Shares	Par Value	Paid-In Capital	Accumulated Deficit	Receivable from Management Stockholders
	(Note 1)				
Balance May 27, 1989	4,685	$ 47	$ 26,103	$(49,170)	$(1,961)
Net loss	—	—	—	(17,135)	—
Common stock issued	141	2	1,103	—	(371)
Common stock repurchased	(73)	(1)	(582)	—	220
Valuation adjustment on common stock subject to repurchase	—	—	(107)	—	—
Balance June 1, 1990	4,753	48	26,517	(66,305)	(2,112)
Net loss	—	—	—	(8,035)	—
Common stock issued	24	—	296	—	—
Common stock repurchased	(12)	—	(152)	—	17
Valuation adjustment on common stock subject to repurchase	—	—	(139)	—	—
Balance June 1, 1991	4,765	48	26,522	(74,340)	2,095)
Net income	—	—	—	15,604	—
Common stock issued:					
Public offering	15,625	156	233,433	—	—
Employee benefit plans	464	5	7,585	—	—
Exercise of employee options	8	—	1	—	—
Dividends paid—$.33 per common share	—	—	—	(6,902)	—
Accretion adjustment on preferred stock redemption	—	—	(8,303)	—	—
Repayments/reclassifications	59	—	799	—	2,095
Balance May 30, 1992	20,921	$209	$260,037	$(65,638)	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Public Offering of Common Stock and Recapitalization

In July 1991, Interstate Bakeries Corporation (the "Company") completed a public offering of 15,625,000 shares of common stock at $16.00 per share (the "Offering"). Prior to the Offering, there was no public market for the Company's common stock. The common stock was traded on the NASDAQ National Market System until June 3, 1992, when it began trading on the New York Stock Exchange under the symbol "IBC".

The net proceeds of the Offering, after deducting applicable issuance costs and expenses, were $233,589,000. The proceeds were used to repay $134,096,000 of senior subordinated notes, plus accrued interest, and to redeem, at their liquidation value of $98,315,000, all three series of redeemable preferred stocks of a subsidiary, plus accrued dividends.

Concurrent with the Offering, the Company (i) replaced its existing bank credit facility with a new $230,000,000 bank credit facility, (ii) exchanged $79,000,000 of 12.5% subordinated notes for a like amount of 10% senior notes, (iii) approved an increase in the authorized common stock to 25,000,000 shares, (iv) declared a 1-for-1.92868 reverse stock split and (v) issued 181,000 shares of common stock in exchange for a portion of the outstanding stock performance units. If the Offering and related recapitalization had occurred at the beginning of fiscal 1992, pro forma income per share would have been $1.55. This pro forma per share data is unaudited and is not necessarily indicative of the results that would have been obtained had these events actually occurred at the assumed date. All per share data has been adjusted for the reverse stock split.

In the first quarter of fiscal 1992, the Company incurred an extraordinary charge of $10,176,000 (net of an income tax benefit of $6,184,000) related to prepayment penalties and the write-off of unamortized deferred financing charges in connection with the retirement of debt.

SMITHFIELD FOODS, INC.

Consolidated Statements Of Stockholders' Equity

(In thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, April 30, 1989	$ 7,688	$12,958	$ 53,514	$(30,331)
Net income	—	—	7,060	—
Resolution of subsidiary's bankruptcy	—	1,387	—	—
Exercise of stock options	8	147	—	—
Purchase of treasury stock	—	—	—	(7,072)
Balance, April 29, 1990	7,696	14,492	60,574	(37,403)
Net income	—	—	28,658	—
Exercise of stock options	54	242	—	—
Purchase of treasury stock	—	—	—	(3,232)
Retirement of treasury stock	(4,617)	(8,772)	(27,246)	40,635
Effect of stock split	3,133	(3,133)	—	—
Balance, April 28, 1991	6,266	2,829	61,986	—
Net income	—	—	21,635	—
Sale of common stock	625	24,374	—	—
Exercise of stock options and warrants	884	2,798	—	—
Purchase of treasury stock	—	—	—	(7,643)
Balance, May 3, 1992	$ 7,775	$30,001	$ 83,621	$ (7,643)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Stockholders' Equity

Issuance of Common Stock

In June 1991, the Company issued 1,250,000 shares of its common stock. Proceeds to the Company totaled $25 million, net of expenses associated with the offering. The proceeds were used for construction of the Company's fresh pork facility in Bladen County, North Carolina, as well as to finance construction of hog raising facilities.

THORN APPLE VALLEY, INC.

Consolidated Statements of Shareholders' Equity

	Common Stock		Capital in Excess of	Retained	Treasury Stock	
	Shares	Amount	Par Value	Earnings	Shares	Amount
Balance, May 26, 1989	4,573,408	$457,341	$2,322,424	$30,054,462		
Net loss				(4,618,405)		
Purchase of treasury stock:						
Redemption agreement					75,000	$ 375,000
Other					485	2,428
Retirement of treasury stock	(75,485)	(7,549)	(369,879)		(75,485)	(377,428)
Balance, May 25, 1990	4,497,923	449,792	1,952,545	25,436,057		
Net income				19,604,723		
Purchase of treasury stock:						
Redemption agreement					45,000	225,000
Other					161,868	1,514,940
Retirement of treasury stock	(206,868)	(20,687)	(1,719,253)		(206,868)	(1,739,940)
Exercise of stock options including related tax benefits	77,009	7,701	621,318			
Balance, May 31, 1991	4,368,064	436,806	854,610	45,040,780		
Net income				21,054,846		
Cash dividends, $.12 per share				(466,660)		
Payment in lieu of fractional shares			(4,549)			
Purchase of treasury stock, redemption agreement					841,978	4,209,890
Retirement of treasury stock	(841,978)	(84,197)	(4,125,693)		(841,978)	(4,209,890)
Exercise of stock options including related tax benefits	62,750	6,275	814,907			
Shares issued by public offering (Note 11)	300,000	30,000	9,328,830			
Balance, May 29, 1992	3,888,836	$388,884	$6,868,105	$65,628,966		$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Common stockholders' equity:

On May 7, 1991, the Board of Directors declared a three-for-two stock split of the Company's common stock, effected in the form of a stock dividend payable on June 14, 1991 to shareholders of record May 31, 1991. An amount equal to the par value of the common shares issued was transferred from capital in excess of par value to the common stock account. All references to number of shares, except shares authorized, number of stock options and their exercise prices, and to per share information in the consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis.

On December 11, 1991, the Company completed a public offering of 300,000 shares of common stock which generated net proceeds of $9,358,830 after deducting underwriting discounts and commissions. The net proceeds were used to reduce short-term indebtedness and for general corporate purposes, including the financing of working capital needs, capital expenditures and possible future acquisitions.

Income Tax Benefit From Issuance Of Stock To Employees

LOWE'S COMPANIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Stock Options

Common stock received through the exercise of incentive stock options which are sold by the optionee within two years of grant or one year of exercise result in a tax deduction for the Company equivalent to the taxable gain recognized by the optionee. For financial reporting purposes, the tax effect of this deduction is accounted for as a credit to capital in excess of par value rather than as a reduction of income tax expense. Such optionee sales resulted in a tax benefit to the Company of approximately $80 thousand, $61 thousand and $1.017 million during Fiscal Years 1992, 1991 and 1990, respectively.

UNITED STATES SURGICAL CORPORATION

Consolidated Statements of Changes in Stockholders' Equity

Dollars in thousands, except per share data	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Translation Adjustments	Installment Receivables from Sale of Common Stock	Treasury Stock
	Years ended December 31, 1992, 1991 and 1990					
Balance at January 1, 1990	$1,300	$131,600	$97,100	$ 400	$(8,900)	$(52,500)
Common stock issued to employees—net (2,506,862 shares)	100	23,900				
Amortization and adjustment of deferred compensation						
Acquisition of common stock for treasury (382,406 shares)						(5,000)
Aggregate adjustment resulting from the translation of foreign financial statements				10,700		
Dividends paid ($.2375 per share)			(11,400)			
Two-for-one stock split (13,993,013 shares)	1,400	(1,400)				
Net income			46,000			
Balance at December 31, 1990	2,800	154,100	131,700	11,100	(8,900)	(57,500)
Common stock issued to employees—net (3,925,385 shares)	300	41,700				
Amortization and adjustment of deferred compensation						
Acquisition of common stock for treasury (242,489 shares)					800	(13,600)
Aggregate adjustment resulting from the translation of foreign financial statements				(4,900)		
Dividends paid ($.2875 per share)			(14,700)			
Two-for-one stock split (29,596,073 shares)	3,000	(3,000)				
Net income			91,200			
Balance at December 31, 1991	6,100	192,800	208,200	6,200	(8,100)	(71,100)
Common stock issued to employees—net (3,110,529 shares)	300	48,000				
Amortization and adjustment of deferred compensation		(1,500)				
Income tax benefit from stock compensation		50,000				
Acquisition of common stock for treasury (269,204 shares)					2,100	(18,200)
Reissuance of common stock from treasury for acquisition (580,020 shares)		55,900				2,600
Aggregate adjustment resulting from the translation of foreign financial statements				(5,800)		
Dividends paid ($.30 per share)			(16,400)			
Net income			138,900			
Balance at December 31, 1992	$6,400	$345,200	$330,700	$ 400	$(6,000)	$(86,700)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Income Taxes

The Company has available for income tax return purposes the following net operating loss and tax credit carryforwards:

In thousands	Net Operating Losses	Investment Tax Credits	Research and Other Credits
Year Scheduled to Expire:			
1995		$ 300	
1996		1,400	
1997		1,400	
1998		1,100	$ 200
1999		1,000	100
2000	$ 8,100	900	300
2001		500	500
2002			700
2003			800
2004			1,000
2005	23,300[a]		1,800
2006	54,400[a]		3,000
2007	173,600[a]		1,400
	$257,400	$6,600	$9,800

[a] The exercise of stock options which have been granted under the Company's various stock option plans and the vesting of restricted stock give rise to compensation which is includable in the taxable income of the applicable employees and deductible by the Company for federal and state income tax purposes. Compensation resulting from increases in the fair market value of the Company's Common Stock subsequent to the date of grant of the applicable exercised stock options and restricted stock is not recognized, in accordance with Accounting Principles Board Opinion No. 25, as an expense for financial accounting purposes and the related tax benefits are taken directly to Additional Paid-in Capital. In the years ended December 31, 1992, 1991 and 1990, such deductions resulted in significant federal and state deductions which may be carried forward. Utilization of such deductions will increase Additional Paid-in Capital.

Warrants Exercised

SAFEWAY INC.

Consolidated Statements of Stockholders' Equity (Deficit)

(In Millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Subscriptions Receivable	Cumulative Translation Adjustments	Accumulated Deficit
Balance, year-end 1989	67.7	$0.7	$138.4	$(0.6)	$63.0	$(590.4)
Public Stock Offering	11.5	0.1	119.7	—	—	—
Options exercised	0.1	—	0.2	—	—	—
Amounts received on issuance of options	—	—	0.1	—	—	—
Warrants exercised	—	—	0.1	—	—	—
Cash received on Subscriptions Receivable	—	—	—	0.3	—	—
Net income	—	—	—	—	—	87.1
Translation adjustments	—	—	—	—	(2.1)	—
Balance, year-end 1990	79.3	0.8	258.5	(0.3)	60.9	(503.3)
Public Stock Offering	17.5	0.2	340.2	—	—	—
Options exercised	0.3	—	0.7	(0.6)	—	—
Warrants exercised	0.6	—	2.4	—	—	—
Shares purchased by directors	—	—	0.2	(0.2)	—	—
Cash received on Subscriptions Receivable	—	—	—	0.1	—	—
Net income	—	—	—	—	—	54.9
Translation adjustments	—	—	—	—	(0.1)	—
Balance, year-end 1991	97.7	1.0	602.0	(1.0)	60.8	(448.4)
Options exercised	0.5	—	1.1	—	—	—
Warrants exercised	0.6	—	2.3	—	—	—
Cash received on Subscriptions Receivable	—	—	—	0.1	—	—
Net income	—	—	—	—	—	43.5
Translation adjustments	—	—	—	—	(18.3)	—
Balance, year-end 1992	98.8	$1.0	$605.4	$(0.9)	$42.5	$(404.9)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Capital Stock

Warrants To Purchase Common Stock:

In connection with the Acquisition, the Company issued Merger Warrants to purchase common stock. Each Merger Warrant represents the right to purchase 0.279 shares of the Company's common stock for $1.052 per warrant. In order to purchase a whole share of common stock a holder must exercise 3.584 warrants and pay an aggregate exercise price of $3.7691. During 1992, 2,186,482 Merger Warrants representing 610,029 shares of common stock were exercised. During 1991, 2,299,073 Merger Warrants representing 641,441 shares of common stock were exercised. The Merger Warrants expire on November 24, 1996.

Warrants (the "SSI Warrants") to purchase 13.9 million shares of the Company's common stock at $2.00 per share were sold in 1986 to SSI Equity Associates, L.P., a limited partnership (The "SSI Partnership"). The SSI Warrants are exercisable through November 15, 2001. SSI Partners, L.P., an affiliate of KKR, is the general partner of the SSI Partnership.

Outstanding common stock and the effect of options and warrants at year-end 1992 are summarized as follows (in millions):

	Shares	Potential Proceeds from Exercise
Common stock outstanding	98.8	
Options to purchase common stock	14.1	$118.2
Merger Warrants	3.4	12.7
SSI Warrants	13.9	27.9
	130.2	$158.8

Change In Par Value

IMCERA GROUP INC.

Consolidated Statement of Changes in Shareholders' Equity

(In millions except per share amounts)	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
Balance, June 30, 1989	$14.6	$142.0	$259.3	$ 837.3	$(.9)	$(364.1)
Net earnings				56.5		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($.3125 a share)				(.4)		
Series B preferred stock ($2.4375 a share)				(3.4)		
Common stock ($.3333 a share)				(21.6)		
Redemption, conversion and retirement of Series A and B preferred stock	(4.6)		(218.8)	(16.6)		175.0
Stock option exercises		2.0	13.8			(9.7)
Purchase of IMCERA common stock						(56.0)
Marketable securities valuation adjustment					(2.9)	
Translation adjustment					22.0	
Other			1.7			
Balance, June 30, 1990	10.0	144.0	56.0	851.4	18.2	(254.8)
Net earnings				88.2		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.3333 a share)				(23.3)		
Issuance of common stock in public offering			106.2			83.7
Stock option exercises		1.2	16.1			6.6
Purchase of IMCERA common stock						(1.6)
Marketable securities valuation adjustment					2.9	
Translation adjustment					(20.7)	
Other			.8			(.3)
Balance, June 30, 1991	10.0	$145.2	179.1	915.9	.4	(166.4)
Net earnings				127.5		
Dividends						
4 percent preferred stock ($4.00 a share)				(.4)		
Common stock ($.3833 a share)				(29.1)		
Change in par value		(116.2)	116.2			
Common stock split		58.1	(58.4)			
Stock option exercises			14.4			19.8
Purchase of IMCERA common stock						(33.8)
Marketable securities valuation adjustment					(.7)	
Translation adjustment					37.6	
Other	1.0		1.8			2.2
Balance, June 30, 1992	$11.0	$ 87.1	$253.1	$1,013.9	$37.3	$(178.2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N (In Part):

Capital Stock

The Company has authorized and issued 100,000 shares, 98,330 outstanding at June 30, 1992, par value $100, 4 Percent Cumulative preferred stock. This stock, with voting rights, is redeemable at IMCERA's option at $110 a share. During the three years ended June 30, 1992, the number of issued and outstanding shares did not change.

In July 1989, 1,236,077 shares of Series A preferred stock were redeemed for cash of $65.1 million and 1,302,123 shares were converted to approximately 4,758,000 shares of IMCERA common stock. In April 1990, all of the 1,398,000 outstanding shares of Series B preferred stock were converted into approximately 5,310,000 shares of IMCERA common stock. All the remaining previously issued Series A and B shares were subsequently retired. At June 30, 1992, the Company has authorized 1,400,000 shares, par value $1, of series preferred stock, none of which is outstanding.

In October 1991, the Company's shareholders approved an increase in the number of authorized shares of common stock from 100 million to 300 million and a reduction in the par value per share of common stock from $5.00 to $1.00. Also, the Company's Board of Directors declared a 3-for-1 stock split payable on November 12, 1991.

Treasury Stock Transactions

CROWN CORK & SEAL COMPANY, INC.

Consolidated Statements of Shareholders' Equity

(In millions)	Common Stock	Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock	Total
Balance December 31, 1989	$197.5	$115.4	$644.9	$ (93.4)	$ (53.8)	$ 810.6
Net income—1990			107.1			107.1
Stock repurchased: 91,112 shares		(4.6)			(.5)	(5.1)
Stock issued under stock option plans: 206,868 shares		5.2			1.0	6.2
Translation adjustments				32.0		32.0
Balance December 31, 1990	197.5	116.0	752.0	(61.4)	(53.3)	950.8
Net income—1991			128.1			128.1
Stock repurchased: 911,966 shares		(64.6)			(4.5)	(69.1)
Stock issued under stock option and employee savings plans: 184,849 shares		8.7			.9	9.6
Stock offering—net: 750,000 shares		62.2			3.8	66.0
Stock issued in business combinations: 156,600 shares		12.1			.8	12.9
Translation adjustments				(13.9)		(13.9)
Balance December 31, 1991	197.5	134.4	880.1	(75.3)	(52.3)	1,084.4
Net income—1992			155.4			155.4
Stock repurchased: 1,747,774 shares		(52.7)			(8.7)	(61.4)
Stock issued under stock option and employee savings plans: 775,423 shares		13.3			3.8	17.1
Three-for-one stock split	395.0		(291.3)		(103.7)	
Translation adjustments				(51.9)		(51.9)
Balance December 31, 1992	$592.5	$ 95.0	$744.2	$(127.2)	$(160.9)	$1,143.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Treasury Stock

Treasury stock is reported at par value and constructively retired. The excess of fair value over par value is first charged to paid-in-capital, if any, and then to retained earnings.

MARK IV INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

(Dollars in Thousands, Except Per Share Data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock at Cost
Balance at February 28, 1989	$247	$48,831	$ 63,927	$ 2,907	$ (67)
Net income for 1990	—	—	71,649	—	—
Purchase of 3,552,031 shares of common stock (average cost of $5.86 per share)	—	—	—	—	(20,804)
Exercise of stock options	—	28	—	—	—
Translation adjustments	—	—	—	(1,663)	—
Balance at February 28, 1990	247	48,859	135,576	1,244	(20,871)
Net income for 1991	—	—	25,616	—	—
Cash dividends of $.067 per share	—	—	(1,387)	—	—
Stock dividend of 5% issued in July 1990	12	9,376	(9,388)	—	—
Stock dividend of 5% issued in April 1991	14	7,988	(8,002)	—	—
Purchase of 1,877,572 shares of common stock (average cost of $7.43 per share)	—	—	—	—	(13,947)
Exercise of stock options	—	155	—	—	—
Translation adjustments	—	—	—	2,296	—
Balance at February 28, 1991	273	66,378	142,415	3,540	$(34,818)
Net income for 1992	—	—	26,377	—	—
Cash dividends of $.077 per share	—	—	(2,437)	—	—
Retirement of treasury stock	(59)	(34,759)	—	—	34,818
Public sale of common stock at $8.67 per share	73	60,435	—	—	—
Sale of common stock to Pension Plan at $11.33 per share	6	6,794	—	—	—
Conversion of 7% Convertible Debentures	69	55,909	—	—	—
Exercise of stock options	—	75	—	—	—
Translation adjustments	—	—	—	(3,355)	—
Balance at February 29, 1992	$362	$154,832	$166,355	$ 185	$ 0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Stockholders' Equity and Stock Options

In July 1991, the Company's Board of Directors retired all 5,863,372 shares (as adjusted for the stock split as discussed above) of common stock held as treasury stock, and such shares returned to the status of authorized but unissued shares. As a result, the $34,818,000 value assigned to treasury stock has been eliminated with a corresponding decrease in the par and additional paid-in capital values for the issued common stock as of February 29, 1992.

KAMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Stock and Additional Paid-in Capital

A summary of the changes in capital stock and additional paid-in capital for the three years ended December 31, 1992 is as follows:

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Unamortized Restricted Stock Awards	Treasury Stock
Balance, January 1, 1990	$17,529	$668	$19,875	$(621)	$(16)
900 Class A common shares sold under stock incentive plan	—	—	(4)	—	7
360,680 Class A common shares sold under employees stock purchase plan	—	—	(418)	—	2,715
26,140 Class A common shares issued as additional payment under an acquisition agreement	—	—	(6)	—	213
87,000 Class A common shares issued as restricted stock awards	52	—	399	(684)	233
Purchase of 465,337 shares of Class A common stock	—	—	—	—	(3,443)
Amortization of restricted stock awards	—	—	—	309	—
Balance, December 31, 1990	17,581	668	19,846	(996)	(291)
11,960 Class A common shares sold under stock incentive plan	—	—	(43)	—	101
252,837 Class A common shares sold under employees stock purchase plan	—	—	(255)	—	2,135
19,353 Class A common shares issued as additional payment under an acquisition agreement	19	—	154	—	—
39,500 Class A common shares issued as restricted stock awards	—	—	(16)	(316)	332
Purchase of 266,258 shares of Class A common stock	—	—	—	—	(2,329)
Amortization of restricted stock awards	—	—	—	309	—
Balance, December 31, 1991	17,600	668	19,686	(1,003)	(52)
16,550 Class A common shares sold under stock incentive plan	—	—	(21)	—	142
226,296 Class A common shares sold under employees stock purchase plan	—	—	(308)	—	2,195
36,000 Class A common shares issued as restricted stock awards	—	—	(14)	(356)	370
Purchase of 444,280 shares of Class A common stock	—	—	—	—	(4,382)
Amortization of restricted stock awards	—	—	—	351	—
Balance, December 31, 1992	$17,600	$668	$19,343	$(1,008)	$(1,727)

Employees Stock Purchase Plan

The Kaman Corporation Employees Stock Purchase Plan allows employees to purchase Class A common stock of the corporation, through payroll deductions, at 85% of the market value of shares at the time of purchase. The plan provides for the grant of rights to employees to purchase a maximum of 1,500,000 shares of Class A common stock of the corporation commencing July 1, 1989. There are no charges or credits to income in connection with the plan. During 1992, 226,296 shares were issued to employees at prices ranging from $7.33 to $8.82 per share. During 1991, 252,837 shares were issued to employees at prices ranging from $6.59 to $8.08 per share. During 1990, 360,680 shares were issued to employees at prices ranging from $5.53 to $7.54 per share. At December 31, 1992, there were approximately 516,000 shares available for offering under the plan.

Stock Incentive Plan

The Kaman Corporation 1983 Stock Incentive Plan provides for the grant of non-statutory stock options, incentive stock options, restricted stock awards and stock appreciation rights primarily to officers and other key employees. The corporation has designated 960,000 shares of its Class A common stock for this plan.

Stock options are generally granted at prices not less than the fair market value at the date of grant. Options granted under the plan generally expire ten years from the date of grant and are exercisable on a cumulative basis with respect to 20% of the optioned shares on each of the five anniversaries from the date of grant. Restricted stock awards are generally granted with restrictions that lapse at the rate of 20% per year and are amortized accordingly. These awards are subject to forfeiture if a recipient separates from service with the corporation. Stock appreciation rights generally expire ten years from the date of grant and are exercisable on a cumulative basis with respect to 20% of the rights on each of the five anniversaries from the date of grant.

At December 31, 1992, there were outstanding options issued under the plan for the purchase of 675,697 shares at prices ranging from $7.50 to $13.83 per share. As of that date options covering 434,537 shares were exercisable at $7.50 to $13.83 per share. Options for 16,550, 11,960 and 900 shares were exercised during 1992, 1991 and 1990, respectively, at prices ranging from $3.98 to $8.00 per share. Restricted stock awards for 87,000 shares were made in 1990 at prices ranging from $7.50 to $8.13 per share. Restricted stock awards for 39,500 shares were made in 1991 at $8.00 per share. Restricted stock awards for 36,000 shares were made in 1992 at $9.88 per share. At December 31, 1992, there were 123,400 shares remaining subject to restrictions pursuant to these awards. No stock appreciation rights have been issued under the plan.

In 1990, the corporation replaced 368,737 unexercised options granted between January 1, 1986 and November 29, 1989 with the same number of new non-statutory options at a price of $7.88 per share.

Stock Issue Costs

UNOCAL CORPORATION

Consolidated Stockholders' Equity

Millions of Dollars	1992	1991	1990
Preferred Stock			
Issuance of preferred stock	$ 513	$ —	$ —
Balance at end of year	513	—	—
Common Stock			
Balance at beginning of year	235	235	234
Issuance of common stock	6	—	1
Balance at end of year	241	235	235
Capital in Excess of Par Value			
Balance at beginning of year	15	13	—
Issuance of common stock	147	2	13
Preferred stock issuance costs	(13)	—	—
Balance at end of year	149	15	13
Foreign Currency Translation Adjustment			
Balance at beginning of year	27	25	26
Current year adjustment	(22)	2	(1)
Balance at end of year	5	27	25
Unearned Portion of Restricted Stock Issued			
Balance at beginning of year	(11)	(12)	(12)
Issuance of restricted stock	(3)	(1)	(2)
Current year amortization	3	2	2
Balance at end of year	(11)	(11)	(12)
Retained Earnings			
Balance at beginning of year	2,198	2,289	2,052
Net earnings for year	220	73	401
Cash dividends declared			
Preferred stock ($1.62 per share)	(17)	—	—
Common stock ($0.70 per share)	(167)	(164)	(164)
Balance at end of year	2,234	2,198	2,289
Total Stockholders' Equity	$3,131	$2,464	$2,550

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (In Part): Capital Stock

Common Stock

	Thousands of Shares		
Authorized—750,000,000 Shares	1992	1991	1990
Outstanding at beginning of year	234,605	234,507	233,980
Issuance of common stock	6,066	98	527
Outstanding at end of year	240,671	234,605	234,507
Par value per authorized share	$ 1.00	$ 1.00	$ 1.00

At December 31, 1992, approximately 26 million shares were reserved for the conversion of preferred stock and management incentive program awards. Under the program, restricted shares were issued to key employees and outside directors. These awards generally require continuation of service with Unocal during the restriction period. The common shares outstanding at year-end 1992 included approximately one million shares of restricted stock.

Preferred Stock

The company has 100,000,000 shares of preferred stock with a par value of $0.10 per share authorized. In July 1992, the company issued 10,250,000 shares of $3.50 convertible preferred stock. The convertible preferred stock is redeemable after July 15, 1996, in whole or in part, at the option of the company, at redemption prices declining to $50 per share in and after the year 2002. The convertible preferred stock has a liquidation value of $50 per share and is convertible at the option of the holder into common stock of the company at a conversion price of $30.75 per share, subject to adjustment in certain events. Dividends on the preferred stock at an annual rate of $3.50 per share are cumulative and are payable quarterly in arrears, when and as declared by Unocal's Board of Directors. Holders of the preferred stock have no voting rights; however, they are entitled to elect two additional directors if the equivalent of six quarterly dividends payable on the preferred stock are in default.

Public Offering Of Subsidiary Stock

CHOCK FULL O'NUTS CORPORATION

Consolidated Statements of Stockholders' Equity

	Common Stock		Deferred Compensation Under Stock Bonus Plan and Employees' Stock Ownership Plan	Unfunded Pension Losses	Additional Paid-In Capital	Retained Earnings
	Shares	Amount				
			In Thousands			
Balance at July 31, 1989	8,152	$2,038	$2,825		$33,688	$12,308
Net income						4,407
3% stock dividend	242	60			1,722	(1,782)
Conversion of debentures	237	59			2,122	
Deferred compensation under stock bonus plan and employees' stock ownership plan:						
Issuance of shares	75	19	384		365	
Forfeiture of shares			(43)			
Loans to employees' stock ownership plan			1,140			
Amortization			(880)			
Unfunded pension losses, net of deferred income tax benefit of $614,000				$1,193		
Balance at July 31, 1990	8,706	2,176	3,426	1,193	37,897	14,933
Net income						8,792
3% stock dividend	287	72			2,223	(2,295)
Conversion of debentures	58	15			531	
Issuance of treasury stock as compensation to outside directors					(20)	
Deferred compensation under stock bonus plan and employees' stock ownership plan:						
Issuance of shares			98		(262)	
Loans to employees' stock ownership plan			1,000			
Amortization			(993)			
Shares issued for acquisition	795	199			4,559	
Reversal of unfunded pension losses				(976)		
Balance at July 31, 1991	9,846	2,462	3,531	217	44,928	21,430
Net (loss)						(4,059)
3% stock dividend	279	70			1,849	(1,919)
Conversion of debentures	67	16			553	
Deferred compensation under stock bonus plan and employees' stock ownership plan:						
Issuance of shares			1,070		813	
Amortization			(1,512)			
Decrease in proportionate share of subsidiary's equity related to public offering of subsidiary's stock					(4,406)	
Other					131	
Reversal of unfunded pension losses				(67)		
Balance at July 31, 1992	10,192	$2,548	$3,089	$150	$43,868	$15,452

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note eleven (In Part): Other Items

(e) On December 13, 1991, JJI, a then wholly owned subsidiary, completed an initial public offering of 1,500,000 of its common shares at $6 a share. The transaction, together with 250,000 restricted common shares issued by JJI to its executive officers, reduced the Company's ownership interest to 73%. JJI realized net cash proceeds of approximately $8,000,000 from sale of shares, after underwriting discounts and commissions and expenses of the offering. The sales resulted in a decrease of $4,406,000 in the Company's proportionate share of JJI's equity, which amount has been charged to additional paid-in capital. JJI has issued warrants to the lead underwriter to purchase 150,000 common shares, exercisable for a period of four years commencing one year from the date of the offering at $8.40 a share (subject to adjustment). JJI has also adopted a stock option plan covering 490,000 common shares and has granted options under the plan to officers and key employees, which expire 10 years after grant, for the purchase of 400,000 common shares at $6 per share representing the fair market value at date of grant. Options granted for 225,000 shares are exercisable upon grant and options for 175,000 shares are exercisable 25% upon grant and 25% on each of the following three anniversary dates thereof. If all such outstanding warrants and options were exercised, the Company's ownership interest in JJI would be reduced to approximately 67%.

FOREIGN CURRENCY TRANSLATION

Statement of Financial Accounting Standards No. 52 is the authoritative pronouncement on foreign currency translation. *SFAS No. 52* distinguishes between translation adjustments, which are usually reported as a separate component of stockholders' equity, and foreign currency transactions, which are included in determining net income. Translation adjustments relating to highly inflationary economies are included in determining net income. Examples of foreign currency translation disclosures follow.

AIR PRODUCTS AND CHEMICALS, INC.

Changes in Shareholders' Equity

Year Ended 30 September	1992	1991	1990
	(In millions, except per share)		
Common Stock			
Balance, Beginning of Year	$ 62.4	$ 62.4	$ 62.4
Two-for-one stock split	62.3	—	—
Balance, End of Year	124.7	62.4	62.4
Capital in Excess of Par Value			
Balance, Beginning of Year	236.3	228.9	224.7
Issuance of Treasury Shares for Benefit and Stock Option and Award Plans, 698,882 shares in 1992, 514,435 shares in 1991, and 545,816 shares in 1990	6.8	3.4	(.4)
Tax benefit of Stock Option and Award Plans	6.9	4.0	4.6
Two-for-one stock split	(62.3)	—	—
Balance, End of Year	187.7	236.3	228.9
Retained Earnings			
Balance, Beginning of Year	1,717.7	1,552.8	1,399.6
Net income	271.0	248.9	229.9
Cash dividends—Common Stock, $.83 per share in 1992, $.75 per share in 1991 restated, and $.69 per share in 1990 restated	(93.3)	(84.0)	(76.7)
Balance, End of Year	1,895.4	1,717.7	1,552.8
Cumulative Translation Adjustments			
Balance, Beginning of Year	36.3	71.6	2.4
Translation adjustments, net of income taxes of $.4 benefit in 1992, $2.3 in 1991, and $5.9 benefit in 1990	49.2	(35.3)	69.2
Balance, End of Year	85.5	36.3	71.6
Treasury Stock			
Balance, Beginning of Year	(211.4)	(227.3)	(244.2)
Issuance of Treasury Shares for Benefit and Stock Option and Award Plans, 698,882 shares in 1992, 514,435 shares in 1991, and 545,816 shares in 1990	15.8	15.9	16.9
Balance, End of Year	(195.6)	(211.4)	(227.3)
Total Shareholders' Equity	$2,097.7	$1,841.3	$1,688.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Foreign Currency Translation—The value of the U.S. dollar rises and falls day to day on foreign currency exchanges. Since the company does business in many foreign countries, these fluctuations affect the company's financial position and results of operations.

Generally, foreign subsidiaries translate their assets and liabilities into U.S. dollars at current exchange rates—that is, the rates in effect at the end of the fiscal period. The gains or losses that result from this process are shown in the cumulative translation adjustments account in the shareholders' equity section of the balance sheet.

The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period. Therefore, the U.S. dollar value of these items on the income statement fluctuates from period to period depending on the value of the dollar against foreign currencies.

Some transactions of the company and its subsidiaries are made in currencies different from their own. Gains and losses from these transactions are generally included in income as they occur. Certain transactions, such as long-term debt in the same currency of a foreign subsidiary as well as foreign exchange contracts, are sometimes used to hedge or protect the value of the investments in certain foreign subsidiaries. Gains and losses from these hedges are not included in the income statement but are shown in the cumulative translation adjustments account. Additionally, foreign exchange contracts and foreign currency options are sometimes used to hedge firm commitments and certain anticipated export sales transactions. Gains and losses resulting from these agreements are deferred and reflected as adjustments of the related foreign currency transactions.

13 (In Part): Supplementary Information

Other Income, net—This table gives a breakdown of the items included in other income (expense):

(In millions)	1992	1991	1990
Interest income	$ 20.6	$ 15.3	$ 11.6
Gain from settlement of certain pension obligations	—	11.0	—
Foreign exchange	(19.9)	(9.6)	(13.4)
Gain on sale of assets	5.5	6.3	13.4
Royalty and technology income	4.8	4.0	3.7
Amortization of intangibles	(9.0)	(5.6)	(4.8)
Miscellaneous	6.8	4.1	(.3)
	$ 8.8	$ 25.5	$ 10.2

Foreign exchange excludes foreign currency gains on Brazilian debt ($1.8 million in 1992, $1.5 million in 1991, and $4.5 million in 1990) and gains on Brazilian tax liabilities ($.4 million in 1992, $1.0 million in 1991, and $3.9 million in 1990) which have been reported in interest expense and income taxes, respectively.

AMERON, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional		Cumulative Foreign Currency
	Shares Outstanding	Amount	Paid-in Capital	Retained Earnings	Translation Adjustments
Balance, November 30, 1989	3,749,274	$12,305,000	$ 9,047,000	$152,685,000	$ 224,000
Net income—1990				11,427,000	
Exercise of stock options and issuance of stock to employee savings plan	29,300	74,000	1,005,000		
Dividends on common stock of $1.28 a share				(4,823,000)	
Foreign currency translation adjustments (net of deferred income tax of $1,151,000)					1,847,000
Balance, November 30, 1990	3,778,574	12,379,000	10,052,000	159,289,000	2,071,000
Net income—1991				7,635,000	
Exercise of stock options and issuance of stock to employee savings plan	34,126	85,000	1,087,000		
Dividends on common stock of $1.28 a share				(4,862,000)	
Foreign currency translation adjustments (net of deferred income tax benefit of $669,000)					(1,553,000)
Balance, November 30, 1991	3,812,700	12,464,000	11,139,000	162,062,000	518,000
Net income—1992				5,859,000	
Exercise of stock options and issuance of stock to employee savings plan	28,930	72,000	868,000		
Dividends on common stock of $1.28 a share				(4,904,000)	
Foreign currency translation adjustments (net of deferred income tax benefit of $230,000)					(413,000)
Balance, November 30, 1992	3,841,630	$12,536,000	$12,007,000	$163,017,000	$ 105,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation

The functional currency for the majority of the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The gains or losses, net of applicable deferred income taxes, resulting from such translation are included in stockholders' equity.

Gains or losses resulting from foreign currency transactions are included in "Other Income."

Note 2. Other Income

Other income for the years ended November 30, included the following:

(In thousands)	1992	1991	1990
Royalties and fees from affiliated companies and licensees	$3,284	$2,925	$2,217
Foreign currency gain (loss)	(433)	275	(355)
Interest income	1,543	928	691
Legal recovery	—	770	—
Miscellaneous	283	345	329
	$4,677	$5,243	$2,882

MANVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(f) Foreign Currency Translation

The Company accounts for translation of foreign currency in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." The Company's Brazilian operations are in a "highly inflationary" economy and use the U.S. dollar as the functional currency. Therefore, certain assets of this entity are translated at historical exchange rates and all translation adjustments are reflected in the consolidated statement of income.

Note 16—Foreign Currency Exchange and Translation

An analysis of changes in the Cumulative Currency Translation Adjustment included in Shareholders' Equity at December 31, 1992 and 1991 is as follows:

	(In thousands of dollars) 1992	1991
Cumulative currency translation adjustment at beginning of year	$36,597	$40,432
For the year ended December 31:		
Currency translation adjustments	(28,937)	(6,195)
Income taxes related to currency translation adjustments	29	13
Amounts related to the disposal of operations	11	2,347
Cumulative currency translation adjustment at end of year	$ 7,700	$36,597

Note 20—Other (Loss) Income, net

In July 1989, a lawsuit filed by the Company against Guardian Industries Corporation culminated in the Company being awarded approximately $15 million in a patent infringement judgement. In January 1991, a U.S. appeals court upheld the judgement. The proceeds, approximately $40 million including accrued interest, were received in February 1991. The original $15 million judgement, net of approximately $2 million of deferred litigation costs, was reflected in 1991 other income. Approximately $25 million of the proceeds was reflected in interest income.

Included in 1992, 1991 and 1990 other income were gains on the sales of excess precious metals used in operations of $7.6 million, $7.5 million and $15.4 million, respectively.

Net foreign currency translation (losses) gains included in determining other income for 1992, 1991 and 1990 were $(7.2) million, $(0.8) million and $1.8 million, respectively.

PFIZER INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

The assets and liabilities for most of the Company's international subsidiaries are translated into U.S. dollars using current exchange rates. Income statement items are generally translated at average exchange rates prevailing during the period. The resulting translation adjustments are recorded in the Currency translation adjustment account in Shareholders' equity. Exchange gains and losses on hedges of foreign net investments and on intercompany balances of a long-term investment nature are also recorded in the Currency translation adjustment account. Other foreign currency transaction gains and losses are included in net income.

International subsidiaries and branches operating in highly inflationary economies translate non-monetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustment included in net income.

Consolidated International Subsidiaries

Subsidiaries operating outside the U.S. generally are included in the consolidated financial statements on a fiscal year basis ending November 30. At December 31, 1992, 1991 and 1990, the retained earnings of such subsidiaries approximated $3.0, $2.7 and $2.4 billion, respectively. Substantially all of the international subsidiaries' unremitted earnings are free from legal or contractual restrictions. Additional information is shown on page 46.

Net exchange gains/(losses), included in Other deductions in the Consolidated Statement of Income, were $(22.8), $(6.5) and $17.4 million in 1992, 1991 and 1990, respectively.

Changes in the Currency translation adjustment included in the shareholders' equity section of the Consolidated Balance Sheet are as follows:

(Millions of Dollars)	1992	1991	1990
Currency translation adjustment, January 1	$157.8	$255.6	$ 47.2
Translation adjustments and hedges	(84.0)	(98.5)	208.5
Income taxes allocated to translation adjustments and hedges	(13.1)	.7	(.1)
Transfer to income statement on sale or liquidation of businesses	(15.4)	—	—
Currency translation adjustment, December 31	$ 45.3	$157.8	$255.6

TECUMSEH PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Foreign Currency Translation

The assets and liabilities of the Company's Canadian and European subsidiaries are translated into U.S. dollars at current exchange rates and revenues and expenses are translated at average monthly exchange rates. The resulting translation adjustments are recorded in a separate component of stockholders' equity:

(Dollars in millions)	1992	1991
Balance at January 1	$ 23.8	$28.2
Effect of balance sheet translations:		
Amount	(15.1)	(5.2)
Tax effect	2.3	.8
Balance at December 31	$11.0	$23.8

For the Company's Brazilian subsidiary, which operates in a highly inflationary economy, inventory and plant and equipment and related income statement items are translated at historical exchange rates while other assets and liabilities are translated at current exchange rates. The resulting translation adjustment is included in other expense and was $2.1 million, $6.6 million and $3.5 million in 1992, 1991, and 1990, respectively.

HALLIBURTON COMPANY

Consolidated Statements of Income

Years ended December 31	1992	1991	1990
	Millions of dollars and shares except per share data		
Revenues:			
Services	$5,690.9	$6,107.5	$6,015.9
Sales	834.5	868.0	889.3
Equity in income of related companies	40.5	43.3	20.3
Total revenues	6,565.9	7,018.8	6,925.5
Operating Costs and Expenses:			
Services	5,616.4	5,843.3	5,606.7
Sales	729.1	744.1	699.7
General and administrative	321.8	335.5	283.3
Total operating costs and expenses	6,667.3	6,922.9	6,589.7
Operating Income (Loss)	(101.4)	95.9	335.8
Interest expense	(53.6)	(53.3)	(33.7)
Interest income	42.0	62.3	30.8
Foreign currency losses	(32.7)	(11.1)	(11.2)
Gains on sales	13.6	—	33.0
Other nonoperating income (losses), net	0.8	(0.8)	(1.2)
Income (Loss) Before Income Taxes, Minority Interest and Changes in Accounting Methods	(131.3)	93.0	353.5

Consolidated Statements of Shareholders' Equity

Years ended December 31	1992	1991	1990
	Millions of dollars except share data		
Common Stock (number of shares):			
Balance at beginning of year	119,280,618	119,297,232	119,312,602
Shares issued (forfeited) under restricted stock plan, net	(29,252)	(16,614)	(15,370)
Balance at end of year	119,251,366	119,280,618	119,297,232
Common Stock (dollars):			
Balance at beginning of year	$ 298.2	$ 298.3	$ 298.3
Shares issued (forfeited) under restricted stock plan, net	(0.1)	(0.1)	—
Balance at end of year	$ 298.1	$ 298.2	$ 298.3
Paid-in Capital in Excess of Par Value:			
Balance at beginning of year	$ 136.4	$ 130.6	$ 130.5
Shares issued (forfeited) under restricted stock plan, net	2.4	5.8	0.1
Balance at end of year	$ 138.8	$ 136.4	$ 130.6
Cumulative Translation Adjustment:			
Balance at beginning of year	$ 5.0	$ 19.0	$ (8.7)
Net change (net of tax of $5.2 million in 1992, $6.4 million in 1991 and $3.8 million in 1990)	(20.6)	(14.0)	27.7
Balance at end of year	$ (15.6)	$ 5.0	$ 19.0
Net Unrealized Gains (Losses):			
Balance at beginning of year	$ 1.5	$ 0.2	$ 0.4
Net change	0.3	1.3	(0.2)
Balance at end of year	$ 1.8	$ 1.5	$ 0.2
Retained Earnings:			
Balance at beginning of year	$2,091.3	$2,171.5	$2,080.8
Net income (loss)	(137.3)	26.6	197.4
Cash dividends paid ($1.00 per share)	(107.3)	(106.8)	(106.7)
Balance at end of year	$1,846.7	$2,091.3	$2,171.5

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Foreign Currency Translation. The Company's primary functional currency is the U.S. dollar. Accordingly, most foreign entities translate monetary assets and liabilities at year-end exchange rates while non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except for depreciation and cost of sales which are translated at historical rates. Therefore, translation adjustments and transaction gains or losses are recognized in consolidated income in the year of occurrence. The remaining entities use the local currency as the functional currency and translate net assets at year-end rates while income and expense accounts are translated at average exchange rates. Adjustments resulting from these translations are reflected in the Shareholders' Equity section titled "Cumulative Translation Adjustment."

Section 5: Statement of Cash Flows

Effective for fiscal years ending after July 15, 1988, *Statement of Financial Accounting Standards No. 95* requires enterprises to present a Statement of Cash Flows which classifies cash receipts and payments by operating, investing, and financing activities. *SFAS No. 95* supersedes *APB Opinion No. 19* which required a statement summarizing changes in financial position.

SFAS No. 95 "encourages" enterprises to use the direct method of reporting cash flows from operating activities. Fifteen survey companies used the direct method.

This section reviews the format and content of the Statement of Cash Flows.

PRESENTATION IN ANNUAL REPORT

Table 5-1 shows where in relation to other financial statements a Statement of Cash Flows is presented in an annual report. As shown in Table 5-1, a Statement of Cash Flows is usually presented as the last financial statement or after the income statement and balance sheet but before the statement of changes in stockholders' equity.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1992	1991	1990	1989
Final statement	325	336	328	338
Follows income statement and balance sheet	234	228	232	218
Between income statement and balance sheet	41	36	40	43
First statement	—	—	—	1
Total Companies	**600**	**600**	**600**	**600**

TITLE

As indicated in Table 5-2, the survey companies, with a few exceptions, used the title set forth in *SFAS No. 95* to identify a Statement of Cash Flows.

TABLE 5-2: TITLE

	1992	1991	1990	1989
Cash Flows	589	590	589	590
Cash Flow	11	10	11	10
Total Companies	**600**	**600**	**600**	**600**

CASH FLOWS FROM OPERATING ACTIVITIES

Paragraphs 21–24 of *SFAS No. 95* define those transactions and events which constitute operating cash receipts and payments. *SFAS No. 95* recommends that the direct method, as defined in paragraph 27, be used to report net cash flow from operating activities. Most of the survey companies used the indirect method (reconciling net income to net cash flow from operating activities) to report net cash flow from operating activities. Regardless of whether the direct or indirect method is used, paragraph 29 of *SFAS No. 95* requires that a reconciliation of net income to net cash flow from operating activities be presented and that interest and income tax payments be disclosed.

Table 5-3 shows the methods used to report cash flows from operating activities. Companies using the direct method usually present the reconciliation of net income to net cash flow from operating activities as a schedule at the bottom of the Statement of Cash Flows or on the page adjacent to the Statement. Companies using the indirect method usually present the reconciliation within the Statement of Cash Flows.

Table 5-4 shows where in the financial statements interest and income tax payments are disclosed. Those survey companies disclosing the amount of interest payments in the notes to financial statements did so usually in a note discussing debt or in a note discussing details about the Statement of Cash Flows. Those survey companies disclosing the amount of income tax payments in the notes to financial statements did so usually in a note discussing income taxes or in a note discussing details about the Statement of Cash Flows.

Examples of reporting cash flows from operating activities follow.

TABLE 5-3: METHOD OF REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

	1992	1991	1990	1989
Indirect method	585	585	585	583
Direct method	15	15	15	17
Total Companies	**600**	**600**	**600**	**600**

TABLE 5-4: INTEREST AND INCOME TAX PAYMENTS

	1992	1991	1990	1989
Interest Payments				
Notes to financial statements	354	348	343	350
Bottom of Statement of Cash Flows	219	217	217	211
Within Statement of Cash Flows	17	18	17	19
Amount not disclosed	10	17	23	20
Total Companies	**600**	**600**	**600**	**600**
Income Tax Payments				
Notes to financial statements	355	353	350	351
Bottom of Statement of Cash Flows	218	216	217	212
Within Statement of Cash Flows	21	23	21	21
Amount not disclosed	6	8	12	16
Total Companies	**600**	**600**	**600**	**600**

Direct Method

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC.

Consolidated Statements of Cash Flows

(In thousands of dollars)	Years Ended October 31 1992	1991	1990
Cash flows from operating activities:			
Cash received from customers	$ 745,223	$ 728,034	$ 668,986
Other operating cash receipts	693	457	901
Interest received	637	353	369
Cash paid to suppliers and employees	(730,708)	(706,619)	(652,785)
Interest paid	(2,060)	(3,106)	(2,634)
Income taxes paid	(8,853)	(13,077)	(11,796)
Net cash provided by operating activities	4,932	6,042	3,041
Cash flows from investing activities:			
Additions to property, plant and equipment	(5,225)	(5,647)	(6,102)
Proceeds from sale of assets	1,614	13,049	714
Insurance proceeds from earthquake damage	—	—	5,000
Expenses related to earthquake damage	—	—	(1,390)
(Increase) decrease in investments and long-term receivables	(488)	(442)	1,201
Intangibles resulting from acquisitions	(3,328)	(2,172)	(3,743)
Net cash provided by (used in) investing activities	(7,427)	4,788	(4,320)
Cash flows from financing activities:			
Common stock issued	3,406	2,757	2,634
Dividends paid	(4,127)	(3,861)	(3,749)
Increase (decrease) in cash overdraft	(2,777)	2,777	—
Increase (decrease) in notes payable	(58)	(1,131)	1,525
Long-term borrowings	33,036	8,527	7,000
Repayments of long-term borrowings	(27,104)	(19,023)	(7,027)
Net cash provided by (used in) financing activities	2,376	(9,954)	383
Net increase (decrease) in cash and cash equivalents	(119)	876	(896)
Cash and cash equivalents beginning of year	2,484	1,608	2,504
Cash and cash equivalents end of year	$ 2,365	$ 2,484	$ 1,608
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 11,992	$ 11,100	$ 11,233
Adjustments:			
Depreciation and amortization	6,634	6,970	7,019
Provision for bad debts	2,550	1,684	1,801
Extraordinary gain	—	—	(2,434)
Gain on sale of assets	(2,492)	(7,740)	(205)
Increase in accounts receivable	(11,963)	(7,794)	(7,705)
Increase in inventories and supplies	(459)	(1,466)	(141)
(Increase) decrease in prepaid expenses	(1,183)	1,575	(2,521)
(Increase) decrease in other assets	(380)	(829)	553
Increase in deferred income taxes	(87)	(6,268)	(11,674)
Increase (decrease) in income taxes payable	(341)	669	848
Increase in retirement pension plan accrual	70	72	153
Increase (decrease) in insurance claims liability	(2,199)	6,838	5,543
Increase in trade accounts payable and other accrued liabilities	2,790	1,231	571
Total adjustments to net income	(7,060)	(5,058)	(8,192)
Net cash provided by operating activities	$ 4,932	$ 6,042	$ 3,041

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Statements of Cash Flows: For purposes of the comparative statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. Certain noncash transactions are excluded from the consolidated statements of cash flows and are discussed in note 12.

ARDEN GROUP, INC.

Statements of Cash Flows

	Fifty-Three Weeks	Fifty-Two Weeks	
(In Thousands)	1992	1991	1990
Cash flows from operating activities:			
Cash received from customers	$ 237,273	$ 239,183	$ 241,573
Cash paid to suppliers and employees	(225,686)	(232,752)	(231,207)
Interest received	1,048	2,056	2,602
Interest paid	(2,609)	(3,916)	(4,299)
Income taxes (refunded) paid	508	(2,438)	(2,680)
Cash paid for lawsuit settlement			(1,255)
Net cash provided by operating activities	10,534	2,133	4,734
Cash flows from investing activities:			
Proceeds from the sale of property, plant and equipment, liquor licenses and leasehold interests	357	134	1,515
Payments received on notes from the sale of property, plant and equipment and liquor licenses	25	285	144
Capital expenditures	(1,907)	(3,043)	(2,411)
Net proceeds from sale of investment securities			1,685
Net cash (used) provided in investing activities	(1,525)	(2,624)	933
Cash flows from financing activities:			
Principal payments under capital lease obligations	(1,425)	(1,622)	(1,987)
Principal payments on long-term debt	(24)	(7)	(7)
Loan to officer/director	(1,000)		
Retirement of 13% debentures	(19,342)		
Redemption of serial preferred stock			(3,292)
Exercise of stock option		812	
Dividends paid			(311)
Transfer from (to) discontinued operations	3,234	3,301	17,092
Net cash (used) provided in financing activities	(18,557)	2,484	11,495
Net increase (decrease) in cash	(9,548)	1,993	17,162
Cash at beginning of year	30,501	28,508	11,346
Cash at end of year	$ 20,953	$ 30,501	$ 28,508

	Fifty-Three Weeks	Fifty-Two Weeks	
	1992	1991	1990
Reconciliation of Net Income to Net Cash Provided by Operating Activities:			
Net income (loss)	$ 4,483	$ (234)	$11,543
Adjustments to reconcile net income to net cash provided by operating activities:			
(Income) loss from discontinued operations	(932)	1,995	(5,608)
Depreciation & amortization	3,345	3,472	3,676
Provision for losses on accounts and notes receivable	97	256	(183)
Net (gain) loss from the sale of property, plant and equipment, liquor licenses and early lease terminations	(577)	(90)	(1,511)
Net proceeds from sale of investment securities			(1,685)
Interest differential on note payable	23	20	19
Note receivable from officer/director	(12)	(10)	(10)
Original issue discount amortization on 13% debentures	695	77	67
Change in assets and liabilities, net of effects from noncash investing and financing activities:			
(Increase) decrease in assets:			
Notes and accounts receivable	3,530	(2,318)	1,671
Inventories	1,258	(150)	(496)
Prepaid expenses	137	(527)	(343)
Other assets	1,205	100	42
Increase (decrease) in liabilities:			
Accounts payable and other current liabilities	(1,237)	(609)	(1,847)
Deferred income taxes	(59)	2,145	(1,741)
Other liabilities	(1,422)	(1,994)	1,140
Net cash provided by operating activities	$10,534	$ 2,133	$ 4,734

HUGHES SUPPLY, INC.

Consolidated Statements of Cash Flows

(In thousands)	Fiscal Years Ended January 29, 1993	January 31, 1992	January 25, 1991
Increase (Decrease) in Cash and Cash Equivalents:			
Cash flows from operating activities:			
Cash received from customers	$ 519,029	$ 476,166	$ 555,280
Cash paid to suppliers and employees	(507,815)	(462,943)	(533,800)
Interest and other investment income received	1,818	1,843	1,554
Interest paid	(4,789)	(6,025)	(8,186)
Income taxes (paid) refunded	(1,554)	1,514	(3,259)
Net cash provided by operating activities	6,689	10,555	11,589
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	1,810	1,126	783
Capital expenditures	(8,515)	(4,860)	(7,172)
Investment in affiliate	—	—	(250)
Proceeds from sale of manufacturing operations	—	—	5,217
Net cash used in investing activities	(6,705)	(3,734)	(1,422)
Cash flows from financing activities:			
Net borrowings (payments) under short-term debt arrangements	(503)	9,373	2,847
Principal payments on:			
Long-term notes	(1,678)	(12,021)	(2,598)
Capital lease obligations	(602)	(550)	(715)
Proceeds from issuance of common shares under stock option plans	—	17	36
Purchase of common shares	—	(15)	(7,054)
Dividends paid	(502)	(1,254)	(1,600)
Net cash used in financing activities	(3,285)	(4,450)	(9,084)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,301)	2,371	1,083
Cash and Cash Equivalents, beginning of year	5,552	3,181	2,098
Cash and Cash equivalents, end of year	$ 2,251	$ 5,552	$ 3,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents:

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Note 9—Supplemental Cash Flows Information:

The following is a reconciliation of net income (loss) to net cash provided by (used in) operating activities (in thousands):

	Fiscal Years Ended		
	January 29, 1993	January 31, 1992	January 25, 1991
Net income (loss)	$ 2,264	$ (4,040)	$ 2,141
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,778	6,043	7,541
Amortization	773	1,065	1,646
Provision for doubtful accounts	1,733	2,552	2,591
(Gain) loss on sale of property, plant and equipment	(1,012)	284	(382)
Undistributed (earnings) losses of affiliate	(135)	131	11
Gain on sale of manufacturing operations	—	—	(937)
Treasury shares contributed to employee benefit plans	—	—	296
Write-off of goodwill	—	468	—
Changes in assets and liabilities net of effects of business divestiture:			
(Increase) decrease in:			
Accounts receivable	(9,885)	(5,212)	5,681
Inventories	23	4,566	1,929
Refundable income taxes	530	1,571	(381)
Other current assets	(1,206)	216	920
Other assets	(12)	131	(254)
Increase (decrease) in:			
Accounts payable and accrued expenses	8,464	4,984	(7,740)
Accrued interest and income taxes	1,112	(107)	(223)
Other noncurrent liabilities	158	—	145
Increase in deferred income taxes	(1,896)	(2,097)	(1,395)
Net cash provided by operating activities	$ 6,689	$10,555	$11,589

MOSINEE PAPER CORPORATION

Consolidated Statements of Cash Flows

($ thousands)	For the Years Ended December 31, 1992	1991	1990
Increase (Decrease) in Cash and Cash Equivalents:			
Cash flows from operating activities:			
Cash received from customers	$222,274	$196,486	$210,665
Cash paid to suppliers and employees	(202,722)	(183,139)	(187,748)
Interest received	146	43	126
Interest paid—net of amount capitalized	(7,774)	(1,707)	—
Income taxes (paid) refunded	4,277	(1,961)	(7,638)
Net cash provided by operating activities	16,201	9,722	15,405
Cash flows from operating activities:			
Capital expenditures	(21,508)	(105,458)	(25,114)
Proceeds from property, plant and equipment disposals	5,957	140	860
Net cash used in investing activities	(15,551)	(105,318)	(24,254)
Cash flows from financing activities:			
Borrowing (payments) under credit agreements	(1,116)	95,585	14,043
Repayment of long-term debt	(148)	(746)	(1,290)
Dividends paid	(2,559)	(2,468)	(2,176)
Proceeds from company stock transactions	2,195	891	—
Purchase of company stock	—	—	(328)
Proceeds from notes receivable—stock sale	—	—	150
Net cash provided by (used in) financing activities	(1,628)	93,262	10,399
Net increase (decrease) in cash and cash equivalents	(978)	(2,334)	1,550
Cash and cash equivalents at beginning of year	1,819	4,153	2,603
Cash and cash equivalents at end of year	$ 841	$ 1,819	$ 4,153
Reconciliation of Net Income/(Loss) to Net Cash Provided by Operating Activities:			
Net income (loss)	$ (8,500)	$ 902	$ 11,970
Provision for depreciation, depletion and amortization	15,839	10,859	8,661
Provision for postretirement benefits other than pensions	14,242	—	—
Recognition of deferred revenue	(40)	(22)	—
Provision for losses on accounts receivable	247	90	873
Gain on property, plant and equipment disposals	(558)	(6)	(45)
Deferred income taxes	(3,312)	4,087	816
Changes in operating assets and liabilities:			
Accounts receivable	(3,238)	(938)	169
Refundable income taxes	2,744	(4,749)	—
Inventories	(3,919)	5,766	(4,300)
Other assets	(2,032)	(1,164)	(639)
Accounts payable and other liabilities	4,611	(4,921)	(1,300)
Accrued income taxes	117	(182)	(800)
Net cash provided by operating activities	$ 16,201	$ 9,722	$ 15,405

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents—The company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Reconciliation Of Net Income To Net Cash Flow From Operating Activities

ANALOGIC CORPORATION

Consolidated Statements of Cash Flows
(000 omitted)

	Years Ended July 31, 1992	1991	1990
Cash flows from operating activities:			
Net income	$ 9,910	$ 12,239	$ 12,431
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	811	(537)	(1,215)
Depreciation	8,531	7,711	7,694
Amortization of capitalized software	1,022	423	575
Amortization of excess of cost over net acquired assets	221	138	138
Amortization of excess of acquired net assets over cost			(1,156)
Amortization of other assets (deferred charges)	688	254	161
Minority interest in net income of consolidated subsidiary	959	682	904
Provision for losses on accounts receivable	301	(577)	22
Gain on sale of building	(1,864)		
Loss (gain) on sale of equipment	(2)	(44)	20
Equity in losses (income) of unconsolidated affiliates	(3,414)	352	
Compensation from stock grants	188	300	245
Changes in operating assets and liabilities			
Decrease (increase) in assets:			
Accounts and notes receivable	1,048	3,114	(434)
Inventories	1,532	(483)	4,199
Prepaid expenses and other current assets	43	(511)	539
Other assets	(278)	360	361
Increase (decrease) in liabilities:			
Accounts payable, trade	(1,594)	111	489
Accrued expenses and other current liabilities	780	467	732
Accrued income taxes	(974)	(1,742)	(578)
Total adjustments	7,998	10,106	12,696
Net cash provided by operating activities	17,908	22,345	25,127
Cash flows from investing activities:			
Investments in and advances to affiliated companies	1,423	(1,602)	758
Additions to property, plant and equipment	(4,547)	(7,703)	(5,721)
Capitalized software	(1,715)	(1,418)	(510)
Proceeds on sale of building	3,638		
Proceeds from sale of property, plant and equipment	47	47	43
Proceeds on maturities (purchases) of marketable securities, net	(1,555)	8,125	(12,621)
Acquisitions of businesses, net of cash acquired	18,413		
Net cash used by investing activities	(21,122)	(2,551)	(18,051)
Cash flows from financing activities:			
Increase in debt	6,000	2,445	
Payments on debt and capital lease obligations	(2,200)	(387)	(2,349)
Purchase of common stock for treasury	(12,279)	(9,366)	(5,901)
Purchase of common stock of majority owned subsidiary	(332)		
Issuance of common stock pursuant to stock options and employee stock purchase plan	724	642	201
Net cash used by financing activities	(8,087)	(6,666)	(8,049)
Net increase (decrease) in cash and cash equivalents	(11,301)	13,128	(973)
Cash and cash equivalents, beginning of year	23,132	10,004	10,977
Cash and cash equivalents, end of year	$ 11,831	$ 23,132	$ 10,004

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of business operations and significant accounting policies:

(i) Statements of cash flows:

The Company considers all short-term deposits with a maturity of three months or less to be cash equivalents.

14. Supplemental disclosure of cash flow information:

During fiscal years 1992, 1991 and 1990, interest paid, net of amounts capitalized, amounted to $1,458,000, $836,000 and $948,000, respectively.

Income taxes paid during fiscal years 1992, 1991 and 1990 amounted to $3,128,000, $6,754,000 and $5,689,000, respectively.

CHESAPEAKE CORPORATION

Consolidated Statement of Cash Flows

	For the years ended December 31,		
(In millions)	1992	1991	1990
Operating activities:			
Net income	$ 4.7	$ 15.4	$ 16.7
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, cost of timber harvested and amortization	68.6	65.2	59.0
Deferred income taxes	(2.5)	(2.4)	(.3)
Cumulative effect of accounting changes	9.7	—	—
(Gain) loss on sales of property, plant and equipment	(.4)	.2	(1.3)
Gain on settlement of pension obligations	—	—	(5.7)
(Gains) losses from sales of businesses	1.0	(1.3)	1.3
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts receivables	(4.4)	(1.0)	6.1
Inventories	2.0	(12.4)	(4.1)
Other assets	(4.3)	(1.6)	(11.1)
Accounts payable and accrued expenses	(3.5)	6.5	13.6
Income taxes payable	(2.2)	(.8)	(5.0)
Other payables	.5	—	—
Net cash provided by operating activities	69.2	67.8	69.2
Investing activities:			
Purchases of property, plant and equipment	(84.7)	(90.0)	(125.2)
Acquisitions	—	(1.1)	(1.4)
Proceeds from sales of property, plant and equipment	1.5	4.4	2.0
Other	(.2)	(2.5)	(.6)
Net cash used in investing activities	(83.4)	(89.2)	(125.2)
Financing activities:			
Proceeds from long-term debt	.2	109.3	55.1
Net (payments) borrowings on credit lines	2.7	(63.3)	32.0
Payments on long-term debt	(36.8)	(10.5)	(10.8)
Proceeds from issuances of common stock	63.7	.6	.4
Purchases of outstanding common stock	—	—	(5.6)
Dividends paid	(16.3)	(14.8)	(14.8)
Other	.4	.3	—
Net cash provided by financing activities	13.9	21.6	56.3
Increase (decrease) in cash	(.3)	.2	.3
Cash at beginning of year	1.0	.8	.5
Cash at end of year	$ .7	$ 1.0	$ .8
Supplemental cash flow information:			
Interest payments	$ 35.2	$ 37.5	$ 32.3
Income tax payments, net of refunds	$ 13.9	$ 14.3	$ 18.4

THE WASHINGTON POST COMPANY

Consolidated Statements of Cash Flows

(In thousands)	Fiscal Year Ended January 3, 1993	December 29, 1991	December 30, 1990
Cash flows from operating activities:			
Net income	$ 127,796	$ 70,824	$ 174,576
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	78,208	—
Depreciation and amortization of property, plant and equipment	59,222	58,695	53,509
Amortization of goodwill and other intangibles	15,478	15,272	14,982
Amortization of program rights	20,308	28,939	26,215
Provision for doubtful accounts and returns	57,629	52,920	52,900
(Decrease) increase in accrued interest and income taxes payable	(14,162)	391	3,141
Provision for deferred income taxes	(1,577)	(34,336)	11,289
Change in assets and liabilities:			
(Increase) in accounts receivable	(47,393)	(59,685)	(50,742)
(Increase) decrease in inventories	(695)	5,639	(6,404)
Increase (decrease) in accounts payable and accrued liabilities	16,102	(978)	(5,053)
(Increase) in other assets and other liabilities, net	(14,347)	(2,388)	(25,247)
Other	23,886	16,400	11,767
Net cash provided by operating activities	242,247	229,901	260,933
Cash flows from investing activities:			
Purchases of property, plant and equipment	(58,889)	(55,657)	(73,249)
Purchases of marketable securities	(533,082)	(249,057)	(157,344)
Proceeds from sales of marketable securities	465,891	180,203	91,207
Investments in certain businesses	(32,353)	(19,301)	(31,121)
Payments for program rights	(22,013)	(19,917)	(20,779)
Other	978	969	336
Net cash (used) by investing activities	(179,468)	(162,760)	(190,950)
Cash flows from financing activities:			
Principal payments on debt	(25,000)	(75,000)	(2,742)
Dividends paid	(49,699)	(49,872)	(48,541)
Common shares repurchased	(7,484)	(7,430)	(163,267)
Other	122	150	99
Net cash (used) by financing activities	(82,061)	(132,152)	(214,451)
Net (decrease) in cash and cash equivalents	(19,282)	(65,011)	(144,468)
Cash and cash equivalents at beginning of year	106,122	171,133	315,601
Cash and cash equivalents at end of year	$ 86,840	$ 106,122	$ 171,133
Supplemental cash flow information:			
Cash paid during the year for:			
Income taxes	$ 110,700	$ 72,300	$ 102,300
Interest	$ 7,200	$ 19,500	$ 15,900
Noncash investing activities:			
Program rights acquired	$ 25,200	$ 19,800	$ 11,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Cash equivalents. Short-term investments with maturities of 90 days or less are considered cash equivalents. The carrying amount reported approximates fair value.

YORK INTERNATIONAL CORPORATION

Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31, 1992	1991	1990
Cash Flows from Operating Activities:			
Net Income (Loss)	$ 50,909	$ (4,275)	$ 12,838
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	29,886	29,604	28,480
Amortization of deferred charges	13,039	13,126	12,715
Deferred charges written off	20,200	6,400	—
Provision for doubtful accounts receivable	4,444	5,299	4,303
Deferred interest expense	—	37,101	36,448
Undistributed earnings of affiliates	(39)	(172)	(455)
(Gain) loss on sale of property, plant and equipment	(1,926)	176	(2,454)
Gain on sale of investment	—	—	(7,350)
Change in assets and liabilities net of effects from purchase of other companies:			
Receivables	52,904	(44,022)	632
Inventories	(19,353)	(36,887)	16,858
Prepayments and other current assets	4,774	(13,482)	(4,062)
Other assets	(5,392)	(16,796)	(553)
Accounts payable and accrued expenses	(12,773)	25,611	1,691
Income taxes	(3,226)	618	(3,788)
Warranties	249	151	(581)
Deferred income taxes	5,563	(441)	4,363
Other long-term liabilities	(2,635)	1,147	4,973
Net cash provided by operating activities	136,624	3,158	104,058
Cash Flows from Investing Activities:			
Payment for purchase of other companies (net of cash acquired)	(9,128)	(19,642)	—
Capital expenditures	(36,952)	(37,660)	(20,410)
Proceeds from sale of property, plant and equipment	4,245	894	3,171
Proceeds from sale of investment	—	—	8,200
Other	(520)	(2,367)	(4,859)
Net cash used by investing activities	(42,355)	(58,775)	(13,898)
Cash Flows from Financing Activities:			
Net borrowing (payments) of short-term loans	(4,156)	(8,221)	6,000
Borrowings (payments) of revolving term loans	29,686	50,365	(16,035)
Debt payments	(657,092)	(727,240)	(77,641)
Proceeds from issuance of long-term debt	383,862	475,288	—
Common stock issued	160,396	262,315	40
Dividends paid	(1,397)	(289)	—
Treasury stock purchased	(2,893)	(6)	(8)
Net cash provided (used) by financing activities	(91,594)	52,212	(87,644)
Effect of exchange rate changes on cash	(24)	(102)	582
Net increase (decrease) in cash and cash equivalents	2,651	(3,507)	3,098
Cash and cash equivalents at beginning of year	2,474	5,981	2,883
Cash and cash equivalents at end of year	$ 5,125	$ 2,474	$ 5,981

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

B. Cash and Cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 21—Statement of Cash Flow Informations

A. Supplemental Disclosures of Cash Flow Information

(In thousands)

Year Ended December 31,	1992	1991	1990
Cash paid during the year for:			
Interest	$44,173	$63,255	$66,661
Income taxes	34,238	14,288	16,982

B. Supplemental Schedule of Non-Cash Investing and Financing Activities

During 1991 and 1990 additional long-term debt of $37.1 million and $36.4 million, respectively, was recognized as a result of deferred interest expense on the merger debentures, senior subordinated pay in kind notes and junior subordinated pay in kind notes.

Acquisitions in which liabilities were assumed were as follows:

(In thousands)

Year Ended December 31,	1992	1991
Fair value of assets acquired	$27,587	$107,643
Less: cash paid	(8,616)	(31,250)
Liabilities assumed	$18,971	$ 76,393

Interest And Income Tax Payments

H.B. FULLER COMPANY

Consolidated Statements of Cash Flows
In thousands, except share amounts)

Year Ended November 30	1992	1991	1990
Cash flows from operating activities:			
Net earnings	$ 35,622	$ 27,687	$ 21,145
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	31,566	28,722	27,604
Pension costs	7,535	6,691	4,455
Other items	3,318	2,250	6,374
Change in current assets and liabilities:			
(Increase) in accounts receivable	(6,654)	(13,682)	(4,181)
(Increase) in inventory	(4,957)	(1,756)	(9,203)
(Increase) decrease in other current assets	(1,250)	438	(1,424)
Increase in accounts payable	8,634	6,215	8,786
Increase in accrued expense	5,985	3,790	4,409
Increase (decrease) in income taxes payable	2,690	(3,605)	4,588
Net cash provided by operating activities	82,489	56,750	62,553
Cash flows from investing activities:			
Purchased property, plant and equipment	(34,461)	(29,955)	(31,468)
Investment in affiliated companies	1,291	(1,091)	(456)
Purchased businesses, net of cash acquired	—	(1,047)	—
Net cash used in investing activities	(33,170)	(32,093)	(31,924)
Cash flows from financing activities:			
Increase in long-term debt	1,407	10,003	6,852
Current installments and payments of long-term debt	(20,673)	(26,348)	(22,809)
(Decrease) increase in notes payable	(6,538)	4,604	2,022
Repurchase common stock	(209)	(520)	(8,944)
Dividends paid	(6,419)	(5,598)	(5,428)
Other	(4,508)	(3,560)	(510)
Net cash used by financing activties	(36,940)	(21,419)	(28,817)
Effect of exchange rate changes	1,494	(2,035)	1,778
Net change in cash and cash equivalents	13,873	1,203	3,590
Cash and cash equivalents at beginning of year	15,197	13,994	10,404
Cash and cash equivalents at end of year	$ 29,070	$ 15,197	$ 13,994
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 12,774	$ 15,300	$ 14,019
Income taxes	21,062	22,012	11,474

For purposes of this statement, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

KNAPE & VOGT MANUFACTURING COMPANY

Consolidated Statements of Cash Flows

	Year ended June 30, 1992	1991	1990
Operating activities:			
Net income	$6,634,933	$5,479,248	$9,749,107
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	3,941,018	3,753,479	3,549,341
Amortization	800,825	786,908	809,042
Deferred income taxes	216,000	437,000	2,739,000
Gain on sale of facility	—	—	(6,064,988)
Supplemental retirement benefits	82,781	85,522	91,884
Changes in operating assets and liabilities:			
Accounts receivable	(791,439)	2,665,908	(1,268,745)
Inventories	2,286,198	(1,357,565)	2,607,337
Prepaid expenses	(28,792)	53,008	596,812
Accounts payable	1,526,119	(977,084)	(739,696)
Accruals	1,904,919	(964,425)	896,392
Net cash from operating activities	16,572,562	9,961,999	12,965,486
Investing activities:			
Additions to property and equipment	(8,381,278)	(4,433,286)	(5,103,747)
Sales of property and equipment	117,005	1,864,647	8,000,282
Payments for other assets	(1,016,164)	(907,232)	(1,236,176)
Net cash for investing activities	(9,280,437)	(3,475,871)	1,660,359
Financing activities:			
Payments on long-term debt	(3,950,000)	(2,450,000)	(11,575,000)
Proceeds from issuance of common stock	603,878	175,363	7,250
Cash dividends paid	(2,988,661)	(2,664,356)	(2,448,013)
Purchase of common stock	(3,993)	(977,792)	—
Net cash for financing activities	(6,338,776)	(5,916,785)	(14,015,763)
Effect of exchange rate changes on cash	(196,561)	23,005	(97,790)
Net increase in cash and cash equivalents	756,788	592,348	512,292
Cash and cash equivalents, at beginning of year	1,849,860	1,257,512	745,220
Cash and cash equivalents, at end of year	$2,606,648	$1,849,860	$1,257,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash equivalents

All highly liquid debt instruments with a maturity of three months or less when purchased are classified as cash equivalents.

Note 8—Supplemental Cash Flows Information

Total interest paid during the years ended June 30, 1992, 1991 and 1990 was $779,471, $1,036,249 and $2,237,200, respectively.

Total income taxes paid during the years ended June 30, 1992, 1991 and 1990 were $2,651,385, $3,116,686 and $2,149,155, respectively.

OXFORD INDUSTRIES, INC.

Consolidated Statements of Cash Flows

$ in thousands	Year Ended: May 29, 1992	May 31, 1991	June 1, 1990
Cash Flows From Operating Activities:			
Net earnings	$ 12,532	$ 5,541	$ 7,949
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	6,254	6,188	6,560
Loss (gain) on sale of property, plant and equipment	33	276	(134)
Changes in working capital:			
(Increase) decrease in:			
Receivables	(7,470)	14,429	(2,126)
Inventories	(15,359)	24,091	(421)
Prepaid expenses	(1,200)	(1,072)	233
Increase (decrease) in:			
Trade accounts payable	8,353	(5,276)	(5,417)
Accrued expenses and other current liabilities	1,122	846	(1,878)
Income taxes payable	(324)	726	(1,065)
Increase (decrease) in deferred income taxes	250	(944)	(305)
(Increase) decrease in other noncurrent assets	(374)	(81)	335
Net cash provided by operations	3,817	44,724	3,731
Cash Flows From Investing Activities:			
Purchase of property, plant and equipment	(5,439)	(6,433)	(5,849)
Proceeds from sale of property, plant and equipment	768	485	690
Net cash used in investing activities:	(4,671)	(5,948)	(5,159)
Cash Flows From Financing Activities:			
(Decrease) increase in short-term borrowings	—	(10,500)	10,500
Dividends on common stock	(4,629)	(3,378)	(4,817)
Payments on long-term debt	(4,576)	(4,726)	(4,808)
Purchase and retirement of common stock	(968)	(3,504)	(7,048)
Proceeds from exercise of stock options	280	—	—
Net cash used in financing activities	(9,893)	(22,108)	(6,173)
Net Change in Cash and Cash Equivalents	(10,747)	16,668	(7,601)
Cash and Cash Equivalents at Beginning of Period	19,156	2,488	10,089
Cash and Cash Equivalents at End of Period	$ 8,409	$ 19,156	$ 2,488
Supplemental Disclosures of Cash Flow Information			
Cash Paid (Received) for:			
Interest	$ 1,701	$ 3,083	$ 3,478
Income taxes	9,592	4,535	5,297
Income taxes refunded	(168)	(54)	(2,533)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

5. Statement of cash flows—The Company considers cash equivalents to be short-term investments with original maturities of three months or less.

SYNTEX CORPORATION

Consolidated Statements of Cash Flows

($ in millions)	For the years ended July 31 1992	1991	1990
Cash provided (used) in operating activities:			
Net income	$472.3	$423.8	$341.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	100.5	80.9	65.8
Net effect of changes in:			
Trade receivables	(58.6)	(18.7)	(29.2)
Inventories	(87.0)	(57.9)	(38.5)
Accounts payable	37.1	15.7	3.1
Accrued liabilities (including noncurrent)	(2.1)	110.0	48.5
Other	1.3	(12.0)	(19.4)
Net Cash Provided from Operating Activities	463.5	541.8	371.8
Cash provided (used) in investing activities:			
Capital expenditures	(340.8)	(247.7)	(144.0)
Purchase of short-term investments	(590.1)	(343.2)	(483.8)
Proceeds from short-term investments	692.9	267.6	399.4
Purchase of long-term investments	(180.6)	(112.8)	—
Other investing activities	(14.6)	(16.7)	7.5
Net Cash Used in Investing Activities	(433.2)	(452.8)	(220.9)
Cash provided (used) in financing activities:			
Net change in short-term debt	117.9	52.5	104.6
Proceeds from issuance of long-term debt	5.71	6.70	4.5
Repayment of long-term debt	—	(20.9)	(1.9)
Payment of dividends	(214.1)	(186.4)	(170.6)
Other financing activities	7.5	6.7	5.3
Net Cash Used in Financing Activities	(31.6)	(81.1)	(58.1)
Effect of exchange rate changes on cash	4.5	2.9	(.2)
Net change in cash and cash equivalents	3.2	10.8	92.6
Cash and cash equivalents at beginning of year	293.1	282.3	189.7
Cash and cash equivalents at year-end	$ 296.3	$ 293.1	$ 282.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Statements of Cash Flows

All investments purchased with a maturity of three months or less are cash equivalents. Investments with a maturity period of greater than three months but less than one year are classified as short-term investments.

In fiscal 1992, 1991 and 1990, the change in short-term debt in the Consolidated Statement of Cash Flows includes commercial paper repayments with a maturity period of greater than three months. Commercial paper repayments were $2.0 million, $6.4 million and $57.2 million in fiscal 1992, 1991 and 1990, respectively. During fiscal 1992, Euroyen notes of $100.0 million were reclassified to short-term borrowings as these notes are due within one year.

Additional information regarding cash payments of interest and income taxes follows:

($ in millions)	For the year ended July 31 1992	1991	1990
Interest	$40.2	$41.3	$42.8
Income taxes	70.8	17.5	22.2

Discontinued Operations

GENERAL DYNAMICS CORPORATION

Consolidated Statement of Cash Flows

Year ended 31 December	1992	1991	1990
	(Dollars in millions)		
Cash Flows from Operating Activities:			
Net earnings (loss)	$ 815	$ 505	$(578)
Adjustments to reconcile net earnings (loss) to net cash provided by continuing activities—			
Discontinued operations	(567)	(299)	377
Depreciation and amortization	56	140	210
Decrease (Increase) in—			
Accounts receivable	35	4	8
Contracts in process	(76)	(83)	(106)
Other current assets	(6)	8	23
Increase (Decrease) in—			
Customer deposits	166	165	234
Accounts payable and other current liabilities	(66)	51	150
Current income taxes	(26)	(106)	308
Deferred income taxes	(93)	(149)	(441)
Other, net	(36)	49	24
Net cash provided by continuing operations	202	285	209
Net cash provided by discontinued operations	288	324	279
Net Cash Provided by Operating Activities	490	609	488
Cash Flows from Investing Activities:			
Proceeds from sale of discontinued operations	1,039	—	—
Proceeds from sale of investments	32	—	—
Proceeds from sale of information technology operations	—	184	—
Purchases of marketable securities, net	(125)	(307)	—
Capital expenditures	(18)	(29)	(159)
Net Cash Provided (Used) by Investing Activities	928	(152)	(159)
Cash Flows from Financing Activities:			
Purchase of common stock	(960)	—	(2)
Repayment of debt	(454)	(8)	—
Commercial paper, net	—	—	(194)
Dividends paid	(55)	(42)	(41)
Proceeds from option exercises	57	—	—
Net Cash Used by Financing Activities	(1,412)	(50)	(237)
Net Increase in Cash and Equivalents	6	407	92
Cash and Equivalents at Beginning of Year	507	100	8
Cash and Equivalents at End of Year	$ 513	$ 507	$ 100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in millions, except per share amounts

A (In Part): Summary of Significant Accounting Policies

Cash and Equivalents—The Company considers securities with a remaining maturity of three months or less when purchased to be cash equivalents. Cash and equivalents are stated at cost, which approximates market value.

Interest, Net—Interest income was $35, $24 and $8 in 1992, 1991 and 1990, respectively. Interest expense has been allocated to discontinued operations on the ratio of net assets of discontinued operations to consolidated net assets. Interest expense of $19, $38 and $45 has been allocated to discontinued operations in 1992, 1991 and 1990, respectively. Interest payments for the total Company were $42, $62 and $67 in 1992, 1991 and 1990, respectively.

F (In Part): Income Taxes

The Company made Federal income tax payments of $258, $523 and $120 in 1992, 1991 and 1990, respectively.

TOKHEIM CORPORATION

Consolidated Statement of Cash Flows
(Amounts in thousands except amounts per share)

	For the years ended November 30, 1992, 1991, and 1990		
	1992	1991	1990
Cash Flows from Operating Activities:			
Net earnings (loss)	$(24,906)	$(21,746)	$ 166
Adjustments to reconcile net earnings (loss) to net cash provided from (used in) operations:			
Depreciation and amortization	8,107	8,978	9,145
Gain on sale of property, plant and equipment	(707)	(803)	(234)
Gain on sale of discontinued operations	(8,998)	—	—
Asset impairment	9,025	—	—
Deferred income taxes	521	(42)	(2,809)
Receivables, net	3,632	7,380	6,928
Inventories	12,055	2,673	2,698
Prepaid expenses	(497)	913	(469)
Accounts payable	2,528	2,827	(805)
Accrued expenses	2,730	(773)	956
U.S. and foreign income taxes	(213)	(1,548)	(1,027)
Other	4,083	1,517	2,089
Net cash provided from (used in) operations	7,360	(624)	16,638
Cash Flows from Investing and Other Activities:			
Property, plant, and equipment additions	(2,045)	(6,910)	(8,057)
Proceeds from sale of property, plant, and equipment	1,760	643	1,346
Net proceeds from sale of discontinued operations	18,690	—	—
Advances to an equity affiliate	—	(754)	(1,305)
Net cash provided from (used in) investing and other activities	18,405	(7,021)	(8,016)
Cash Flows from Financing Activities:			
Proceeds from term borrowing	793	20	84
Payments on term borrowing	(2,730)	(1,524)	(1,410)
Increase (decrease) notes payable, banks	(19,846)	19,916	1,890
Treasury stock purchased	(1,098)	(530)	(1,593)
Treasury stock issued	128	16	315
Cash dividends	(1,790)	(4,480)	(5,359)
Net cash provided from (used in) financing activities	(24,543)	(13,418)	(6,073)
Effect of translation adjustment on cash	(569)	(420)	355
Cash and Cash Equivalents			
Increase in cash	653	5,353	2,904
Beginning of year	14,864	9,511	6,607
End of year	$15,517	$14,864	$9,511

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except dollars per share)

1 (In Part): Summary of Significant Accounting Policies
Cash Flows—For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of 30 days or less to be cash equivalents.

Supplemental disclosures of cash flow information:

Cash paid during the year for:	1992	1991	1990
Interest	$4,388	$3,455	$4,025
Income taxes	1,295	4,018	3,986

In 1991, the Company recorded a noncash gain of $850 in connection with the settlement of a dispute with an equipment manufacturer.

Extraordinary Items

GENERAL CINEMA CORPORATION

Consolidated Statements of Cash Flows

(In thousands)	Years Ended October 31 1992	1991	1990
Cash flows from operations			
Net earnings (loss)	$ 494,460	$ (293,122)	$ 30,383
Adjustments to reconcile net earnings (loss) to net cash provided by operations:			
Extraordinary gain on elimination of debt, net	(419,557)	—	—
Cumulative effect of change in accounting for postretirement healthcare benefits, net	39,196	—	—
Depreciation and amortization	173,607	315,177	174,050
Deferred income taxes	(2,066)	2,616	33,275
Non-cash interest	7,434	128,096	117,422
Gains on sales of long-term assets	(11,633)	(1,098)	(129,298)
Insurance operations cash flow adjustments	(24,227)	55,069	14,834
Merger and restructuring charges	—	72,777	34,000
Other	10,816	24,567	(12,000)
Changes in assets and liabilities:			
Accounts receivable	(60,437)	20,032	(27,694)
Inventories	3,336	9,330	(27,737)
Other current assets	(11,541)	(8,689)	(11,349)
Accounts payable and accrued liabilities	37,749	(118,370)	(63,913)
Net cash provided by operations	237,137	206,385	131,973
Cash flows from investment transactions			
Discontinued operations	—	—	(580,818)
Capital expenditures	(201,542)	(171,768)	(165,444)
Proceeds from sales of investments	—	—	607,461
Insurance investment activities	(284,391)	(303,607)	(532,587)
Other investment activities	(7,422)	(10,457)	(101,647)
Net cash used by investment transactions	(493,355)	(485,832)	(773,035)
Cash flows from financing transactions			
Cash used to purchase Harcourt Brace debt	(1,369,473)	—	—
Proceeds from policyholder deposits	255,560	264,942	498,149
Issuance of debt	368,171	194,400	255,000
Repayment of debt	(150,000)	(158,806)	(151,621)
Dividends paid	(40,826)	(35,096)	(32,272)
Equity transactions, net	4,546	(3,210)	(670)
Net cash (used) provided by financing transactions	(932,022)	262,230	568,586
Cash and equivalents			
Decrease during the year	(1,188,240)	(17,217)	(72,476)
Beginning balance	1,618,968	1,636,185	1,708,661
Ending balance	$ 430,728	$1,618,968	$1,636,185
Supplemental schedule of cash flow information			
Cash paid for interest	$ 109,944	$ 232,856	$ 247,136
Cash paid for income taxes	$ 59,192	$ 64,350	$ 697,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and equivalents

Cash equivalents consist of liquid investments which are readily convertible into cash. Cash and equivalents are stated at cost plus accrued interest, which approximates market. At October 31 cash and equivalents consisted of the following:

(In thousands)	1992	1991
Cash	$ 19,162	$ 18,189
Bank obligations	45,160	800,813
Corporate obligations	254,115	474,696
Other cash equivalents	112,291	325,270
Total cash and equivalents	$430,728	$1,618,968

WAXMAN INDUSTRIES, INC.

Consolidated Statements of Cash Flows

	For the years ended June 30,		
	1992	1991	1990
Cash From (Used For):			
Operations:			
Net income (loss)	$(4,398,000)	$ 2,228,000	$ 6,468,000
Adjustments to reconcile net income (loss) to net cash from operations:			
Extraordinary charges	1,186,000	—	320,000
Loss on sale of investments	3,900,000	—	—
Depreciation and amortization	8,504,000	7,460,000	6,838,000
Changes in assets and liabilities:			
Accounts receivable	(2,564,000)	4,726,000	(3,554,000)
Inventories	(16,729,000)	8,205,000	(13,596,000)
Prepaid expenses	858,000	(3,107,000)	(3,330,000)
Accounts payable	12,156,000	(8,183,000)	3,720,000
Accrued liabilities	(1,332,000)	(3,440,000)	(2,144,000)
Other, net	(2,445,000)	(345,000)	547,000
Net cash from (used for) operations	(864,000)	7,544,000	(4,731,000)
Investments:			
Capital expenditures	(3,126,000)	(1,831,000)	(4,457,000)
Business acquisitions	—	(1,773,000)	(5,806,000)
Change in other assets	(7,611,000)	(3,264,000)	(3,361,000)
Proceeds from sale of investments	4,386,000	4,500,000	1,925,000
Net cash used for investments	(6,351,000)	(2,368,000)	(11,699,000)
Financing:			
Net borrowings under credit agreements	13,475,000	11,017,000	35,588,000
Repayments of long-term debt	(3,287,000)	(2,303,000)	(1,487,000)
Repayment of domestic term loan	(60,000,000)	—	—
Proceeds from issuance of debt, net	48,500,000	—	—
Repurchase of debt	(12,878,000)	—	(15,149,000)
Proceeds from issuance of stock	9,805,000	—	—
Common stock repurchase	—	(1,910,000)	—
Dividends paid	(1,201,000)	(1,149,000)	(1,142,000)
Net cash from (used for) financing	(5,586,000)	5,655,000	17,810,000
Net Increase (Decrease) in Cash For the Year	(12,801,000)	10,831,000	1,380,000
Balance, Beginning of Year	16,642,000	5,811,000	4,431,000
Balance, End of year	$ 3,841,000	$16,642,000	$ 5,811,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Income Taxes

The Company made income tax payments of $1,513,000 in 1992, $1,938,000 in 1991 and $4,264,000 in 1990.

4 (In Part): Long-Term Debt:

The Company made interest payments of $24,777,000 in 1992, $26,482,000 in 1991 and $26,465,000 in 1990.

Cumulative Effect Of Accounting Changes

ALLIED-SIGNAL INC.

Consolidated Statement of Cash Flows
(Dollars in millions)

	Years ended December 31		
	1992	1991	1990
Cash flows from operating activities			
Net income (loss)	$ (712)	$(273)	$ 462
Adjustments to reconcile net income (loss) to net cash flow from operating activities:			
Cumulative effect of change in accounting for:			
Income taxes	148	—	—
Postretirement benefits other than pensions	1,099	—	—
Gain on disposition of Union Texas	(357)	—	—
Streamlining and restructuring (includes affiliated company)	133	852	—
Depreciation and amortization (includes goodwill)	529	504	460
Undistributed earnings of equity affiliates (includes Union Texas)	(47)	(144)	(65)
Deferred taxes	83	(196)	17
Decrease (increase) in accounts and notes receivable	(104)	17	101
Decrease (increase) in inventories	130	153	(53)
Decrease (increase) in other current assets	31	(136)	7
Increase (decrease) in accounts payable	157	(168)	96
Increase (decrease) in accrued liabilities	167	(62)	(238)
Other	(188)	118	130
Net cash flow provided by operating activities	1,069	665	917
Cash flows from investing activities			
Expenditures for property, plant and equipment	(691)	(668)	(675)
Proceeds from disposals of property, plant and equipment	42	15	13
Decrease in investments and long-term receivables	59	27	—
(Increase) in other investments	(18)	(17)	(66)
Cash paid for acquisitions	(113)	(83)	—
Proceeds from sales of investments and businesses	1,044	4	—
(Increase) in marketable securities	(50)	—	—
Net cash flow provided by (used for) investing activities	273	(722)	(728)
Cash flows from financing activities			
Net increase (decrease) in commercial paper	(259)	181	82
Net increase (decrease) in short-term borrowings	(307)	(12)	184
Proceeds from issuance of common stock	244	115	97
Proceeds from issuance of long-term debt	121	120	359
Repurchase of long-term debt (including current maturities)	(163)	(273)	(345)
Repurchases of common stock	(142)	—	(461)
Cash dividends on common stock	(143)	(218)	(248)
Net cash flow (used for) financing activities	(649)	(87)	(332)
Net increase (decrease) in cash and cash equivalents	693	(144)	(143)
Cash and cash equivalents at beginning of year	238	382	525
Cash and cash equivalents at end of year	$ 931	$ 238	$ 382

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions except per share amounts)

Note 18. Supplemental Cash Flow Information

Cash and cash equivalents includes cash on hand and on deposit and highly liquid debt instruments with maturities generally of three months or less. Cash payments during the years 1992, 1991 and 1990 included interest of $241, $233 and $251 million and income taxes at $115, $118 and $184 million, respectively.

In July 1990, the Company contributed its high-density polyethylene business and its partner, Exxon, contributed cash to a newly formed, equally owned joint venture. The transaction had the following non-cash impact on the Company's 1990 balance sheet:

	Amount
Current assets	$(29)
Property, plant and equipment—net	(77)
Investments and long-term receivables	60
Current liabilities	46

ROCKWELL INTERNATIONAL CORPORATION

Statement of Consolidated Cash Flows

	Years ended September 30		
	1992	1991	1990
		(In millions)	
Operating Activities			
Net income (loss)	$(1,036.0)	$ 600.5	$ 624.3
Adjustments to net income (loss) to arrive at cash provided by operating activities:			
Cumulative effect of change in accounting	1,519.0		
Depreciation	454.0	497.6	500.3
Amortization of intangible assets	104.1	103.8	119.7
Deferred income taxes	(10.7)	(85.8)	(32.8)
Gain on sales of businesses	(32.0)	(344.3)	(20.0)
Net pension income and contributions	(149.1)	(137.4)	(148.3)
Restructuring of businesses		271.5	
Changes in assets and liabilities:			
Receivables	243.1	(93.4)	(252.3)
Inventories	(24.4)	105.6	(0.1)
Accounts payable—trade	(82.7)	(206.1)	15.0
Accrued compensation and benefits	(22.5)	(45.4)	31.9
Advance payments from customers	(31.7)	(67.1)	84.5
Income taxes	(238.8)	114.0	50.6
Other assets and liabilities	9.6	29.1	18.2
Cash provided by operating activities	701.9	742.6	1,056.6
Investing Activities			
Property additions	(386.4)	(483.9)	(583.3)
Acquisition of businesses	(23.1)	(17.4)	(37.4)
Proceeds from the disposition of:			
Business	67.7	674.1	56.9
Property	27.4	27.9	16.5
Cash (used for) provided by investing activities	(314.4)	200.7	(502.3)
Financing Activities			
(Decrease) increase in short-term borrowings	(149.6)	(529.8)	504.5
Payments of long-term debt	(35.8)	(12.3)	(512.2)
Long-term borrowings	314.3	199.6	4.2
Net increase (decrease) in debt	128.9	(342.5)	(3.5)
Purchase of treasury stock	(230.4)	(338.2)	(302.9)
Dividends	(206.1)	(201.5)	(195.8)
Reissuance of common stock	18.9	31.5	26.7
Cash used for financing activities	(288.7)	(850.7)	(475.5)
Increase in cash	98.8	92.6	78.8
Cash at beginning of year	503.8	411.2	332.4
Cash at end of year	$ 602.6	$ 503.8	$ 411.2

Cash at September 30 includes readily convertible time deposits and certificates of deposit of (in millions) $486.7 in 1992, $411.9 in 1991 and $269.2 in 1990. Income tax payments were (in millions) $558.2 in 1992, $404.8 in 1991 and $341.9 in 1990. Interest payments on borrowings were (in millions) $101.5 in 1992, $133.7 in 1991 and $165.8 in 1990.

Sale Of Accounts Receivable

QUANTUM CHEMICAL CORPORATION

Consolidated Statements of Cash Flows

(Dollar amounts in millions)	Years ended December 31 1992	1991	1990
Cash flow from operating activities			
Income (loss)	$(287.5)	$(123.3)	$ 21.2
Adjustments to reconcile income (loss) to net cash provided by operations:			
Cumulative effect of accounting changes	169.1		
Depreciation and amortization	190.7	200.6	160.4
Losses of associated companies and distributions received		29.9	32.4
Other	7.8	(14.4)	(38.6)
Change in assets and liabilities, net of effects from accounting changes and business units sold:			
Receivables (excluding receivable sold)	16.0	111.5	(73.4)
Receivables sold (Note 4)	10.0	(70.0)	10.0
Inventories	34.5	(3.7)	(70.0)
Prepaid expenses and other current assets	29.7	(92.4)	5.4
Accounts payable and accrued liabilities	(11.4)	10.6	(80.2)
Deferred income taxes	(2.3)	87.9	70.2
Cash provided by operating activities	156.6	136.7	37.4
Cash flow from investing activities			
Capital expenditures, excluding capital leases	(109.4)	(160.8)	(458.4)
Elkhorn escrow fund		38.3	(38.3)
Proceeds from the sale of:			
—investment in EVAL Company of America, net of related expenses of $.2 million		13.3	
—investment in RMI Company, net of related expenses of $.5 million			88.1
—the polyalphaolefin business, net of related expenses of $.4 million			46.5
Other	14.0	9.8	16.3
Cash used for investing activities	(95.4)	(99.4)	(345.8)
Cash flow from financing activities			
Proceeds from issuance of long-term debt			195.0
Payments of long-term debt and capital lease obligations	(12.9)	(15.2)	(22.9)
Payments of debt issue costs			(.4)
Proceeds from issuance of common stock	11.4	13.5	45.6
Cash provided by (used for) financing activities	(1.5)	(1.7)	217.3
Net increase (decrease) in cash and short-term investments	59.7	35.6	(91.1)
Cash and short-term investments at beginning of year	48.6	13.0	104.1
Cash and short-term investments at end of year	$ 108.3	$ 48.6	$ 13.0

Supplemental disclosures—Income tax refunds of $102.9 million and $72.6 million were received in 1992 and 1991, respectively; cash payments for income taxes were $5.9 million in 1990. Interest payments were $259.1 million, $243.9 million and $203.0 million in 1992, 1991 and 1990, respectively.

Capital lease obligations of $.6 million were incurred in 1990.

Common stock issued upon conversion of debentures was $.3 million, $.1 million and $.2 million in 1992, 1991 and 1990, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in millions, except for per share data)

Note 1 (In Part): Summary of Accounting Policies

Cash and Short-Term Investments

Cash and short-term investments include time deposits and readily marketable securities with original maturities of three months or less.

Note 4 Receivables

	December 31	
	1992	1991
Trade receivables	$342.8	$342.5
Less receivables sold	(40.0)	(30.0)
Trade receivables exclusive of receivables sold	302.8	312.5
Insurance and other receivables	67.2	85.4
	370.0	397.9
Less allowance for doubtful accounts	(12.9)	(14.8)
	$375.1	$383.1

On December 23, 1992, Quantum Acceptance Corporation (QAC), a wholly owned consolidated financing subsidiary of the Company entered into a $120.0 million (increased to $150.0 million subsequent to year end) receivables sales facility with a group of financial institutions, replacing the existing facility that was scheduled to expire in August 1993. The new receivables sales facility has an initial expiration date of December 1995, with options for annual renewals. Pursuant to this agreement, QAC purchases from the Company a significant portion of the domestic receivables of the Company's petrochemical segment. QAC, in turn, under a separate agreement may sell up to an aggregate of $120.0 million (increased to $150.0 million subsequent to year end) of senior participation interests in such receivables. As of December 31, 1992, QAC had sold $40.0 million of interests in such receivables ($30.0 million were sold as of December 31, 1991). QAC's assets included in the Consolidated Balance Sheet consist primarily of its retained interest in receivables purchased from the Company, which was $172.8 million at December 31, 1992, and $181.7 million at December 31, 1991. Creditors of QAC have a claim on QAC's assets, prior to any equity in QAC becoming available to creditors of the Company.

HARTMARX CORPORATION

Consolidated Statement of Cash Flows

	November 30		
	1992	1991	1990
		In thousands	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Net loss	$(220,245)	$(38,365)	$(61,545)
Reconciling items to adjust net loss to net cash provided by operating activities:			
Depreciation and amortization	26,947	33,809	35,219
Loss on sale of subsidiary	136,000	—	—
Changes in:			
Accounts receivable:			
Sale of receivables	(58,000)	(2,000)	(60,000)
Other changes	23,076	(29)	16,030
Inventories	68,944	4,604	60,407
Prepaid expenses	(10,215)	431	1,586
Other assets	(4,280)	243	3,733
Accounts payable and accrued expenses	8,541	(6,907)	30,579
Taxes on earnings	10,439	(7,305)	(41,127)
Adjustments of properties to net realizable value	11,510	4,493	5,476
Net cash provided by (used in) operating activities	(7,283)	(11,026)	110,358
Cash Flows from investing activities:			
Capital expenditures	(9,546)	(15,488)	(21,621)
Cash received re dispositions, net of subsidiary cash	—	—	11,142
Net cash used in investing activities	(9,546)	(15,488)	(10,479)
Cash Flows from financing activities:			
Increase (decrease) in notes payable to banks	30,796	(3,850)	(123,250)
Proceeds from notes payable to insurance companies	—	—	45,000
Increase (decrease) in other long term debt	(1,133)	2,014	(9,238)
Proceeds from issuance of common stock	1,182	38,550	147
Proceeds from disposition of treasury shares	1,769	7,283	5,224
Payment of dividends	—	(13,643)	(17,895)
Net cash provided by (used in) financing activities	32,614	30,354	(100,012)
Net increase (decrease) in cash and cash equivalents	15,785	3,840	(133)
Cash and cash equivalents at beginning of year	6,571	2,731	2,864
Cash and cash equivalents at end of year	$ 22,356	$ 6,571	$ 2,731
Supplemental cash flow information:			
Net cash paid (received) during the year for:			
Interest expense	$ 22,200	$ 24,300	$ 27,200
Income taxes	(17,000)	(14,300)	8,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Cash and Cash Equivalents—The Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less.

Sale of Receivables

In June 1990, the Company and HSSI entered into an agreement with an unrelated third party to sell up to $60 million of undivided interests in a designated pool of accounts receivable, principally related to revolving charge accounts. Under the agreement, the Company also acted as an agent for the purchaser by performing recordkeeping and collection functions on the interests sold. The Company was obligated to pay the purchaser's carrying cost plus fees typical in such transactions, which are included in the finance charges, interest and other income caption in the accompanying statement of earnings.

During 1992, prior to the sale of HSSI, HSSI's interest in its accounts receivable were sold by HSSI to Hart Schaffner & Marx ("HS&M"), another wholly owned subsidiary of the Company, and HS&M assumed the obligations of HSSI under the agreement. The Company, HS&M and the unrelated third party also agreed that the agreement would terminate effective October 10, 1992. At November 30, 1992, no sold receivables were outstanding under the program compared to $58 million outstanding at November 30, 1991.

Change In Cash Surrender Value

FEDERAL SCREW WORKS

Consolidated Statements of Cash Flows

	Year Ended June 30		
	1992	1991	1990
Operating Activities			
Net earnings	$2,020,464	$222,824	$2,187,041
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,379,952	2,351,836	2,280,101
Increase in cash value of life insurance	(364,257)	(471,165)	(320,646)
Change in deferred income taxes	(68,000)	(505,000)	160,000
Employee benefits	(39,203)	574,619	30,969
Amortization of restricted stock	176,210	235,983	266,870
Other	(3,511)	86,203	(87,973)
Changes in operating assets and liabilities:			
Accounts receivable	(952,519)	1,157,378	(425,054)
Inventories and prepaid expenses	(803,768)	1,829,846	2,449,347
Accounts payable and accrual expenses	2,856,743	(1,343,149)	(1,468,381)
Net Cash Provided By Operating Activities	5,202,111	4,139,375	5,072,274
Investing Activities			
Purchases of property, plant and equipment	(5,011,445)	(3,086,641)	(2,790,720)
Proceeds from sale of property, plant and equipment	64,850	193,707	116,800
Net Cash Used In Investing Activities	(4,946,595)	(2,892,934)	(2,673,920)
Financing Activities			
Additional borrowings (principal repayments) under bank credit agreement	1,110,000	370,000	(1,200,000)
Principal payments on lease-purchase obligation	(400,000)	(400,000)	(200,000)
Purchases of common stock	(331,175)	(522,382)	(291,663)
Dividends paid	(442,861)	(692,530)	(831,541)
Net Cash Used In Financing Activities	(64,036)	(1,244,912)	(2,523,204)
Increase (Decrease) In Cash	191,480	1,529	(124,850)
Cash at beginning of year	1,163,881	1,162,352	1,287,202
Cash At End Of Year	$1,355,361	$1,163,881	$1,162,352

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Debt

Interest paid by the Company during fiscal 1992, fiscal 1991 and fiscal 1990 aggregated $589,000, $638,000, and $929,000, respectively.

Note E (In Part): Federal Income Taxes

Income taxes paid by the Company during fiscal 1992, fiscal 1991, and fiscal 1990 totalled $498,000, $860,000 and $1,123,000, respectively.

Hedging Transaction Deposits

AMERICAN MAIZE-PRODUCTS COMPANY

Consolidated Statements of Cash Flows

	For the years ended December 31, 1992	1991	1990
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$13,011	$11,287	$13,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	26,434	26,343	24,177
Amortization of original issue discount on subordinated debentures	459	404	369
Loss from discontinued operation	—	1,518	2,640
Deferred income taxes	(1,677)	970	3,758
Cumulative effect of change in accounting for income taxes	(3,016)	—	—
Restructuring charge	3,593	—	—
Minority interest in earnings of subsidiary, net of dividends	7,546	9,351	12,101
Loss on disposal of fixed assets	3,081	1,664	380
Changes in assets and liabilities:			
Accounts receivable, trade, net	1,783	(7,460)	1,652
Inventories	1,552	(2,607)	(3,737)
Other current assets	610	2,317	1,868
Prepaid pension cost	(2,879)	(2,658)	(3,774)
Accounts payable and accrued expenses	(3,094)	7,342	(8,458)
Other, net	1,029	346	385
Net cash provided by operating activities	48,432	48,817	44,881
Cash flows from investing activities:			
Net investing activities of discontinued operation	(1,182)	(5,893)	335
Additions to property, plant and equipment	(32,266)	(19,428)	(32,431)
Proceeds from disposals of fixed assets	1,188	49	52
Net cash used in investing activities	(32,260)	(25,272)	(32,044)
Cash flows from financing activities:			
Cash dividends paid	(4,124)	(4,107)	(4,252)
Issuance of short-term debt	15,000	41,700	24,200
Payments of short-term debt	(15,800)	(74,200)	(21,506)
Borrowings on long-term debt	54,000	93,300	45,000
Payments of long-term debt	(42,086)	(62,633)	(40,561)
Repurchase of long-term debt, net of original issue discount	—	—	(1,406)
Treasury stock acquired	(127)	—	(5,274)
Repurchase by a subsidiary of its common stock	—	(1,221)	(12,573)
Net cash provided by (used in) financing activities	6,863	(7,161)	(16,372)
Net increase (decrease) in cash and cash equivalents	23,035	16,384	(3,535)
Cash and cash equivalents, beginning of year	49,050	32,666	36,201
Cash and cash equivalents, end of year	$72,085	$49,050	$32,666
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest (net of amount capitalized)	$13,095	$15,040	$14,094
Income taxes (net of refunds)	$15,691	$12,307	$14,109

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Consolidated Statements of Cash Flows: For presentation purposes in the Consolidated Statements of Cash Flows, all highly liquid short-term investments, with original maturities principally less than three months on original acquisition, are considered cash equivalents. Deposits made for hedging transactions are included in inventory for cash flow reporting purposes.

Nonhomogeneous Operations

PHILIP MORRIS COMPANIES INC.

Consolidated Statement of Cash Flows

(In millions of dollars)

For the years ended December 31,	1992	1991	1990
Cash Provided By (Used In) Operating Activities			
Net earnings—Consumer products	$4,799	$2,889	$3,400
—Financial services and real estate	140	117	140
Net earnings	4,939	3,006	3,540
Adjustments to reconcile net earnings to operating cash flows:			
Consumer products			
Depreciation and amortization	1,542	1,497	1,367
Deferred income tax provision (benefit)	137	(715)	108
Gains on sales of businesses	(162)	(5)	(104)
Restructuring charges		455	
Cumulative effect of accounting change		1,487	
Cash effects of changes, net of the effects from acquired and divested companies:			
Receivables, net	(57)	(139)	(249)
Inventories	(304)	(468)	(699)
Accounts payable	(421)	395	100
Income taxes	368	443	168
Other working capital items	30	(212)	562
Other	331	140	378
Financial services and real estate			
Cumulative effect of accounting change		6	
Deferred income tax provision	446	357	277
Decrease in real estate receivables	68	58	32
Increase in real estate held for development and sale	(22)	(57)	(41)
Other	(13)	11	(54)
Net cash provided by operating activities	6,882	6,259	5,385
Cash Provided By (Used In) Investing Activities			
Consumer products			
Purchase of Jacobs Suchard AG, net of acquired cash of $825			(3,116)
Purchase of other businesses, net of acquired cash	(727)	(162)	(171)
Proceeds from sales of investments and businesses	255	29	159
Capital expenditures	(1,573)	(1,562)	(1,355)
Other	(98)	9	246
Financial services and real estate			
Investments in finance assets	(1,577)	(936)	(523)
Proceeds from other finance assets	775	308	111
Other	1		(17)
Net cash used in investing activities	(2,944)	(2,314)	(4,666)
Net cash provided by operating and investing activities	$3,938	$3,945	$719

For the years ended December 31,	1992	1991	1990
Cash Provided By (Used In) Financing Activities			
Consumer products			
Net repayment of short-term borrowings	$ (683)	$(4,129)	$ (994)
Long-term debt proceeds	3,882	3,850	3,562
Long-term debt repaid	(2,130)	(1,486)	(1,776)
Financial services and real estate			
Net (repayment) issuance of short-term borrowings	(60)	94	91
Long-term debt proceeds	585		
Long-term debt repaid	(208)	(12)	(182)
Purchase of treasury stock	(2,449)	(703)	(221)
Dividends paid	(2,028)	(1,678)	(1,351)
Issuance of shares	115	119	80
Net cash used in financing activities	(3,026)	(3,945)	(791)
Effect of exchange rate changes on cash and cash equivalents	(17)	(20)	100
Increase (decrease) in cash and cash equivalents	895	(20)	28
Cash and cash equivalents at beginning of year	126	146	118
Cash and cash equivalents at end of year	$ 1,021	$ 126	$ 146
Cash paid: Interest—Consumer products	$ 1,362	$ 1,465	$ 1,511
—Financial services and real estate	$ 70	$ 76	$ 100
Income taxes	$ 2,717	$ 2,229	$ 2,027

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and cash equivalents:

Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less.

CASH FLOWS FROM INVESTING ACTIVITIES

Paragraphs 15-17 of *SFAS No. 95* define those transactions and events which constitute investing cash receipts and payments. With the exception of certain transactions described in paragraphs 12-13 of *SFAS No. 95* and paragraph 7 of *SFAS No. 104,* which amends *SFAS No. 95,* cash receipts and payments should be reported separately and not netted. Examples of reporting cash flows from investing activities follow.

Property Acquisitions/Disposals

CYPRUS MINERALS COMPANY

Consolidated Statement of Cash Flows

Year Ended December 31 *(In thousands)*	1992	1991	1990
Cash Flows from Operating Activities			
Net Income (Loss)	$(333,569)	$42,744	$111,031
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Cumulative Effect of Accounting Changes for Benefits	87,597	—	—
Depreciation, Depletion, and Amortization	127,710	119,404	117,905
Write-Downs	410,366	35,000	81,977
Deferred Income Taxes	(95,124)	(18,213)	(41,983)
Gain on Sale of Assets	(371)	(2,625)	(2,294)
Issuance of Stock for Employee Benefits	7,394	7,259	5,941
Other	23,760	14,815	21,408
Changes in Assets and Liabilities Net of Effects from Businesses Acquired/Sold:			
(Increase) Decrease in Receivables	(28,479)	30,537	(13,250)
(Increase) Decrease in Inventories	(24,936)	4,338	(53,624)
Increase in Prepaid Expenses	(688)	(1,557)	(7,776)
Increase (Decrease) in Current Liabilities	(14,984)	38,968	(8,938)
Increase in Other Assets	(18,391)	(2,738)	(4,710)
Decrease in Other Liabilities	(4,913)	(1,909)	(6,382)
Net Cash Provided by Operating Activities	135,372	266,023	199,305
Cash Flows from Investing Activities			
Capital Expenditures	(156,324)	(177,958)	(208,095)
Capitalized Interest	(3,084)	(5,409)	—
Proceeds from Sale of Assets	85,151	10,908	9,716
Payments for Businesses Purchased and Other	—	—	(5,000)
Net Cash Used for Investing Activities	(74,257)	(172,459)	(203,379)
Cash Flows from Financing Activities			
Net Proceeds from Issuance of Debt	—	—	148,950
Payments on Long-Term Debt	(7,021)	(8,449)	(16,628)
Purchase of Treasury Stock	—	—	(88,797)
Proceeds from Issuance of Stock for Employee Benefits	5,873	1,244	1,785
Redemption of Preferred Stock	(1,004)	—	—
Dividends Paid	(48,399)	(45,905)	(47,011)
Net Cash Used for Financing Activities	(50,551)	(53,110)	(1,701)
Net Increase (Decrease) in Cash and Cash Equivalents	10,564	40,454	(5,775)
Cash and Cash Equivalents at Beginning of Year	79,054	38,600	44,375
Cash and Cash Equivalents at End of Year	$ 89,618	$ 79,054	$ 38,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Cash Flow Information

The Consolidated Statement of Cash Flows provides information about changes in cash and cash equivalents which have a maturity of three months or less when acquired. Net Cash Provided by Operating Activities reflects cash payments for interest and income taxes as shown below:

(In thousands)	1992	1991	1990
Interest Paid(1)	$ 13,672	$ 18,191	$19,272
Income Taxes Paid (Credited)	$10,538	$(15,239)	$55,574

(1) Net of capitalized interest and receipt of interest rate swap proceeds.

Supplemental Non-Cash Investing and Financing Activities:

As described in Note 8, Preferred Stock Transactions, the Company redeemed or converted all of its Series B Preferred Stock. The carrying value of the Preferred Stock was $196.6 million.

FEDERAL PAPER BOARD COMPANY, INC.

Consolidated Statement of Cash Flows

In Thousands	For Fiscal Year 1992	1991	1990
Cash Flows from Operations:			
Net income	$ 91,600	$ 82,400	$ 118,200
Adjustments to reconcile net income to net cash provided by operations:			
Cumulative effect of accounting change	(9,000)	—	—
Depreciation, amortization and cost of timber harvested	146,566	122,695	88,400
Deferred income tax provision	26,857	35,056	44,750
Loss on disposal of property, plant and equipment	4,778	10,787	27,302
Net gains on sales of facilities	—	(4,668)	—
Other—net	(10,371)	3,293	(13,041)
Changes in current assets and liabilities, net of effects from acquisitions:			
Accounts and notes receivable	(4,762)	69,532	11,346
Inventories	(21,488)	(26,472)	9,439
Other current assets	(794)	11,332	(9,841)
Accounts payable and other current liabilities	5,718	(29,788)	20,670
Net Cash Provided by Operations	229,104	274,167	297,225
Cash Flows from Investing Activities:			
Capital expenditures	(149,130)	(227,403)	(509,285)
Payments for acquisitions	—	—	(146,532)
Proceeds from disposal of property, plant and equipment	3,083	13,725	5,293
Other	(9,071)	(11,478)	(9,586)
Net Cash Used in Investing Activities	(155,118)	(225,156)	(660,110)
Cash Flows from Financing Activities:			
Cash dividends paid	(48,414)	(48,645)	(48,247)
Increase in long-term debt	209,966	200,623	543,627
Payments on long-term debt	(239,896)	(224,447)	(137,134)
Issuance of equity capital	5,845	7,942	3,308
Change in short-term debt	(1,724)	15,032	(718)
Net Cash (Used) Provided by Financing Activities	(74,223)	(49,495)	360,836
Decrease in Cash and Short-term Investments:	(237)	(484)	(2,049)
Cash and short-term investments:			
Beginning of year	517	1,001	3,050
End of year	$ 280	$ 517	$ 1,001
Supplemental Cash Flow Disclosure:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 78,864	$ 86,189	$ 41,269
Income taxes	$ 26,885	$ 30,557	$ 51,571

NOTES TO FINANCIAL STATEMENTS

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

Cash and Short-term Investment

The Company invests excess cash balances in short-term, high-quality commercial paper with original maturities of three months or less.

Investments

AEL INDUSTRIES, INC.

Consolidated Statements of Cash Flows

Three years ended February 28, 1992	1992	1991	1990
		(Dollars in thousands)	
Cash flows from operating activities:			
Net income (loss)	$ 12,302	$ 2,574	$ (8,987)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	6,292	5,907	5,335
Amortization of and adjustments to other assets	410	2,266	1,793
Deferred income taxes	2,209	(1,612)	(322)
Deferred retirement benefits	86	94	253
Gain on redemption of shares in foreign company	(14,368)		
(Increase) decrease in receivables	12,585	(491)	7,496
(Increase) decrease in inventories and other current assets	(989)	126	3,683
Increase (decrease) in accounts payable, accrued liabilities and other current liabilities	(6,279)	1,175	3,460
Net cash provided by operating activities	12,248	10,039	12,711
Cash flows from investing activities:			
Additions to property, plant and equipment	(5,598)	(10,789)	(9,450)
Liquidation of marketable securities	54	3,592	33
Proceeds from redemption of shares in foreign company	25,000		
Other	(211)	353	266
Net cash provided (absorbed) by investing activities	19,245	(6,844)	(9,151)
Cash flows from financing activities:			
Payments of short-term debt, net of borrowings	(3,875)	(6,700)	(5,700)
Long-term borrowings	1,298	6,500	5,367
Payments of long-term debt	(8,625)	(2,571)	(2,846)
Purchases of common stock for treasury		(42)	(116)
Other	6	(344)	(131)
Net cash absorbed by financing activities	(11,196)	(3,157)	(3,426)
Increase in cash and equivalents	20,297	38	134
Cash and equivalents at beginning of period	219	181	47
Cash and equivalents at end of period	$ 20,516	$ 219	$ 181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Equivalents. Cash and equivalents include all highly liquid inventments with original maturities of three months or less.

2. Investment in Foreign Company

In December 1986, the Company exchanged its 58.7% interest in Elisra Electronic Systems Ltd. for redeemable shares representing a 6% interest in Tadiran Ltd., an electronics company in Israel. The Company accounted for the exchange under the cost method of accounting and recognized no gain at that time for financial reporting purposes. A deferred tax asset of $2,694,000 related to an income tax payment at the time of the exchange was included in the investment at February 22, 1991. In February 1992, the Company received $25,000,000 in settlement of its rights arising from redemption of the redeemable shares. For financial reporting purposes in fiscal year 1992, the Company recognized a gain of $14,368,000, net of related expenses.

4. (In Part): Long-Term Borrowings

The Company paid interest of $3,430,000, $4,148,000 and $4,676,000 on short-term and long-term borrowings during fiscal years 1992, 1991 and 1990, respectively. Interest of $153,000 and $89,000 incurred in fiscal years 1991 and 1990 has been capitalized as a cost of constructing major facilities.

5. (In Part): Income Taxes

The Company paid income taxes, net of refunds, of $1,349,000 and $1,425,000 in fiscal years 1992 and 1991 and received an income tax refund, net of estimated and other tax payments, of $2,580,000 in fiscal year 1990.

COMPAQ COMPUTER CORPORATION

Consolidated Statement of Cash Flows

	1992	1991	1990
		Year ended December 31, (In thousands)	
Cash flows from operating activities:			
Cash received from customers	$ 3,594,786	$ 3,325,465	$ 3,536,984
Cash paid to suppliers and employees	(3,641,655)	(2,822,648)	(2,721,070)
Interest and dividends received	32,404	32,301	26,889
Interest paid	(42,137)	(36,907)	(46,728)
Income taxes paid	(2,816)	(104,001)	(140,294)
Net cash provided by (used in) operating activities	(59,418)	394,210	655,781
Cash flows from investing activities:			
Purchase of property, plant, and equipment, net	(159,215)	(188,746)	(324,859)
Proceeds from sale of investment in Conner Peripherals, Inc.	241,427		
Investment in Silicon Graphics, Inc.	135,000	(135,000)	
Other, net	13,004	(16,636)	(1,747)
Net cash provided by (used in) investing activities	230,216	(340,382)	(326,606)
Cash flows from financing activities:			
Purchases of treasury shares	(215,505)	(82,275)	
Proceeds from sale of equity securities	56,836	22,637	22,645
Repayment of borrowings	(73,456)	(540)	(30,561)
Net cash used in financing activities	(232,125)	(60,178)	(7,916)
Effect of exchange rate changes on cash	(34,100)	23,824	(47,872)
Net increase (decrease) in cash	(95,427)	17,474	273,387
Cash and short-term investments at beginning of year	452,174	434,700	161,313
Cash and short-term investments at end of year	$ 356,747	$ 452,174	$ 434,700
Reconciliation of net income to net cash provided by operating activities:			
Net income	$213,152	$130,869	$454,910
Depreciation and amortization	159,510	165,824	135,305
Provision for bad debts	13,654	8,542	3,878
Equity in net income of affiliated company	(15,233)	(19,765)	(29,682)
Unrealized gain on investment in affiliated company			(34,532)
Gain on sale of investment in affiliated company	(85,709)		
Deferred income taxes	34,128	(9,639)	40,443
Loss on disposal of assets	14,408	4,200	4,887
Exchange rate effect	11,236	(4,136)	21,422
Income tax refund	51,400		
Other changes in net current assets	(455,964)	118,315	59,150
Net cash provided by (used in) operating activities	$ (59,418)	$ 394,210	$ 655,781

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Short-term Investments:

The Company held the following short-term investments:

	December 31, 1992	December 31, 1991
	(In thousands)	
Money market instruments	$133,926	$321,527
Commercial paper and other investments	135,324	120,010
	$269,250	$441,537

All such investments are carried at cost plus accrued interest, which approximates market, have maturities of three months or less and are considered cash equivalents for purposes of reporting cash flows.

ELI LILLY AND COMPANY

Consolidated Statements of Cash Flows

	Year Ended December 31 1992	1991	1990
	(Dollars in millions)		
Cash Flows from Operating Activities			
Net income	$ 708.7	$1,314.7	$1,127.3
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities			
Depreciation and amortization	368.1	299.5	247.5
Change in deferred taxes	(184.3)	(13.7)	(5.3)
Restructuring and special charges	565.7	—	—
Cumulative effect of changes in accounting principles	118.9	—	—
Other noncash (income)—net	(16.2)	(8.7)	(51.3)
	1,560.9	1,591.8	1,318.2
Changes in operating assets and liabilities:			
Receivables—(increase) decrease	28.1	(122.2)	(33.1)
Inventories—increase	(198.4)	(116.1)	(59.1)
Prepaid expenses—increase	(48.8)	(140.3)	(123.5)
Accounts payable and accrued liabilities—increase	141.7	41.4	371.9
	(77.4)	(337.2)	156.2
Net Cash Flows from Operating Activities	1,483.5	1,254.6	1,474.4
Cash Flows from Investing Activities			
Additions to property and equipment	(912.9)	(1,142.4)	(1,007.3)
Disposals of property and equipment	10.6	28.5	21.1
Additions to sundry assets and tangibles	(59.6)	(100.9)	(67.8)
Net proceeds from divestiture	98.9	—	—
Reductions of investments	764.2	1,301.7	501.5
Additions to investments	(740.2)	(942.6)	(504.4)
Acquisitions of subsidiaries	(89.2)	—	1.0
Net Cash Used for Investing Activities	(928.2)	(855.7)	(1,055.9)
Cash Flows from Financing Activities			
Dividends paid	(643.7)	(582.7)	(450.1)
Warrant exercises	—	955.7	6.2
Purchase of common stock and other capital transactions	(68.5)	(69.2)	(1,073.4)
Issuance under stock plans	26.0	39.3	21.3
Increase (decrease) in short-term borrowings	(104.9)	(713.9)	1,099.7
Additions to long-term debt	205.5	152.6	2.8
Reductions of long-term debt	(3.0)	(60.0)	(.2)
Net Cash Used for Financing Activities	(588.6)	(278.2)	(393.7)
Effect of exchange rate changes on cash	(13.5)	8.3	2.4
Net Increase (Decrease) in Cash and Cash Equivalents	(46.8)	129.0	27.2
Cash and Cash Equivalents at the Beginning of Year	479.2	350.2	323.0
Cash and Cash Equivalents at End of Year	$ 432.4	$ 479.2	$ 350.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per-share data)

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

Cash Equivalents: The company considers all highly liquid investments, generally with a maturity of three months or less, to be cash equivalents. The cost of these investments approximates fair value.

Note 5 (In Part): Borrowings

At December 31, 1992, short-term borrowings included $416.3 million of commercial paper and $148.5 million of notes payable to banks. At December 31, 1991, commercial paper and notes payable to banks totaled $375.2 million and $148 million, respectively. Interest expense as reported in the financial statements was $71.7 million, $39.8 million, and $66.4 million in 1992, 1991, and 1990, respectively. Cash payments of interest on all borrowings totaled $72.6 million, $53.1 million, and $44.7 million in 1992, 1991, and 1990, respectively.

Note 8 (In Part): Income Taxes

Unremitted earnings of foreign subsidiaries that have been, or are intended to be, permanently reinvested for continued use in foreign operations and which, if distributed, would result in taxes at approximately the U.S. statutory rate, aggregated $788 million at December 31, 1992 ($691 million at December 31, 1991). Cash payments of taxes totaled $484 million, $489 million, and $409 million in 1992, 1991, and 1990, respectively.

Loans Receivable

AMPCO-PITTSBURGH CORPORATION

Consolidated Statements of Cash Flows

	For The Year Ended December 31, 1992	1991	1990
Cash flows from operating activities:			
Net income (loss)	$(14,763,609)	$(13,667,788)	$ (505,152)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Cumulative effect of accounting changes	12,838,000	—	—
Depreciation and amortization	8,312,828	8,832,598	8,358,312
(Gain) loss on discontinued operations	(291,071)	19,003,011	(1,788,780)
Loss on investment in Midway Airlines, Inc.	—	1,292,276	15,000,000
Gain on sale of investment in United States Biochemical Corporation common stock	—	—	(1,755,425)
Other—net	628,580	467,220	(975,132)
(Increase) decrease in assets:			
Accounts receivable	5,604,927	(4,110,626)	5,283,944
Inventories	1,521,115	5,252,103	873,225
Other assets	(1,268,204)	32,757	2,474,149
Proceeds from pension reversion	—	—	3,534,109
Increase (decrease) in liabilities:			
Accounts payable	(2,044,261)	(2,637,865)	2,903,088
Accrued payrolls and employee benefits	(962,113)	(345,962)	(875,771)
Other liabilities	(6,252,490)	(5,935,379)	(5,111,794)
Net cash flows from operating activities	3,323,702	8,182,345	28,425,077
Cash flows from investing activities:			
Proceeds from sales of discontinued operations	3,178,676	—	6,084,000
Collection of receivables resulting from sale of discontinued operations	242,000	1,593,887	8,448,062
Purchase of investments	(202,709)	(120,000)	(3,788,049)
Proceeds from sale of investments	100,000	3,541,589	5,287,974
Purchases of property, plant and equipment	(3,431,885)	(7,047,116)	(7,485,889)
Proceeds from sales of property, plant and equipment	471,101	220,998	1,307,937
Net cash flows from investing activities	357,183	(1,810,642)	9,854,035
Cash flows from financing activities:			
Repayments of notes payable to bank	(1,500,000)	—	(7,000,000)
Repayments of long-term debt	(483,334)	(1,251,114)	(28,894,110)
Dividends paid	(2,874,770)	(2,874,770)	(2,874,768)
Net cash flows from financing activities	(4,858,104)	(4,125,884)	(38,768,878)
Effect of exchange rate changes on cash	155,498	(8,331)	51,539
Net increase (decrease) in cash	(1,021,721)	2,237,488	(438,227)
Cash at beginning of year	4,587,793	2,350,305	2,788,532
Cash at end of year	$ 3,566,072	$ 4,587,793	$ 2,350,305
Supplemental information:			
Interest payments	$ 2,399,211	$ 3,571,286	$ 6,383,101
Income tax payments	20,215	2,270,047	1,578,918

FLEMING COMPANIES, INC.

Consolidated Statements of Cash Flows

For the years ended December 26, 1992, December 28, 1991, and December 29, 1990	1992	1991	1990
		(In thousands)	
Cash flows from operating activities:			
Net earnings	$ 113,040	$ 55,095	$ 97,256
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	93,827	91,252	82,550
Credit losses	28,258	17,281	22,677
Deferred income taxes	11,343	(34,158)	10,699
Facilities consolidation	(31,226)	53,150	(9,680)
Postretirement health care benefits	—	15,000	—
Change in assets and liabilities:			
Receivables	(75,924)	(45,094)	(49,806)
Inventories	(440)	(74,500)	(102,097)
Other assets	4,910	(23,434)	(4,836)
Accounts payable	(41,285)	37,166	43,868
Other liabilities	(16,566)	4,251	(23,059)
Other adjustments, net	3,918	(634)	(3,597)
Net cash provided by operating activities	89,855	95,375	63,975
Cash flows from investing activities:			
Collections on notes receivable	88,851	95,045	64,975
Notes receivable funded	(168,814)	(193,643)	(131,152)
Note receivable sold	44,970	81,986	74,993
Purchase of property and equipment	(66,376)	(67,295)	(60,585)
Proceeds from sale of property and equipment	3,603	4,748	10,700
Investments in retailers	(17,315)	(21,108)	(23,926)
Business acquired	(8,233)	—	—
Proceeds from sale of investments	9,763	7,156	13,599
Preceeds from sale of businesses	—	—	5,638
Other investing activities	(353)	(8,428)	(646)
Net cash used in investing activities	(113,904)	(101,539)	(46,404)
Cash flows from financing activities:			
Proceeds from long-term borrowings	462,726	353,381	214,891
Principal payments on long-term debt	(383,188)	(432,364)	(213,553)
Principal payments on capital lease obligations	(10,904)	(11,565)	(10,198)
Sale of common stock under incentive stock and stock ownership plans	5,653	8,870	8,653
Dividends paid	(42,929)	(41,979)	(36,212)
Redemption of preferred stock	(19,100)	(30,900)	—
Proceeds from common stock sale	—	159,936	—
Other financing activities	(4,587)	588	2,980
Net cash provided by (used in) financing activities	7,671	5,967	(33,439)
Net decrease in cash and cash equivalents	(16,378)	(197)	(15,868)
Cash and cash equivalents, beginning of year	21,090	21,287	37,155
Cash and cash equivalents, end of year	$ 4,712	$ 21,090	$ 21,287

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and cash equivalents: Cash equivalents consist of liquid investments readily convertible to cash with a maturity of three months or less. The carrying amount for cash equivalents is a reasonable estimate of fair value.

Supplemental Cash Flows Information

(In thousands)	1992	1991	1990
Cash paid during the year for:			
Interest, net of amounts capitalized	$82,051	$91,301	$96,352
Income taxes	$65,884	$61,437	$57,384
Direct financing leases and related obligations	$27,507	$44,055	$11,574
Property and equipment additions by capital leases	$22,513	$9,182	$5,676

In October 1992, the company acquired the common stock of Baker's Supermarkets, the operator of ten supermarkets located in Omaha, Neb. The acquisition was accounted for as a purchase. The results of Baker's operations are not material to the company. The company issued 1,073,512 shares of common stock at a price of $31.79 per share, or $34.1 million. The fair value of assets acquired was $88.7 million, with liabilities assumed or created of $39.8 million. Cash paid for the acquisition, net of cash acquired, was $8.2 million.

TASTY BAKING COMPANY

Consolidated Statements of Cash Flows

	52 Weeks Ended Dec. 26, 1992	52 Weeks Ended Dec. 28, 1991	52 Weeks Ended Dec. 29, 1990
Cash flows from (used for) operating activities			
Net income	$ 8,576,410	$ 7,882,051	$ 1,934,569
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,056,589	7,949,142	6,529,542
Amortization	278,337	298,411	280,470
Provision for doubtful accounts	891,356	1,070,371	830,023
Provision related to early retirement program	—	—	9,450,000
Deferred taxes	582,831	4,796	(4,085,932)
Other	273,313	(235,306)	(249,129)
Changes in assets and liabilities:			
Increase in receivables	(2,598,960)	(2,987,872)	(1,737,276)
Decrease (increase) in inventories	(1,955,220)	464,965	(1,119,215)
Decrease (increase) in prepayments and other	(90,386)	544,993	(1,175,902)
Increase (decrease) in accrued and deferred income taxes	212,112	(913,768)	1,310,431
Decrease in accrued pensions, accounts payable and other current liabilities	(272,246)	(2,917,032)	(567,219)
Net cash from operating activities	13,954,136	11,160,751	11,400,362
Cash flows from (used for) investing activities			
Proceeds from owner/operators' loan repayments	3,856,537	3,260,017	2,840,984
Proceeds from sale of property, plant and equipment	390,849	600,339	84,967
Purchase of property, plant and equipment	(5,899,102)	(6,774,523)	(11,004,485)
Loans to owner/operators	(4,266,310)	(3,910,024)	(3,690,123)
Purchase of business	—	—	(1,150,000)
Purchase of capitalized software license	—	(779,722)	—
Other	(387,049)	(399,997)	149,095
Net cash used for investing activities	(6,305,075)	(8,003,910)	(12,769,562)
Cash flows from (used for) financing activities			
Dividends paid	(4,844,710)	(4,368,546)	(4,298,157)
Payment of long-term debt	(3,756,064)	(3,193,209)	(6,402,508)
Purchase of treasury stock	—	—	(3,975,190)
Net increase in short-term debt	761,000	706,000	1,486,610
Additional long-term debt	—	3,900,000	15,000,000
Proceeds from sale of common stock	—	10,374	—
Net cash from (used for) financing activities	(7,839,774)	(2,945,381)	1,810,755
Net increase (decrease) in cash	$ (109,713)	$ 211,460	$ 441,555
Cash, beginning of year	967,552	756,092	314,537
Cash, end of year	$ 776,839	$ 967,552	$ 756,092
Cash paid during the year for:			
Interest	$1,916,451	$2,384,708	$1,898,136
Income taxes	$4,657,189	$5,152,726	$3,218,503

Purchase Method Business Combinations

ANACOMP, INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)	Year ended September 30, 1992	1991	1990
Cash flows from operating activities:			
Net income	$ 26,921	$ 29,205	$ 9,576
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and write-off of debt issuance costs	39,847	38,439	52,505
Provision (benefit) for losses on accounts receivable	(1,013)	764	2,490
Non-cash compensation expense	341	574	143
Gain on early extinguishment of debt	—	—	(470)
Loss on disposition of assets	979	237	3,712
Change in assets and liabilities net of effects from acquisitions:			
Decrease in accounts and long-term receivables	835	3,806	22,246
(Increase) decrease in inventories and prepaid expenses	(1,680)	4,251	(4,956)
(Increase) decrease in other assets	(913)	(1,997)	17,463
Increase (decrease) in accounts payable and accrued expenses	5,474	(14,748)	(36,497)
Decrease in other noncurrent liabilities	(11,156)	(11,702)	(10,896)
Net cash provided by operating activities	59,635	48,829	55,316
Cash flows from investing activities:			
Proceeds from sale of assets	7,794	2,908	12,706
Purchases of property, plant and equipment	(18,755)	(13,916)	(22,182)
Proceeds from notes receivable	6,122	4,227	897
Payments made to grant loans	(95)	(194)	(505)
Payments to acquire companies and customer rights, net of cash acquired	(6,830)	(1,750)	(1,726)
Net cash used in investing activities	(11,764)	(8,725)	(10,810)
Cash flows from financing activities:			
Proceeds from issuance of common stock and warrants	2,532	11,180	1,894
Proceeds from revolving line of credit and long-term borrowings	51,951	544,278	30,500
Principal payments on long-term debt	(89,757)	(570,473)	(76,951)
Preferred dividends paid	(2,062)	(2,062)	(2,062)
Payments related to the issuance of debt and equity	(507)	(26,612)	(1,772)
Net cash used in financing activities	(37,843)	(43,689)	(48,391)
Effect of exchange rate changes on cash	42	11,819	(1,482)
Increase (decrease) in cash and cash equivalents	10,070	8,234	(5,367)
Cash and cash equivalents at beginning of year	19,811	11,577	16,944
Cash and cash equivalents at end of year	$ 29,881	$ 19,811	$ 11,577

Supplemental disclosures of cash flow information:

(Dollars in thousands)	Year ended September 30, 1992	1991	1990
Cash paid (refunded) during the year for:			
Interest	$64,120	$57,258	$87,519
Income taxes	(3,041)	8,898	6,692

Supplemental schedule of non-cash investing and financing activities:

During 1992 and 1991, the Company acquired companies and rights to provide future services. In conjunction with these acquisitions, the purchase price consisted of the following:

(Dollars in thousands)	Year ended September 30, 1992	1991
Cash paid	$6,830	$1,750
Notes payable issued	750	—
Credit memo issued	1,500	—
Liabilities assumed	522	—
Total fair value of acquisitions	$9,602	$1,750

On March 7, 1990, the Company sold the flexible disk business. Included in the proceeds were notes and other receivables of $6,900,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated Statements of Cash Flows

Anacomp considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. These temporary investments, primarily repurchase agreements and other overnight investments, are recorded at cost, which approximates market, and totalled $8,000,000, $11,800,000, and $8,229,000 at September 30, 1992, 1991 and 1990, respectively.

HARSCO CORPORATION

Consolidated Statements of Cash Flows

(All dollars in thousands)	For the years 1992, 1991 and 1990 1992	1991	1990
Cash flows from operating activities:			
Net income	$ 84,332	$ 76,543	$ 72,504
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	57,064	57,664	56,574
Cumulative effect of change in accounting principle	7,184	—	—
Other, net	(610)	3,920	(1,451)
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:			
Notes and accounts receivable	(43,878)	(52,748)	(24,802)
Inventories	13,566	109,118	(1,368)
Accounts payable	(26,271)	(17,515)	31,675
Accrued long-term contract costs	(5,177)	(16,806)	(61,593)
Advance deposits on long-term contracts	25,030	(35,236)	(29,417)
Other assets and liabilities	(3,106)	26,545	21,513
Net cash provided by operating activities	108,134	151,485	63,635
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(42,720)	(53,846)	(71,127)
Purchase of businesses, net of cash acquired*	(28,404)	(5,344)	(17,278)
Proceeds from sales of operating units	44,466	—	35,852
Proceeds from sale of property, plant and equipment	2,079	3,245	3,239
Other investing activities	61	(2,239)	(833)
Net cash (used) by investing activities	(24,518)	(58,184)	(50,147)
Cash flows from financing activities:			
Short-term borrowings, net	(5,444)	(25,084)	21,055
Current maturities and long-term debt:			
Additions	—	102,124	—
Reductions	(82,948)	(25,629)	(5,079)
Cash dividends paid on common stock	(34,373)	(31,528)	(31,461)
Common stock issued-options	7,734	1,188	110
Common stock acquired for treasury	(37,587)	(2,606)	—
Other financing activities	(34)	(1,568)	—
Net cash provided (used) by financing activities	(152,652)	16,897	(15,375)
Effect of exchange rate changes on cash	(796)	(452)	962
Net increase (decrease) in cash and cash equivalents	(69,832)	109,746	(925)
Cash and cash equivalents at beginning of year	120,198	10,452	11,377
Cash and cash equivalents at end of year	$ 50,366	$120,198	$ 10,452
*Purchase of businesses, net of cash acquired:			
Working capital, other than cash	$ (11,863)	$ (2,140)	$ (2,997)
Property, plant and equipment	(16,513)	(2,904)	(11,698)
Other assets	(1,155)	(300)	(2,809)
Long-term debt	—	—	226
Noncurrent liabilities	1,127	—	—
Net cash used to acquire businesses	$ (28,404)	$ (5,344)	$(17,278)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents:

The Company's policy is to maintain its uninvested cash at minimal levels. Cash and cash equivalents include highly liquid debt instruments purchased with a maturity of three months or less.

4 (In Part): Income Taxes

Cash payments for income taxes were $50,526,000, $10,872,000 and $33,526,000, for 1992, 1991 and 1990, respectively.

6 (In Part): Long-Term Debt

Cash payments for interest on all debt, net of amounts capitalized, were $20,465,000, $18,797,000, and $18,295,000 in 1992, 1991, and 1990, respectively.

LADD FURNITURE, INC.

Consolidated Statements of Cash Flows

Dollar amounts in thousands	Years ended January 2, 1993, December 28, 1991 and December 29, 1990 1992	1991	1990
Cash Flows from Operating Activities:			
Net earnings (loss)	$ 5,176	(12,749)	480
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation of property, plant and equipment	8,773	8,315	8,666
Amortization	2,565	4,798	2,669
Provision for losses on trade accounts receivable	3,126	7,356	2,140
Gain on sales of property, plant and equipment	(127)	(1,730)	(215)
Provision for deferred income taxes	722	1,284	(2,522)
Increase (decrease) in other liabilities	(144)	696	276
Manufacturing restructuring charge	—	—	8,268
Change in assets and liabilities, net of effects from the acquisition of a business in 1992:			
(Increase) decrease in trade accounts receivable	(6,407)	(1,613)	404
Decrease in note receivable	—	—	1,005
(Increase) decrease in inventories	(5,633)	6,207	8,644
(Increase) decrease in refundable income taxes	7,264	(5,050)	2,844
Decrease in prepaid expenses and other current assets	2,132	1,128	709
Increase (decrease) in trade accounts payable	3,031	5,734	(6,368)
Increase (decrease) in accrued expenses and othe current liabilities	5,860	(8,586)	(3,957)
Total adjustments	21,162	18,539	22,563
Net cash provided by operating activities	26,338	5,790	23,043
Cash Flows From Investing Activities:			
Acquisition of a business—*Note 2*	(4,720)	—	—
Additions to property, plant and equipment	(8,988)	(7,549)	(6,535)
Proceeds from sales of property, plant and equipment	1,161	6,035	5,579
Net cash proceeds from operations and sales of businesses held for divestiture	—	—	29,459
Carrying costs of property, plant and equipment held for sale	—	(644)	—
(Additions to) reductions in intangible and other assets	(420)	(1,954)	11
Net cash provided by (used in) investing activities	(12,967)	(4,112)	28,514
Cash Flows From Financing Activities:			
Proceeds from long-term borrowings	—	13,500	—
Principal payments of long-term debt	(49,010)	(7,695)	(49,655)
Proceeds from common stock issued	34,049	218	126
Dividends paid	—	(4,545)	(5,274)
Net cash provided by (used in) financing activities	(14,961)	1,568	(54,803)
Effect of Exchange Rate Changes on Cash	(89)	—	—
Net increase (decrease) in cash	(1,679)	3,246	(3,246)
Cash at beginning of year	3,505	259	3,505
Cash at end of year	$ 1,826	3,505	259

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Acquisition

On July 2, 1992, the Company acquired substantially all of the assets and assumed certain liabilities of Fournier Furniture Corporation and subsidiary for an aggregate purchase price of approximately $11,000,000, including acquisition accounting adjustments. The purchase price consisted of approximately $4,720,000 in cash and the assumption of a $3,500,000 Industrial Development Authority obligation and certain other liabilities. The acquisition was accounted for as a purchase, and the net assets and results of operations of Fournier are included in the Company's consolidated financial statements from the acquisition date. The new entity operates as a wholly-owned subsidiary of the Company.

Note 7 (In Part): Long-Term Debt

Interest paid by the Company in 1992, 1991 and 1990 amounted to approximately $7,338,000, $10,629,000 and $15,764,000, respectively.

Note 10 (In Part): Income Taxes

During the years ended January 2, 1993, December 28, 1991 and December 29, 1990 the Company received net refunds of income taxes amounting to approximately $5,991,000, $2,539,000 and $2,861,000, respectively.

Restricted Cash

MAXUS ENERGY CORPORATION

Consolidated Statement of Cash Flows
(Dollars in millions)

Year Ended December 31,	1992	1991	1990
Cash Flows From Operating Activities:			
Net income (loss)	$ 74.2	$ (11.2)	$ 7.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	174.4	203.6	190.5
Dry hole costs	12.9	17.5	21.7
Write-off of insurance receivable	19.6		
Income taxes	3.6	(7.6)	7.3
Interest expense on zero-coupon convertible notes		8.4	7.7
Net gain on sales of assets	(3.7)	(9.0)	
Other	29.8	16.7	3.9
Changes in components of working capital:			
Receivables	(12.8)	23.3	.9
Inventories, prepaids and other current assets	(2.2)	4.9	(3.8)
Accounts payable	(2.1)	(12.4)	(20.4)
Accrued liabilities	30.5	(15.4)	15.7
Taxes payable	(5.4)	(2.9)	5.8
Deferred revenue	(21.7)	21.7	
Net cash provided by operating activities	297.1	237.6	236.6
Cash Flows From Investing Activities:			
Expenditures for properties and equipment—including dry hole costs	(261.1)	(272.3)	(272.9)
Expenditures for investments	(21.4)	(17.4)	(14.0)
Proceeds from sales of assets	14.1	76.6	10.9
Proceeds from sale/maturity of short-term investments	32.7	20.2	38.7
Purchases of short-term investments	(146.7)	(22.2)	(29.1)
Restricted cash	(104.5)	(4.2)	(6.4)
Other	(6.9)	(14.0)	(24.0)
Net cash used in investing activities	(493.8)	(233.3)	(296.8)
Cash Flows From Financing Activities:			
Proceeds from issuance of long-term debt	332.0	210.2	33.5
Repayment of long-term debt	(292.0)	(196.6)	(22.7)
Proceeds from issuance of Common Stock	178.9	17.0	89.8
Proceeds from issuance of Stock Warrants	10.0		
Repurchase and restructuring of $9.75 Preferred Stock			(69.0)
Dividends paid	(41.7)	(41.7)	(44.0)
Net cash provide by (used in) financing activities	187.2	(11.1)	(12.4)
Net decrease in cash and cash equivalents	(9.5)	(6.8)	(72.6)
Cash and cash equivalents at beginning of year	16.3	23.1	95.7
Cash and cash equivalents at end of year	$ 6.8	$ 16.3	$ 23.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 1 (In Part): Significant Accounting Policies

Statement of Cash Flows

Investments with maturities of three months or less at the time of acquisition are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. Short-term investments include U.S. Treasury notes, certificates of deposit and bonds. The Company also enters into agreements to sell and repurchase U.S. Treasury notes. The liabilities to repurchase securities sold under these agreements are reported as current liabilities and the investments acquired with the funds received from the securities sold are included in short-term investments. Short-term investments are stated at cost which approximates market value.

Net cash provided by operating activities reflects interest income and cash payments for interest expense and income taxes as follows:

	1992	1991	1990
Interest income	$6.4	$1.7	$4.0
Interest expense, net of amounts capitalized	80.9	78.0	67.8
Income taxes	104.1	143.1	52.3

Litigation Settlement

SUN COMPANY, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31	1992	1991*	1990*
		(Millions of Dollars)	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Net income (loss)	$(559)	$(387)	$ 229
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
(Income) loss from discontinued operations	(19)	257	(9)
Cumulative effect of change in accounting principle	261	—	(30)
Provision for write-down of assets and other matters	745	156	—
Gain on litigation settlement	(178)	—	—
Accrual for environmental remediation	—	118	—
Depreciation, depletion and amortization	385	433	428
Dry hole costs and leasehold impairment	34	53	59
Deferred income taxes	(213)	(75)	(10)
Changes in working capital pertaining to operating activities:			
Accounts and notes receivable	132	370	(241)
Inventories	13	71	1
Accounts payable and accrued liabilities	(298)	(351)	203
Taxes payable	(58)	(47)	54
Other	60	97	29
Net cash provided by operating activities	305	695	713
Cash Flows from Investing Activities:			
Capital expenditures	(530)	(615)	(637)
Cash provided (used) by discontinued coal operations	42	1	(3)
Cash used by discontinued real estate operations	(72)	(22)	(44)
Proceeds from divestments	103	229	141
Proceeds from litigation settlement	130	—	—
Other	1	18	(18)
Net cash used in investing activities	(326)	(389)	(561)
Cash Flows from Financing Activities;			
Net proceeds (repayments of) short-term borrowings	72	(69)	12
Proceeds from issuance of long-term debt	88	163	88
Repayments of long-term debt	(140)	(114)	(163)
Cash dividend payments	(191)	(191)	(192)
Other	8	(5)	(17)
Net cash used in financing activities	(163)	(216)	(272)
Net increase (decrease) in cash and cash equivalents	(184)	90	(120)
Cash and cash equivalents at beginning of year	363	273	393
Cash and cash equivalents at end of year	$ 179	$ 363	$ 273

*Restated to conform to 1992 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents and Investments

Sun considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents. Sun's cash equivalents consist principally of time deposits and certificates of deposit. Investments with maturities from greater than three months to one year are classified as short-term investments while those with maturities in excess of one year are classified as long-term investments. Cash equivalents and investments are stated at cost which approximate market value.

2. Gain on Litigation Settlement

During 1992, Sun received a $130 million net cash payment which settled all disputes with the government of Iran and the National Iranian Oil Company relating to the expropriation of Sun's oil production interests in Iran following the Iranian Revolution. In connection with this settlement, Sun recognized a $178 million gain which increased 1992 results of operations by $117 million after tax or $1.10 per share of common stock. The effect of the settlement on Sun's financial position is set forth in Note 18.

18. Supplemental Cash Flow Information

During 1992, Sun settled its dispute with the Iranian government concerning the expropriation of Sun's oil production interests in Iran (Note 2) and in 1991, Sun sold substantially all of the assets of ECC (Note 5). The following is a summary of the effects of these transactions on Sun's consolidated financial position (in millions of dollars):

	Iranian Settlement	Sale of ECC
(Increase) decrease in:		
Accounts and notes receivable	$ —	$ 16
Long-term receivables and investments	—	107
Other noncurrent assets	—	7
Increase (decrease) in:		
Accounts payable and accrued liabilities	(48)	1
Taxes payable	33	(2)
Deferred income taxes	28	—
Earnings employed in the business	117	(5)
Net increase in cash and cash equivalents	$130	$124

Cash payments for income taxes were $94, $140 and $184 million in 1992, 1991 and 1990, respectively. Cash payments for interest, net of amounts capitalized, were $91, $91 and $105 million in 1992, 1991 and 1990, respectively.

Public Offering Of Subsidiary Stock

SUPER VALU STORES, INC.

Consolidated Statements Of Cash Flows

(In thousands)	Fiscal Year Ended February 29, 1992 (53 Weeks)	February 23, 1991 (52 Weeks)	February 24, 1990 (52 Weeks)
Cash flows from operating activities			
Net earnings	$ 194,377	$ 155,136	$ 147,746
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Equity in earnings of ShopKo	(32,176)	(45,080)	(42,562)
Gain on sale of ShopKo stock	(84,105)	—	—
Depreciation and amortization	111,488	105,582	95,593
Provision for losses on receivables	6,675	8,812	10,048
(Gain) loss on sale of property, plant and equipment	936	(1,298)	(331)
Deferred income taxes	25,743	(2,620)	(2,631)
Change in assets and liabilities, net of effects from acquisition:			
Receivables	(10,360)	(13,937)	4,143
Inventory	(68,779)	(48,606)	(26,335)
Other current assets	(6,013)	994	(37)
Direct financing leases	(7,177)	1,835	2,558
Accounts payable	12,897	(5,815)	30,645
Other liabilities	22,758	9,749	10,169
Net cash provided by operating activities	166,264	164,752	229,006
Cash flows from investing activities			
Net proceeds from sale of ShopKo stock	240,831	—	—
Additions to long-term notes receivable	(51,698)	(45,787)	(37,960)
Payments received on long-term notes receivable	55,665	52,461	32,791
Net (additions) reductions to note receivable from ShopKo	22,867	19,417	(8,083)
Proceeds from sale of property, plant and equipment	7,745	15,625	18,004
Purchase of property, plant and equipment	(158,482)	(176,070)	(130,789)
Payment for purchase of Scott's Food Stores, Inc., net of cash acquired	(11,847)	—	—
Other investing activities	(26,402)	(23,400)	(24,225)
Net cash provided by (used in) investing activities	78,679	(157,754)	(150,262)
Cash flows from financing activities			
Net issuance (reductions) of short-term notes payable	(99,468)	46,689	(22,556)
Proceeds from issuance of long-term debt	12,931	34,769	1,359
Repayment of long-term debt	(10,772)	(40,444)	(12,725)
Reduction of obligations under capital leases	(6,081)	(2,567)	(5,141)
Proceeds from the sale of common stock under options plans	3,971	2,146	2,316
Dividends paid	(51,902)	(47,346)	(41,974)
Payment for purchase of treasury stock	(93,623)	—	—
Net cash used in financing activities	(244,944)	(6,753)	(78,721)
Net increase (decrease) in cash	(1)	245	23
Cash at beginning of year	1,547	1,302	1,279
Cash at end of year	$ 1,546	$ 1,547	$ 1,302

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C (In Part): Investment in ShopKo

On October 16, 1991, ShopKo, the company's mass merchandise discount subsidiary, completed a sale of 17,250,000 shares of its common stock at $15 per share in an initial public offering. The sale generated net proceeds to the company of $240.8 million and a gain of $84.1 million, reducing the company's ownership in ShopKo to 46 percent.

In conjunction with the ShopKo public offering, the company agreed to continue its previous lending arrangement with ShopKo on a formalized basis. Under this credit agreement ShopKo may borrow from the company on a revolving loan basis an aggregate amount not to exceed $240 million through February 29, 1992, reduced to $225 million thereafter through February 27, 1993. The agreement further provides that if ShopKo obtains other indebtedness, such proceeds shall be applied to reduce any principal balance owed to the company, to the extent loans are outstanding, and the company's commitment to lend funds to ShopKo will be reduced by the principal amount of such indebtedness. The revolving loan bears a floating interest rate which is a function of the reference rate announced from time to time by First Bank National Association. In March 1992, the outstanding principal balance was paid off and the company's future commitment to lend funds to ShopKo was reduced to $25 million.

G. Supplemental Cash Flow Information

The company's non-cash investing and financing activities were as follows:

(In thousands)	1992	1991	1990
Leased asset additions and related obligation	$17,142	$27,129	$12,110
Debt exchange of 8.875% sinking fund debentures due April 2016 for 8.75% promissory notes due June 1999	—	—	45,000
Acquisition of Scott's Food Stores, Inc.			
Fair value of assets acquired	$63,870	—	—
Cash paid	12,280	—	—
Liabilities assumed	$51,590	—	—

Payments for interest and income taxes were as follows:

(In thousands)	1992	1991	1990
Interest (net of amount capitalized)	$73,729	$76,746	$78,908
Income taxes	103,740	98,900	84,384

Investment In Tax Benefits

H.J. HEINZ COMPANY

Consolidated Statements of Cash Flows

Fiscal Year Ended (Dollars in thousands)	April 29, 1992	May 1, 1991	May 2, 1990
Operating Activities:			
Net income	$ 638,295	$ 567,999	$ 504,451
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	170,281	167,332	141,047
Amortization	41,505	28,806	27,476
Deferred tax provision	(77,295)	38,290	37,921
Gain on sale of The Hubinger Company	(221,459)	—	—
Prepaid foreign income taxes	(45,010)	12,183	(3,210)
Provision for restructuring	50,523	—	—
Other items, net	(4,018)	(64,863)	(28,362)
Changes in current assets and liabilities: excluding effects of acquisitions and divestitures:			
Receivables	(132,810)	(35,715)	(104,818)
Inventories	(25,015)	38,020	(86,549)
Prepaid expenses and other current assets	26,248	(664)	17,634
Accounts payable	(11,429)	33,935	46,751
Accrued Liabilities	12,622	(24,312)	(35,837)
Income taxes	54,723	(28,256)	(4,627)
Cash provided by operating activities	477,161	732,755	511,877
Investing Activities:			
Capital expenditures	(331,143)	(345,334)	(355,317)
Acquisitions, net of cash acquired	(574,136)	(109,032)	(56,328)
Proceeds from divestitures	344,036	22,500	6,398
Purchases of short-term investments	(373,248)	(171,020)	(342,228)
Sales and maturities of short-term investments	358,763	118,478	368,767
Investment in tax benefits	(53,272)	—	—
Other items, net	24,956	(2,794)	10,434
Cash (used for) investing activities	(604,044)	(487,202)	(368,274)
Financing Activities:			
Proceeds from long-term debt	823	5,278	231,584
Payment on long-term debt	(134,007)	(95,124)	(28,095)
Proceeds from short-term debt, net	756,666	42,160	87,596
Dividends	(270,598)	(239,303)	(207,500)
Purchase of treasury stock	(398,051)	(67,546)	(279,899)
Exercise of stock options	63,718	101,194	56,752
Tax benefits from stock options exercised	41,744	42,015	15,960
Cash loaned to ESOP	—	—	(50,000)
Sale of treasury stock to ESOP	—	—	50,000
Other items, net	2,582	2,770	3,000
Cash provided by (used for) financing activities	62,877	(208,556)	(120,602)
Effect of exchange rate changes on cash and cash equivalents	5,734	(11,835)	211
Net (decrease) increase in cash and cash equivalents	(58,272)	25,162	23,212
Cash and cash equivalents at beginning of year	150,979	125,817	102,605
Cash and cash equivalents at end of year	$ 92,707	$ 150,979	$ 125,817

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents: Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

5 (In Part): Income Taxes

In June 1991, Heinz's Italian affiliate, PLADA, elected to revalue certain assets for tax purposes as a result of legislation enacted by the Italian Parliament. The revaluation requires payment of approximately $75 million over two years in exchange for approximately $80 million of future tax benefits that the company estimates may be realized in fiscal years 1993 through 1997. One installment payment was made in 1992 for approximately $45 million. The remaining payment is due in 1993.

8. Supplemental Cash Flows Information

(Dollars in thousands)	1992	1991	1990
Cash paid during the year for:			
Interest	$139,784	$153,780	$106,696
Income taxes	339,425	347,738	233,081
Details of acquisitions:			
Fair value of assets acquired	$689,246	$200,098	$ 87,270
Liabilities assumed*	114,836	89,402	29,577
Cash paid	574,410	110,696	57,693
Less cash acquired	274	1,664	1,365
Net cash paid for acquisitions	$574,136	$109,032	$ 56,328

*Includes notes to seller.

Nonhomogeneous Operations

PFIZER INC

Consolidated Statements of Cash Flows

(Millons of dollars)	Year ended December 31 1992	1991	1990
Operating Activities:			
Net income	$ 810.9	$ 722.1	$ 801.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting changes	282.6	—	—
Depreciation and amortization of intangibles	263.9	244.1	224.8
Divestitures, restructuring and unusual items	(110.5)	300.0	—
Deferred income amortization	(74.3)	(99.9)	(99.8)
Other	5.0	24.0	(6.3)
Changes in assets and liabilities, net of effect of businesses acquired and divested:			
Accounts receivables	(193.8)	(101.8)	(62.7)
Inventories	(116.1)	(118.0)	(38.8)
Prepaid and other assets	(343.7)	(206.3)	(88.7)
Accounts payable and accrued liabilities	69.7	74.3	70.9
Income taxes payable	44.6	61.6	42.3
Other deferred items	168.7	(52.5)	17.6
Net cash provided by operating activities	807.0	847.6	860.5
Investing Activities			
Purchases of property, plant and equipment	(674.2)	(593.8)	(547.5)
Purchases of short-term investments	(535.7)	(210.6)	(89.6)
Proceeds from redemptions of short-term investments	459.8	178.6	116.4
Proceeds from sales of businesses	896.6	195.1	335.9
Purchases of long-term investments	(154.6)	(139.3)	(78.4)
Purchases and redemptions of short-term investments by financial subsidiaries	51.0	63.8	80.8
Decrease/(increase) in loans and long-term investments by financial subsidiaries	283.3	325.5	(137.3)
Other investing activities	63.7	55.5	(9.3)
Net cash provided by (used in) investing activities	389.9	(125.2)	(329.0)
Financing Activities			
Proceeds from issuance of long-term debt	266.0	265.6	36.0
(Decrease)/increase in short-term debt	(407.7)	218.4	(62.8)
Employee benefit transactions	125.1	172.3	60.8
Purchases of common stock	(665.1)	(463.9)	(132.2)
Cash dividends paid	(486.5)	(437.1)	(396.7)
Other	(59.8)	(17.9)	(5.0)
Net cash used in financing activities	(1,228.0)	(262.6)	(499.9)
Effect of exchange rate changes on cash and cash equivalents	(29.4)	(12.5)	13.3
Net (decrease)/increase in cash and cash equivalents	(60.5)	447.3	44.9
Cash and cash equivalents at beginning of year	1,317.6	870.3	825.4
Cash and cash equivalents at end of year	$ 1,257.1	$1,317.6	$ 870.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

The Company considers demand deposits, certificates of deposit and certain time deposits with maturities of three months or less at the date of purchase to be cash equivalents. Certain items which meet the definition of cash equivalents but are part of a larger pool of investments are included in Short-term investments.

Long-Term Debt (In Part)

During 1992, 1991 and 1990, respectively, the Company incurred interest costs of $115.6, $138.1 and $142.4 million, including $12.2, $8.0 and $9.9 million which was capitalized. Interest paid was approximately $92.5, $126.7 and $133.8 million in 1992, 1991 and 1990, respectively.

Taxes on Income (In Part)

The Company made income tax payments of approximately $319.9, $252.8 and $241.5 million during 1992, 1991 and 1990, respectively.

USX CORPORATION

Consolidated Statements of Cash Flows

(Dollars in millions)	1992	1991	1990
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income (loss)	$(1,826)	$ (578)	$ 818
Adjustments to reconcile to net cash provided from operating activities:			
Accounting principle changes	1,666	—	—
Depreciation, depletion and amortization	1,091	1,128	1,304
Exploratory dry well costs	82	67	109
Inventory market valuation provision (credit)	(62)	260	(140)
Pensions	(280)	(222)	(304)
Deferred taxes on income	(105)	(144)	290
Gain on disposal of assets	(24)	(30)	(7)
Restructuring charges	125	426	—
Changes in: Current receivables—sold	(40)	(120)	—
—operating turnover	167	250	(312)
Inventories	(10)	(99)	(54)
Current accounts payable and accrued expenses	61	41	(222)
All other items—net	75	44	139
Net cash provided from operating activities	920	1,023	1,621
Investing activities:			
Capital expenditures	(1,505)	(1,392)	(1,391)
Disposal of assets	117	78	558
Loans to public	(33)	(150)	(349)
Principal collected on loans to public	38	20	14
Sale (repurchase) of loan receivable	(24)	85	252
All other items—net	(36)	—	16
Net cash used in investing activities	(1,443)	(1,359)	(900)
Financing activities:			
Commercial paper and revolving credit arrangements—net	(570)	176	(326)
Other debt—borrowings	759	863	285
—repayments	(419)	(220)	(239)
Production financing and other agreements—repayments	(10)	(157)	(271)
Preferred stock repurchased	—	(3)	(272)
Common stock repurchased	(1)	(59)	(98)
Common stock issued	943	129	34
Dividends paid	(397)	(376)	(360)
Net cash provided from (used in) financing activities	305	353	(1,247)
Effect of exchange rate changes on cash	(4)	(1)	3
Net increase (decrease) in cash and cash equivalents	(222)	16	(523)
Cash and cash equivalent at beginning of year	279	263	786
Cash and cash equivalents at end of year	$ 57	$ 279	$ 263

See Note 17, page 47, for supplemental cash flow information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Principal Accounting Policies

Cash and cash equivalents—Cash and cash equivalents includes cash on hand and on deposit and highly liquid debt instruments with maturities generally of three months or less.

11 (In Part): Sales of Receivables

Loans receivable—USX Credit, a division of USX, sold certain of its loans receivable subject to limited recourse during a revolving period ended December 1992. USX Credit continues to collect payments from the loans and transfer to the buyers principal collected plus yield based on defined short-term market rates. In 1992, 1991 and 1990, USX Credit net sales (repurchases) of loans receivable totaled $(24) million, $85 million and $252 million, respectively. At December 31, 1992, the balance of sold loans receivable subject to recourse was $342 million. USX Credit is not actively seeking new loans at this time. USX Credit is subject to market risk through fluctuations in short-term market rates on sold loans which pay fixed interest rates. USX Credit significantly reduces credit risk through a credit policy, which requires that loans be secured by the real property or equipment financed, often with additional security such as letters of credit, personal guarantees and committed long-term financing takeouts. Also, USX Credit diversifies its portfolio as to types and terms of loans, borrowers, loan sizes, sources of business and types and locations of collateral. As of December 31, 1992, and December 31, 1991, USX Credit had outstanding loan commitments of $32 million and $90 million, respectively. In the event of a change in control of USX, as defined in the agreement, USX may be required to provide cash collateral in the amount of the uncollected loans receivable to assure compliance with the limited recourse provisions.

Estimated credit losses under the limited recourse provisions for both accounts receivable and loans receivable are recognized when the receivables are sold consistent with bad debt experience. Recognized liabilities for future recourse obligations of sold receivables were $1 million and $2 million at December 31, 1992, and December 31, 1991, respectively.

17. Supplemental Cash Flow Information

(In millions)	1992	1991	1990
Cash used in operating activities included:			
Interest and other financial costs paid (net of amount capitalized)	$ 404	$ 448	$ 882
Income taxes paid	24	141	241
Commercial paper and revolving credit arrangements—net:			
Commercial paper—issued	$ 2,412	$ 3,956	$ 9,395
—repayments	(2,160)	(4,012)	(9,866)
Credit agreements—borrowings	6,684	5,717	3,452
—repayments	(7,484)	(5,492)	(3,367)
Other credit arrangements—net	(22)	7	60
Total	$ (570)	$ 176	$ (326)
Noncash investing and financing activities:			
Common stock issued for dividend reinvestment and employee stock option plans	$ 86	$ 18	$ 30
Capital lease obligations	22	—	—
Disposal of assets—notes received	12	—	6
—liabilities assumed by buyers	—	—	57
Debt exchanged for debt	—	—	161
Consolidation of debt of 51%—owned company	—	—	62

CASH FLOWS FROM FINANCING ACTIVITIES

Paragraphs 18-20 of *SFAS No. 95* define those transactions and events which constitute financing cash receipts and payments. With the exception of certain transactions described in paragraphs 12-13 of *SFAS No. 95* and paragraph 7 of *SFAS No. 104,* which amends *SFAS No. 95,* cash receipts and payments should be reported separately and not netted. Examples of reporting cash flows from financing activities follow.

Capital Stock Proceeds/Payments

KAMAN CORPORATION

Consolidated Statements of Cash Flows

	Years ended December 31, 1992, 1991 and 1990		
(In thousands)	1992	1991	1990
Cash flows from operating activities:			
Net earnings	$ 17,376	$ 16,967	$ 19,225
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:			
Depreciation and amortization	13,373	13,603	13,452
Deferred income taxes	(4,500)	(3,535)	(1,475)
Other, net	1,009	(85)	2,540
Changes in assets and liabilities:			
Accounts receivable	(8,304)	19,361	(6,688)
Inventories	(8,388)	(2,249)	(6,903)
Other current assets	(638)	4	590
Accounts payable—trade	7,934	2,498	3,409
Accrued expenses and payable	(4,398)	4,905	3,244
Income taxes payable	622	(464)	330
Cash provided by operating activities	14,086	51,005	27,724
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment and other assets	515	242	1,895
Expenditures for property, plant and equipment	(10,562)	(8,577)	(9,570)
Other, net	(299)	(468)	(209)
Cash provided by (used in) investing activities	(10,346)	(8,803)	(7,884)
Cash flows from financing activities:			
Changes in notes payable	7,331	(12,982)	(6,845)
Changes in current portion of long-term debt	(390)	249	(2,033)
Reduction of long-term debt	(1,164)	(21,154)	(7,440)
Proceeds from exercise of employee stock plans	2,008	1,938	2,300
Purchases of treasury stock	(4,382)	(2,329)	(3,443)
Dividends paid	(7,987)	(8,027)	(8,000)
Other, net	—	159	177
Cash provided by (used in) financing activities	(4,584)	(42,146)	(25,284)
Net increase (decrease) in cash and cash equivalents	(844)	56	(5,444)
Cash and cash equivalents at beginning of year	3,299	3,243	8,687
Cash and cash equivalents at end of year	$ 2,455	$ 3,299	$ 3,243

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share amounts)

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents—Excess funds are invested in cash equivalents which consist of highly liquid investments with original maturities of three months or less.

Credit Arrangements—Short-Term Borrowings and Long-Term Debt (In Part)

Interest Payments—Cash payments for interest were $7,103, $8,607 and $11,107 for 1992, 1991 and 1990, respectively.

Income Taxes (In Part)

The provisions for federal income taxes approximate the amounts computed by applying the U.S. federal income tax rate to earnings before income taxes after giving effect to state income taxes. Cash payments for income taxes were $15,708, $15,580 and $14,314 in 1992, 1991 and 1990, respectively.

PRAB ROBOTS, INC

Consolidated Statements of Cash Flows

	Year Ended October 31		
	1992	1991	1990
Cash Flows From Operating Activities			
Net loss	$(1,839,957)	$(1,020,030)	$(1,555,967)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	224,677	246,294	276,027
Amortization and intangibles	24,373	41,018	41,018
Allowance for doubtful accounts	29,945	122,515	31,522
Reduction of assets to market value	868,139	1,068,556	273,000
Loss on sale of assets	63,237	360,110	177,201
Loss (gain) on foreign currency transactions	134,496	11,783	(414,419)
(Increase) decrease in assets:			
Accounts receivable	938,500	(104,506)	1,641,002
Inventories	733,683	912,419	2,153,805
Other current assets	(32,675)	150,052	314,009
Assets of discontinued operations	—	45,651	—
Deferred charges and other assets	(55,568)	66,032	178,559
Increase (decrease) in liabilities:			
Account payable	(543,893)	(586,464)	175,332
Customer deposits	72,467	(15,582)	35,575
Accrued expenses	5,203	348,827	85,050
Deferred compensation	904	869	(14,824)
Net cash provided by operating activities	623,531	1,647,544	3,396,890
Cash Flows From Investing Activities			
Purchase of equipment	(96,136)	(182,245)	(141,711)
Proceeds from sale of investments	—	—	190,000
Proceeds from sale of equipment	59,767	808,225	—
Net cash provided by (used in) investing activities	(36,369)	625,980	48,289
Cash Flows From Financing Activities			
Stock issuance costs (Note 6)	(134,945)	—	—
Net payments under line of credit agreement	(732,554)	(1,382,180)	(2,735,266)
Principal payments on long-term debt	(112,597)	(749,152)	(554,600)
Proceeds from issuance of long-term debt	—	25,440	—
Reissuance of treasury stock	—	—	22,500
Net cash used in financial activities	(980,096)	(2,105,892)	(3,267,366)
Effect Of Exchange Rate Changes On Cash	7,445	(20,898)	(81,767)
Net Increase (Decrease) In Cash	(385,479)	146,734	259,580
Cash—Beginning of year	538,489	391,755	132,175
Cash—End of year	$ 153,010	$ 538,489	$ 391,755

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Restructuring of Convertible Subordinated Note—Related Party

Since the Company had been in default on its $4,000,000 convertible subordinated note, the Company restructured its convertible subordinated note payable and accrued interest into a new note payable, convertible preferred stock, non-convertible preferred stock and common stock. . .

During the restructuring, the Company incurred $215,888 in legal and accounting costs related to the conversion of the convertible subordinated note to a term note payable and related to the issuance of equity. The costs related to the issuance of equity are classified as a direct reduction from paid-in capital and totaled $134,945 for the year ended October 31, 1992. The costs related to the restructure of debt are classified as deferred charges and totaled $80,943 during the year ended October 31, 1992.

Note 17—Cash Flows

Cash paid during the years ended October 31, 1992, 1991 and 1990 for interest amounted to $431,910, $294,325 and $505,932, respectively. There were no amounts paid for income taxes during the years ended October 31, 1992, 1991 and 1990.

Significant noncash investing and financing activities are as follows:

1. During the year ended October 31, 1991, the Company renegotiated the terms on a long-term debt agreement in the amount of approximately $488,000.
2. During the year ended October 31, 1991, the Company renegotiated approximately $147,000 of beginning of the year accounts payable, approximately $26,000 of current year inventory purchases and $340,000 of an existing promissory note, due to the seller, into seller financed debt in the amount of approximately $513,000.
3. During the year ended October 31, 1992, the Company restructured its convertible subordinated note resulting in a non-cash financing transaction in the amount of $2,483,903 for a renegotiated term note payable, $500,000 issuance of common stock, $300,000 issuance of non-convertible preferred stock and $1,500,000 issuance of convertible preferred stock.

RAYCHEM CORPORATION

Consolidated Statement of Cash Flows

Years ended June 30 *(in thousands)*	1992	1991	1990
Cash flows from operating activities:			
Net loss	$(24,808)	$ (23,429)	$(111,398)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Provision for restructuring and divestitures, net of payments	29,101	(30,299)	75,102
Depreciation and amortization	78,051	79,545	76,261
Deferred income tax benefit	(15,082)	(4,148)	(7,401)
Gain on sale of land	(31,600)	—	—
Gain on sale of investment	(11,255)	—	—
Net loss on disposal of other property, plant and equipment	517	3,539	1,682
Changes in certain assets and liabilities, net of effects from restructuring and divestitures:			
Accounts receivable	(2,792)	(2,928)	7,099
Inventories	21,930	9,128	(10,167)
Accounts payable and accrued liabilities	5,617	7,095	(23,892)
Income taxes	12,396	(27,724)	8,212
Other assets and liabilities	3,123	13,284	(24,545)
Net cash provided by (used in) operating activities	65,198	24,063	(9,047)
Cash flows from investing activities:			
Investment in property, plant and equipment	(92,817)	(136,527)	(115,145)
Disposition of property, plant and equipment	43,144	9,574	9,441
Sale of investment	12,455	—	—
Net cash used in investing activities	(37,218)	(126,953)	(105,704)
Cash flows from financing activities:			
Net (payment of) proceeds from short-term debt	(2,445)	(149,447)	79,329
Proceeds from long-term debt	4,373	393,765	13,545
Payment of long-term debt	(10,572)	(191,173)	(19,126)
Common Stock repurchased	(3,396)	—	(1,781)
Common Stock issued under employee benefit plans	35,408	27,019	29,104
Repayments of stockholder notes receivable	5,238	1,078	1,705
Cash dividends	(12,486)	(11,879)	(11,424)
Net cash provided by financing activities	16,120	69,363	91,352
Effect of exchange rate changes on cash and cash equivalents	5,933	(4,676)	7,426
Increase (decrease) in cash and cash equivalents	50,033	(38,203)	(15,973)
Cash and cash equivalents at beginning of year	98,829	137,032	153,005
Cash and cash equivalents at end of year	$148,862	$ 98,829	$ 137,032
Supplemental Disclosures			
Cash paid for:			
Interest (net of amounts capitalized)	$ 26,614	$ 19,932	$ 21,432
Income taxes	$ 38,386	$ 58,779	$ 23,471

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the date of purchase are classified as cash equivalents.

SONOCO PRODUCTS COMPANY

Consolidated Statements of Cash Flows

(Dollars in thousands)	1992	1991	1990
	Years ended December 31		
Cash Flows From Operating Activities			
Net income	$ 43,359	$ 94,805	$ 50,368
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	83,309	76,561	72,152
Restructuring charge	39,130		64,237
Cumulative effect of changes in accounting principles	37,892		
Loss on assets retired	2,941	5,987	1,213
Equity in earnings of affiliates, net of dividends	(1,893)	(2,532)	(5,553)
Deferred taxes	(13,619)	(328)	(15,121)
Gain on sale of investment in affiliate		(8,525)	
Changes in assets and liabilities, net of effects from acquisitions, dispositions and foreign currency adjustments			
Accounts receivable	(13,178)	(8,917)	(6,350)
Inventories	(3,719)	5,555	5,138
Prepaid expenses	831	2,675	4,026
Payables and taxes	(7,930)	(3,644)	26,406
Other assets and liabilities	(9,711)	(5,155)	(8,602)
Net cash provided by operating activities	157,412	156,482	187,914
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	(109,305)	(90,557)	(117,618)
Cost of acquisitions, exclusive of cash	(34,964)	(11,413)	(31,738)
Proceeds from the sale of assets	6,626	21,735	3,439
Net cash used by investing activities	(137,643)	(80,235)	(145,917)
Cash Flows From Financing Activities			
Proceeds from issuance of debt	168,072	199,256	208,331
Principal repayment of debt	(132,163)	(241,882)	(177,718)
Cash dividends	(42,443)	(39,703)	(39,216)
Treasury shares acquired	(3,114)	(3,676)	(25,773)
Treasury shares issued	7,781	3,935	5,053
Net cash used by financing activities	(1,867)	(82,070)	(29,323)
Effects of Exchange Rate Changes On Cash	(8,456)	(5,482)	1,521
Increase (Decrease) In Cash and Cash Equivalents	9,446	(11,305)	14,195
Cash and cash equivalents at beginning of year	28,622	39,927	25,732
Cash and cash equivalents at end of year	$ 38,068	$ 28,622	$ 39,927
Supplemental Cash Flow Disclosures			
Interest paid	$ 29,265	$ 23,431	$ 28,650
Income taxes paid	$ 65,224	$ 61,798	$ 48,435

Excluded from the consolidated statements of cash flows was the effect of certain non-cash investing and financing activities of which the Company assumed $16,268 and $15,149 of debt obligations in 1991 and 1990, respectively, in conjunction with acquisitions. The Company also received a note for $33,672 in conjunction with the sale of Sonoco Graham Company in 1991 and received notes totaling $4,255 in exchange for the sale of certain assets in 1990.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Cash and Cash Equivalents

Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less.

Debt Proceeds/Repayments

FIELDCREST CANNON, INC.

Consolidated Statement of Cash Flows

	For the years ended December 31,		
Dollars in thousands	1992	1991	1990
Increase (decrease) in cash			
Cash flows from operating activities			
Net income (loss)	$ 15,250	$ 3,165	$(37,833)
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary charge for early retirement of debt	5,179	—	—
Depreciation and amortization	38,907	37,660	36,144
Deferred income taxes	4,826	3,156	(14,259)
Change in current assets and liabilities:			
Accounts receivable	12,669	1,659	24,867
Inventory	(9,762)	(23,937)	52,230
Deferred tax assets	(1,699)	(895)	(6,736)
Other prepaid expenses and current assets	1,971	(5,704)	(2,003)
Accounts payable and accrued liabilities	3,925	(10,764)	(27,607)
Federal and state income taxes	3,077	550	(3,253)
	10,181	(39,091)	37,498
Other	(1,921)	(4,098)	12,036
Net cash provided by operating activities	72,422	792	33,586
Cash flows from investing activities			
Additions to plant and equipment	(25,082)	(35,536)	(94,914)
Proceeds from disposals of plant and equipment	3,994	5,766	861
Net cash used in investing activities	(21,088)	(29,770)	(94,053)
Cash flows from financing activities			
Increase (decrease) in revolving debt and other short-term debt	(46,684)	35,727	54,196
Proceeds from issuance of other long-term debt	82,450	—	26,310
Payments on long-term debt	(111,597)	(10,543)	(8,442)
Premium paid on early retirement of debt	(5,400)	—	—
Proceeds from issuance of common stock	25,224	—	—
Dividends paid	—	—	(4,980)
Net cash provided by (used in) financing activities	(56,007)	25,184	67,084
Net increase (decrease) in cash			
Net increase (decrease) in cash	(4,673)	(3,794)	6,617
Cash at beginning of year	9,338	13,132	6,515
Cash at end of year	$ 4,665	$ 9,338	$ 13,132
Supplemental disclosures of cash flow information			
Cash paid during the year for			
Interest expense	$ 44,266	$ 44,225	$ 42,438
Income tax payments	5,559	1,431	6,327
Noncash investing and financing activities			
Vendor financing for equipment purchases	—	8,459	—

THE QUAKER OATS COMPANY

Consolidated Statements of Cash Flows

	Dollars in Millions		
Year Ended June 30	1992	1991	1990
Cash Flows from Operating Activities:			
Net income	$247.6	$205.8	$169.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	155.9	177.7	162.5
Deferred income taxes and other items	(22.9)	45.3	15.2
Restructuring and asset sales, net	(1.0)	10.0	(17.5)
Changes in operating assets and liabilities—continuing operations:			
Change in trade accounts receivable	84.7	(116.6)	(47.5)
Change in inventories	(14.3)	30.7	(2.2)
Change in other current assets	(10.1)	5.1	(22.5)
Change in trade accounts payable	24.0	19.2	28.9
Change in other current liabilities	113.0	43.2	83.4
Other—net	(0.7)	9.5	0.4
Change in payable to Fisher-Price	(29.6)	29.6	—
Change in net current assets of discontinued operations	—	66.0	74.9
Net Cash Provided by Operating Activities	546.6	525.5	444.6
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(176.4)	(240.6)	(275.6)
Change in other receivables and investments	(20.0)	(10.7)	(22.6)
Disposals of property, plant and equipment	39.6	17.9	11.9
Other—discontinued operations	—	(19.8)	(58.4)
Net Cash Used in Investing Activities	(156.8)	(253.2)	(344.7)
Cash Flows from Financing Activities:			
Cash dividends	(132.8)	(123.0)	(110.5)
Proceeds from issuance of debt for spin-off	—	141.1	—
Change in deferred compensation	11.6	(0.2)	3.5
Change in short-term debt	(19.6)	(265.6)	(7.2)
Proceeds from long-term debt	1.1	1.8	252.1
Reduction of long-term debt	(46.2)	(39.7)	(34.8)
Proceeds from short-term debt to be refinanced	50.0	—	—
Issuance of common treasury stock	20.3	25.6	12.8
Purchase of common stock	(235.1)	—	(223.2)
Purchase of preferred stock	(0.9)	(0.7)	—
Net Cash Used in Financing Activities	(351.6)	(260.7)	(107.3)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(17.6)	(6.0)	1.6
Net Increase (Decrease) in Cash and Cash Equivalents	$ 20.6	$ 5.6	$ (5.8)
Cash and Cash Equivalents—Beginning of Year	$ 74.6	$ 69.0	$ 74.8
Cash and Cash Equivalents—End of Year	$ 95.2	$ 74.6	$ 69.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part):

Summary of Significant Accounting Policies

Cash and Cash Equivalents. Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less. All other temporary investments are classified as short-term investments.

Note 17. Supplemental Cash Flow Information

Dollars in Millions	1992	1991	1990
Interest paid	$ 74.7	$101.7	$96.8
Income taxes paid	$182.1	$ 88.7	$90.7

Fiscal 1991 and fiscal 1990 interest paid and income taxes paid include amounts related to Fisher-Price.

THE TIMES MIRROR COMPANY

Statements of Consolidated Cash Flows

(In thousands of dollars)	Year Ended December 31 1992	1991	1990
Cash Flows from Operating Activities			
Net income (loss)	$ (66,601)	$ 81,954	$ 180,477
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	242,815	252,148	245,138
Provision for doubtful accounts	44,299	47,032	45,115
Provision (benefit) for deferred income taxes	(28,461)	(11,029)	1,974
Nonrecurring (gains) charges	(8,673)	71,503	
Cumulative effect of changes in accounting principles	123,376		
Restructuring charges	169,063	32,700	
Changes in assets and liabilities:			
Trade accounts receivable	(44,263)	(29,218)	(42,819)
Inventories	(265)	674	(18,885)
Trade accounts payable	(957)	23,397	13,081
Income taxes	(20,845)	(6,697)	3,645
Other, net	(10,215)	(21,872)	(20,786)
Net cash provided by operating activities	399,273	440,592	406,940
Cash Flows from Investing Activities			
Proceeds from sales of operating assets	61,794	66,269	9,131
Acquisitions, net of cash acquired	(266,040)	(18,556)	(79,272)
Capital expenditures	(198,073)	(216,999)	(334,493)
Other, net	3,423	2,061	3,443
Net cash used in investing activities	(398,896)	(167,225)	(401,191)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	243,463	206,994	327,179
Repayment of debt	(101,722)	(333,891)	(166,004)
Reduction of guaranteed ESOP debt	(19,000)	(16,900)	(15,000)
Common stock issuance related to stock options and awards	6,395	6,646	10,041
Repurchases of common stock			(24,332)
Dividends paid	(138,846)	(138,792)	(138,779)
Net cash used in financing activities	(9,710)	(275,943)	(6,895)
Decrease in cash and cash equivalents	(9,333)	(2,576)	(1,146)
Cash and cash equivalents at beginning of year	34,102	36,678	37,824
Cash and cash equivalents at end of year	$ 24,769	$ 34,102	$ 36,678
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 80,415	$ 73,010	$ 80,665
Income taxes	117,862	101,724	120,992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents

Cash equivalents consist of investments that are readily convertible into cash and generally have original maturities of three months or less.

Restricted Funds

DEAN FOODS COMPANY

Consolidated Statements of Cash Flows

(In thousands)	For the Three Fiscal Years Ended May 31, 1992 1992	1991	1990
Cash flows from operations:			
Net income	$62,016	$72,553	$61,232
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	50,271	46,968	38,602
Deferred income taxes	7,753	3,765	3,041
Appreciation rights and compensation	(337)	962	(2,701)
Gain on divestitures	(841)	(2,363)	—
(Increase) decrease in working capital items, net of effects of acquisitions:			
Accounts and notes receivable	1,066	(8,266)	(2,985)
Inventories and other current assets	(2,871)	(26,817)	(16,655)
Accounts payable and accrued expenses	14,756	6,025	157
Federal and state income taxes	(6,676)	931	7,609
Other	(681)	909	8
Net cash provided from operations	124,456	94,647	88,308
Cash flows from investing activities:			
Capital expenditures	(77,867)	(72,844)	(68,196)
Proceeds from disposition of property, plant and equipment	2,252	3,280	471
Acquisitions of businesses, net of cash acquired	(10,945)	(22,943)	(76,574)
Proceeds from businesses divested	6,084	25,476	—
Net cash used in investing activities	(80,476)	(67,031)	(144,299)
Cash flows from financing activities:			
Issuance of long-term obligations	8,800	3,875	65,223
Repayment of long-term obligations	(11,222)	(9,137)	(17,043)
Unexpended industrial revenue bond proceeds	(4,035)	(3,596)	2,348
Cash dividends paid	(22,164)	(19,504)	(17,224)
Issuance of common stock	2,485	1,675	1,120
Purchase of treasury stock	(27,938)	(351)	(4,933)
Net cash (used in) provided from financing activities	(54,074)	(27,038)	29,491
Increase (decrease) in cash and temporary cash investments	(10,094)	578	(26,500)
Cash and temporary cash investments—beginning of year	44,087	43,509	70,009
Cash and Temporary Cash Investments—end of year	$33,993	$44,087	$43,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Cash and Temporary Cash Investments—The Company considers temporary cash investments with an original maturity of three months or less to be cash equivalents.

Cash Flow Data

Interest and taxes paid included in the Company's cash flow from operations were as follows:

	1992	1991	1990
Interest paid	$15,615	$17,187	$12,262
Taxes paid	50,737	53,460	34,665

Liabilities assumed in conjunction with business acquisitions were:

	1992	1991	1990
Fair value of assets acquired	$ 23,042	$ 43,676	$134,168
Retirement of debt obligations	—	—	(16,693)
Consideration paid	(10,945)	(24,340)	(85,739)
Liabilities assumed	$ 12,097	$ 19,336	$ 31,736

OGDEN CORPORATION

Statements of Consolidated Cash Flows

For the years ended December 31,	1992	1991	1990
Cash Flows From Operating Activities:			
Net income	$ 55,581,000	$ 43,724,000	$ 55,912,000
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	77,048,000	67,715,000	56,488,000
Deferred income taxes	37,547,000	29,208,000	20,150,000
Cumulative effect of change in accounting principle	5,186,000		
Gain on issuance of stock by subsidiary			(25,107,000)
Loss from disposal of discontinued operations—net		11,991,000	
Other	20,322,000	23,544,000	31,021,000
Management of Operating Assets and Liabilities:			
Decrease (Increase) in Assets:			
Receivables	(72,751,000)	(12,832,000)	(32,194,000)
Other assets	(33,173,000)	(31,967,000)	(34,919,000)
Increase (Decrease) in Liabilities:			
Accounts payable	383,000	3,038,000	(13,088,000)
Accrued expenses	11,420,000	(302,000)	17,149,000
Deferred income	(926,000)	364,000	3,615,000
Other liabilities	(2,295,000)	(764,000)	(5,135,000)
Net cash provided by operating activities	98,342,000	133,719,000	73,892,000
Cash Flows From Investing Activities:			
Entities purchased, net of cash acquired	(7,940,000)	(18,546,000)	(22,776,000)
Decrease (increase) in marketable securities	(63,024,000)	1,142,000	(20,956,000)
Proceeds from sale of property, plant, and equipment	1,234,000	7,767,000	4,446,000
Investments in waste-to-energy facilities	(29,856,000)	(68,144,000)	(152,662,000)
Other capital expenditures	(34,201,000)	(34,230,000)	(40,175,000)
Purchase of minority interest in subsidiaries	(2,942,000)	(38,761,000)	
Proceeds from sale of limited partnership interests	8,238,000	10,521,000	
Decrease (increase) in noncurrent receivables	12,490,000	(8,092,000)	3,762,000
Net investing activities of discontinued operations		827,000	(1,595,000)
Decrease (increase) in other investments	2,362,000	1,128,000	1,305,000
Net cash used in investing activities	(113,639,000)	(146,388,000)	(228,651,000)
Cash Flows From Financing Activities:			
Borrowings for waste-to-energy facilities	225,686,000	1,800,000	1,000,000
Decrease in restricted funds	7,277,000	24,813,000	14,633,000
Decrease (increase) in restricted funds held in trust for waste-to-energy facilities	(139,705,000)	161,271,000	149,693,000
Other new debt	114,125,000	15,248,000	5,727,000
Proceeds from issuance of common stock by subsidiary			35,603,000
Proceeds from exercise of stock options	5,000,000	3,558,000	3,372,000
Payment of debt	(116,248,000)	(134,138,000)	(26,592,000)
Dividends paid	(54,054,000)	(56,491,000)	(52,820,000)
Other	(1,932,000)	(632,000)	(2,779,000)
Net cash provided by financing activities	40,149,000	15,429,000	127,837,000
Net Increase (Decrease) in Cash and Cash Equivalents	24,852,000	2,760,000	(26,922,000)
Cash and Cash Equivalents at Beginning of Year	91,605,000	88,845,000	115,767,000
Cash and Cash Equivalents at End of Year	$ 116,457,000	$ 91,605,000	$ 88,845,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: Cash and cash equivalents include all cash balances and highly liquid investments having maturities of three months or less.

Restricted Funds: Restricted funds represent proceeds from the financing of waste-to-energy facilities. Funds are held in trust and released as expenditures are made or upon satisfaction of conditions provided under the respective trust agreements.

19. Supplemental Disclosure of Cash Flow Information

(Expressed in thousands of dollars)	1992	1991	1990
Cash Paid for Interest and Income Taxes:			
Interest (net of amounts capitalized)	$115,316	$100,582	$84,022
Income taxes	6,328	6,069	6,423
Noncash Investing and Financing Activities:			
Exchange of net assets for investment and note in formation of joint venture			16,588
Conversion of preferred shares for common shares	6	5	8
Conversion of debentures for common shares	122	112	431
Adjustment to property, plant, and equipment resulting from purchase price and contract cost adjustments		8,300	5,000
Adjustments to property, plant, and equipment and deferred income taxes in connection with adoption of SFAS 109	38,051		
Acquisition of net assets in connection with merger	4,375		
Detail of Entities Acquired:			
Fair value of assets acquired	9,420	278,302	26,496
Liabilities assumed	(1,480)	(259,756)	(3,720)
Net cash paid for acquisitions	7,940	18,546	22,776

Repayments Of Production Payment

AMAX INC.

Consolidated Statements of Cash Flows

	In thousands of dollars		
For the years ended December 31	1992	1991	1990
Cash flows from operating activities			
Net earnings (loss)	$(284,300)	$ 30,200	$ 225,900
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Deferred income tax (benefit) expense	(485,100)	9,600	9,400
Cumulative effect of accounting change, before tax	464,100		
Depreciation and depletion	332,800	318,900	237,300
Restructuring charges	130,000		
Extraordinary item, before tax	60,000		
Gain on Amax Gold Inc. share issuance	(55,600)		
Capitalization of prior period exploration expenses	(8,900)		
Loss of equity affiliates, plus dividends received	6,900	1,400	16,600
Other noncash charges, net	10,100	31,000	19,400
Changes in working capital, net of effects of acquired companies:			
Unearned revenue	82,500		
Accounts payable, trade	(33,700)	(68,100)	54,600
Accrued liabilities	(29,500)	(48,700)	(34,200)
Accounts receivable	19,100	78,700	9,000
Inventories	(16,900)	25,500	(66,300)
Prepaid expenses and other current assets	5,400	(21,500)	(8,600)
Net change in noncurrent assets and liabilities	43,300	13,900	71,200
Net cash provided by operating activities	230,200	370,900	534,300
Investing activities			
Capital expenditures for Lauralco project	(108,000)	(437,000)	(78,300)
Capital expenditures for Hayden Hill, Guanaco, Fort Knos and Haile gold properties	(105,100)		
Capital expenditures for other properties and investments	(225,500)	(320,400)	(392,000)
Proceeds from sales of assets	15,700	6,400	28,900
Acquisition of Cannelton, Inc.		(97,100)	
Acquisition of Ladd Petroleum Corporation		11,000	(514,000)
Net cash used in investing activities	(422,900)	(837,100)	(955,400)
Financing activities			
Repayments of long-term debt	(671,500)	(770,600)	(50,900)
Issuance of long-term debt	570,600	983,400	514,100
Issuance of preferred shares	340,000		
Dividends paid on common and preferred stock	(70,600)	(70,500)	(71,400)
Sales (repayments) of future production	(20,700)	373,700	
Decrease in capital lease obligations	(4,400)	(4,000)	(4,500)
Issuance of common shares	14,100	15,100	33,300
Decrease in gold financing facility		(6,800)	(22,900)
Redemption of stock purchase rights		(4,400)	
Repurchases of common shares			(30,100)
Net cash provided by financing activities	157,500	515,900	367,600
Net increase (decrease) in cash and equivalent	(35,200)	49,700	(53,500)
Cash and equivalent at January 1	102,300	52,600	106,100
Cash and equivalent at December 31	$ 67,100	$ 102,300	$ 52,600

NOTES TO FINANCIAL STATEMENTS
(in millions of dollars unless otherwise indicated and except per share amounts)

1 (In Part): Summary of Accounting Policies

Cash and equivalent includes all unrestricted cash and investments with a maturity of three months or less at the time of purchase.

4. Interest Expense, Net

	1992	1991	1990
Accrued	$(213.3)	$(200.5)	$(125.0)
Capitalized	46.5	41.4	13.2
Income	5.2	9.5	23.0
	$(161.6)	$(149.6)	$ (88.8)
Cash payments for interest	$ 145.7	$ 158.3	$ 101.95

Amortization of capitalized interest, which was included in depreciation and depletion, is as follows:

	$ 9.6	$ 8.2	$ 8.2

6. (In Part): Income Taxes

The income tax provision (benefit) for the years ended December 31, 1992, 1991 and 1990 are as follows:

	1992	1991	1990
Provision (Benefit):			
Current			
Federal	$ 0.1	$ 6.0	$ 61.5
Foreign	7.6	8.3	17.5
State and local	4.1	6.1	12.2
	11.8	20.4	91.2
Deferred			
Federal	(88.9)	(4.2)	(2.3)
Foreign	1.3	(0.3)	1.5
State and local	(1.2)	1.7	5.5
	(88.8)	(2.8)	4.7
Applicable to minority interests	(1.6)	(0.6)	(1.4)
	$ (78.6)	$ 17.0	$ 94.5
Cash payments for income taxes	$ 19.9	$ 33.8	$ 70.4

13. Proceeds from Sales of Future Production

Proceeds from sales of future production represent amounts payable from coal to be produced from certain properties. At December 31, 1992, the Company's variable rate obligation under these production payments was $364 million (1991-$385 million). Interest is fixed at approximately 4 percent on $150 million through interest rate swaps, whose fair value approximates carrying value.

The obligation will be discharged out of coal sale proceeds as follows:

1993	$ 38
1994	42
1995	47
1996	52
1997	57
1998 to 1999	128
	$364

Proceeds From Formation Of Partnership

THE DOW CHEMICAL COMPANY

Consolidated Statements of Cash Flows

In millions, except for share amounts	1992	1991	1990
Operating Activities			
Net income (loss)	$ (489)	$ 942	$ 1,384
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change	765	—	—
Depreciation and amortization	1,487	1,465	1,322
Provision (credit) for deferred income tax	(295)	(177)	143
Undistributed earnings of related companies	(27)	(64)	(90)
Minority interest in income	322	236	201
Gain on sale of Destec Energy, Inc. public stock offering	—	(213)	—
Gains on the sales of equipment	(22)	(5)	(9)
Special charge	433	370	—
Other	10	(3)	31
Gain on foreign currency transactions	(11)	(70)	(56)
Changes in assets and liabilities that provided (used) cash:			
Trade receivables	(17)	326	(78)
Inventories	195	200	(220)
Other receivables and deferred charges	188	(118)	179
Accounts payable and accruals	(646)	(150)	283
Cash provided by operating activities	1,893	2,739	3,090
Investing Activities			
Purchases of property, plant and equipment	(1,608)	(1,921)	(2,123)
Investments in unconsolidated affiliates	(90)	(96)	(70)
Purchases of consolidated companies	(397)	(290)	(161)
Proceeds from sales of equipment	62	22	88
Investment in marketable securities and other investments	(127)	(420)	(135)
Cash used for investing activities	(2,160)	(2,705)	(2,401)
Financing Activities			
Proceeds (payments) of notes payable	(248)	343	(1,239)
Proceeds from issuance of long-term debt	1,231	1,234	1,481
Payments on long-term debt	(791)	(283)	(154)
Payment of contingent value rights	(5)	(986)	—
Purchase of treasury stock	(10)	(10)	(49)
Dividends paid to stockholders	(710)	(712)	(711)
Proceeds from Destec Energy, Inc. public stock offering	—	325	—
Proceeds from formation of DowBrands L.P.	855	45	—
Proceeds from sales of common stock	82	30	64
Cash provided by (used for) financing activities	404	(14)	(608)
Effect of exchange rate changes on cash	2	12	6
Increase in cash and cash equivalents	139	32	87
Cash and cash equivalents at beginning of year	236	204	117
Cash and cash equivalents at end of year	$ 375	$ 236	$ 204

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

NOTES TO FINANCIAL STATEMENTS
In millions, except for share amounts

B (In Part): Supplementary Information

Cash Payments for Interest, and Domestic and Foreign Income Taxes

	1992	1991	1990
Interest	$690	$571	$621
Domestic and foreign income taxes	439	681	685

C (In Part): Acquisitions and Divestitures

In December 1991, three wholly owned subsidiaries of the Company contributed assets with an aggregate market value of $2 billion to DowBrands L.P., a newly formed Delaware limited partnership (the "Partnership") in exchange for an aggregate 97.8 percent general and limited partner interest in the Partnership and an outside investor contributed $45 in cash to the Partnership in exchange for a 2.2 percent limited partner interest. DowBrands Inc. (a wholly owned subsidiary of the Company), as managing general partner, manages the activities of the Partnership and has fiduciary responsibilities to the Partnership and its other partners.

In June 1992, the holdings of outside investors in the Partnership increased to 31 percent. The investment resulted in an additional $855 cash contribution to the Partnership. This transaction did not result in any gain or loss for the Company. As a result of this subsequent contribution, the Company's general and limited partner interest in the Partnership was reduced to 69 percent.

The Partnership is a separate and distinct legal entity from the Company. The Partnership's purpose is to invest in and manage a portfolio of assets. Those assets include Dow's U.S. consumer products business (including the Food Care, Home Care and Personal Care businesses that manufacture and distribute products such as Ziploc freezer, storage and sandwich bags, Saran Wrap, Handi-Wrap, Fantastik, Dow bathroom cleaner, Glass Plus, Spray 'N Wash and Perma Soft shampoo), a long-term note guaranteed by the Company, and certain floating rate demand notes due from the Company and certain of its subsidiaries.

At December 31, 1992, the Company had $956 of borrowings from the Partnership which are being used to retire certain domestic borrowings and for general corporate purposes.

Overdraft

MELVILLE CORPORATION

Consolidated Statements of Cash Flows

	($ in thousands)		
Years ended December 31	1992	1991	1990
Cash Flows From Operating Activities:			
Net earnings	$ 133,429	$ 346,681	$ 385,261
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Realignment charge	346,979	—	—
Cumulative effect of change in accounting principle	37,587	—	—
Depreciation and amortization	201,008	177,110	136,401
Minority interests in net earnings	53,820	50,468	45,966
Decrease in deferred Federal income taxes and other noncash items	(93,417)	(10,130)	(37,396)
Change in assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable, net	(31,728)	(62,370)	915
Decrease (increase) in inventories	26,525	(180,054)	(140,144)
(Increase) decrease in prepaid expenses, deferred charges and other assets	(26,495)	(13,935)	13,413
(Decrease) increase in accounts payable and accrued expenses	(12,256)	70,800	69,063
(Decrease) increase in Federal income taxes payable and other liabilities	(16,256)	18,440	20,005
Net Cash Provided by Operating Activities	619,256	397,010	493,484
Cash Flows From Investing Activities:			
Additions to property, plant and equipment and leasehold improvements	(304,345)	(253,072)	(231,132)
Proceeds from the sale or disposal of property, plant, equipment and leasehold improvements and leased property under capital leases	34,163	43,125	27,762
Acquisitions, net of cash	(25,687)	(42,206)	(424,661)
Net Cash Used in Investing Activities	(295,869)	(252,153)	(628,031)
Cash Flows From Financing Activities:			
Dividends paid	(239,467)	(225,256)	(211,357)
(Reductions of) additions to notes payable	(50,000)	50,000	—
Increase in book overdrafts	39,050	20,902	71,829
Proceeds from the issuance of common stock	15,537	10,720	9,073
(Reductions of) additions to long-term debt, obligations under capital leases and for closed stores	(21,994)	(34,625)	10,086
Repurchase of common stock for treasury	—	—	(3,784)
Other	(49)	983	988
Net Cash Used in Financing Activities	(256,923)	(177,276)	(123,165)
Net increase (decrease) in cash and cash equivalents	66,464	(32,419)	(257,712)
Cash and cash equivalents at beginning of year	78,674	111,093	368,805
Cash and Cash Equivalents at End of Year	$ 145,138	$ 78,674	$ 111,093

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents: Cash equivalents consist of highly liquid instruments with maturities of three months or less and are stated at cost which approximates market. The Company's cash management program utilizes zero balance accounts. Accordingly, all book overdraft balances have been reclassified to accounts payable.

Supplemental Cash Flow Information

During the years ended December 31, the Company had the following non-cash financing and investing activities:

($ in thousands)	1992	1991	1990
Fair value of assets acquired	$ 26,417	$129,306	$743,461
Fair value of common stock reissued from treasury	—	37,754	—
Cash paid	25,691	40,480	460,548
Liabilities assumed	$ 726	$ 51,072	$282,913

Cash payments for income taxes and interest for the year ended December 31 were as follows:

($ in thousands)	1992	1991	1990
Income taxes	$236,975	$223,094	$252,310
Interest	26,628	30,317	26,678

Unearned ESOP Compensation

PENTAIR, INC.

Consolidated Statement of Cash Flows

	Years Ended December 31		
	1992	1991	1990
Cash provided by (used for)			
Operating activities			
Net income	$ 1,175,000	$ 41,100,000	$ 33,012,000
Adjustments to reconcile to cash flow			
Cumulative effects of accounting changes	41,625,000	—	—
Depreciation	45,454,000	44,715,000	41,328,000
Amortization	2,447,000	2,435,000	2,443,000
Deferred income taxes	(614,000)	(1,377,000)	(38,000)
Undistributed earnings from joint venture	(1,682,000)	(7,498,000)	(4,751,000)
(Increase) decrease in			
Accounts receivable	(15,454,000)	(3,225,000)	(1,544,000)
Inventories	(10,393,000)	(3,699,000)	11,307,000
Other assets	(3,116,000)	(7,416,000)	(1,183,000)
Increase (decrease) in			
Accounts payable	21,201,000	7,030,000	(6,391,000)
Income taxes	(831,000)	5,981,000	2,315,000
Other liabilities	5,953,000	3,692,000	2,996,000
Net cash provided by operating activities	85,765,000	81,738,000	79,494,000
Investing activities			
Property additions	(67,235,000)	(49,420,000)	(61,280,000)
Cash investment in joint venture—net	(9,000,000)	(5,000,000)	(6,000,000)
Purchase of operating assets	(9,419,000)	—	—
Sale of operating assets	4,000,000	11,000,000	—
Purchase of marketable securities	(8,057,000)	—	—
Sale/leaseback of equipment	—	—	36,271,000
Net cash (used for) investing activities	(89,711,000)	(43,420,000)	(31,009,000)
Financing activities			
Borrowings	21,524,000	63,059,000	3,138,000
Debt payments	(4,369,000)	(94,022,000)	(27,641,000)
Unearned ESOP compensation decrease	4,047,000	6,280,000	3,418,000
Employee stock plans and other	3,872,000	1,870,000	3,175,000
Dividends paid	(18,863,000)	(18,190,000)	(17,301,000)
Repurchase of common stock	—	—	(13,154,000)
Net cash provided by (used for) financing activities	6,211,000	(41,003,000)	(48,365,000)
Increase (decrease) in cash and cash equivalents	2,265,000	(2,685,000)	120,000
Cash and cash equivalents—beginning of period	6,127,000	8,812,000	8,692,000
Cash and cash equivalents—end of period	$ 8,392,000	$ 6,127,000	$ 8,812,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

4. Cash Flow Information

Payments for interest and income taxes were:

($ Millions)	1992	1991	1990
Interest (net of capitalized interest)	$19.0	$28.8	$25.4
Income taxes	32.7	33.5	16.3

In 1990, preferred stock was exchanged for an ESOP promissory note of $56.6 million in a non-cash transaction.

FOREIGN CURRENCY CASH FLOWS

Paragraph 25 of *SFAS No. 95* specifies that the effect of exchange rate changes on cash balances held in foreign currencies be reported as a separate part of the Statement of Cash Flows. Examples of reporting foreign currency cash flows follows.

ARMCO, INC.

Statement of Consolidated Cash Flows

(Dollars in Millions)	For the years ended December 31, 1992, 1991 and 1990		
	1992	1991	1990
Cash flows from operating activities:			
Net loss	$(429.9)	$(336.5)	$ (89.5)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and lease-right amortization	57.6	45.2	40.2
Net losses of AFSG companies	2.6	14.4	30.0
Writeoff of advances to AFSG	—	170.3	—
Net gain on miscellaneous sales of investments and facilities	(0.9)	(38.6)	(24.6)
Loss on early retirement of debt	2.3	—	4.3
Equity in losses and undistributed earnings of associated companies	262.5	146.4	44.4
Special charges—net	204.2	48.7	—
Other	15.4	3.8	(7.2)
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	5.3	5.2	(95.4)
Inventory	(17.1)	47.0	(15.3)
Payables and accrued expenses	(63.2)	(32.7)	57.0
Other assets and liabilities—net	(78.2)	(27.9)	(69.9)
Net cash provided by (used in) operating activities	(39.4)	45.3	(126.0)
Cash flows from investing activities:			
Proceeds from the sale of businesses and assets	38.9	2.8	17.2
Proceeds from the sale of marketable securities	28.3	336.2	442.0
Proceeds from the sale of investments	18.7	41.7	3.2
Purchase of marketable securities	(7.0)	(92.0)	(435.1)
Purchase of investments	(12.8)	(15.7)	(38.6)
Contributions to equity investees	(8.0)	(38.1)	(15.0)
Capital expenditures	(67.6)	(43.2)	(69.6)
Cost of acquisitions, net of cash acquired	(103.3)	(66.6)	(1.5)
Other	(10.0)	(0.5)	(25.4)
Net cash provided by (used in) investing activities	(122.8)	124.6	(122.8)
Cash flows from financing activities:			
Proceeds from issuance of debt	97.4	36.6	103.0
Principal payments on debt	(196.0)	(19.6)	(170.1)
Change in notes payable	(2.4)	(5.2)	108.1
Proceeds from issuance of common stock	0.4	—	—
Proceeds from issuance of preferred stock	130.4	—	—
Dividends paid	(10.3)	(16.9)	(34.6)
Other	4.8	(0.1)	(4.3)
Net cash provided by (used in) financing activities	24.3	(5.2)	2.2
Effect of exchange rate changes on cash	(10.7)	(5.0)	(14.9)
Net change in cash and cash equivalents	(148.6)	159.7	(261.5)
Cash and cash equivalents:			
Beginning of year	328.9	169.2	430.7
End of year	$ 180.3	$ 328.9	$ 169.2
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of interest capitalized)	$ 42.8	$ 51.6	$ 54.2
Income taxes	2.7	3.2	30.2

NOTES TO FINANCIAL STATEMENTS
(Dollar amounts in millions, except per share amounts)

1 (In Part): Summary of Accounting Policies

Statement of Cash Flows

Cash equivalents, which consist primarily of commercial paper, bank repurchase agreements, and certificates of deposit, are stated at cost plus accrued interest, which approximates market. Cash equivalents include only securities having a maturity of three months or less at the time of purchase. Securities, other than cash equivalents, having a maturity of less than twelve months are classified as Short-term liquid investments.

In accordance with Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows,* cash flows from Armco's operations in foreign countries are calculated based on their reporting currencies. As a result, amounts related to assets and liabilities reported on the Statement of Consolidated Cash Flows will not necessarily agree to changes in the corresponding balances on the Statement of Consolidated Financial Position. The effect of exchange rate changes on cash balances held in foreign currencies is reported on a separate line below Cash flows from financing activities.

BARNES GROUP INC.

Consolidated Statements of Cash Flows

Dollars in thousands	Years ended December 31, 1992	1991	1990
Operating activities	$(34,862)	$15,923	$16,789
Net income (loss):			
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Cumulative effect of changes in accounting principles	40,695	—	—
Depreciation and amortization	23,741	23,159	22,044
Gain on sales of property, plant and equipment and other assets	(5,343)	(380)	(602)
Translation losses	897	913	2,978
Changes in operating assets and liabilities:			
Accounts receivable	782	(1,729)	(7,027)
Inventories	7,712	7,464	268
Accounts payable and accrued liabilities	14,125	(6,871)	2,345
Accrued income taxes	(1,231)	1,255	(1,029)
Deferred income taxes	(5,653)	66	443
Other liabilities and assets	2,161	(3,969)	(4,055)
Net cash provided by operating activities	43,024	35,831	32,154
Investing activities			
Proceeds from sale of property, plant and equipment and other assets	20,734	1,072	1,881
Capital expenditures	(16,238)	(19,099)	(21,615)
Redemption (purchase) of marketable securities	3,072	(496)	(2,573)
Other	(2,602)	(3,193)	(4,636)
Net cash provided (used) by investing activities	4,966	(21,716)	(26,943)
Financing activities			
Net increase (decrease) in notes and overdrafts payable	(7,836)	(6,126)	3,291
Proceeds from the issuance of:			
Long-term debt	—	70,000	—
Common stock held in treasury	1,189	2,016	673
Payments to:			
Retire long-term debt	(8,714)	(70,286)	(323)
Other	(77)	(98)	(100)
Dividends	(8,684)	(8,584)	(8,508)
Net cash used by financing activities	(24,122)	(13,078)	(4,967)
Effect of exchange rate changes on cash and cash equivalents	(2,761)	(42)	(1,295)
Increase (decrease) in cash and cash equivalents	21,107	995	(1,051)
Cash and cash equivalents at beginning of year	17,961	16,966	18,017
Cash and cash equivalents at end of year	$39,068	$17,961	$16,966

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts included in the notes are stated in thousands except per share data)

1 (In Part): Summary of Accounting Policies

Cash and cash equivalents: All highly liquid investments purchased with a maturity of three months or less are cash equivalents. Cash and cash equivalents are equal to fair market value.

5 (In Part): Debt and Commitments

Interest paid was $6,650, $10,241, and $14,231 in 1992, 1991 and 1990, respectively.

6 (In Part); Income Taxes

Income taxes paid were $7,843, $11,364, and $11,116 in 1992, 1991 and 1990, respectively.

MEDTRONIC, INC.

Statement of Consolidated Cash Flows

	(In thousands of dollars)		
Years ended April 30,	1992	1991	1990
Operating Activities			
Net earnings	$161,541	$133,372	$ 112,874
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	59,358	46,500	40,543
Deferred income taxes	(11,789)	(14,521)	(2,268)
Foreign currency transaction loss	5,766	1,525	2,728
Changes in operating assets and liabilities:			
Increase in accounts receivable	(29,727)	(40,520)	(38,724)
Increase in inventories	(42,725)	(11,297)	(6,697)
Increase in prepaid expenses and other assets	(19,795)	(737)	(4,746)
Increase in accounts payable and accrued liabilities	5,637	22,241	1,976
Increase (decrease) in accrued income taxes	19,602	(6,623)	9,539
Increase (decrease) in other long-term liabilities	3,502	(3,341)	(4,129)
Net cash provided by operating activities	151,370	126,599	111,096
Investing Activities			
Additions to property, plant, and equipment	(77,189)	(65,832)	(56,078)
Receivable from Employee Stock Ownership Plan	—	—	(40,000)
Repayment from Employee Stock Ownership Plan	2,050	2,000	—
(Increase) decrease in short-term investments (net)	14,628	(1,376)	1,055
Increase in marketable securities (net)	(11,508)	(4)	(1,432)
Other investing activities	(6,230)	(8,149)	(14,306)
Net cash used in investing activities	(78,249)	(73,361)	(110,761)
Financing Activities			
Increase (decrease) in short-term borrowings (net)	(10,750)	2,969	10,455
Increase (decrease) in long-term debt	140	15	(232)
Dividends to shareholders	(29,339)	(23,831)	(18,945)
Repurchase of common stock	(38,299)	(4,593)	(37,817)
Issuance of common stock	17,103	14,428	51,523
Net cash provided by (used in) financing activities	(61,145)	(11,012)	4,984
Effect of exchange rate changes on cash and cash equivalents	(7)	(217)	117
Net Change in Cash and Cash Equivalents	11,969	42,009	5,436
Cash and cash equivalents at beginning of year	88,847	46,220	40,784
Adjustments to conform fiscal year of Bio-Medicus	—	618	—
Cash and Cash Equivalents at End of Year	$100,816	$ 88,847	$ 46,220
Supplemental Cash Flow Information			
Cash paid during the year for:			
Income taxes	$ 69,390	$ 76,026	$ 35,275
Interest	13,537	13,990	9,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents

The company considers temporary cash investments with maturities of three months or less, when purchased, to be cash equivalents.

NONCASH ACTIVITIES

Paragraph 32 of *SFAS No. 95* requires the disclosure of information about noncash investing and financing activities. Examples of the disclosure of noncash activities follow.

ALBERTSON'S, INC.

Consolidated Statement of Cash Flows

(In thousands)	52 Weeks January 28, 1993	52 Weeks January 30, 1992	52 Weeks January 31, 1991
Cash Flows From Operating Activities:			
Net earnings	$ 269,217	$ 257,794	$ 233,774
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	171,724	132,813	122,185
Net deferred income taxes	8,462	(12,912)	(5,302)
Cumulative effects of accounting changes	6,858		
Changes in operating assets and liabilities, net of acquisition:			
Receivables and prepaid expenses	(36,114)	(2,572)	(9,226)
Inventories	(72,955)	(50,520)	(18,037)
Accounts payable	107,453	8,572	(4,352)
Other current liabilities	41,244	19,541	15,369
Self-insurance	4,788	14,890	22,346
Unearned income	(7,859)	31,667	5,459
Other long-term liabilities	7,832	8,474	8,785
Net cash provided by operating activities	500,650	408,020	371,001
Cash Flows From Investing Activities:			
Acquisition of business, net of cash acquired	(428,860)		
Capital expenditures excluding noncash items	(331,160)	(268,500)	(254,858)
Proceeds from disposals of land, buildings and equipment	18,053	12,696	11,387
Increase in other assets	(14,808)	(4,618)	(19,793)
Net cash used in investing activities	(756,775)	(260,422)	(263,264)
Cash Flows From Financing Activities:			
Net borrowings (payments) on lines of credit	(25,000)	20,000	10,000
Proceeds from long-term borrowings	443,000		
Payments on long-term borrowings	(43,497)	(10,403)	(62,628)
Net payments on commercial paper	(33,000)		
Proceeds from stock options exercised	4,390	8,028	8,312
Cash dividends	(84,631)	(74,446)	(64,215)
Stock purchases		(79,806)	(19,481)
Net cash provided by (used in) financing activities	261,262	(136,627)	(128,012)
Net Increase (Decrease) in Cash and Cash Equivalents	5,137	10,971	(20,275)
Cash and Cash Equivalents at Beginning of Year	34,404	23,433	43,708
Cash and Cash Equivalents at End of Year	$ 39,541	$ 34,404	$ 23,433

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Supplemental Cash Flow Information

Selected cash payments and noncash activities were as follows (in thousands):

	1992	1991	1990
Cash payments for income taxes	$143,045	$158,377	$128,428
Cash payments for interest, net of amounts capitalized	27,819	15,037	23,332
Noncash investing and financing activities:			
Liabilities assumed in connection with Acquisition	12,385		
Assets acquired by incurring directly related liabilities		25	670
Capital lease obligations incurred	12,647	4,471	2,048
Capital lease obligations terminated		2,203	670

DEP CORPORATION

Consolidated Statements of Cash Flows

Years ended July 31,	1992	1991	1990
Operating Activities:			
Net income	$5,963,000	$4,832,000	$1,882,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,078,000	2,990,000	2,999,000
Provision for losses on accounts receivable	313,000	50,000	150,000
Deferred income taxes	907,000	(727,000)	(233,000)
Gain from retirement of debt (before tax)	—	(1,253,000)	(1,924,000)
Loss on sale of property and equipment	136,000	95,000	26,000
Changes in operating assets and liabilities, net of effects from the acquisition:			
(Increase) decrease in accounts receivable	(1,864,000)	(2,053,000)	941,000
(Increase) decrease in inventories	(2,831,000)	525,000	1,636,000
(Increase) decrease in other assets	(683,000)	422,000	1,549,000
Increase (decrease) in accounts payable	(661,000)	882,000	(2,550,000)
Increase (decrease) in accrued expenses	(412,000)	3,554,000	747,000
Increase (decrease) in income taxes payable	(214,000)	1,040,000	(553,000)
Net cash provided by operating activities	3,732,000	10,357,000	4,670,000
Investing Activities:			
Purchases of property and equipment	(2,200,000)	(1,829,000)	(1,713,000)
Acquisition	—	(10,200,000)	—
Proceeds from sale of property and equipment	182,000	9,000	—
Other	119,000	(79,000)	(442,000)
Net cash used in investing activities	(1,899,000)	(12,099,000)	(2,155,000)
Financing Activities:			
Proceeds (reductions) from lines of credit and long-term debt including change in current portion	(2,749,000)	4,323,000	3,927,000
Retirement of debt	—	(1,827,000)	(4,724,000)
Purchase of treasury stock	—	(285,000)	(372,000)
Proceeds from exercise of stock options	—	—	21,000
Net cash provided by (used in) financing activities	(2,749,000)	2,211,000	(1,148,000)
Increase (decrease) in cash and cash equivalents	(916,000)	469,000	1,367,000
Effect of exchange rate changes on cash	(1,000)	—	—
Cash and cash equivalents at beginning of year	2,537,000	2,068,000	701,000
Cash and cash equivalents at end of year	$1,620,000	$2,537,000	$2,068,000
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net	$2,386,000	$2,139,000	$2,674,000
Income taxes	$3,547,000	$2,264,000	$1,072,000

Supplemental disclosure of non-cash financing activities:
During year ended July 31, 1992 the Company issued 534,717 shares of common stock upon the conversion of $5,882,000 principal amount of Debentures

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of significant accounting policies

Cash equivalents—Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

DIBRELL BROTHERS, INCORPORATED

Statement Of Consolidated Cash Flows

Years Ended June 30	1992	1991	1990
Operating activities			
Net income	$ 30,288,601	$ 21,160,741	$ 12,020,531
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,045,665	11,380,522	10,306,693
Deferred items	(847,282)	(1,100,919)	2,939,709
Loss (gain) on foreign currency transactions	564,881	206,417	(3,774,225)
Gain on disposition of fixed assets	(915,673)	(246,894)	(3,888,231)
Gain on disposition of equity in affiliated entities	—	—	(2,430,557)
Undistributed earnings of investees	(4,205,956)	(2,816,832)	(1,287,752)
Dividends from investees	—	1,054,379	754,872
Income (loss) applicable to minority interest	214,419	540,686	(616,330)
Bad debt expense	4,017,210	2,620,083	2,964,108
Settlement under stock purchase agreement	2,100,000	—	—
Allowance on Iraqi receivable	5,980,000	—	—
Increase in accounts receivable	(47,025,693)	(3,815,527)	(33,489,873)
Decrease (increase) in inventories and advances on purchases of tobacco	(40,940,086)	6,576,420	(20,685,278)
Decrease (increase) in recoverable taxes	622,023	(2,672,375)	960,901
Increase in prepaid expenses	(7,069,686)	(611,162)	(183,131)
Increase (decrease) in accounts payable and accrued expenses	(6,333,375)	7,395,422	(10,335,495)
Increase (decrease) in advances from customers	8,377,016	(12,632,632)	1,091,383
Increase (decrease) in income taxes	6,056,529	(538,673)	1,414,449
Other	221,826	528,938	232,772
Net cash provided (used) by operating activities	(28,849,581)	27,028,594	(44,005,454)
Investing activities			
Purchase of property and equipment	(32,359,470)	(19,316,972)	(12,934,924)
Proceeds from sale of property and equipment	3,807,015	1,499,117	9,687,653
Proceeds from sale of subsidiaries and investees	—	—	5,723,894
Payments on notes receivable and receivables from investees	15,434,191	4,174,483	4,092,232
Increase in notes receivable and receivables from investees	(908,516)	(15,048,373)	(1,822,334)
Decrease (increase) in advance-net under stock purchase agreement, other investments and other assets	6,644,374	(2,481,734)	(48,660,083)
Purchase of minority interest in subsidiaries	—	(3,419,102)	(530,521)
Purchase of production contracts	(8,000,000)	—	—
Purchase of subsidiary	(1,706,000)	—	—
Decrease (increase) in investees	253,105	(22,779)	(104,384)
Decrease (increase) in excess of cost over related assets of business acquired	205,528	13,316	(111,198)
Net cash used by investing activities	(16,629,773)	(34,602,044)	(44,659,665)
Financing activities			
Repayment of debt	(197,947,754)	(316,369,852)	(145,096,307)
Proceeds from debt	235,581,404	334,893,230	257,242,844
Cash dividends paid to Dibrell Brothers, Incorporated stockholders	(6,749,357)	(5,554,616)	(4,761,099)
Cash dividends paid to minority stockholders	(212,811)	(352,573)	(262,072)
Net cash provided by financing activities	30,671,482	12,616,189	107,123,366
Effect of exchange rate changes on cash	(714,370)	(448,542)	(1,031,098)
Increase (decrease) in cash and cash equivalents	(15,522,242)	4,594,197	17,427,149
Increase in cash from a purchased subsidiary	1,546,000	—	—
Cash and cash equivalents at beginning of year	29,196,656	24,602,459	7,175,310
Cash and cash equivalents at end of year	$ 15,220,414	$ 29,196,656	$ 24,602,459
Other information:			
Cash paid during the year:			
Interest	$ 24,162,060	$ 25,087,269	$ 16,751,926
Income taxes	5,226,506	7,954,902	8,336,113
Non-cash investing and financing activities:			
Capitalized leases	2,056,798	1,663,037	3,198,717
Increase in notes receivable	—	—	1,200,000
Stock split in the form of a 100% stock dividend	—	6,612,638	—
Allocation of the unrecovered portion of "Advance-net Under Stock Purchase Agreement" to the Supply Contract (Note B)	30,072,000	—	—
Exchange of Capital stock for 70% ownership in Tabasa (Note B)	47,300,000	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part) Significant Accounting Policies

Cash equivalents are defined as temporary investments of idle cash with maturities of less than 90 days.

Note B (In Part): Acquisitions

On April 8, 1990, the Company purchased certain Brazilian tobacco operations from R.J. Reynolds Tobacco Company (Reynolds). Specifically, the Company acquired all of the capital stock of a subsidiary of Reynolds. That subsidiary, R.J. Reynolds Tabacos do Brasil, Ltd., was renamed DBI Tabacos Ltda. (DBI).

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On the date it acquired DBI, the Company advanced Reynolds approximately $50 million for the capital stock of DBI and a ten-year tobacco supply contract with Reynolds. The purchase agreement required the Company to pay $9 million, plus up to $41 million for DBI's tangible net worth, based upon generally accepted accounting principles. Ernst & Young was to audit the closing balance sheet. On receipt of the Ernst & Young report, the agreement stipulated that Reynolds would reimburse the Company within five business days for any difference between the audited tangible net worth and $41 million. On November 9, 1990, Reynolds filed a complaint in the Superior Court, Forsyth County, North Carolina against the Company and Ernst & Young, in part to enjoin the release of the Ernst & Young audit report.

As of June 30, 1991, under the terms of the purchase agreement for the acquisition of DBI, the Company estimated and recorded a receivable from Reynolds of approximately $38 million representing a shortfall in tangible net worth of the business acquired plus accrued interest receivable of approximately $4.6 million included in the balance sheet caption "Advance-net under Stock Purchase Agreement."

On October 16, 1991, the Company settled the legal proceedings involving the purchase of DBI from Reynolds. Under the terms of the settlement, the Company received a partial refund of the $50 million advanced for the purchase plus a significant additional ten-year tobacco supply contract with Reynolds. Under the terms of the settlement the Company estimated that, of the $4.6 million above, approximately $2.1 million of accrued interest was not received and was expensed in Other deductions-Sundry for the year ended June 30, 1992. Based on independent appraisals, the Company allocated the balance of the unrecovered portion of "Advance-net under Stock Purchase Agreement," net of the partial refund and the expense item, to both the original and new ten-year supply agreements.

After the settlement, the Company completed a transaction with Souza Cruz Industria e Comerico (Souza Cruz), Brazil's largest cigarette manufacturer, on November 5, 1991, whereby the Company contributed substantially all the non-inventory assets of DBI of approximately $47.3 million to a newly-formed subsidiary and exchanged the capital stock of that subsidiary effective September 30, 1991, for Souza Cruz's 70 percent ownership in Tabasa. The exchange of shares makes Tabasa, which had been 30 percent owned by the Company since 1985, a wholly-owned subsidiary of the Company. The balance sheet of Tabasa at May 31, 1992, is fully consolidated in the Company's June 30, 1992, consolidated balance sheet. The appropriate change in assets and liabilities and the statement of income of Tabasa for the eight months ended May 31, 1992, is reflected in the Company's consolidated statement of cash flows and the statement of consolidated income for the year ended June 30, 1992. The Company's 30% equity in Tabasa's results for the four months ended September 30, 1991, is reflected in the statement of income as equity in net income of investee companies. The proforma information on the acquisition of Tabasa is not significant.

GANNETT CO., INC.

Consolidated Statements of Cash Flows

In thousands of dollars	Fiscal year ended Dec. 27, 1992	Dec. 29, 1991	Dec. 30, 1990
Cash flows from operating activities			
Net income	$ 199,680	$ 301,649	$ 376,963
Adjustments to reconcile net income to operating cash flows:			
Cumulative effect on prior years of accounting principle changes	146,000		
Depreciation	157,242	158,389	153,211
Amortization of intangibles	40,629	41,364	40,825
Deferred income taxes	(17,227)	(10,800)	16,550
Loss (gain) on sale of assets	2,172	(20,035)	(1,291)
Other, net	23,186	14,762	(4,727)
Changes in assets and liabilities, net of effect of acquisitions:			
Decrease (increase) in receivables	(12,607)	19,548	5,459
Decrease (increase) in inventories	3,405	13,858	(5,301)
Decrease in film broadcast rights, net of liabilities	12,696	151	13,542
Increase (decrease) in accounts payable	(5,418)	5,368	(13,239)
Increase (decrease) in interest and taxes payable	(23,025)	(59,849)	37,557
Change in other assets and liabilities, net	18,222	(3,201)	(4,137)
Net cash provided by operating activities	544,955	461,204	615,412
Cash flows from investing activities			
Purchase of property, plant and equipment	(154,072)	(192,392)	(187,749)
Payments for acquisitions, net of cash acquired	(591)	(3,491)	(50,700)
Decrease (increase) in partnership and other investments	(5,000)	64,806	(9,570)
Proceeds from sale of assets	28,535	71,236	13,772
Collection of long-term receivables	6,880	793	4,061
Net cash used for investing activities	(124,248)	(59,048)	(230,186)
Cash flows from financing activities			
Proceeds from long-term debt		737,922	89,641
Payments of long-term debt	(254,731)	(271,727)	(163,444)
Dividends paid	(180,029)	(192,530)	(192,657)
Common stock transactions, net	21,227	(662,368)	(117,883)
Net cash used for financing activities	(413,533)	(388,703)	(384,343)
Effect of currency exchange rate change	(4,518)	982	(240)
Net increase in cash and cash equivalents	2,656	14,435	643
Cash and cash equivalents at beginning of year	70,673	56,238	55,595
Cash and cash equivalents at end of year	$ 73,329	$ 70,673	$ 56,238

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Statement of Cash Flows

For purposes of this statement, the Company considers its marketable securities, which are readily convertible into cash (with maturity dates of less than 90 days) and consist of short-term investments in governmental securities, commercial paper and money market funds, as cash equivalents.

Cash paid in 1992, 1991 and 1990 for income taxes and for interest (net of amounts capitalized) was as follows:

In thousands of dollars	1992	1991	1990
Income taxes	$274,741	$271,188	$189,598
Interest	$ 50,871	$ 73,394	$ 71,513

In 1992 and 1991, the Company issued 142,383 shares and 126,789 shares, respectively, in settlement of previously granted stock incentive rights. The compensation liability for these rights of $7 million for 1992 and $6 million for 1991 was transferred to shareholders' equity at the time the shares were issued.

In 1991, the Company issued 399,137 shares of its common stock with a value of $18 million in connection with the acquisition of the Times Journal Company. The Company assumed net liabilities totaling $17 million in connection with this and other acquisitions in 1991. Refer to Note 2 for more information concerning this transaction.

The Company established an Employee Stock Ownership Plan (ESOP) in 1990 and sold 1,250,000 shares of its common stock to the ESOP for $40 a share, or a total of $50 million. The ESOP financed the purchase of these shares with a loan from the Company.

LACLEDE STEEL COMPANY

Consolidated Statements of Cash Flows

(In Thousands of Dollars)	Year Ended December 31 1992	1991	1990
Cash Flows From Operating Activities:			
Net earnings (loss)	$ (7,547)	$ (8,332)	$ 4,876
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,165	6,900	6,286
Special charges	18,700	—	—
Change in deferred income taxes	(4,886)	(5,972)	4,187
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(5,291)	(1,361)	(479)
Inventories	3,553	10,467	(7,892)
Accounts payable and accrued expenses	(5,169)	7,445	(5,790)
Pension cost in excess of (less than) funding	(448)	3,168	(6,231)
Net cash provided by (used in) operating activities	6,077	12,315	(5,043)
Cash Flows Used in Investing Activities—			
Capital expenditures	(17,632)	(16,149)	(25,339)
Cash Flows From Financing Activities:			
Proceeds from bond issuance	—	—	25,000
Net borrowings (repayments) under bank agreement	11,000	(1,000)	19,000
Long-term bond payments	(289)	(209)	(203)
Bond funds in trust	2,691	4,601	(10,759)
Net treasury stock transactions	—	144	(144)
Dividends paid on common stock	—	(812)	(1,621)
Net cash provided by financing activities	13,402	2,724	31,273
Cash and Cash Equivalents:			
Net increase (decrease) during the year	1,847	(1,110)	891
At beginning of year	111	1,221	330
At end of year	$ 1,958	$ 111	$ 1,221
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 4,704	$ 5,400	$ 5,886
Income taxes paid (refunded)	$ (2,196)	$ 2,268	$ 1,759

Supplemental Disclosures of Non Cash Transactions:
Capital lease obligation—Note 4.
Minimum pension liability charge to equity—Note 5.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Business and Accounting Policies

Cash Equivalents

The Company considers all highly liquid debt instruments with a maturity of three months or less at date of purchase to be cash equivalents.

Note 4 (In Part): Long-Term Debt

Capital lease obligations recorded in 1992 as non-current liabilities amounted to $2,213,000 and future minimum capital lease payments will be $635,000 annually. The Company has provided additional security under the capital lease in the form of a letter of credit covering 80% of the equipment cost.

Note 5 (In Part): Employee Benefits

In accordance with Statement No. 87, the Company has recorded an additional minimum pension liability for underfunded plans of $28,287,000 at December 31, 1992 and $26,145,000 at December 31, 1991, representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. A corresponding amount is recognized as an intangible asset except to the extent that these additional liabilities exceed related unrecognized prior service cost and net transition obligation, in which case the increase in liabilities is charged directly to stockholders' equity. For 1992, $5,017,000 of the excess minimum pension liability resulted in a charge to equity, net of income taxes, of $3,111,000.

MICRON TECHNOLOGY, INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)	Fiscal year ended September 3, 1992	August 29, 1991	August 30, 1990
Cash flows from operating activities			
Net income	$ 6,626	$ 5,079	$ 4,908
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	94,197	79,680	60,973
Amortization	10,944	10,701	14,120
Accretion of discount	3,232	4,016	3,217
Decrease (increase) in receivables	(14,238)	(4,861)	2,607
Decrease (increase) in inventories	1,689	(20,785)	(10,969)
Increase (decrease) in accounts payable and accrued expenses	(583)	7,463	8,623
Increase in deferred income taxes	6,762	2,740	8,268
Increase (decrease) in other long-term liabilities	(1,046)	3,415	(1,110)
Other	750	(1,035)	(4,019)
Net cash provided by operating activities	108,333	86,413	86,618
Cash flows from investing activities			
Proceeds from sale and maturity of investments	105,667	118,813	284,978
Purchase of investments	(96,886)	(114,048)	(174,010)
Property, plant, and equipment expenditures	(50,886)	(51,988)	(78,906)
Purchase of product and process technology	(3,167)	—	(75,100)
Proceeds from sale of equipment	138	2,374	3,006
Other	(1,715)	(1,202)	(986)
Net cash used for investing activities	(46,849)	(46,051)	(41,018)
Cash flows from financing activities			
Repayments of debt	(73,431)	(77,350)	(49,940)
Proceeds from issuance of debt	18,797	27,001	19,887
Proceeds from issuance of common stock	11,524	3,864	1,679
Payment for treasury stock	(2,000)	—	—
Dividends paid	(1,877)	—	—
Other	(858)	(375)	(398)
Net cash used for financing activities	(47,845)	(46,860)	(28,772)
Net increase (decrease) in cash and equivalents	13,639	(6,498)	16,828
Cash and equivalents at beginning of year	22,094	28,592	11,764
Cash and equivalents at end of year	$ 35,733	$ 22,094	$ 28,592
Supplemental disclosures			
Income taxes refunded, net	$ 3,196	$ 9,313	$ 5,093
Interest paid	(5,546)	(6,711)	(6,777)
Noncash investing and financing activities:			
Equipment acquisitions on contracts payable and capital leases	51,368	31,195	40,929
Acquisition of product and process technology in exchange for debt	2,251	—	37,667
Treasury stock retired	2,000	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Cash equivalents: Cash equivalents include highly liquid short-term investments with original maturities of three months or less, readily convertible to known amounts of cash.

NATIONAL SERVICE INDUSTRIES, INC.

Consolidated Statements of Cash Flows

	Years Ended August 31		
	1992	1991	1990
		(In thousands)	
Cash Provided by (Used for) Operations			
Net income	$ 74,108	$ 32,236	$ 99,715
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	53,816	50,249	42,821
Provision for losses on accounts receivable	3,398	3,079	2,040
Gain on the sale of property, plant, and equipment	(143)	(684)	(76)
Noncash portion of provision for restructuring operations	—	10,373	—
Provision for deferred income taxes	(4,056)	2,501	844
Change in assets and liabilities net of effect of acquisitions—			
Receivables	(7,934)	1,584	(5,307)
Inventories and linens in service, net	17,761	12,985	(1,448)
Prepaid income taxes	(6,923)	(15,035)	9,784
Prepayments and other	(1,333)	(596)	(1,381)
Accounts payable and accrued liabilities	(31)	41,182	494
Net Cash Provided by Operations	128,213	137,874	147,486
Cash Provided by (Used for) Investing Activities			
Change in short-term investments	5,551	(12,813)	27,247
Purchases of property, plant, and equipment	(43,456)	(58,370)	(72,770)
Sale of property, plant, and equipment	7,067	6,901	3,747
Acquisitions	(9,242)	(71,742)	(15,184)
Change in other assets	(12,904)	(4,371)	(8,162)
Net Cash Used for Investing Activities	(52,984)	(140,395)	(65,122)
Cash Provided by (Used for) Financing Activities			
Additions to long-term debt	—	11	488
Repayment of long-term debt	(3,949)	(2,023)	(12,627)
Recovery of investment in tax benefits	2,043	2,089	2,462
Deferred income taxes from investment in tax benefits	(3,148)	(2,984)	(2,851)
Change in other long-term liabilities	6,547	2,115	(1,897)
Cash dividends paid	(49,105)	(47,124)	(44,506)
Net Cash Used for Financing Activities	(47,612)	(47,916)	(58,931)
Net Change in Cash and Cash Equivalents	27,617	(50,437)	23,433
Cash and Cash Equivalents at Beginning of Year	73,520	123,957	100,524
Cash and Cash Equivalents at End of Year	$101,137	$ 73,520	$123,957
Supplemental Cash Flow Information			
Income taxes paid during the year	$ 51,142	$ 26,981	$ 44,847
Interest paid during the year	4,971	3,490	4,783
Noncash Investing and Financing Activities			
Treasury stock issued (returned) for contingent performance share grants under long-term incentive program	$ (258)	$ —	$ 258
Noncash aspects of acquisitions—			
Liabilities assumed or incurred	$ 12,997	$ 9,733	$ 26,923
Long-term debt issued	—	—	150
Treasury stock issued (returned)	(21)	(53)	7,534
	$ 12,976	$ 9,680	$ 34,607

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Cash, Cash Equivalents, and Short-Term Investments

Cash in excess of daily requirements is invested in time deposits and marketable securities, consisting primarily of tax exempt variable rate demand notes, included in the balance sheet at the lower of cost or market value.

For financial statement purposes, the company considers time deposits and marketable securities purchased with a maturity of three months or less to be cash equivalents. Investments purchased with a maturity of more than three months are considered short-term investments.

O'SULLIVAN CORPORATION

Consolidated Statements of Cash Flows

Years Ended December 31, 1992, 1991 and 1990	1992	1991	1990
Cash Flows from Operating Activities			
Net income	$ 10,802,412	$ 1,539,500	$ 14,685,324
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,623,212	9,859,074	6,675,117
Provision for doubtful accounts	710,443	550,000	730,000
Deferred income taxes	410,313	(1,932,068)	635,164
(Gain) loss on disposal of assets	72,906	130,929	(41,704)
Provision for restructuring and withdrawal of non-productive assets	—	4,055,749	—
Changes in operating assets and liabilities net of effect of acquisition of business:			
Receivables	1,638,544	882,241	(6,557,741)
Inventories	(5,139,325)	(1,277,985)	291,248
Other current assets	419,735	(1,384,955)	(310,225)
Accounts payable	(2,080,612)	(5,157,428)	1,203,623
Accrued expenses	1,159,646	1,893,022	31,591
Net cash provided by operating activities	$ 17,617,274	$ 9,158,079	$ 17,342,397
Cash Flows from Investing Activities			
Proceeds from disposal of assets	$ 354,123	$ 1,152,503	$ 97,929
Purchase of property, plant and equipment	(6,717,094)	(7,369,557)	(16,495,308)
Acquisition of business, less cash and cash equivalents acquired	(5,708,695)	—	—
Payments received from non-operating notes receivable	624,119	27,278	—
Other, net	(368,256)	624,633	(645,831)
Net cash (used in) investing activities	$(11,815,803)	$(5,565,143)	$(17,043,210)
Cash Flows from Financing Activities			
Changes in short-term debt	$ 4,300,558	$ —	$ —
Cash overdraft reduction	(413,615)	—	—
Net change in line of credit borrowings	7,000,000	(5,500,000)	5,000,000
Repayment of long-term debt	(500,000)	(2,000,000)	(2,000,000)
Principal payments under capital lease obligations	(270,256)	(240,664)	(192,427)
Purchase of common stock	(550)	(3,043)	(2,477)
Cash dividends paid	(4,615,791)	(4,617,176)	(4,616,647)
Advance payments (repayments) from customers	(9,729,529)	9,729,529	—
Net cash (used in) financing activities	$ (4,229,183)	$(2,631,354)	$ (1,811,551)
Increase (decrease) in cash and cash equivalents	$ 1,572,288	$ 961,582	$ (1,512,364)
Cash and cash equivalents at beginning of year	1,973,655	1,012,073	2,254,437
Cash and cash equivalents at end of year	$ 3,545,943	$ 1,973,655	$ 1,012,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Note 16. Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information

	1992	1991	1990
Cash payments for interest, net of interest capitalized	$ 777,636	$1,398,337	$ 770,588
Cash payment for income taxes	$5,356,385	$3,166,256	$8,206,664

Supplemental Schedule of Noncash Investment Activities

The Corporation's 1992 business acquisition involved the following:

Fair value of assets acquired, other than cash and cash equivalents	$20,803.464
Liabilities assumed	(7,288,802)
Notes issued to others	(6,143,424)
Notes issued to sellers	(1,662,543)
Cash payments made	$ 5,708,695

In 1991 the Corporation received notes receivable totaling $1,215,000 as the proceeds from the sale of certain business operations.

Capital lease obligations incurred by the Corporation in 1992, 1991 and 1990 were $13,500, $146,820 and $724,765, respectively for various machinery and equipment.

CASH AND CASH EQUIVALENTS

A Statement of Cash Flows explains the change during a period in cash and cash equivalents. The amounts of cash and cash equivalents reported on a Statement of Cash Flows should agree with the amounts of cash and cash equivalents reported on a Statement of Financial Position. Paragraph 10 of *SFAS No. 95* requires that an entity disclose what items are treated as cash equivalents. Table 5-5 shows the descriptive terms used by the survey companies to describe a change in cash and cash equivalents.

TABLE 5-5: CASH AND CASH EQUIVALENTS

	1992	1991	1990	1989
Cash and cash equivalents	415	412	391	381
Cash and equivalents	45	35	37	24
Cash	73	77	90	102
Cash and short-term investments	37	39	46	51
Cash and short-term cash investments	3	4	4	5
Cash and temporary cash investments	9	11	10	11
Cash and temporary investments	5	6	9	8
Cash and marketable securities	4	7	9	13
Other descriptive captions	9	9	4	5
Total Companies	**600**	**600**	**600**	**600**

Section 6: Independent Auditors' Report

This section reviews the format and content of Independent Auditors' Reports appearing in the annual reports of the 600 survey companies. Effective November 1972, *Statement on Auditing Standards No. 1*, issued by the Auditing Standards Board of the AICPA, codified and superseded *Statements on Auditing Procedures Nos. 33–54* previously issued by the Committee on Auditing Procedure. Subsequent to *SAS No. 1*, seventy-one Statements on Auditing Standards have been issued.

PRESENTATION IN ANNUAL REPORT

Table 6-1 shows where, in relation to the financial statements and notes thereto, the Independent Auditors' Reports were presented in the annual reports to stockholders.

TABLE 6-1: PRESENTATION IN ANNUAL REPORT

	1992	1991	1990	1989
Follows financial statements and notes	393	384	386	378
Precedes financial statements and notes	189	195	189	193
Between financial statements and notes	13	11	14	14
Other	5	10	11	15
Total Companies	**600**	**600**	**600**	**600**

TITLE

Paragraph 8a of *Statement on Auditing Standards No. 58* states that the title of an auditors' report should include the word *independent*.

The titles of auditors' reports presented in the annual reports of 598 survey companies included the words *independent* and *report*. 303 titles identified the auditors as auditors, 165 as accountants, 106 as public accountants, and 24 as certified public accountants.

ADDRESSEE

Paragraph 9 of *Statement on Auditing Standards No. 58* states:

> The report may be addressed to the company whose financial statements are being audited or to its board of directors or stockholders. A report on the financial statements of an unincorporated entity should be addressed as circumstances dictate, for example, to the partners, to the general partner, or to the proprietor. Occasionally, an auditor is retained to audit the financial statements of a company that is not his client; in such a case, the report customarily is addressed to the client and not to the directors or stockholders of the company whose financial statements are being audited.

Table 6-2 summarizes the addressee mentioned in the Auditors' Reports of the survey companies.

TABLE 6-2: ADDRESSEE OF AUDITORS' REPORT

	1992	1991	1990	1989
Board of Directors and Stockholders	477	476	475	478
Stockholders	57	59	62	61
Board of Directors	46	46	48	47
Company	17	16	13	12
Other or no addressee	3	3	2	2
Total Companies	**600**	**600**	**600**	**600**

AUDITORS' STANDARD REPORT

Paragraph 8 of *Statement on Auditing Standards No. 58* presents examples of auditors' standard reports for single year financial statements and for comparative two year financial statements. The examples presented in paragraph 8 of *SAS No. 58* follow.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of X Company as of December 31, 19XX, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of [at] December 31, 19XX, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

[*Signature*]

[*Date*]

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheets of X Company as of December 31, 19X2 and 19X1, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of [at] December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

[*Signature*]

[*Date*]

Most of the survey companies present a balance sheet for 2 years and the other basic financial statements for 3 years. Appropriate wording in this situation is stated in footnote 7 to paragraph 8. An example of an auditors' standard report for an entity presenting a balance sheet for 2 years and the other basic financial statements for 3 years follows.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Temple-Inland Inc.:

We have audited the accompanying consolidated balance sheets of Temple-Inland Inc. and subsidiaries as of January 2, 1993 and December 28, 1991, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 2, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Temple-Inland Inc. and subsidiaries at January 2, 1993 and December 28, 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 2, 1993, in conformity with generally accepted accounting principles.

TABLE 6-3: REFERENCES TO OTHER AUDITORS

	1992	1991	1990	1989
Examination by Other Auditors Covers:				
Statements for consolidated subsidiary	9	10	10	8
Statements of investee only	6	7	8	7
Statements for prior years only	5	3	6	5
Total Companies	**20**	**20**	**24**	**20**

REFERENCE TO REPORT OF OTHER AUDITORS

When the opinion of a principal auditor is based in part on the report of another auditor, Section 543 of *Statement on Auditing Standards No. 1* provides guidance to the principal auditor. Paragraph 7 of Section 543 states:

> When the principal auditor decides that he will make reference to the audit of the other auditor, his report should indicate clearly, in both the scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by his own audit and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly reveals the portion of the financial statements audited by the other auditor. The other auditor may be named but only with his permission and provided his report is presented together with that of the principal auditor.

Paragraphs 12 and 13 of *Statement on Auditing Standards No. 58* reaffirm the requirements of Section 543. Paragraph 13 presents an example of an auditors' report referring to the report of other auditors. The example in paragraph 13 and additional examples of auditors' reports referring to the report of other auditors follow.

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated balance sheets of ABC Company as of December 31, 19X2 and 19X1, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of B Company, a wholly-owned subsidiary, which statements reflect total assets of $_______ and $_______ as of December 31, 19X2 and 19X1, respectively, and total revenues of $_______ and $_______ for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for B Company, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors
Ameron, Inc.:

We have audited the accompanying consolidated balance sheets of Ameron, Inc. and subsidiaries as of November 30, 1992 and 1991, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended November 30, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Gifford-Hill-American, Inc., the investment in which is reflected in the accompanying financial statements using the equity method of accounting (see Note 4). The investment in this company represents 1 percent of consolidated assets as of November 30, 1992 and 1991. The equity in its net losses represents 15, 17 and 7 percent of consolidated net income for 1992, 1991 and 1990, respectively. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for that company, is based on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis , evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameron, Inc. and subsidiaries as of November 30, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1992, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors
CMI Corporation

We have audited the accompanying consolidated balance sheets of CMI Corporation and subsidiaries (the Company) as of December 31, 1992 and 1991, and the related consolidated statements of operations, changes in common stock and other capital, and cash flows for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain divisions, which statements reflect total assets constituting 14 percent and total revenues constituting 23 percent in 1992, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these divisions, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CMI Corporation and subsidiairies as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Holnam Inc.:

We have audited the accompanying consolidated balance sheets of Holnam Inc. and Subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of Holnam's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of St. Lawrence Cement Inc., which statements reflect assets constituting 43% and 42% of the consolidated totals as of December 31, 1992 and 1991, respectively, and revenues constituting 42%, 47% and 52% of the consolidated totals for the years ended December 31, 1992, 1991 and 1990, respectively. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for that entity, is based solely upon the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes asessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Holnam Inc. and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT

To the Directors and Stockholders
Prab Robots, Inc.

We have audited the accompanying consolidated balance sheet of Prab Robots, Inc. and subsidiaries as of October 31, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of Prab Robots, Inc. as of October 31, 1990 were audited by other auditors whose report dated November 27, 1990 expressed an unqualified opinion on those statements.

We did not audit the financial statements of Prab Limited (formerly Prab Robots International Limited), a wholly-owned subsidiary, which statements reflect total assets of approximately $2,000 and $1,743,000 as of October 31, 1992 and 1991, respectively, and total sales of approximately $619,000 and $2,071,000, respectively, for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Prab Limited, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statments are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prab Robots, Inc. and subsidiaries at October 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Unifi, Inc.

We have audited the accompanying consolidated balance sheet of Unifi, Inc. as of June 28, 1992, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1992 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 28, 1992, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

We previously audited and reported on the consolidated balance sheet as of June 30, 1991 and the related consolidated statements of income, changes in shareholders' equity and cash flows of Unifi, Inc. for the years ended June 30, 1991 and June 24, 1990, prior to their restatement for the August 8, 1991 pooling of interests as described in the "Business Combination" note. The contribution of Unifi, Inc. to total assets, revenues, and net income represented 40%, 46% and 65% for 1991, and 43%, 45% and 62% for 1990 of the respective restated totals. Financial statements of the other pooled company included in the 1991 and 1990 restated consolidated statements were audited and reported on separately by other auditors. We have also audited, as to combination only, the accompanying consolidated balance sheet as of June 30, 1991 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended June 30, 1991 and June 24, 1990, after restatement for the August 8, 1991 pooling of interests; in our opinion, such consolidated financial statements have been properly combined on the basis described in the "Business Combination" note to the consolidated financial statements. As discussed in the "Cumulative Effect of Change in Accounting for Income Taxes" note to the consolidated financial statements, in 1990 the Company changed its method of accounting for income taxes.

UNCERTAINTIES

Table 6-4 summarizes the nature of uncertainties for which auditors expressed unqualified opinions but added explanatory language to their reports as required by *Statement on Auditing Standards No. 58.* Paragraphs 16–33 of *SAS No. 58* and *SAS No. 59,* as amended by *SAS No. 64,* discuss uncertainties. Examples of explanatory language as to uncertainties follow.

TABLE 6-4: UNCERTAINTIES

	1992	1991	1990	1989
Litigation	18	16	20	18
Going concern	17	17	18	12
Other	7	6	8	12
Total Uncertainties	**42**	**39**	**46**	**42**
Total Companies	**35**	**32**	**34**	**32**

Going Concern

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Gulf USA Corporation:

We have audited the accompanying consolidated balance sheets of Gulf USA Corporation and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of a subsidiary, Gulf Pacific Limited (Gulf Pacific), for 1991 and 1990. Gulf Pacific assets comprise 65 percent in 1991 of total consolidated assets and its revenues comprise 32 percent and 27 percent in 1991 and 1990, respectively, of total consolidated revenues. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Gulf Pacific in 1991 and 1990, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors in 1991 and 1990, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gulf USA Corporation and subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has negative working capital at December 31, 1992, negative cash flows from operations for the year ended December 31, 1992, and anticipates that negative cash flows from operations will continue. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2. The consolidated financial statements do not include any adjustments, other than the current classification of long-term debt in technical default, that might result from the outcome of this uncertainty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Liquidity

The Company's viability as a going concern is dependent upon the restructuring of its obligations and asset base, and ultimately, a return to profitability.

See note 7 for information about the Company's debenture obligations and activities to restructure the debt. There is negative working capital of $85.1 million at December 31, 1992, and negative cash flows from operating activities of $5.6 million for 1992. Negative cash flows from operating activities and other commitments described herein are anticipated to continue. Furthermore, the Company is severely restricted in accessing the cash flows of Gulf Pacific, because of certain restrictive debt covenants and technical and legal requirements, including an adequate level of distributable reserves, that arise from Gulf Pacific's status as a non-wholly owned susidiary publicly traded in New Zealand. Of the $8.0 million in cash and cash equivalents at December 31, 1992, $4.9 million is restricted or otherwise committed.

There can be no assurance that the Company's restructuring efforts will be successful, or that the committee of debentureholders will agree to a course of action consistent with the Company's requirements in restructuring the obligations. Even if such agreement is reached, it may require approval of additional debentureholders, or possibly, agreements of other creditors and shareholders of the Company, none of which is assured. Furthermore, there can be no assurance that sales of assets can be successfully accomplished on terms acceptable to the Company. Under current circumstances, the Company's ability to continue as a going concern depends upon the successful restructuring of the debenture obligations and the further redeployment of assets. If the Company is unsuccessful in its efforts, it may continue to be unable to meet its obligations on the debentures, as well as other obligations, making it necessary to undertake such other actions as may be appropriate to preserve asset values.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Interco Incorporated

We have auditied the accompanying consolidated balance sheets of Interco Incorporated and subsidiaries as of February 29, 1992, February 23, 1991, and February 24, 1990, and the related consolidated statements of operations, shareholders' deficit, and cash flows for each of the years in the three-year period ended February 29, 1992. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supportiing the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Interco Incorporated and subsidiaries as of February 29, 1992, February 23, 1991, and February 24, 1990, and the results of their operations and their cash flows for each of the years in the three-year ended February 29, 1992 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, Interco Incorporated and its domestic subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code in the United States Bankruptcy Court on January 24, 1991. This event and circumstances relating to this event, including the company's highly leveraged capital structure, raise substantial doubt about its ability to continue as a going concern. Although the company and its domestic subsidiaries are currently operating their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court, the continuation of their business as going concerns is contingent upon, among other things, the ability to (1) formulate a plan of reorganization which will gain approval of the creditors and confirmation by the Bankruptcy Court, (2) maintain compliance with all debt covenants under the debtor-in-possession financing facility, and (3) achieve satisfactory levels of future earnings. Management's plans with regard to such plan of reorganization are set forth in note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties or adjustments relating to the establishment, settlement, and classification of liabilities that may be required in connection with restructuring Interco Incorporated and its domestic subsidiaries as they reorganize under Chapter 11 of the United States Bankruptcy Code.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)

1. Petition for Relief Under Chapter 11

As a result of a recapitalization plan adopted in fiscal 1989 (the "Fiscal 1989 Recapitalization"), Interco Incorporated (the "company") distributed to holders of its common stock $1.42 billion in cash, approximately $1.0 billion face amount of debentures and 3,320,702 shares of its Series E Preferred Stock. The recapitalization immediately changed the company's capital structure to one that is highly leveraged. To meet the interest expense and principal repayment obligations of the indebtedness incurred in connection with the recapitalization, the company embarked on a program to lower its cost structure and streamline its business to allow senior management to focus its attention on four operating companies, Broyhill Furniture Industries, Inc., The Lane Company, Incorporated, The Florsheim Shoe Company and Converse Inc., and to sell its non-core businesses and certain other assets to repay certain of its debt obligations.

The proceeds of the company's asset sales were significantly below the amounts expected and, due to adverse market conditions, the company did not mortgage any real estate assets. Fiscal 1989 through 1991 operating results were lower than anticipated, particularly in the Footwear Group. As a result, the company retired substantially less debt than originally anticipated. Throughout fiscal 1991, the company sought a restructuring plan to achieve changes in the company's capital structure to alleviate these problems and avoid the necessity of filing for reorganization under Chapter 11. As a result of attempting to implement such a plan, the company incurred restructuring expenses of $21,249 during fiscal 1991.

On January 24, 1991, Interco Incorporated and its domestic subsidiaries (the "debtor") filed voluntary petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Missouri (the "Court"). Under Chapter 11, enforcement of certain claims in existence prior to the filing of the petitions was stayed, while the debtor continues operations in the ordinary course of business as debtor-in-possession. The stayed claims are reflected in the February 29, 1992 and February 23, 1991 consolidated balance sheets as "liabilities subject to compromise", as discussed in note 11. As of the petition date, the company discontinued accruing interest on its unsecured pre-petition debt obligations. Additional claims have arisen subsequent to the petition date resulting from the rejection of executory contracts and/or leases, drawdowns of pre-petition bank letters of credit, and from the allowance by the Bankruptcy Court of contingent and/or disputed claims. The Court established July 1, 1991 as the claims bar date.

Enforcement of claims secured by the debtor's assets ("secured clams") was also stayed, although the holders of such claims have the right to petition the court for relief from the stay. Secured claims are secured primarily by liens on substantially all of the debtor's assets, including cash, short-term investments, receivables, inventories and property, plant and equipment. The value of collateral security for any secured pre-petition debt obligations cannot be determined until a plan of reorganization is confirmed. For financial statement presentation, secured debt is also being accounted for as "liabilities subject to compromise."

The company and its domestic subsidiaries received approval from the Court to pay or otherwise honor certain of their pre-petition obligations, including employee wages and benefits; and, accordingly, these amounts have been paid or are included in the appropriate liability captions on the consolidated balance sheet. In addition, the Court approved the debtor's entering into a $150.0 million debtor-in-possession financing facility. On December 19, 1991, the Court approved an amendment for a one-year extension and a reduction in the commitment amount to $75.0 million of the debtor-in-possession facility, which is discussed in note 8.

On January 24, 1992, the debtor filed a Chapter 11 Plan of Reorganization and Disclosure Statement (as amended, the "Plan") with the Court. Following agreement in principle with committees representing the debtor's principal creditor groups, an amended Plan was filed on March 12, 1992. On March 19, 1992, the Court granted motions filed by the debtor approving an amended Disclosure Statement describing the consenual Plan and establishing procedures for notification of creditors and stockholders and for solicitation of formal acceptances of the Plan by creditors. All ballots for acceptance or rejection of the Plan were mailed on or before April 15, 1992. In general, the Plan provides for resolution of all claims against the debtor as of January 24, 1991, the Chapter 11 filing date, as well as resolution of certain legal disputes, and provides for distributions to creditors of (i) cash, (ii) new debt securities, (iii) new Interco Incorporated common stock and (iv) new warrants to purchase new Interco Incorporated common stock. At the effective date of the Plan, the company would have approximately $648.0 million of post-reorganization debt, and would have outstanding 50 million shares of new common stock and warrants to purchase 5 million shares of new common stock. The Plan provides for no distributions to the holders of the company's Series D Preferred Stock, Series E Preferred Stock or common stock, and all outstanding shares of those equity securities will be cancelled as of the effective date of the Plan. The Plan anticipates an effective date of August 1, 1992.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Chapter 11 filings and circumstances relating to this event, including the company's highly leveraged financial structure, such continuity of operations and realization of assets and liquidation of liabilities is subject to uncertainty. While under the protection of Chapter 11, the company may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, the Plan will materially change the amounts reported in the consolidated financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of the Plan. The appropriateness of using the going-concern basis is dependent upon, among other things, the confirmation of the Plan, the ability to comply with debtor-in-possession financing agreements, generation of sufficient cash from operations and financing sources to meet obligations and achievement of satisfactory levels of future operating profit.

In November 1990, the American Institute of Certified Public Accountants issued Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). Pursuant to the guidance provided by SOP 90-7, the company will adopt "fresh start" reporting as of the effective date of the Plan. Under "fresh start" reporting, the reorganization value of the entity is allocated to the entity's assets. If any portion of the reorganization value cannot be attributed to specific tangible or identified intangible assets of the emerging entity, such amounts are to be reported as "reorganization value in excess of amounts allocable to identifiable assets" and amortized over a period of years, generally substantially less than forty years. As a result of adopting "fresh start" reporting upon emerging from Chapter 11 status, the company's financial statements will not be comparable with those prepared before the Plan is confirmed, including the historical financial statements included in this annual report.

Litigation

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
The American Ship Building Company:

We have audited the accompanying consolidated balance sheets of The American Ship Building Company and subsidiaries as of September 30, 1992 and 1991, and the related consolidated statements of operations, cash flows and stockholders' equity (deficit) for each of the three years in the period ended September 30, 1992. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Ship Building Company and subsidiaries as of September 30, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1992, in conformity with generally accepted accounting principles.

As more fully discussed in Note 7, the Company is a defendant in a lawsuit alleging that excess pension plan assets, which reverted to the Company when the plan was terminated, should have been distributed to the plan participants. The ultimate outcome of this litigation cannot be determined at this time; accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying finanical statements.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed under Item 14(a)(2) herein are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Litigation and Contingencies

The Company was a defendant in a legal proceeding which began in 1987 in which the plaintiffs sought to recover $3.5 million plus interest and attorney's fees from the Company. The complaint alleged that excess pension plan assets which reverted to the Company upon the termination of a pension plan should have been distributed to the plan participants and beneficiaries. In February 1992, the Chief Judge ruled in favor of the Company's Motion for Summary Judgment and dismissed the action filed by the plaintiffs. However, the plaintiffs subsequently filed an appeal with the United States Court of Appeals for the Sixth Circuit. Arguments will be scheduled in early 1993 and a final decision is not expected before the middle of 1993. Considering the substantial defenses the Company has in this litigation, no provision for loss has been made in the accompanying consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

MAPCO Inc., Its Directors and Stockholders:

We have audited the accompanying consolidated balance sheets of MAPCO Inc. and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MAPCO Inc. and subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, the Company is involved in litigation relating to retroactive increases in prices paid to the State of Alaska under its royalty oil purchase agreements. The ultimate outcome of the litigation cannot presently be determined. The Company has accrued an estimate of certain amounts which it may incur in connection with the final resolution of the dispute.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

The refining and marketing arm of the Company, MAPCO Petroleum Inc., operates a refinery in Alaska through its subsidiary, MAPCO Alaska Petroleum Inc. ("MAPI"). Since 1978, MAPI (and/or its predecessor) has had long-term agreements with the State of Alaska (the "State") to purchase royalty oil from the State at prices linked to amounts payable by North Slope oil producers in satisfaction of their royalty obligations to the State. Since 1977 the State has been asserting claims against the producers (in an action entitled *State of Alaska v. Amerada Hess, et al*) alleging that they incorrectly calculated their royalty payments.

As of April 1992, the State has settled its royalty oil claims against all of the producers. It informed MAPI that, on the basis of these settlements, the State intended to bill MAPI for retroactive increases in the prices paid by MAPI under all four of its royalty oil purchase agreements. The State's claim against MAPI is based upon the difference between the volume weighted average paid by the producers and the revised royalty values adopted by the State. Pending the resolution of the Amerada Hess litigation, MAPI had been paying the State under a contractual pricing formula which resulted in prices in excess of the volume weighted average of the producers' past royalty reports.

After fruitless discussions with the State over these potential claims, on August 28, 1992, MAPI commenced suit against the State in an Anchorage State Court seeking a declaratory judgment that MAPI is not liable to the State for any retroactive price increase under its primary royalty oil purchase agreement (the "1978 Agreement"). That same date MAPI invoked the arbitration provision of the agreement under which it had purchased the second largest amount of State royalty oil (the "1977 Agreement"), again seeking a determination that it is not liable for any retroactive price increase. The State has moved to consolidate MAPI's State Court action regarding the 1978 Agreement with a pending royalty oil pricing lawsuit between Chevron and the State pending in a Juneau State Court, and it has also commenced an action in Juneau seeking to avoid arbitration of the 1977 Agreement dispute. In addition, on December 1, 1992, the State gave MAPI notice that it had initiated administrative proceedings to construe the terms of the 1977 Agreement, as well as the remaining two agreements (the "1984 Agreement" and the "1985 Agreement"), which proceedings MAPI is contesting. On October 1, 1992, the State billed MAPI for retroactive price adjustments (including interest through varying dates in October of 1992) of $98 million, $9.2 million, $2.9 million and $6.4 million under the 1978, 1977, 1984 and 1985 Agreements, respectively.

Two other Alaska refiner/purchasers have now settled State retroactive billing claims against them, the most recent being Tesoro Alaska Petroleum Company in early January, 1993. In light of these recent settlements and since the litigation and arbitration proceedings are in their earliest stages, the Company is not able to predict the ultimate outcome at this time. The Company has accrued an estimate of certain amounts which it may incur in connection with the final resolution of these matters. The Company believes that it has defenses of considerable merit as to the State's claims, and plans to vigorously litigate all pending disputes. However, a resolution unfavorable to the Company could result in material liabilities which have not been reflected in the accompanying consolidated financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and
Board of Directors of Teledyne, Inc.:

We have audited the accompanying consolidated balance sheets of Teledyne, Inc. and subsidiaries ("the Company") as of December 31, 1992 and 1991 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teledyne, Inc. and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.

As discussed further in Note 12 to the consolidated financial statements, the Company is defending a suit filed under the False Claims Act relating to the Company's Teledyne Relays unit. It is likely that resolution of the suit will result in the recognition of a loss contingency which is not currently estimable. Accordingly, no provision for any liability has been made in the accompanying consolidated financial statements.

As explained in Note 6 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 109 in the year ended December 31, 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

The Company is defending a civil action filed on behalf of the U.S. government under the False Claims Act charging that the Company's Teledyne Relays unit falsified test results for relays supplied to the government. The government intervened in the action in April of 1992, and the complaint and first amended complaint were served on the Company in August of 1992. In addition to the claims alleged under the False Claims Act, the first amended complaint alleges various statutory and common law causes of action, including claims for trademark infringement, unfair competition, breach of contract and fraud, and seeks treble the damages allegedly sustained by the United States, profits of not less than $41.6 million allegedly derived by Teledyne Relays from the sales at issue, and civil penalties of up to $10,000 for any false claim made. In November of 1992, the Company pled guilty and paid a $17.5 million fine to resolve a related criminal investigation. It is likely that resolution of this suit will result in the recognition of a loss contingency which is not currently estimable.

Going Concern and Litigation

REPORT OF INDEPENDENT AUDITORS

Board of Directors,
Imo Industries Inc.

We have audited the accompanying consolidated balance sheets of Imo Industries Inc. and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managemant, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Imo Industries Inc. and subsidiaries at December 31, 1992 and 1991, and consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Imo Industries Inc. will continue as a going concern. As more fully described in Note 6, the Company is not in compliance with its senior debt agreements, and to date, has not arranged a long-term refinancing of the senior debt obligations. This condition raises substantial doubt about the Company's ability to continue as a going concern. The 1992 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 13, during 1985 litigation was instituted against the Company by Long Island Lighting Company. At this time, the Company cannot predict the extent of additional losses, if any, that may result from an adverse outcome in this litigation or the impact thereof on its consolidated financial statements.

As discussed in Note 10 to the financial statements, in 1992 the Company changed its method of accounting for postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Notes Payable and Long-Term Debt

Primarily as a result of the unusual items incurred in the third quarter of 1992 and the adoption of the new accounting standard for postretirement benefits, the Company is not in compliance with certain financial covenants under its revolving credit agreements and its senior notes as of December 31, 1992. Since waivers of these covenants have not been obtained, $77 million of long-term debt has been classified as current. Additionally, the revolving credit usage and other credit lines have been frozen at the current levels until waivers are obtained or renegotiation of the facilities is completed.

The Company is currently negotiating with banks party to the revolving credit agreement, other domestic banks and the holder of its senior notes in an effort to finalize a satisfactory restructuring of this debt. The Company and its investment bankers believe that a final agreement will be reached in the near future.

The new senior credit facility would provide for credit aggregating $171.8 million which, in the opinion of Management, is sufficient to satisfy the Company's liquidity requirements through March 31, 1995. The credit facilities will be on a fully secured basis, and permit the Company to proceed with its previously announced sale of assets. The proceeds of the asset sales will be used to reduce senior debt. If, however, these efforts are unsuccessful and the senior lender were to accelerate the maturity of their debt, the Company would not have sufficient immediate funds to repay the $131 million of domestic senior debt. Additionally, acceleration by the senior lenders would enable the trustee or holders of the Company's Debentures to require the Company by notice to cause the acceleration to be rescinded within 30 days of such notice. If the Company is unable to accomplish this, the trustee or holders of at least 25% of the Debentures could demand immediate payment of the Debentures. In such event, the Company would not have sufficient funds to pay the $300 million of outstanding Debentures.

The Company believes that until the restructuring of the debt is finalized existing cash balances and anticipated cash receipts will be adequate to cover operating requirements including interest payments on its senior debt and its senior subordinated debentures. The Company believes it has the resources for a successful restructuring of its debt on a long-term basis. The Company is current on all of its interest payments on its outstanding debt.

Given the circumstances, the incremental borrowing rate of the senior debt is considered to be indeterminable. Estimating the fair value of these not-traded fixed-rate debt instruments based on current market interest rates is not considered to be appropriate and, because of excessive costs, estimating the fair value otherwise is impracticable.

Note 13 (In Part): Contingencies

In August 1985, the Company was named as defendant in a lawsuit filed by Long Island Lighting Company ("LILCO"). The action stemmed from the sale of three diesel generators to LILCO for use at its Shoreham Nuclear Power Station. During testing of the diesel generator, the crankshaft of one of the diesel generators severed.

Through a series of motions beginning with the Court's order on October 27, 1986 and ending with the Court's order on August 20, 1987, LILCO's claims were dismissed with the exception of the count alleging a breach of warranty to repair or replace. On May 3, 1990, the Court responded to the Company's motion to limit damages by ordering that. . ."LILCO's claim is dismissed as to all categories of damages other than the amount attributable to the cost of repairing the engines, which amount may, upon appropriate showing, include the cost of maintenance or of testing the diesels in the course of or subsequent to their repair." In August 1990, in response to interrogatories, LILCO stated that its valuation of damages remaining in the case is $23.7 million plus interest.

On April 10, 1991, a jury in a trial limited to liability, in the U.S. District Court in the Southern District of New York, found that the warranty was in effect from the time of shipment of the diesel generators until July 1986. On April 22, 1992, a jury in the trial to determine damages, awarded LILCO $10.8 million plus interest. In July 1992, the Company's motion to set aside a substantial portion of the awarded amount was denied by the Court. On July 22, 1992, the Court entered a judgment in the amount of $18.3 million which included interest to date. Both the Company and LILCO have filed appeals on matters which the Court had decided adverse to each of them. Oral arguments of matters under appeal were held in January 1993, with a decision of the appeals expected in the first half of 1993. Consistent with the Court's rules, appeal bonds totalling approximately $20.4 million were posted by two insurers on behalf of the Company.

The Company's insurers are on notice of the suit and they have defended the action under a reservation of rights.

In late June 1992, the Company filed an action in the Northern District of California against one of its insurers in an attempt to collect amounts for defense costs paid to counsel retained by the Company in defense of the LILCO litigation. The insurer has refused to pay approximately $8 million in defense costs alleging that defense costs above reasonable levels were expended in defending this litigation.

In January 1993 the Company was served a complaint in a case brought by another insurer alleging that the insurer was entitled to recover $10 million in defense costs previously paid in connection with the LILCO matter. The complaint alleges inter alia that the insurer's policies did not cover the matters in question in the LILCO case.

Government Contract Price Adjustment

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and
Shareholders of AEL Industries, Inc.

We have audited the accompanying consolidated balance sheets of AEL Industries, Inc. as of February 28, 1992, and February 22, 1991, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended February 28, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEL Industries, Inc. at February 28, 1992, and February 22, 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 28, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 9 to the consolidated financial statements, the outcome of a claim and potential civil, criminal or administrative liabilities arising from a contract pricing adjustment associated with a fixed-price contract modification is presently not determinable. No provision for any liability that may result from this matter has been made in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Contingencies

The Company is from time subject to claims arising from the conduct of its business with the U.S. Government. In October 1989, the Company became aware of a potential liability of $1,600,000 arising from a review conducted by the Defense Contract Audit Agency. The potential liability relates to a contract pricing adjustment associated with a fixed-price contract modification awarded in 1985. The Company is continuing to cooperate with the Department of Defense and the U.S. Attorney in the Government's inquiry into this matter. At this time, management is unable to determine whether this matter is likely to result in any civil, criminal or administrative liability.

The Company is also a party to a number of lawsuits and claims arising out of the conduct to its business. One such action relates to the U.S. Environmental Protection Agency (EPA) which, in March 1989, placed a site that includes the Company's Richardson Road property on the National Priorities List for detailed study and cleanup of alleged environmental contamination. The Company continues to cooperate with the EPA in the study of this site. In the opinion of management, these lawsuits and claims will not have a materially adverse effect on consolidated financial position.

LACK OF CONSISTENCY

Table 6-5 summarizes the accounting changes for which auditors expressed unqualified opinions but added explanatory language to their reports as required by paragraphs 34-36 of *Statement on Auditing Standards No. 58.* As indicated in Table 6-5, the 2 most frequent reasons for a reference to lack of consistency were the adoption of *Statement of Financial Accounting Standards No. 106* for postretirement benefits and the adoption of *Statement of Financial Accounting Standards No. 109* for income taxes. The auditors' reports of 150 survey companies referred to the adoption of both *SFAS No. 106* and *SFAS No. 109.* Examples of references to lack of consistency follow.

TABLE 6-5: LACK OF CONSISTENCY

	1992	1991	1990	1989
Postretirement benefits	215	38	5	5
Income taxes	205	41	72	94
Postemployment benefits	19	—	—	—
Inventories:				
Capitalization of costs formerly expensed	6	4	9	17
LIFO adopted	2	1	2	2
LIFO discontinued	3	2	1	—
Other	3	6	4	1
Depreciation method	2	1	2	4
Pension plans	—	4	12	14
Reporting entity	—	1	2	16
Statement of cash flows	—	—	5	10
Other—described	16	11	11	11
Total References	**471**	**109**	**125**	**174**
Total Companies	**166**	**90**	**113**	**158**

Postretirement Benefits

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
CalMat Co.
Los Angeles, California

We have audited the accompanying consolidated balance sheets of CalMat Co. and subsidiaries as of December 31, 1992 and 1991, and the related consolidated financial statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CalMat Co. and subsidiaries as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Adoption of New Accounting Principle: In the third quarter of 1992, the Company adopted Statement of Financial Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Under this new statement, the Company is required to accrue the estimated cost of retiree health and life insurance benefits over the years that the employees render service. The Company previously expensed the cost of these benefits as claims were incurred.

The Company elected to immediately recognize the Accumulated Postretirement Benefit Obligation valued as of January 1, 1992, as of the beginning of the year and recorded an after-tax charge of $6.0 million, or $.26 per share ($10.0 million net of deferred taxes of $4.0 million), as a change in accounting principle. The effect of this change on 1992 operating results, after recording the cumulative effect for years prior to 1992, was not material. The proforma effects of the application of SFAS No. 106 on prior years are not presented, as the effect on each year is not significant.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Stockholders and Board of Directors of Freeport-McMoRan Inc.:

We have audited the accompanying balance sheets of Freeport-McMoRan Inc. and consolidated subsidiaries as of December 31, 1992 and 1991, and the related statements of income, cash flow and stockholders' equity for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freeport-McMoRan Inc. and consolidated subsidiaries as of December 31, 1992 and 1991 and the results of its operations and its cash flow for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Notes 6 and 7 to the consolidated financial statements, effective January 1, 1991, the Company changed its method of accounting for postretirement benefits other than pensions and effective January 1, 1992, the Company changed its method of accounting for income taxes.

NOTES TO FINANCIAL STATEMENTS

6 (In Part): Pension and Other Employee Benefits

FTX provides certain health care and life insurance benefits for retired employees. Effective January 1,1991, FTX adopted Statement of Financial Accounting Standards No. 106 (FAS 106) requiring current accrual for postretirement benefits other than pensions, recording a $125.1 million charge as the cumulative effect of an accounting change. The FAS 106 expense totaled $12.5 million ($1.6 million for service cost and $10.9 million in interest for prior period services) in 1992 and $12.6 million ($2 million for service cost and $10.6 million in interest for prior period services) in 1991. Previously, such costs were expensed when paid and totaled $4.8 million in 1990. The actuarial present value of the accumulated postretirement benefit obligation as of December 31, 1992, none of which has been funded is $131.5 million ($93.6 million for retirees, $22.6 million for fully eligible active plan participants, and $21.6 million for other active plan participants, net of a $6.3 million unrecorded net loss), which has been accrued. In determining the FAS 106 amounts, FTX used an initial health care cost trend rate of 12 percent, decreasing ½ percent per year until reaching 6 percent. At 1 percent increase in the trend rate would increase the 1992 FAS 106 amounts by approximately 10 percent. The weighted average discount rate used was 8.5 percent in 1992 and 9 percent in 1991. FTX has the right to modify or terminate these benefits.

7 (In Part): Income Taxes

Effective January 1, 1992, FTX adopted Statement of Financial Accounting Standards No. 109, the new accounting standard for income taxes. The cumulative adjustment of taxes and the impact on 1992 earnings from operations was not material. . . .

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
General Cinema Corporation
Chestnut Hill, Massachusetts

We have audited the consolidated balance sheets of General Cinema Corporation and its subsidiaries as of October 31, 1992 and 1991, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the period ended October 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Harcourt Brace Jovanovich, Inc., (Harcourt-Brace) for the year ended December 31, 1990, which statements reflect total revenues of $1,412,747,000 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Harcourt Brace for such period, is based solely on the report of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Cinema Corporation and its subsidiaries as of October 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 11 to the Consolidated Financial Statements, the Company adopted the provisions of the Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in fiscal 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part)

Postretirement Healthcare Benefits

As of November 1, 1991, the Company adopted the provisions of Statement of Financial Standards No. 106, "Employers' Accounting for Portretirement Benefits Other than Pensions." The Company provides healthcare benefits for retired employees which are funded as claims are incurred. Retirees become eligible for retirement benefits if they meet certain service and minimum age requirements. This statement requires accrual of these postretirement healthcare benefits during the years an employee provides services. Prior to November 1,1991, the expense for these benefits was recognized as actual claims were incurred. As of November 1, 1991, the cumulative effect of adopting this change resulted in a charge of $39,196,000, or $0.49 per share, which is net of a tax benefit of $25,059,000. In addition to the one-time charge upon adoption, the effect of the change was to increase pre-tax expense by $5,184,000, resulting in a total postretirement benefit cost of $7,735,000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and
Board of Directors of Joslyn Corporation:

We have audited the accompanying consolidated balance sheets of Joslyn Corporation and Subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 1992. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joslyn Corporation and Subsidiaries as of December 31, 1992 and 1991, and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As explained in Note 8 to the consolidated financial statements, effective January 1, 1991, the Corporation changed its method of accounting for postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Postretirement Medical Benefits

In 1991, Joslyn Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" on the immediate recognition basis. As a result of the adoption of SFAS No. 106, the Corporation recorded charges of $10,963,000 for optional postretirement medical benefits. The after-tax charge of $6,763,000, or $.95 per share, has two components: $6,268,000, or $.89 per share, was a one-time cumulative non-operating adjustment to January 1, 1991 and $495,000, or $.06 per share, was a charge for 1991,in addition to normal claims paid.

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Mead Corporation
Dayton, Ohio

We have audited the accompanying balance sheets of The Mead Corporation and consolidated subsidiaries as of December 31, 1992 and 1991, and the related statements of earnings, shareowners' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mead Corporation and consolidated subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note L to the financial statements, the company changed its method of accounting for income taxes in 1992.

As discussed in Note O to the financial statements, the company changed its method of accounting for postretirement benefits other than pensions in 1991.

NOTES TO FINANCIAL STATEMENTS

L (In Part): Income Taxes

In 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This standard requires that deferred taxes be reported in the company's financial statements utilizing the asset and liability method. Under this method, deferred taxes are carried in the balance sheet at the tax rates scheduled to be in effect at the time items giving rise to the deferred taxes reverse. The company recognized a cumulative effect to January 1, 1992, of the change in accounting for income taxes of $34.0 million ($.58 per share). The effect of adopting Statement No. 109 for the year ended December 31, 1992, was not material.

O (In Part): Postretirement Benefits Other than Pensions

In 1991, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The company elected to immediately recognize the cumulative effect of the change in accounting for postretirement benefits of $93.5 million ($58.7 million net of income tax benefit). The impact of the change on 1991 operations was not material and was included in the accumulated postretirement benefits obligation at January 1, 1991. The pro forma effects of the application of Statement No. 106 on the prior year is not presented as the effect is not significant. The company funds benefit costs principally on a pay-as-you-go basis, with the retiree paying a portion of the costs. In situations where full-time employees retire from the company between age 55 and 65, most are eligible to receive, at a cost to the retiree equal to Mead's cost for an active employee, certain health care benefits identical to those available to active employees. After attaining age 65, an eligible retiree's health care benefit coverage becomes coordinated with Medicare, with the retiree paying substantially all of the cost of the coverage. Certain retired employees of businesses acquired by the company are covered under other health care plans that differ from current plans in coverage, deductibles and retiree contributions.

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Reynolds Metals Company

We have audited the accompanying consolidated balance sheets of Reynolds Metals Company as of December 31, 1992, 1991 and 1990, and the related statements of consolidated income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reynolds Metals Company at December 31, 1992, 1991, and 1990, and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions and for income taxes in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Changes in accounting policy

In the fourth quarter of 1992, the Company elected early adoption of Financial Accounting Standards (FAS) No. 106—Employers' Accounting for Postretirement Benefits Other Than Pensions (Note G) and No. 109—Accounting for Income Taxes (Note H). FAS 106 generally requires the accrual of the expected cost of postretirement benefits (health care and life insurance) by the date that employees attain full eligibility for benefits to be received. Previously, the expense for these benefits was recognized when costs were incurred or claims were received. FAS 109 generally requires a change from the deferred to the liability method of computing deferred income taxes. Prior interim periods of 1992 have been restated to reflect these accounting changes. Charges of $610.0 million (FAS 106, net of taxes of $365.0 million) and $29.6 million (FAS $109) were recognized in the restated first quarter of 1992 for the cumulative effects of these accounting changes. The adoption of FAS 109 enabled full recognition of the deferred tax benefits associated with the adoption of FAS 106. In addition, the adoption of FAS 106 resulted in a decrease in income before the cumulative effects of accounting changes for 1992 of $32.5 million ($52.0 million before tax) or $.54 per share, while the effect of adoption of FAS 109 on income before the cumulative effects of accounting changes for the year was not significant.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Directors of
The L.S. Starrett Company

We have audited the accompanying consolidated balance sheets of The L.S. Starrett Company and subsidiaries as of June 27, 1992 and June 29, 1991, and the related consolidated statements of earnings, cash flows and changes in stockholders' equity for each of the years in the three-year period ended June 27, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as of June 27, 1992 and June 29, 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended June 27, 1992, in conformity with generally accepted accounting principles.

As discussed in the Accounting Changes note to the consolidated financial statements, in 1992 the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Changes

During the fourth quarter of fiscal 1992, the Company adopted Statement of Financial Accounting Standards No. 109 (FAS 109), Accounting for Income Taxes, and FAS 106, Accounting for Postretirement Benefits Other Than Pensions. The cumulative effect of both these changes has been retroactively recorded in the first quarter of fiscal 1992 and, accordingly, quarterly results for the year have been restated.

The effect of adopting FAS 109 was to increase net earnings $56,000 ($0.01 per share) in 1992, which included a negative cumulative effect on prior years of $251,000 ($0.04 per share) resulting primarily from the effect of a 1987 acquisition.

The effect of adopting FAS 106 was to decrease net earnings $7,623,000 ($1.10 per share) in 1992, which included the cumulative effect on prior years of $7,478,000 ($1.08 per share), which is net of a $4,985,000 tax benefit. FAS 106 requires companies to recognize the future cost of postretirement medical and other nonpension benefits on an accrual basis during an employee's service in a manner similar to the present accounting method for pension costs.

Income Taxes

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of ASARCO Incorporated

We have audited the accompanying consolidated balance sheets of ASARCO Incorporated and Consolidated Subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of earnings, cash flows, and changes in common stockholders' equity for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASARCO Incorporated and Consolidated Subsidiaries as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the Company changed its method of accounting for income taxes in 1992 and restated prior period financial statements to reflect the change. In addition, as discussed in Note 11 to the financial statements, the Company changed its methods of accounting for postretirement benefits other than pensions effective January 1, 1992.

NOTES TO FINANCIAL STATEMENTS

3 (In Part): Taxes On Income

As discussed in Note 1, the Company adopted SFAS 109 in 1992 and elected to apply the provisions of SFAS 109 retroactively to January 1, 1989. Accordingly, the beginning balance of retained earnings as of January 1, 1990 has been restated to reflect a decrease of $6.8 million to $904.0 million. In addition, the financial statements for the years ended December 1991 and 1990, the unaudited quarterly data presented in Supplementary Financial and Statistical Information section for 1991 and certain information contained in the Five Year Selected Financial and Statistical Data section for 1991, 1990 and 1989 have been restated to comply with the provisions of SFAS 109.

The following summarizes the impact of applying SFAS 109 on net income and earnings per share:

For the Years Ended December 31	1991	1990
(In millions, except per share amounts)		
Net earnings as previously reported	$46.0	$149.1
Effect of SFAS 109	—	(13.3)
As restated	$46.0	$135.8
Net earnings per common share as previously reported	$1.12	$ 3.60
Effect of SFAS 109	—	(0.32)
As restated	$1.12	$ 3.28

11 (In Part): Benefit Plans

Noncontributory postretirement health care coverage under the Asarco Health Plan is provided to substantially all retirees not eligible for Medicare. A cost sharing Medicare supplement plan is available for retired salaried employees and life insurance coverage is provided to substantially all retirees. In 1992 the Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The effect of adopting the new standard increased 1992 net periodic postretirement benefit cost by $3.2 million and decreased 1992 net income by $2.1 million. Postretirement benefits costs for 1991 of $5.1 million and 1990 of $4.7 million which were recorded on a cash basis, have not been restated. In addition, the projected benefit obligation of $54.0 million (net of tax benefit of $27.8 million) related to prior service cost was recognized as the cumulative effect of the change in accounting principle as of January 1, 1992.

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
of The Clorox Company:

We have audited the accompanying consolidated balance sheets of The Clorox Company and its subsidiaries as of June 30, 1992 and 1991, and the related statements of consolidated earnings, consolidated stockholders' equity and consolidated cash flows for the years ended June 30, 1992, 1991 and 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at June 30, 1992 and 1991, and the results of their operations and their cash flows for the years ended June 30, 1992, 1991 and 1990 in conformity with generally accepted accounting principles.

As discussed in Note 1 of the consolidated financial statements, in 1992 the Company (1) changed its method of accounting for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106 and (2) changed its method of accounting for income taxes, retroactive to July 1, 1990, to conform with Statement of Financial Accounting Standards No. 109.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Accounting Changes

In Fiscal 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes."

SFAS No. 106 requires accrual of the expected cost of providing postretirement health care benefits during the years that employees provide service. Previously, retiree health care benefits were expensed as incurred. In adopting this standard, the Company elected to fully recognize the accumulated postretirement benefit obligation as of July 1, 1991 (see Note 12) and, accordingly, restated the results for the first three quarters of Fiscal 1992. The cumulative effect of adoption resulted in a charge to earnings of $19,061,000 ($.35 per share), net of $11,832,000 tax benefit. Earnings before the cumulative effect of accounting change decreased $2,912,000 during 1992 as a result of applying SFAS No. 106. Operating results for years preceding 1992 were not restated for the adoption of this new standard.

The Company elected to apply the provisions of SFAS No. 109 retroactive to July 1, 1990. The effect of adopting SFAS No. 109 at July 1, 1990 was not material; nor was it material to either 1991 or 1992 earnings. SFAS No. 109 changes the method of accounting for income taxes from the deferred to the liability method. Under the liability method, deferred income taxes are determined based upon enacted tax laws and rates applied to the differences between the financial statement and tax bases of assets and liabilities. Under the deferred method, deferred income taxes were recognized using the rates in effect when the tax was first recorded, without adjustment for the subsequent rate changes.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of
The BFGoodrich Company

We have audited the accompanying consolidated balance sheet of The BFGoodrich Company and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements, which appear on pages 28, 30, 32 and 34 through 50, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The BFGoodrich Company and subsidiaries at December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in 1992 the Company changed its methods of accounting for income taxes and for postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note A (In Part): Significant Accounting Policies

Changes in Accounting Methods: Effective January 1, 1992 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109—"Accounting for Income Taxes", which supersedes SFAS No. 96 which the Company adopted in 1988. SFAS No. 109 permits recognition of certain deferred tax benefits. At the date of adoption of SFAS No. 109, there was no material effect on the results of operations.

In October 1992, BFGoodrich announced its decision to adopt SFAS No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" retroactive to January 1, 1992. Previous 1992 interim period results were restated as a result of the adoption. SFAS No. 106 requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, should be recognized as an expense as employees render service instead of when claims are incurred, as BFGoodrich historically had done. The adoption of SFAS No. 106 resulted in a net charge to income of $286.5 ($434.0 before tax), or $11.21 per share. In addition, the adoption of SFAS No. 106 resulted in a decrease in income before the cumulative effect of change in method of accounting for 1992 of $7.5 ($11.4 before tax), or $.29 per share.

Utilization of SFAS No. 109 to account for income taxes allowed recognition of deferred tax assets upon adoption of SFAS No. 106 that would not have been allowed under the Company's prior method of accounting for income taxes.

REPORT OF INDEPENDENT ACCOUNTANTS

Shareholders and Board of Directors
Hughes Supply, Inc.

We have audited the accompanying consolidated balance sheets of Hughes Supply, Inc. and subsidiaries as of January 29, 1993 and January 31, 1992, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 29, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hughes Supply, Inc. and subsidiaries as of January 29, 1993 and January 31, 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 29, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the financial statements, the Company changed its method of accounting for income taxes in the period ended January 31, 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Income Taxes:

In fiscal year 1992, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under the provisions of SFAS No. 109, the Company elected not to restate prior years and has determined that the cumulative effect of implementation was immaterial. The effect of this change on fiscal 1992's financial statement was to decrease the net loss by approximately $450,000 ($.11 per share).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Kerr-McGee Corporation:

We have audited the accompanying consolidated balance sheet of Kerr-McGee Corporation and subsidiary companies as of December 31, 1992 and 1991, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kerr-McGee Corporation and subsidiary companies as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As explained in Note 2 to the financial statements, effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Prior years' financial statements have not been restated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting Changes

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards (FAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (see Note 16). This statement requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. The company recognized the full amount of its accumulated postretirement benefit obligation, which represents the present value at January 1, 1992, of the estimated future benefits payable to current retirees and a pro rata portion of estimated benefits payable to active employees after retirement. The pretax charge to 1992 earnings was $101 million. After income tax benefits, $64 million, or $1.32 per common share, has been reflected in the Consolidated Statement of Income as the cumulative effect on prior years of changes in accounting principles. This change in accounting for postretirement health care and life insurance benefits resulted in an after-tax incremental cost for such benefits of $3 million, or $.06 per common share, for the year 1992.

Also effective January 1, 1992, the company adopted FAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to accounting for income taxes (see Note 15). The cumulative effect as of January 1, 1992, of the adoption of the statement resulted in a 1992 charge of $6 million, or $.13 per common share. An additional deferred tax liability of $76 million was recognized for the differences between the assigned values and the tax bases of assets previously acquired. The offset to this additional liability was an increase to property, plant, and equipment. As the result of the change in accounting for income taxes, the 1992 net loss was reduced by $16 million, or $.33 per common share, due to the recognition of income tax benefits for the losses of a foreign subsidiary and foreign currency translation gains recognized on the higher deferred tax balances of the foreign operations. The additional depreciation expense resulting from the addition to property, plant, and equipment noted above was offset by income tax benefits. The company elected not to restate prior years' financial statements.

As the company adopted both of these accounting changes in the 1992 fourth quarter, previously reported 1992 quarterly information has been restated to reflect the changes effective January 1, 1992. See Note 31 for the restated amounts.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Phillips Petroleum Company

We have audited the accompanying consolidated balance sheets of Phillips Petroleum Company as of December 31, 1992 and 1991, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phillips Petroleum Company at December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective January 1, 1992 the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective January 1, 1991 the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and effective January 1, 1990 the company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes."

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Extraordinary Items and Accounting Changes

Effective January 1, 1992, the company adopted FASB Statement No. 109, "Accounting for Income Taxes." The cumulative effect of adopting Statement No. 109 as of January 1, 1992, decreased 1992 net income by $44 million, $.17 per share. Prior years' financial statements have not been restated. Under Statement No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of Statement No. 109, income tax expense was determined using the liability method prescribed by Statement No. 96, which is superseded by Statement No. 109. Among other changes, Statement No. 109 changes the recognition and measurement criteria for deferred tax assets included in Statement No. 96.

Effective January 1, 1991, the company adopted FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its U.S. plans and elected immediate recognition of the $81 million net transition obligation. There was no effect on income before extraordinary items and cumulative effect of changes in accounting principles. The cumulative effect of the change on prior years decreased 1991 net income by $53 million, $.21 per share. The company is not required to adopt Statement No. 106 for foreign retirees until 1995 and the effect is not expected to be material.

Effective January 1, 1990, the company adopted FASB Statement No. 96, "Accounting for Income Taxes." The effect of the change was to increase 1990 income before extraordinary items and cumulative effect of changes in accounting principles by $130 million, $.52 per share, for the year. In addition, the cumulative effect of the change on prior years increased 1990 net income by $137 million, $.55 per share.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Stockholders
Quaker State Corporation

We have audited the accompanying consolidated balance sheets of Quaker State Corporation and Subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quaker State Corporation and Subsidiaries as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Notes 11 and 12 of Notes to Consolidated Financial Statements, the company changed its method of accounting for postretirement benefits other than pensions in 1992 and accounting for income taxes in 1992 and 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Income Taxes

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." This statement required a liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years which taxes are expected to be paid or recovered. Financial statements for prior years have not been restated and the cumulative effect of the accounting change was not material.

Effective January 1, 1991, the company adopted Statement of Financial Accounting Standards No. 96, "Accounting For Income Taxes." Prior years' financial statements were not restated for this accounting change. The cumulative effect of this accounting change on years prior to 1991 resulted in an increase in net income of $7,170,000 or $.26 per share. The effect of this change on 1991 income before the cumulative effect of the change in accounting was not significant.

12 (In Part): Employee Retirement and Benefit Plans

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Standard requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period the employee provides services to the company.

As of January 1, 1992, the company recognized the full amount of its estimated accumulated postretirement benefit obligation on that date, which represents the present value of the estimated future benefits payable to current retirees and a pro rata portion of the estimated benefits payable to eligible active employees after retirement. The accounting change resulted in a one-time charge to earnings of approximately $62,600,000, net of taxes of $40,100,000, or $2.30 per share.

Postretirement benefit expense other than pension was approximately $10,350,000 in 1992 (including approximately $5,600,000 ($3,400,000 after tax, $.13 per share) due to the application of this new rule of which approximately $3,600,000 ($2,200,000 after tax, $.08 per share) related to discontinued coal operations). Prior to 1992, postretirement benefit costs, which were charged to expense as paid, were $4,940,000 in 1991 and $4,371,000 in 1990. The components of periodic expense for postretirement benefits in 1992 were as follows:

(In thousands)	
Service costs of benefits earned	$ 1,865
Interest cost on liability	8,485
Net periodic postretirement benefit cost	10,350
Less: discontinued coal operations cost	6,344
Continuing operations cost	$ 4,006

Postemployment Benefits

REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors
Barnes Group Inc.

We have audited the accompanying consolidated balance sheets of Barnes Group Inc. as of December 31, 1992 and 1991, and the related consolidated statements of income, changes in common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Barnes Group Inc. at December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Notes 1, 11 and 12 to the consolidated financial statements, in 1992 the Company changed its methods of accounting for income taxes and for certain postretirement and postemployment benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts included in the notes are stated in thousands except per share data)

1 (In Part): Summary of Accounting Policies

Income taxes: Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). Under FAS 109, the liability method is used to calculate deferred income taxes. Under this method, deferred tax assets and liabilities are recognized on temporary differences between the financial statement and tax bases of assets and liabilities using applicable enacted tax rates. The cumulative effect of this standard was to reduce 1992 net income by $950 or $0.15 per share; the effect on 1992 income before cumulative effect of changes in accounting principles was not material.

11 (In Part): Postretirement Healthcare and Life Insurance Benefits

The company provides certain medical, dental and life insurance benefits for a majority of its retired employees in the United States and Canada.

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This standard requires companies to recognize the estimated future cost of providing health and other postretirement benefits on an accrual basis during the period such benefits are earned by the employees. These benefits had previously been expensed when paid.

The company elected to record the previously unrecognized service cost of such benefits immediately, reducing 1992 net income by $38,054, ($63,424 less related deferred tax benefit of $25,370) or $6.14 per share. This new method of accounting reduced 1992 income before cumulative effect of changes in accounting principles by $1,523, ($2,538 less related deferred tax benefit of $1,015) or $0.25 per share. In addition, the company recognized a curtailment gain of $1,011 in 1992 as a result of the 1992 plant closing charges and the sale of the Pioneer division.

12. Postemployment Benefits

The company adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" effective January 1, 1992. This standard requires that the cost of benefits provided to former or inactive employees be recognized on the accrual basis of accounting. Previously, the company recognized postemployment benefit costs (primarily medical benefits provided to certain employees receiving workers' compensation or long-term disability benefits) when paid. The cumulative effect of this change in accounting principle, net of deferred tax benefit, was to reduce net income by $1,691, or $.27 per share. Adoption of this standard did not materially affect 1992 income before cumulative effect of changes in accounting principles.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Cooper Industries, Inc.

We have audited the accompanying statements of consolidated financial position of Cooper Industries, Inc. as of December 31, 1992 and 1991, and the related statements of consolidated results of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper Industries, Inc. at December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 2 of the Notes to Consolidated Financial Statements, in 1992 the Company changed its methods of accounting for postretirement benefits other than pensions, income taxes and postemployment benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Changes in Accounting Principles

During the fourth quarter of 1992, the Company elected to adopt effective for all of 1992 and future years the accounting provisions of SFAS No. 106 (Postretirement Benefits Other Than Pensions), No. 109 (Income Taxes) and No. 112 (Postemployment Benefits). As a consequence, the results of operations for the first three quarters of 1992 have been restated and the fourth quarter has been prepared on a basis that reflects the accounting effect of the new standards. Additionally, earnings for the first quarter of 1992 have been revised to include the cumulative adjustment ($590 million, net of tax, or $5.19 per fully diluted share) as of January 1, 1992 necessary to adjust the Company's net assets for compliance with the new standards. Each of these changes is discussed in greater detail below.

SFAS No. 106—Employers' Accounting for Postretirement Benefits Other Than Pensions. This standard, which was required to be adopted by the Company no later than January 1, 1993, provides that the Company follow an accrual method of accounting for the benefits other than pensions (primarily health-care costs) provided to employees after retirement. The results of operations for the first quarter include a charge of $669.1 million pre-tax ($408.2 million, net of tax, or $3.59 per fully diluted share) for the immediate recognition of the net transition obligation with respect to benefits earned by active and retired employees prior to January 1, 1992. Additionally, postretirement costs have been recorded based on an actuarially determined accrual method as opposed to the Company's previous pay-as-you-go method of accounting for such costs. The effect was to decrease 1992's full-year earnings by $17.8 million, or $.15 per fully diluted share. The remaining disclosure information required by SFAS No. 106 is set forth in Note 9 of the Notes to Consolidated Financial Statements.

SFAS No. 109—Accounting for Income Taxes. This standard, which also was required to be adopted by the Company no later than January 1, 1993, requires a liability as opposed to a deferred method of accounting for income taxes. The results of operations for the first quarter of 1992 include a net tax charge of $166.2 million ($1.47 per fully diluted share) required to provide a net deferred tax credit with respect to the aggregate of the differences between the book and tax basis of the Company's assets and liabilities. The direction and magnitude of this adjustment results from the large fair market value adjustments recorded for book purposes but not for tax purposes with respect to certain acquisitions, including Gardner-Denver, McGraw-Edison and, more recently, Champion Spark Plug and Cameron Iron Works. Additionally, income tax expense and certain other adjustments for 1992 have been determined in accordance with the provisions of the new standard. The effect was to decrease pre-tax income by $2.8 million while increasing tax expense by $1.2 million, for a combined reduction of $.04 per fully diluted share. The remaining disclosure information required by SFAS No. 109 is set forth in Note 10 of the Notes to Consolidated Financial Statements.

SFAS No. 112—Employers' Accounting for Postemployment Benefits. This standard, which was not required to be adopted by the Company until January 1, 1994, provides that the Company follow an accrual method of accounting for the benefits payable to employees when they leave the Company other than by reason of retirement. Since most of these benefits were already accounted for by the Company on an accrual method, this new standard has a relatively small cumulative effect—$25.6 million ($15.6 million, net of tax, or $.13 per fully diluted share) and a negligible effect on 1992's earnings.

Inventories

INDEPENDENT AUDITORS' REPORT

Shareholders and Board of Directors
Rubbermaid Incorporated:

We have audited the accompanying consolidated balance sheets of Rubbermaid Incorporated and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of earnings, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rubbermaid Incorporated and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in 1992. Also, as discussed in note 2 to the consolidated financial statements, the Company changed its method of accounting for inventories in 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share amounts)

2. Accounting Changes

Effective January 1, 1992, the Company adopted FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Company elected to immediately recognize the obligation for these benefits, resulting in a cumulative effect charge to 1992 net earnings of $20,112 (net of $12,015 of income taxes) or $.13 per share.

Effective January 1, 1992, the Company modified its inventory accounting practices to include additional costs as a part of inventoriable overhead. The Company believes this change is preferable because it improves the matching of revenues and costs and improves comparability of operating results and financial position with those of other companies. The cumulative effect of this change was $11,203 (net of $6,866 of income taxes) or $.07 per share.

Effective January 1, 1992, the Company adopted FAS No. 109, "Accounting for Income Taxes." The cumulative effect of this change was $6,078 or $.04 per share.

The effect of these changes on 1992's results, after recording the cumulative effect, and the pro forma effect on the prior year results were not significant.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
United Foods, Inc.

We have audited the accompanying balance sheets of United Foods, Inc. as of February 29, 1992 and February 28, 1991, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended February 29, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Foods, Inc. at February 20, 1992 and February 28, 1991, and the result of its operations and its cash flows for each of the three years in the period ended February 29, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Company has given retroactive effect to the change in accounting for certain inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Inventories

Inventories are summarized as follows:

	February 29 or 28	
	1992	1991
Finished products	$33,393,000	$42,450,000
Raw materials	2,872,000	3,390,000
Growing crops	1,757,000	1,692,000
Merchandise and supplies	1,851,000	1,533,000
	$39,873,000	$49,065,000

In February 1992, the Company elected to change its method of inventory valuation for substantially all finished product and raw material inventories of the Company's Pictsweet Frozen Foods division from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The Company believes the FIFO method will produce a better matching of current costs and current revenues due to the extended time span required to pass on seasonal and cyclical fluctuations in costs to retailers and consumers. The Company has also applied to the Internal Revenue Service to change to the FIFO method of inventory valuation for income tax reporting purposes.

The effect of the change in accounting method on income for the year ended February 29, 1992 and the restatement of income as previously reported for fiscal years ended February 28, 1991 and 1990 is:

	Increase (decrease)		
	1992	1991	1990
Effect on:			
Income from continuing operations	$1,720,000	$(34,000)	$ (55,000)
Extraordinary item	—	—	(2,212,000)
Net income	1,055,000	(34,000)	(2,767,000)
Earnings (loss) per share:			
Income from continuing operations	$ 0.13	$ 0.00	$ (.04)
Extraordinary item	—	—	(.17)
Net income	0.08	0.00	(.21)

Software Revenue Recognition

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareowners and the Board of Directors of
The Dun & Bradstreet Corporation:

We have audited the accompanying consolidated statement of financial position of The Dun & Bradstreet Corporation and Subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, shareowners' equity and cash flows for the years ended December 31, 1992, 1991 and 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Dun & Bradstreet Corporation and Subsidiaries as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for the years ended December 31, 1992, 1991 and 1990, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," and the American Institute of Certified Public Accountants' Statement of Position 91-1, "Software Revenue Recognition" and restated the 1991 and 1990 consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Accounting Changes

During 1992 the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes," and the American Institute of Certified Public Accountants' Statement of Position (SOP) 91-1, "Software Revenue Recognition." The Company has applied the provisions of these standards retroactive to January 1, 1989. The effect of these restatements was to decrease net income by $2.0 million and $1.5 million for 1991 and 1990, respectively ($.01 per share in each year). The cumulative effect of these changes resulted in a reduction of $34.1 million in retained earnings at January 1, 1990. There was no impact on cash flow from these accounting changes.

As a result of restating prior-years' financial statements for SFAS 109, net income for the years 1991 and 1990 decreased by approximately $7.5 million ($.04 per share), and $14.7 million ($.08 per share), respectively. The cumulative effect of this change resulted in a reduction of $27.2 million in retained earnings at January 1, 1990.

As a result of restating prior-years' financial statements for SOP 91-1, net income for the years 1991 and 1990 increased by approximately $5.5 million (.03 per share), and $13.2 million ($.07 per share), respectively. The cumulative effect of this change resulted in a reduction of $6.9 million in retained earnings at January 1, 1990.

Environmental Liabilities

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors of
McKesson Corporation:

We have audited the accompanying consolidated balance sheets of McKesson Corporation and subsidiaries as of March 31, 1992, 1991, and 1990, and the related statements of consolidated income, consolidated stockholders' equity and consolidated cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of McKesson Corporation and subsidiaires at March 31, 1992, 1991, and 1990, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 of the consolidated financial statements, in 1992 the Corporation (1) retroactively changed its method of accounting for income taxes, effective for all periods presented, to conform with Statement of Financial Accounting Standards No. 109, (2) changed its method of accounting for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106, and (3) changed its method of accounting for estimated environmental clean-up obligations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting Changes

In fiscal 1992, the Company adopted two recently issued accounting standards and implemented a change in accounting principle:

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes"—The Company elected to retroactively apply the provisions of this new standard to all periods after March 31, 1986 by restating the financial statements of prior periods. Applying the new accounting standard had the effect of decreasing income from continuing operations and net income by $5.0 million in fiscal 1992, $5.4 million in fiscal 1991 and $5.0 million in fiscal 1990. The decline in net income is due to the tax benefits on dividends paid on unallocated ESOP shares being credited directly to retained earnings in accordance with the Statement. The adoption resulted in per-share decreases as follows:

	1992	1991	1990
Earnings per Common Share			
Fully diluted	$.07	$.08	$.07
Primary	$.04	$.05	$.05

Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"—The Company elected to adopt this new standard by immediately recognizing the accumulated postretirement benefit obligations as of April 1, 1991 (see Note 13) and restating the results of the first three quarters of fiscal 1992. The cumulative effect of adopting the new standard resulted in a charge to net income of $104.8 million, net of $64.2 million tax benefit, ($2.70 per share) as of April 1, 1991. Applying the new standard resulted in a decrease in 1992 income from continuing operations of $2.5 million. In accordance with the Statement, results of operations for years prior to 1992 were not restated for the adoption.

Environmental Liabilities—Effective April 1, 1991, the Company changed its method of accounting for estimated environmental clean-up obligations associated primarily with discontinued chemical businesses. Under the new method, such liabilities are recorded at total estimated future costs. Prior to the change, such liabilities were recorded at the present value of estimated future cash flows. The Company believes that the new method of accounting is preferable because of the difficulty of estimating the timing of settlement of these obligations. The cumulative effect as of April 1, 1991 of applying the new accounting method to years prior to fiscal 1992 resulted in a charge to net income of $5.7 million. The impact on 1992 earnings and the pro forma effect of applying the new accounting method to 1991 and 1990 are not material.

Investee Changes

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders of
Safeway Inc.:

We have audited the accompanying consolidated balance sheets of Safeway Inc. and subsidiaries as of January 2, 1993 and December 28, 1991, and the related consolidated statements of income, stockholders' equity (deficit) and cash flows for each of the three fiscal years in the period ended January 2, 1993. Our audits also included the consolidated financial statement schedules appearing on pages 42 through 45. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Safeway, Inc. and subsidiaries at January 2, 1993 and December 28, 1991, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 2, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information shown therein.

As discussed in Note B to the consolidated financial statements, during the year ended January 2, 1993 the Company changed its methods of accounting for postretirement and postemployment benefits, and an unconsolidated equity method affiliate of the Company changed its methods of accounting for postretirement benefits and income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Significant Accounting Policies

Accounting Changes

In 1992 the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS No. 106"), which requires accrual of the expected cost of such benefits during employee service periods, and Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits", which requires accrual of the expected cost of benefits provided to former or inactive employees after employment but before retirement. Prior to 1992, the Company recognized the cost of providing these benefits as claims were paid. In addition, The Vons Companies, Inc. ("Vons"), an unconsolidated affiliate of Safeway, adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and SFAS No. 106. The cumulative effect of accounting changes recognized in Safeway's consolidated statements of income as of the beginning of fiscal 1992 was as follows (in millions):

Postretirement benefits, net of tax benefit of $6.4	$10.5
Postemployment benefits, net of tax benefit of $1.1	1.8
Vons' income taxes, net of tax benefit of $3.2	10.6
Vons' postretirement benefits, net of tax benefit of $1.3	4.2
	$27.1

Except for the cumulative effect of adoption, the impact of these accounting changes on Safeway's 1992 net income is not material.

EMPHASIS OF A MATTER

Paragraph 37 of *Statement on Auditing Standards No. 58* states:

> In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to emphasize that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to emphasize an unusually important subsequent event or an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information should be presented in a separate paragraph of the auditor's report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

Examples of explanatory information emphasizing a matter regarding the financial statements follow.

INDEPENDENT AUDITORS' REPORT

Navistar International Corporation,
Its Directors and Shareowners:

We have audited the Statement of Financial Condition of Navistar International Corporation and Consolidated Subsidiaries as of October 31, 1992 and 1991, and the related Statement of Income (Loss), of Cash Flow, and of Non-Redeemable Preferred, Preference, and Common Shareowners' Equity for each of the three years in the period ended October 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 4, the Company has reached a tentative agreement with the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) regarding a number of issues including certain postretirement benefits.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Navistar International Corporation and Consolidated Subsidiaries at October 31, 1992 and 1991, and the results of their operations and their cash flow for each of the three years in the period ended October 31, 1992, in conformity with generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS

4. Subsequent Events

On December 17, 1992, the Company announced that it had reached a tentative agreement with the UAW to restructure its retiree health care and life insurance benefits. The agreement reduces the Company's liability for retiree health care and life insurance benefits under Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) from $2.6 billion to $1.0 billion and achieves the Company's goal to begin implementing $200 million in cost savings. In addition, the agreement helps ensure the Company's long-term ability to provide jobs and benefits to employees and provides retirees with a modified medical plan for life. Retirees will be required to share in the cost of their medical benefits through premiums, deductibles and co-payments. The agreement also provides for retirees and employees to share in the benefits of the Company's return to profitability and long-term financial health through the issuance of common stock and the implementation of a profit-sharing plan. Further details pertaining to postretirement benefits and SFAS 106 are provided in Note 5 to the Financial Statements.

Under the tentative agreement, a trust will be established as a voluntary employee benefits association (VEBA) for the purpose of paying its share of the retiree health care benefits. The trust will have two subtrusts—a "base plan" subtrust and an "upside benefit" subtrust. Each subtrust will operate on an independent basis.

The base plan subtrust will be established to pay retiree medical costs and provide a method for future Company funding. While retiree health care costs initially will be paid on a pay-as-you-go basis, it is the Company's intention to pre-fund up to $500 million of the $1.0 billion health care liability over time from the proceeds of the sale of new shares of the Company's common stock. In addition, the Company will pay into the trust the current service costs of the new retiree health care plan.

An independent financial institution will serve as trustee of the base plan subtrust which the Company will administer. A seven-member committee composed of Company and retiree representatives will be established to resolve claim and benefit disputes and review retiree premium calculations but will not have authority to modify benefits or change Company contribution obligations.

The upside benefit subtrust will be established for the benefit of current and future retirees to be used to reduce retiree costs and/or provide additional benefits. The subtrust will be funded with an initial contribution of new shares of Navistar common stock equal to the total amount of the Company's outstanding shares at the time of implementation of the settlement, approximately 255 million shares. In addition, the Company will make an annual profit-sharing contribution to the subtrust based upon an agreed formula. The subtrust will be governed by a five-member committee composed of two UAW appointees, two other appointees, and a chair approved by the U.S. District Court (the Committee). The Committee will be restricted from selling the shares for up to a five-year period following the date of implementation of the settlement to allow the Company full market access to sell shares to fund the base plan subtrust. During such period, the Committee will vote its shares in favor of the recommendations of the Company's Board of Directors on matters submitted to the shareowners.

As long as the upside benefit subtrusts holds at least 20% of the Company's outstanding common stock, it will be entitled to select two members of the Company's Board of Directors. When the subtrust holdings drop below 20% but still exceed 10%, it will be entitled to select one director. In addition, until the base plan subtrust is fully funded, the UAW will have a right to select an individual to serve on the Company's Board of Directors.

The agreement also provides for an amendment to the Company's charter so that any merger or sale of all or substantially all of the assets of the Company will require the affirmative vote of 85% of the common shareowners.

The tentative agreement with the UAW is subject to court approval, shareowner approval for the issuance of new shares of common stock and amendments to the corporate charter, various regulatory agency approvals and the successful negotiation of new collective bargaining agreements. The Company also suspended dividends on its Series G Cumulative Preferred Stock. See Note 19 to the Financial Statements.

The Company commenced negotiations with the UAW on a new collective bargaining agreement for active employees on January 8, 1993. Approximately 7,500 of the Company's 12,500 employees in the United States are represented by the UAW. The Company will also negotiate with its other unions to achieve changes in postretirement health care benefits for active employees.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Zenith Electronics Corporation:

We have audited the accompanying consolidated balance sheets of Zenith Electronics Corporation and subsidiaries as of December 31, 1992 and 1991, and the related statements of consolidated operations and retained earnings and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has incurred losses from continuing operations of $105.9 million, $51.6 million and $54.2 million in 1992, 1991 and 1990, respectively. Management's plan for meeting obligations as they come due is summarized in Note 2 to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Zenith Electronics Corporation and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Two—Liquidity and Capital Resources:

The company has incurred losses from continuing operations of $105.9 million, $51.6 million and $54.2 million in 1992, 1991 and 1990, respectively. The company's 1993 operating plan has been developed to minimize losses. This plan includes significant cost reductions, repositioning of product lines and intensified asset management.

As a result of the reduction in the company's net worth, the company amended its Revolving Credit and Security Agreement (Credit Agreement) in March 1993 to relax certain financial covenants as of December 31, 1992. As amended, the Credit Agreement runs through June 1994. Because the company's peak financing requirements for 1993 are expected to exceed the $60 million available under the Credit Agreement, the company continues to explore a full range of options, including the fund-raising options of new borrowing arrangements, asset sales (including real estate, components activities and other non-core activities) and the sale of equity. The company believes it will be able to meet its seasonal peak requirements during 1993 from these sources.

Although the company believes that the Credit Agreement and its efforts to obtain other financing sources will be adequate to meet its 1993 seasonal working capital needs, there can be no assurance that the company may not experience liquidity problems because of adverse market conditions or other unfavorable events, or if the company does not obtain sufficient additional financing on a timely basis.

The company's long-term financing structure as of December 31, 1992, includes $34.5 million of notes due January 15, 1995, and $115.0 million of convertible subordinated debentures that require annual sinking fund payments of $5.8 million beginning in 1997.

DEPARTURES FROM UNQUALIFIED OPINIONS

Statement on Auditing Standards No. 58 does not require auditors to express qualified opinions as to the effects of uncertainties or as to lack of consistency. Under *SAS No. 58*, departures from unqualified opinions include opinions qualified because of a scope limitation or a departure from generally accepted accounting principles, adverse opinions, and disclaimers of opinion. Paragraphs 38–72 of *SAS No. 58* discuss these departures. One of the auditors' reports issued in connection with the financial statements of the survey companies contained a departure as defined by *SAS No. 58*.

REPORTS ON COMPARATIVE FINANCIAL STATEMENTS

Paragraphs 74–83 of *Statement on Auditing Standards No. 58* discuss Reports on Comparative Financial Statements. None of the auditors' reports for the survey companies expressed an opinion on prior year financial statements different from the opinion previously expressed. Twenty auditors' reports indicated that a change in auditors had occurred in either the current year or one of the two preceding years. Examples of disclosures of changes in auditors follow.

Predecessor Auditors' Report Not Presented

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of IBP, inc.
Dakota City, Nebraska

We have audited the accompanying consolidated balance sheet of IBP, inc. and subsidiaries as of December 26, 1992, and the related statements of earnings, stockholders' equity and cash flows for the year ended December 26, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of IBP, inc. for the years ended December 28, 1991 and December 29, 1990 were audited by other independent accountants whose report dated February 7, 1992 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IBP, inc. and subsidiaries at December 26, 1992, and the results of their operations and their cash flows for the year ended December 26, 1992, in conformity with generally accepted accounting principles.

Predecessor Auditors' Report Reissued

INDEPENDENT AUDITORS' REPORTS

The Board of Directors and Shareholders
United Gaming, Inc.:

We have audited the accompanying consolidated balance sheets of United Gaming, Inc. and subsidiaries as of June 30, 1992 and 1991 and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Gaming, Inc. and subsidiaries as of June 30, 1992 and 1991, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

United Gaming, Inc.:

We have audited the consolidated balance sheet of United Gaming, Inc. (the "Corporation") and its subsidiaries as of June 30, 1990 (not included herein), and the related statements of operations, cash flows, and shareholders' equity for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 1990 consolidated financial statements present fairly, in all material respects, the financial position of United Gaming, Inc. and subsidiaries at June 30, 1990, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFORMATION

Table 6-6 shows that occasionally the auditors' reports issued in connection with the financial statements of the survey companies express an opinion on supplementary financial information to the basic financial statements.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFORMATION

	Number of Companies			
	1992	1991	1990	1989
Financial statement schedules	29	30	27	22
Financial statements of subsidiaries	—	—	—	2
Other	—	2	2	2

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Anacomp, Inc.:

We have audited the accompanying consolidated balance sheets of Anacomp, Inc. and subsidiaries as of September 30, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended September 30, 1992. These financial statements and schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anacomp, Inc. and subsidiaries as of September 30, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1992, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in Item 14(a) 2 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
The Sherwin-Williams Company
Cleveland, Ohio

We have audited the accompanying consolidated balance sheets of The Sherwin-Williams Company and subsidiaries as of December 31, 1992, 1991 and 1990, and the related statements of consolidated income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1992. Our audits also included the financial statement schedules listed in Item 14(a) of the Index on page 37. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Sherwin-Williams Company and subsidiaries at December 31, 1992, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Notes 7 and 13 to the consolidated financial statements, in 1992 the Company changed its methods of accounting for postretirement benefits other than pensions and income taxes, respectively.

REPORTS OF AUDIT COMMITTEES AND MANAGEMENT

Fourteen survey companies presented a Report of An Audit Committee and 341 survey companies presented a Report of Management. Examples of such reports follow.

Reports Of Audit Committee

GENERAL MILLS, INC.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is composed of six outside directors. Its primary function is to oversee the Company's system of internal controls, financial reporting practices and audits to ensure their quality, integrity and objectivity are sufficient to protect stockholders assets.

The Audit Committee met twice during fiscal 1992 to review the overall audit scope, plans and results of the internal auditor and independent auditor, the Company's internal controls, emerging accounting issues, officer and director expenses, audit fees, goodwill and other intangible values, and the audits of the pension plans. The Committee also met separately without management present and with the independent auditors to discuss the audit. Acting with the other Board members, the Committee reviewed the Company's annual financial statements and approved them before issuance. Audit Committee meeting results were reported to the full Board of Directors. The Audit Committee recommended to the Board that KPMG Peat Marwick be reappointed for fiscal 1993, subject to the approval of stockholders at the annual meeting.

The Audit Committee is satisfied that the internal control system is adequate and that the stockholders of General Mills are protected by appropriate accounting and auditing procedures.

Chairman, Audit Committee

MERCK & CO., INC.

AUDIT COMMITTEE'S REPORT

The Audit Committee of the Board of Directors is comprised of six outside directors. The members of the Committee are: Albert W. Merck, Chairman; Charles E. Exley Jr., Vice Chairman; Sir Derek Birkin; Carolyn K. Davis, Ph.D.; William N. Kelley, M.D.; and Dennis Weatherstone. The Committee held three meetings during 1992.

The Audit Committee meets with the independent public accountants, management and internal auditors to assure that all are carrying out their respective responsibilities. The Audit Committee reviews the performance and fees of the independent public accountants prior to recommending their appointment, and meets with them, without management present, to discuss the scope and results of their audit work, including the adequacy of internal controls and the quality of financial reporting. Both the independent public accountants and the internal auditors have full access to the Audit Committee.

Chairman, Audit Committee

Reports of Management

AMP INCORPORATED

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements and other financial information contained in this Annual Report are the responsibility of management. They have been prepared in accordance with generally accepted accounting principles applied on a materially consistent basis and are deemed to present fairly the consolidated financial position of AMP Incorporated and subsidiaries, and the consolidated results of their operations. Where necessary, management has made informed judgements and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this Annual Report, management relies on the Company's system of internal controls. This system has been established to ensure, within reasonable limits, that assets are safeguarded, that transactions are properly recorded and executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the financial statements. It is recognized that no system of internal controls can detect and prevent all errors and irregularities. Management believes that the established system provides an acceptable balance between benefits to be gained and their related cost.

It has always been the policy and practice of the Company to conduct its affairs ethically and in a socially responsible manner. Employee awareness of these objectives is achieved through regular and continuing key written policy statements. Management maintains a systematic program to ensure compliance with these policies.

As part of their audit of the financial statements, the Company's independent public accountants review and assess the effectiveness of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. In addition, the Company maintains a staff of internal auditors who work with the independent public accountants to ensure adequate auditing coverage of the Company and who conduct operational audits of their own design. Management emphasizes the need for constructive recommendations as part of the auditing process and implements a high proportion of their suggestions.

The Audit Committee of the Board of Directors meets with the independent public accountants, internal auditors and management periodically, to review their respective activities and the discharge of each of their responsibilities. Both the independent public accountants and the internal auditors have free access to the Audit Committee, with or without management, to discuss the scope of their audits and the adequacy of the system of internal controls.

BAXTER INTERNATIONAL INC.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated balance sheets of Baxter International Inc. and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 1992, have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and include some amounts that are based upon management's best estimates and judgments. The financial information contained elsewhere in this annual report is consistent with that contained in the financial statements.

Management is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal control, and that the cost of such systems should not exceed the benefits to be derived therefrom.

Management believes that the foundation of an appropriate system of internal control is a strong ethical company culture and climate. To this end the Baxter Ethics Manual is distributed throughout the company. This manual summarizes the company's business policies which mandate high standards of business conduct, compliance with laws and accuracy and integrity of books and records. The company monitors compliance through audit programs and the requirement for annual representations by senior managers. Additionally, a professional staff of corporate auditors reviews the related internal control system design, the accounting policies and procedures supporting this system and compliance therewith.

Independent certified public accountants perform audits, in accordance with generally accepted auditing standards, which include a review of the system of internal controls and result in assurance that the financial statements are, in all material respects, fairly presented.

The board of directors, through its audit committee composed solely of non-employee directors, is responsible for overseeing the integrity and reliability of the company's accounting and financial reporting practices and the effectiveness of its system of internal controls. The independent certified public accountants and corporate auditors meet regularly with, and have access to, this committee, with and without management present, to discuss the results of their audit work.

Management assessed the company's system of internal controls as of December 31, 1992 in relation to criteria for effective internal control over financial reporting described in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, it is management's opinion that, as of December 31, 1992, the company maintained an effective system of internal controls over the preparation of its published interim and annual financial statements.

Chairman and Chief Executive Officer
President and Chief Operating Officer
Senior Vice President and Chief Financial Officer
Vice President and Controller

DANA CORPORATION

RESPONSIBILITY FOR FINANCIAL STATEMENTS

We have prepared the accompanying consolidated financial statements and related information included herein for the three years ended December 31, 1992.

The management of Dana Corporation is primarily responsible for the accuracy of the financial information that is presented in this annual report. These statements were prepared in accordance with generally accepted accounting principles and where appropriate, we used our estimates and judgment with consideration to materiality.

To meet management's responsibility for financial reporting, we have established internal control systems which we believe are adequate to provide reasonable assurance that our assets are protected from loss. These systems produce data used for the preparation of financial information.

We believe internal control systems should be designed to provide accurate information at a reasonable cost which is not out of line with the benefits to be received. These systems and controls are reviewed by our internal auditors in order to ensure compliance, and by our independent accountants to support their audit work.

The Audit Committee of the Board of Directors meets regularly with management, internal auditors and our independent accountants to review accounting, auditing and financial matters. Our Audit Committee is composed of only outside directors. This committee and the independent accountants have free access to each other with or without management being present.

We believe our people are our most important asset and that the proper selection, training and development of our people is a means of ensuring that management's objectives of maintaining effective internal accounting controls and fair, uniform reporting standards are met.

Chief Financial Officer,
Vice President—Finance and Treasurer

Vice President—Administration and
Corporate Controller

HARTMARX CORPORATION

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of Hartmarx Corporation is responsible for the preparation of the Company's financial statements. These financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include certain amounts based on management's reasonable best estimates and judgments, giving due consideration to materiality.

In fulfilling its responsibility, management has established cost-effective systems of internal controls, policies and procedures with respect to the Company's accounting, administrative procedures and reporting practices which are believed to be of high quality and integrity. Such controls include approved accounting, control and business practices and a program of internal audit. The Company's business ethics policy, which is regularly communicated to all key employees of the organization, is designed to maintain high ethical standards in the conduct of Company affairs. Although no system can ensure that all errors or irregularities have been eliminated, management believes that the internal accounting controls in place provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, and that financial records are reliable for preparing financial statements and maintaining accountability for assets.

The Audit Committee of the Board of Directors meets periodically with the Company's independent public accountants, management and internal auditors to review auditing and financial reporting matters. This Committee is responsible for recommending the selection of independent accountants, subject to ratification by shareholders. Both the internal and independent auditors have unrestricted access to the Audit Committee, without Company management present, to discuss audit plans and results, their opinions regarding the adequacy of internal accounting controls, the quality of financial reporting and other relevant matters.

OLIN CORPORATION

MANAGEMENT REPORT ON FINANCIAL STATEMENTS

The company has prepared the accompanying consolidated financial statements and related information for the years ended December 31, 1992, 1991 and 1990. Management is responsible for the integrity of the financial statements, which were prepared in conformity with generally accepted accounting principles. In our opinion, they contain no material misstatements attributable to fraud or error. The financial information contained elsewhere in this annual report is consistent with the financial statements.

The company maintains internal accounting control systems designed to provide reliable information and reasonable assurance that assets are safeguarded from loss or unauthorized use, that fraudulent reporting would be prevented or detected and that all transactions are properly authorized. A well-qualified internal audit department evaluates internal accounting control systems and monitors compliance with the company's internal control policies and procedures. Management believes that, as of December 31, 1992, the company's system of internal controls is adequate to accomplish the objectives discussed herein.

Management also recognizes its responsibility for fostering a strong ethical climate so that the company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is communicated to all employees in the company's code of business conduct, which is publicized throughout the company. The code of conduct addresses, among other things, the necessity of ensuring open communication within the company; potential conflicts of interest; compliance with all domestic and foreign laws, including those relating to financial disclosure; and the confidentiality of proprietary information. The company maintains a systematic program to assess compliance with these policies.

Our independent auditors are engaged to audit and to render an opinion on the fairness in all material respects of our consolidated financial statements presented in conformity with generally accepted accounting principles. In performing their audit in accordance with generally accepted auditing standards, they evaluate the effectiveness of our internal accounting control systems, review selected transactions and carry out other auditing procedures to the extent they consider necessary in expressing their opinion on our financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management and the company's internal auditors to review the work of each and to evaluate matters pertinent to internal accounting controls and financial reporting, and the nature, extent and results of auditing activities. The Audit Committee annually recommends to the Board of Directors the appointment of independent auditors. The independent auditors and the company's internal audit department have access to the Audit Committee without management's presence.

Chairman, President and Chief Executive Officer
Senior Vice President and Chief Financial Officer

THE PERKIN-ELMER CORPORATION

STATEMENT OF FINANCIAL RESPONSIBILITY

To the Shareholders of
The Perkin-Elmer Corporation

The Company is responsible for the preparation and integrity of the accompanying consolidated financial statements. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts based upon management's best estimates and judgements. These accounting principles have been consistently applied. The financial statements are believed to reflect, in all material respects, the substance of events and transactions that should be included. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In meeting its responsibility for preparing reliable financial statements, the Company depends on its system of internal accounting controls. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with the appropriate corporate authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company believes that its accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions. The concept of reasonable assurance is based on the recognition that judgments are required to assess and balance the costs and expected benefits of a system of internal accounting controls. Written internal accounting control and other operating policies and procedures supporting this system are communicated throughout the Company. Adherence to these policies and procedures is reviewed through a coordinated audit effort of the Company's internal audit staff and independent accountants.

The independent accountants review and test the system of internal accounting controls to the extent they consider necessary to support their opinion on the consolidated financial statements of the Company. Their report is the result of an independent and objective review of management's discharge of its responsibilities relating to the fairness of reported operating results and financial condition.

The Company's Board of Directors has an Audit Committee composed solely of outside directors. The committee meets periodically with the Company's independent accountants, management and internal auditors to review matters relating to the quality of financial reporting and internal accounting controls, the nature and extent of internal and external audit plans and results, and certain other matters. The independent accountants, whose appointment is recommended by the Audit Committee to the Board of Directors, have full and free access to this committee.

A statement of business ethics policy is communicated to all Company employees. The Company monitors compliance with this policy to help assure that operations are conducted in a responsible and professional manner with a commitment to the highest standard of business conduct.

Vice President, Finance
Chief Financial Officer

Chairman, President and
Chief Executive Officer

Appendix of 600 Companies

List of 600 Companies on Which Tabulations Are Based

(In this edition, companies have been assigned the same number as in the Forty-sixth (1992) edition. Twelve companies in the 1992 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 806 to 815, inclusive. Companies numbered out of alphabetical order are shown in *italics* and have been given an additional listing in alphabetical order.)

Co. No.		*Month in which fiscal year ends
2	AEL Industries, Inc.	2
4	AM International, Inc.	7
5	AMAX Inc.	12
6	AMETEK, Inc.	12
7	AMP Incorporated	12
9	ASARCO Incorporated	12
10	Abbott Laboratories	12
	Acclaim Entertainment, Inc.—*see 736*	
11	Acme-Cleveland Corporation	9
	Acme Metals Incorporated—*see 651*	
13	Action Industries, Inc.	6
	Advanced Micro Devices, Inc.—*see 652*	
	Affiliated Publications, Inc.—*see 653*	
16	Air Products and Chemicals, Inc.	9
	Alberto-Culver Company—*see 601*	
17	Albertson's, Inc.	1
18	Alco Standard Corporation	9
	Allegheny Ludlum Corporation—*see 776*	
	The Allen Group Inc.—*see 602*	
	Allergan, Inc.—*see 796*	
	Alliant Techsystems Inc.—*see 777*	
20	Allied-Signal Inc.	12
23	Alpha Industries, Inc.	3
24	Aluminum Company of America	12
25	Amcast Industrial Corporation	8
	Amdahl Corporation—*see 603*	
26	Amerada Hess Corporation	12
28	American Biltrite Inc.	12
29	American Brands, Inc.	12
30	American Building Maintenance Industries, Inc.	10
32	American Cyanamid Company	12
33	American Greetings Corporation	2
35	American Home Products Corporation	12
36	American Maize-Products Company	12
39	*FINA, Inc.*	12
40	The American Ship Building Company	9
42	American Stores Company	1
43	American Telephone and Telegraph Company	12
44	Ameron, Inc.	11

Co. No.		*Month in which fiscal year ends
45	Amoco Corporation	12
46	Ampco-Pittsburgh Corporation	12
	Anacomp, Inc.—*see 696*	
48	Analogic Corporation	7
51	Anheuser-Busch Companies, Inc.	12
	Anthony Industries, Inc.—*see 737*	
52	Apple Computer, Inc.	9
53	Archer Daniels Midland Company	6
54	Arden Group, Inc.	12
55	Armada Corporation	12
56	Armco Inc.	12
57	Armstrong World Industries, Inc.	12
59	Arvin Industries, Inc.	12
60	Ashland Oil, Inc.	9
62	Astrosystems, Inc.	6
63	Athlone Industries, Inc.	12
64	Atlantic Richfield Company	12
	Ault Incorporated —*see 738*	
	Avery Dennison Corporation—*see 604*	
65	Avnet, Inc.	6
66	Avon Products Inc.	12
67	BMC Industries, Inc.	12
68	Badger Meter, Inc.	12
70	Baker Hughes Incorporated	9
	Baldor Electric Company—*see 778*	
71	Ball Corporation	12
	Banta Corporation—*see 806*	
	Barnes Group Inc.—*see 605*	
	Bassett Furniture Industries, Incorporated—*see 606*	
74	Bausch & Lomb Incorporated	12
75	Baxter International Inc.	12
78	Becton, Dickinson and Company	9
79	Belding Heminway Company, Inc.	12
81	Bemis Company, Inc.	12
82	Bergen Brunswig Corporation	8
83	Bethlehem Steel Corporation	12
	Betz Laboratories, Inc.—*see 698*	
	Binks Manufacturing Company—*see 739*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
85	The Black & Decker Corporation	12
	Blount, Inc.—see *699*	
87	The Boeing Company	12
88	Boise Cascade Corporation	12
89	Borden, Inc.	12
	Bowater Incorporated—see *607*	
91	Bowne & Co., Inc.	10
92	Brenco, Incorporated	12
93	Briggs & Stratton Corporation	6
94	Bristol-Myers Squibb Company	12
96	Brown & Sharpe Manufacturing Company	12
	Brown-Forman Corporation—see *657*	
97	Brown Group, Inc.	1
98	Browning-Ferris Industries, Inc.	9
99	Brunswick Corporation	12
	Burlington Resources Inc.—see *700*	
102	*Unisys Corporation*	12
103	CBI Industries, Inc.	12
104	CBS Inc.	12
	CLARCOR Inc.—see *658*	
105	CMI Corporation	12
106	CPC International Inc.	12
107	CSP Inc.	8
	CTS Corporation—see *701*	
108	Cabot Corporation	9
109	Caesars World, Inc.	7
	CalMat Co.—see *608*	
110	Campbell Soup Company	7
111	Capital Cities/ABC, Inc.	12
	Carpenter Technology Corporation—see *610*	
112	*Dole Food Company, Inc.*	12
113	Caterpillar Inc.	12
115	*Ekco Group, Inc.*	12
	Ceridian Corporation—see *145*	
	Champion Enterprises, Inc.—see *740*	
117	Champion International Corporation	12
	Chesapeake Corporation—see *659*	
121	Chevron Corporation	12
	Chiquita Brands International, Inc.—see *557*	
124	Chock Full o'Nuts Corporation	7
126	Chrysler Corporation	12
127	Cincinnati Milacron Inc.	12
	The Circle K Corporation—see *741*	
	Liz Claiborne, Inc.—see *611*	
128	Clark Equipment Company	12
130	Cleveland-Cliffs Inc.	12
131	The Clorox Company	6
132	The Coastal Corporation	12
133	The Coca-Cola Company	12
	Coca-Cola Enterprises Inc.—see *660*	
	Coherent, Inc.—see *742*	
135	Colgate-Palmolive Company	12
137	Collins Industries, Inc.	10
140	Commercial Metals Company	8
	Compaq Computer Corporation—see *661*	
142	ConAgra, Inc.	5
143	Concord Fabrics Inc.	8
	Conner Peripherals, Inc.—see *797*	
144	Consolidated Papers, Inc.	12

Co. No.		*Month in which fiscal year ends
145	*Ceridian Corporation*	12
146	Cooper Industries, Inc.	12
147	Adolph Coors Company	12
149	Corning Incorporated	12
150	Courier Corporation	9
152	Crane Co.	12
153	Crown Central Petroleum Corporation	12
154	Crown Cork & Seal Company, Inc.	12
	Crystal Brands, Inc.—see *780*	
156	Culbro Corporation	11
157	Cummins Engine Company, Inc.	12
158	Curtiss-Wright Corporation	12
	Customedix Corporation—see *781*	
	Cyprus Minerals Company—see *662*	
160	DSC Communications Corporation	12
161	Dana Corporation	12
	Danaher Corporation—see *664*	
163	Data General Corporation	9
165	Dayton Hudson Corporation	1
166	Dean Foods Company	5
167	Deere & Company	10
168	Deluxe Corporation	12
	Dep Corporation—see *743*	
170	Designcraft Industries, Inc.	2
	The Dexter Corporation—see *798*	
	The Dial Corp.—see *257*	
171	*Maxus Energy Corporation*	12
	Dibrell Brothers, Incorporated—see *782*	
173	Digital Equipment Corporation	6
174	The Walt Disney Company	9
	Dixie Yarns, Inc.—see *665*	
	Dole Food Company, Inc.—see *112*	
	Donaldson Company, Inc.—see *744*	
175	R. R. Donnelley & Sons Company	12
176	Dover Corporation	12
177	The Dow Chemical Company	12
178	Dow Jones & Company, Inc.	12
180	Dravo Corporation	12
181	Dresser Industries, Inc.	10
182	The Dun & Bradstreet Corporation	12
183	Duplex Products Inc.	10
184	E.I. du Pont de Nemours and Company	12
	Duracell International Inc.—see *799*	
	The Duriron Company, Inc.—see *666*	
186	Dynamics Corporation of America	12
	E-Systems, Inc.—see *616*	
187	EG&G, Inc.	12
	ERLY Industries Inc.—see *746*	
188	Eagle-Picher Industries, Inc.	11
190	The Eastern Company	12
191	Eastman Kodak Company	12
192	Eaton Corporation	12
193	Echlin Inc.	8
	Ecolab Inc.—see *617*	
	Ekco Group, Inc.—see *115*	
194	Elcor Corporation	6
195	Emerson Electric Co.	9
196	Emerson Radio Corp.	12
198	Engelhard Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
199	Ethyl Corporation	12
202	Exxon Corporation	12
	FINA, Inc.—*see 39*	
203	FMC Corporation	12
	The Fairchild Corporation—*see 656*	
205	Fansteel Inc.	12
	Farr Company—*see 705*	
206	Fedders Corporation	8
208	Federal-Mogul Corporation	12
	Federal Paper Board Company, Inc.—*see 618*	
	Federal Screw Works—*see 747*	
	Ferro Corporation—*see 800*	
	Fieldcrest Cannon, Inc.—*see 619*	
	Figgie International Inc.—*see 706*	
	First Brands Corporation—*see 783*	
212	Fleetwood Enterprises, Inc.	4
213	Fleming Companies, Inc.	12
214	Flowers Industries, Inc.	6
215	John Fluke Mfg. Co., Inc.	9
216	Fluor Corporation	10
219	Ford Motor Company	12
	L.B. Foster Company—*see 669*	
221	Foster Wheeler Corporation	12
222	Freeport-McMoRan Inc.	12
	Fruit of the Loom, Inc.—*see 670*	
	H.B. Fuller Company—*see 621*	
224	Fuqua Industries, Inc.	12
227	GTI Corporation	12
228	Gannett Co., Inc.	12
	Garan, Incorporated—*see 671*	
230	GenCorp Inc.	11
	General Cable Corporation—*see 807*	
231	General Cinema Corporation	10
232	General Dynamics Corporation	12
233	General Electric Company	12
235	General Host Corporation	1
237	General Mills, Inc.	5
238	General Motors Corporation	12
240	General Signal Corporation	12
241	Genesco Inc.	1
242	Genuine Parts Company	12
	Georgia Gulf Corporation—*see 748*	
243	Georgia-Pacific Corporation	12
244	Gerber Products Company	3
245	Giant Food Inc.	2
246	The Gillette Company	12
247	Golden Enterprises, Inc.	5
248	The BFGoodrich Company	12
249	The Goodyear Tire & Rubber Company	12
251	Goulds Pumps, Incorporated	12
252	W.R. Grace & Co.	12
253	W.W. Grainger, Inc.	12
254	The Great Atlantic & Pacific Tea Company, Inc.	2
256	Greif Bros. Corporation	10
257	*The Dial Corp.*	12
258	Grumman Corporation	12
	Guardsman Products, Inc.—*see 749*	

Co. No.		*Month in which fiscal year ends
259	Guilford Mills, Inc.	6
261	Gulf USA Corporation	12
263	HON INDUSTRIES Inc.	12
264	Halliburton Company	12
266	Hampton Industries, Inc.	12
267	Handy & Harman	12
	M.A. Hanna Company—*see 672*	
	Harley-Davidson, Inc.—*see 673*	
	Harmon Industries, Inc.—*see 475*	
268	Harnischfeger Industries, Inc.	10
269	Harris Corporation	6
270	Harsco Corporation	12
271	Hartmarx Corporation	11
	Hasbro, Inc.—*see 623*	
273	Hecla Mining Company	12
275	H.J. Heinz Company	4
276	Hercules Incorporated	12
277	Hershey Foods Corporation	12
278	Hewlett-Packard Company	10
	Hillenbrand Industries, Inc.—*see 624*	
	Holnam Inc.—*see 784*	
280	Homasote Company	12
	Homedco Group, Inc.—*see 808*	
281	Honeywell Inc.	12
282	Geo. A. Hormel & Company	10
283	Hughes Supply, Inc.	1
285	Humana Inc.	8
286	Hunt Manufacturing Co.	11
287	Hurco Companies, Inc.	10
	Hyde Athletic Industries, Inc.—*see 675*	
	IBP, Inc.—*see 751*	
288	*Whitman Corporation*	12
289	ICOT Corporation	7
	IMC Fertilizer Group, Inc.—*see 752*	
	IMCERA Group Inc.—*see 300*	
291	ITT Corporation	12
	Illinois Tool Works Inc.—*see 625*	
	Imo Industries Inc.—*see 785*	
292	Ingersoll-Rand Company	12
293	Inland Steel Industries, Inc.	12
295	Intel Corporation	12
296	Interco Incorporated	2
	Interface, Inc.—*see 753*	
	Intergraph Corporation—*see 801*	
297	The Interlake Corporation	12
298	International Business Machines Corporation	12
	International Flavors & Fragrances Inc.—*see 627*	
299	*Navistar International Corporation*	10
300	*IMCERA Group Inc.*	6
301	International Multifoods Corporation	2
302	International Paper Company	12
303	Interstate Bakeries Corporation	5
305	JLG Industries, Inc.	7
	Jacobs Engineering Group Inc.—*see 754*	
307	James River Corporation of Virginia	12
308	Johnson & Johnson	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
309	Johnson Controls, Inc.	9
310	Johnson Products Co., Inc.	8
	Johnston Industries, Inc.—*see 786*	
311	Joslyn Corporation	12
312	Jostens, Inc.	6
	Juno Lighting, Inc.—*see 712*	
314	*Kmart Corporation*	1
	Kaman Corporation—*see 629*	
317	Kellogg Company	12
319	Kerr Group, Inc.	12
320	Kerr-McGee Corporation	12
321	Kevlin Corporation	5
322	Keystone Consolidated Industries, Inc.	12
324	Kimberly-Clark Corporation	12
	Kmart Corporation—*see 314*	
326	Knape & Vogt Manufacturing Company	6
327	Knight-Ridder, Inc.	12
329	The Kroger Co.	12
330	Kuhlman Corporation	12
	LADD Furniture, Inc.—*see 755*	
331	The LTV Corporation	12
332	LaBarge, Inc.	6
333	Laclede Steel Company	12
	Lafarge Corporation—*see 678*	
	The Lamson & Sessions Co.—*see 713*	
336	Lee Enterprises, Incorporated	9
337	Leggett & Platt, Incorporated	12
	Levi Strauss Associates Inc.—*see 802*	
338	*TRINOVA Corporation*	12
339	Eli Lilly and Company	12
340	Litton Industries, Inc.	7
341	Lockheed Corporation	12
	Loctite Corporation—*see 756*	
342	Lone Star Industries, Inc.	12
	Loral Corporation—*see 630*	
343	The Louisiana Land and Exploration Company	12
344	Lowe's Companies, Inc.	1
345	The Lubrizol Corporation	12
	Lufkin Industries, Inc.—*see 714*	
347	Lukens Inc.	12
348	Lynch Corporation	12
	Lyondell Petrochemical Company—*see 757*	
349	M/A-COM, Inc.	9
350	MAPCO Inc.	12
	MagneTek, Inc.—*see 758*	
357	Manville Corporation	12
	Marion Merrell Dow Inc.—*see 715*	
	Mark IV Industries, Inc.—*see 759*	
358	Marriott Corporation	12
359	Martin Marietta Corporation	12
360	Masco Corporation	12
361	Mattel, Inc.	12
	Maxtor Corporation—*see 809*	
	Maxus Energy Corporation—*see 171*	
	Maxxam Inc.—*see 760*	
362	The May Department Stores Company	1
363	Maytag Corporation	12
364	McCormick & Company, Incorporated	11
365	McDermott International, Inc.	3
366	McDonald's Corporation	12
367	McDonnell Douglas Corporation	12
368	McGraw-Hill, Inc.	12
369	McKesson Corporation	3
370	The Mead Corporation	12
	Media General, Inc.—*see 631*	
371	Medtronic, Inc.	4
372	Melville Corporation	12
373	Merck & Co., Inc.	12
374	Meredith Corporation	6
375	Met-Pro Corporation	1
	Micron Technology, Inc.—*see 787*	
377	Herman Miller, Inc.	5
379	Minnesota Mining and Manufacturing Company	12
	Minntech Corporation—*see 679*	
380	Mobil Corporation	12
	Molex Incorporated—*see 716*	
383	Monsanto Company	12
385	Morton International, Inc.	6
386	Mosinee Paper Corporation	12
387	Motorola, Inc.	12
389	Munsingwear, Inc.	12
390	Murphy Oil Corporation	12
	NACCO Industries, Inc.—*see 403*	
	NIKE, Inc.—*see 401*	
	Nalco Chemical Company—*see 803*	
	Nashua Corporation—*see 761*	
394	*Quantum Chemical Corporation*	12
396	National Intergroup, Inc.	3
397	National Presto Industries, Inc.	12
398	National Semiconductor Corporation	5
399	National Service Industries, Inc.	8
	Navistar International Corporation—*see 299*	
	Neutrogena Corporation—*see 810*	
400	The New York Times Company	12
	Newell Co.—*see 680*	
401	*NIKE, Inc.*	5
402	Nortek, Inc.	12
403	*NACCO Industries, Inc.*	12
405	Northrop Corporation	12
	Nucor Corporation—*see 633*	
407	Oak Industries Inc.	12
408	Occidental Petroleum Corporation	12
409	Ogden Corporation	12
410	*SIMETCO, Inc.*	12
411	Olin Corporation	12
	Omnicom Group Inc.—*see 682*	
	Optical Coating Laboratory, Inc.—*see 683*	
412	Orion Pictures Corporation	2
	Oryx Energy Company—*see 788*	
413	O'Sullivan Corporation	12
414	Outboard Marine Corporation	9
415	Owens-Corning Fiberglas Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
417	Oxford Industries, Inc.	5
	PACCAR Inc.—see *419*	
	PORTEC, Inc.—see *444*	
418	PPG Industries, Inc.	12
419	*PACCAR Inc.*	12
421	Pall Corporation	7
	Paramount Communications Inc.—see *789*	
424	Parker Hannifin Corporation	6
	Peerless Mfg. Co.—see *790*	
427	The Penn Traffic Company	1
428	J.C. Penney Company, Inc.	1
430	Pennzoil Company	12
	Pentair, Inc.—see *684*	
432	PepsiCo, Inc.	12
433	The Perkin-Elmer Corporation	7
435	Pfizer Inc.	12
436	Phelps Dodge Corporation	12
437	Philip Morris Companies Inc.	12
438	Phillips Petroleum Company	12
	Phillips-Van Heusen Corporation—see *634*	
	Photo Control Corporation—see *686*	
440	Pioneer Hi-Bred International, Inc.	8
441	Pitney Bowes Inc.	12
442	The Pittston Company	12
	Pittway Corporation—see *791*	
	Plasma-Therm, Inc.—see *762*	
443	Polaroid Corporation	12
444	*PORTEC, Inc.*	12
446	Potlatch Corporation	12
447	Prab Robots, Inc.	10
448	Pratt & Lambert, Inc.	12
	Premark International, Inc.—see *635*	
450	Premier Industrial Corporation	5
451	The Procter & Gamble Company	6
453	The Quaker Oats Company	6
454	Quaker State Corporation	12
455	Quanex Corporation	10
	Quantum Chemical Corporation—see *394*	
458	Ralston Purina Company	9
	Rawson-Koenig, Inc.—see *763*	
	Raychem Corporation—see *638*	
460	Raytech Corporation	12
461	Raytheon Company	12
	The Reader's Digest Association, Inc.—see *792*	
	Republic Gypsum Company—see *718*	
466	Reynolds Metals Company	12
	Rhone-Poulenc Rorer Inc.—see *641*	
	Robbins & Myers, Inc.—see *764*	
468	Robertson-Ceco Corporation	12
469	Rockwell International Corporation	9
470	Rohm and Haas Company	12
	Rohr, Inc.—see *640*	
471	Rowe Furniture Corporation	11
472	Rubbermaid Incorporated	12
	Ruddick Corporation—see *811*	
	Rykoff-Sexton, Inc.—see *719*	

Co. No.		*Month in which fiscal year ends
474	Rymer Foods Inc.	10
	SCI Systems, Inc.—see *793*	
475	*Harmon Industries, Inc.*	12
477	SPS Technologies, Inc.	12
	SPX Corporation—see *642*	
478	Safeway Inc.	12
	Sanmark-Stardust Inc.—see *720*	
479	Sara Lee Corporation	6
480	Savannah Foods & Industries, Inc.	12
481	Schering-Plough Corporation	12
482	Schlumberger Limited	12
	Scientific Industries, Inc.—see *765*	
484	Scope Industries	6
485	Scott Paper Company	12
	Seagate Technology—see *687*	
486	Sears, Roebuck and Co.	12
	Sequa Corporation—see *519*	
487	Service Corporation International	12
	Shaw Industries, Inc.—see *643*	
490	The Sherwin-Williams Company	12
	SIMETCO, Inc.—see *410*	
	Simpson Industries, Inc.—see *689*	
494	A. O. Smith Corporation	12
	Smithfield Foods, Inc.—see *690*	
496	Snap-on Tools Corporation	12
	Sonoco Products Company—see *691*	
	Southdown, Inc.—see *766*	
498	Sparton Corporation	6
499	Spectrum Control, Inc.	11
	Speizman Industries, Inc.—see *721*	
502	Springs Industries, Inc.	12
	Standard Commercial Corporation—see *812*	
507	Standard Motor Products, Inc.	12
	The Standard Products Company—see *722*	
509	The Standard Register Company	12
	Standex International Corporation—see *767*	
510	Stanhome Inc.	12
511	The Stanley Works	12
512	The L. S. Starrett Company	6
	Steel Technologies Inc.—see *723*	
	Stewart & Stevenson Services, Inc.—see *768*	
517	Stone Container Corporation	12
	Storage Technology Corporation—see *804*	
519	*Sequa Corporation*	12
520	Sun Company, Inc.	12
	Sun Microsystems, Inc.—see *769*	
521	Sundstrand Corporation	12
	Sunrise Medical Inc.—see *724*	
522	Super Valu Stores, Inc.	2
525	Syntex Corporation	7
	The TJX Companies, Inc.—see *770*	
	TRINOVA Corporation—see *338*	
526	TRW Inc.	12
527	Talley Industries, Inc.	12
	Tandem Computers Incorporated—see *692*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
528	Tandy Corporation	6
529	Tasty Baking Company	12
530	Tecumseh Products Company	12
	Tektronix, Inc.—*see 794*	
531	Teledyne, Inc.	12
532	Temple-Inland Inc.	12
533	Temtex Industries, Inc.	8
534	Tenneco Inc.	12
	Terra Industries Inc.—*see 676*	
535	Tesoro Petroleum Corporation	12
536	Texaco Inc.	12
	Texas Industries, Inc.—*see 725*	
537	Texas Instruments Incorporated	12
538	Textron Inc.	12
	Thermo Electon Corporation—*see 813*	
	Thiokol Corporation—*see 805*	
	Thomas & Betts Corporation—*see 771*	
	Thorn Apple Valley, Inc.—*see 644*	
540	Time Warner Inc.	12
541	The Times Mirror Company	12
542	The Timken Company	12
	Tokheim Corporation—*see 693*	
	The Toro Company—*see 726*	
544	Tosco Corporation	12
	Toys "R" Us, Inc.—*see 772*	
	TransTechnology Corporation—*see 727*	
547	Tribune Company	12
	Trinity Industries, Inc.—*see 646*	
548	Tultex Corporation	12
	Twin Disc, Incorporated—*see 728*	
	Tyco Laboratories, Inc.—*see 773*	
549	Tyler Corporation	12
550	Tyson Foods, Inc.	9
551	UNC Incorporated	12
552	USG Corporation	12
	UST Inc.—*see 563*	
	USX Corporation—*see 561*	
553	Unifi, Inc.	6
554	Union Camp Corporation	12
555	Union Carbide Corporation	12
	Union Texas Petroleum Holdings, Inc.—*see 694*	
	Unisys Corporation—*see 102*	
557	*Chiquita Brands International, Inc.*	12
558	United Foods, Inc.	2
559	United Merchants and Manufacturers, Inc.	6
560	The United States Shoe Corporation	1
561	*USX Corporation*	12
562	United States Surgical Corporation	12
563	*UST Inc.*	12
564	United Technologies Corporation	12
565	Univar Corporation	2
566	Universal Corporation	6
	Universal Foods Corporation—*see 814*	
568	Unocal Corporation	12
569	The Upjohn Company	12
570	VF Corporation	12
	Valero Energy Corporation—*see 647*	
571	Varian Associates, Inc.	9
	Varity Corporation—*see 815*	
	Vishay Intertechnology, Inc.—*see 731*	
573	Vulcan Materials Company	12
	Wal-Mart Stores, Inc.—*see 648*	
574	Walbro Corporation	12
575	Walgreen Co.	8
577	Wang Laboratories, Inc.	6
579	Warner-Lambert Company	12
	The Washington Post Company—*see 649*	
580	Waste Management, Inc.	12
581	Wausau Paper Mills Company	8
	Waxman Industries, Inc.—*see 732*	
	Western Digital Corporation—*see 733*	
583	Westinghouse Electric Corporation	12
584	Westvaco Corporation	10
585	Wetterau Incorporated	3
586	Weyerhaeuser Company	12
587	Wheeling-Pittsburgh Corporation	12
588	Whirlpool Corporation	12
	Whitman Corporation—*see 288*	
589	Whittaker Corporation	10
590	Willamette Industries, Inc.	12
591	The Williams Companies, Inc.	12
593	Winn-Dixie Stores, Inc.	6
594	Winnebago Industries, Inc.	8
595	Witco Corporation	12
	Wolverine World Wide, Inc.—*see 734*	
596	Woolworth Corporation	1
	Worthington Industries, Inc.—*see 735*	
597	Wm. Wrigley Jr. Company	12
599	Xerox Corporation	12
	York International Corporation—*see 650*	
600	Zenith Electronics Corporation	12
	Zurn Industries, Inc.—*see 775*	

COMPANIES ADDED FOR 1987 EDITION

601	*Alberto-Culver Company*	9
602	*The Allen Group Inc.*	12
603	*Amdahl Corporation*	12
604	*Avery Dennison Corporation*	12
605	*Barnes Group Inc.*	12
606	*Bassett Furniture Industries, Incorporated*	11
607	*Bowater Incorporated*	12
608	*CalMat Co.*	12
610	*Carpenter Technology Corporation*	6
611	*Liz Claiborne, Inc.*	12
616	*E-Systems, Inc.*	12
617	*Ecolab Inc.*	12
618	*Federal Paper Board Company, Inc.*	12
619	*Fieldcrest Cannon, Inc.*	12
621	*H.B. Fuller Company*	11
623	*Hasbro, Inc.*	12
624	*Hillenbrand Industries, Inc.*	11
625	*Illinois Tool Works Inc.*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
627	*International Flavors & Fragrances Inc.*	12
629	*Kaman Corporation*	12
630	*Loral Corporation*	3
631	*Media General, Inc.*	12
633	*Nucor Corporation*	12
634	*Phillips-Van Heusen Corporation*	1
635	*Premark International, Inc.*	12
638	*Raychem Corporation*	6
640	*Rohr, Inc.*	7
641	*Rhone-Poulenc Rorer Inc.*	12
642	*SPX Corporation*	12
643	*Shaw Industries, Inc.*	6
644	*Thorn Apple Valley, Inc.*	5
646	*Trinity Industries, Inc.*	3
647	*Valero Energy Corporation*	12
648	*Wal-Mart Stores, Inc.*	1
649	*The Washington Post Company*	12
650	*York International Corporation*	12

COMPANIES ADDED FOR 1988 EDITION

Co. No.		*Month in which fiscal year ends
651	*Acme Metals Incorporated*	12
652	*Advanced Micro Devices, Inc.*	12
653	*Affiliated Publications, Inc.*	12
656	*The Fairchild Corporation*	6
657	*Brown-Forman Corporation*	4
658	*CLARCOR Inc.*	11
659	*Chesapeake Corporation*	12
660	*Coca-Cola Enterprises Inc.*	12
661	*Compaq Computer Corporation*	12
662	*Cyprus Minerals Company*	12
664	*Danaher Corporation*	12
665	*Dixie Yarns, Inc.*	12
666	*The Duriron Company, Inc.*	12
669	*L.B. Foster Company*	12
670	*Fruit of the Loom, Inc.*	12
671	*Garan, Incorporated*	9
672	*M.A. Hanna Company*	12
673	*Harley-Davidson, Inc.*	12
675	*Hyde Athletic Industries, Inc.*	12
676	*Terra Industries Inc.*	12
678	*Lafarge Corporation*	12
679	*Minntech Corporation*	3
680	*Newell Co.*	12
682	*Omnicom Group Inc.*	12
683	*Optical Coating Laboratory, Inc.*	10
684	*Pentair, Inc.*	12
686	*Photo Control Corporation*	12
687	*Seagate Technology*	6
689	*Simpson Industries, Inc.*	12
690	*Smithfield Foods, Inc.*	4
691	*Sonoco Products Company*	12
692	*Tandem Computers Incorporated*	9
693	*Tokheim Corporation*	11
694	*Union Texas Petroleum Holdings, Inc.*	12

COMPANIES ADDED FOR 1989 EDITION

Co. No.		*Month in which fiscal year ends
696	*Anacomp, Inc.*	9
698	*Betz Laboratories, Inc.*	12
699	*Blount, Inc.*	2
700	*Burlington Resources Inc.*	12
701	*CTS Corporation*	12
705	*Farr Company*	12
706	*Figgie International Inc.*	12
712	*Juno Lighting, Inc.*	11
713	*The Lamson & Sessions Co.*	12
714	*Lufkin Industries, Inc.*	12
715	*Marion Merrell Dow Inc.*	12
716	*Molex Incorporated*	6
718	*Republic Gypsum Company*	6
719	*Rykoff-Sexton, Inc.*	4
720	*Sanmark-Stardust Inc.*	6
721	*Speizman Industries, Inc.*	6
722	*The Standard Products Company*	6
723	*Steel Technologies Inc.*	9
724	*Sunrise Medical Inc.*	6
725	*Texas Industries, Inc.*	5
726	*The Toro Company*	7
727	*TransTechnology Corporation*	3
728	*Twin Disc, Incorporated*	6
731	*Vishay Intertechnology, Inc.*	12
732	*Waxman Industries, Inc.*	6
733	*Western Digital Corporation*	6
734	*Wolverine World Wide, Inc.*	12
735	*Worthington Industries, Inc.*	5

COMPANIES ADDED FOR 1990 EDITION

Co. No.		*Month in which fiscal year ends
736	*Acclaim Entertainment, Inc.*	8
737	*Anthony Industries, Inc.*	12
738	*Ault Incorporated*	5
739	*Binks Manufacturing Company*	11
740	*Champion Enterprises, Inc.*	2
741	*The Circle K Corporation*	4
742	*Coherent, Inc.*	9
743	*Dep Corporation*	7
744	*Donaldson Company, Inc.*	7
746	*ERLY Industries Inc.*	3
747	*Federal Screw Works*	6
748	*Georgia Gulf Corporation*	12
749	*Guardsman Products, Inc.*	12
751	*IBP, Inc.*	12
752	*IMC Fertilizer Group, Inc.*	6
753	*Interface, Inc.*	12
754	*Jacobs Engineering Group Inc.*	9
755	*LADD Furniture, Inc.*	12
756	*Loctite Corporation*	12
757	*Lyondell Petrochemical Company*	12
758	*MagneTek, Inc.*	6
759	*Mark IV Industries, Inc.*	2
760	*Maxxam Inc.*	12
761	*Nashua Corporation*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
762	*Plasma-Therm, Inc.*	11
763	*Rawson-Koenig, Inc.*	12
764	*Robbins & Myers, Inc.*	8
765	*Scientific Industries, Inc.*	6
766	*Southdown, Inc.*	12
767	*Standex International Corporation*	6
768	*Stewart & Stevenson Services, Inc.*	1
769	*Sun Microsystems, Inc.*	6
770	*The TJX Companies, Inc.*	1
771	*Thomas & Betts Corporation*	12
772	*Toys "R" Us, Inc.*	1
773	*Tyco Laboratories, Inc.*	6
775	*Zurn Industries, Inc.*	3

COMPANIES ADDED FOR 1991 EDITION

776	*Allegheny Ludlum Corporation*	12
777	*Alliant Techsystems Inc.*	3
778	*Baldor Electric Company*	12
780	*Crystal Brands, Inc.*	12
781	*Customedix Corporation*	6
782	*Dibrell Brothers, Incorporated*	6
783	*First Brands Corporation*	6
784	*Holnam Inc.*	12
785	*Imo Industries Inc.*	12
786	*Johnston Industries, Inc.*	6
787	*Micron Technology, Inc.*	8
788	*Oryx Energy Company*	12
789	*Paramount Communications Inc.*	10
790	*Peerless Mfg. Co.*	6
791	*Pittway Corporation*	12
792	*The Reader's Digest Association, Inc.*	6
793	*SCI Systems, Inc.*	6
794	*Tektronix, Inc.*	5

COMPANIES ADDED FOR 1992 EDITION

796	*Allergan, Inc.*	12
797	*Conner Peripherals, Inc.*	12
798	*The Dexter Corporation*	12
799	*Duracell International Inc.*	6
800	*Ferro Corporation*	12
801	*Intergraph Corporation*	12
802	*Levi Strauss Associates Inc.*	11
803	*Nalco Chemical Company*	12
804	*Storage Technology Corporation*	12
805	*Thiokol Corporation*	6

COMPANIES ADDED FOR 1993 EDITION

806	*Banta Corporation*	12
807	*General Cable Corporation*	12
808	*Homedco Group, Inc.*	9
809	*Maxtor Corporation*	3
810	*Neutrogena Corporation*	10
811	*Ruddick Corporation*	9
812	*Standard Commercial Corporation*	3
813	*Thermo Electron Corporation*	12
814	*Universal Foods Corporation*	9
815	*Varity Corporation*	1

Companies Included in Forty-Sixth Edition Not Included in this Edition of the Survey

159 Cyclops Industries, Inc.
185 Durr-Fillauer Medical, Inc.
223 Terex Corporation
290 Sterling Optical Corp.
294 Insilco Corporation
426 The Penn Central Corporation
524 Supreme Equipment & Systems Corp.
567 Universal Voltronics Corp.
615 CONSTAR International Inc.
729 Valhi, Inc.
774 Westmoreland Coal Company
779 Chesapeake Industries, Inc.

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