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Hal G. Clark

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A Survey of the Application of FASB Statement No. 94

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Leonard Lorensen, CPA

AICPA
American Institute of Certified Public Accountants

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PREFACE

This publication is part of a series produced by the Institute's staff through use of the Institute's National Automated Accounting Research System (NAARS). The purpose of the series is to provide interested readers with examples of the application of technical pronouncements. It is believed that those who are confronted with problems in the application of pronouncements can benefit from seeing how others apply them in practice.

It is the intention to publish periodically similar compilations of information of current interest dealing with aspects of financial reporting.

The examples presented were selected from over twenty thousand annual reports stored in the NAARS computer data base.

This compilation presents only a limited number of examples and is not intended to encompass all aspects of the application of the pronouncements covered in this survey. Individuals with special application problems not illustrated in the survey may arrange for special computer searches of the NAARS data banks by contacting the Institute.

The views expressed are solely those of the staff.

John Graves
Director, Technical Services

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I

SCOPE AND PURPOSE OF THE SURVEY

PRINCIPAL REQUIREMENTS OF SFAS 94

Previously, under Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, nonhomogeneous subsidiaries were excluded from the consolidation requirement. SFAS 94 amends ARB 51 to eliminate that and other exclusions.

FASB Statement of Financial Accounting Standards (SFAS) No. 94, *Consolidation of All Majority-owned Subsidiaries*, requires consolidation of all subsidiaries in which the parent owns at least 51 percent. The only exceptions are (1) a majority-owned subsidiary shall not be consolidated if control is likely to be temporary or (2) a majority-owned subsidiary shall not be consolidated if control does not rest with the majority owner (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy, or operates under foreign exchange restrictions, controls, or other governmentally imposed uncertainties so severe that they cast significant doubt on the parent's ability to control the subsidiary). It also requires enterprises that begin to consolidate such subsidiaries to continue to present the financial information about them presented under paragraph 20(c) of APB Opinion 18 when they were excluded from consolidation.

SFAS 94 does not require presentation of financial information about consolidated subsidiaries with nonhomogeneous operations in any particular manner. However, paragraph 12 encourages presentation of at least some of the information in the note that contains the information required under SFAS 14, *Financial Reporting for Segments of a Business Enterprise*.

Disclosure of financial information about consolidated nonhomogeneous subsidiaries is being presented in three ways: (1) line item segregation within the financial statements, (2) other presentations outside the notes, and (3) note presentation.

Explanations and illustrations of these types of presentation appear in the following chapters.

SOURCE OF ILLUSTRATIONS

The presentation of financial information about consolidated subsidiaries with nonhomogeneous operations under SFAS 94 requires considerable judgment. An accountant faced with problems in presenting such information can benefit from learning how other accountants are presenting it in practice. Accordingly, this publication presents excerpts from the recently published financial statements of forty-seven companies.

The AICPA National Automated Accounting Research System (NAARS) was used to compile the information. The examples presented were selected from the 1988/89 annual report file. Appendix A includes a listing of the search frames used to obtain the examples presented in this survey.

II

CONSOLIDATED SUBSIDIARIES WITH NONHOMOGENEOUS OPERATIONS PRESENTED BY FINANCIAL STATEMENT LINE ITEM SEGREGATION

Some companies present financial information about subsidiaries with nonhomogeneous operations by segregation of line items in the balance sheet, income statement, or both. Under this approach, line items in a statement are segregated into two groups. One group applies to the nonhomogeneous operations and the other group applies to the rest of the operations. Additional financial information about subsidiaries with nonhomogeneous operations is presented in the notes to the consolidated statements.

Presented below are ten examples of companies that presented financial information about subsidiaries with nonhomogeneous operations by segregation of line items in the consolidated statements. Classification of the examples is according to whether they present a single kind of nonhomogeneous operation or two kinds of nonhomogeneous operations.

SINGLE KIND OF NONHOMOGENEOUS OPERATIONS

AMERICAN BRANDS, INC., DECEMBER 31, 1988

American Brands, Inc. and Subsidiaries
Consolidated Balance Sheet
(In millions, except per share amounts)

	1988	1987
		(Restated)
Assets		
Consumer products and corporate		
Current assets		
Cash and cash equivalents	$50.1	$55.0
Accounts receivable, customers, net	1,125.2	1,089.1
Inventories	1,815.9	1,693.4
Net assets of discontinued operations		489.6
Other current assets	85.6	66.1
Total consumer products and corporate current assets	3,076.8	3,393.2
Property, plant and equipment, net	1,165.4	1,065.1
Intangibles resulting from business acquisitions, net	1,908.7	1,378.9
Other assets	438.8	209.2
Total consumer products and corporate assets	6,589.7	6,046.4

Consolidated Balance Sheet (continued)

	1988	1987 (Restated)
Life insurance		
Investments	4,418.3	4,114.9
Cash and cash equivalents	65.6	72.0
Accrued investment income	92.6	82.4
Deferred policy acquisition costs	408.7	377.6
Present value of future profits, net	280.3	302.9
Intangibles resulting from business acquisitions, net	184.4	190.2
Other assets	161.0	118.2
Total life insurance assets	5,610.9	5,258.2
Total assets	$12,200.6	$11,304.6
Liabilities and stockholders' equity		
Consumer products and corporate		
Current liabilities		
Notes payable to banks	$433.9	$253.0
Commercial paper	289.2	492.0
Accounts payable	378.1	316.0
Accrued excise and other taxes	911.9	923.2
Accrued expenses and other liabilities	606.0	478.5
Current portion of long-term debt	106.2	6.4
Total consumer products and corporate current liabilities	2,725.3	2,469.1
Long-term debt	2,359.2	1,631.5
Deferred income taxes	160.4	138.6
Total consumer products and corporate liabilities	5,244.9	4,239.2
Life insurance		
Policy reserves and claims	2,448.0	2,365.9
Investment contract deposits	794.7	671.6
Other policyholders' funds	824.9	750.1
Other liabilities	227.4	181.2
Total life insurance liabilities	4,295.0	3,968.8
Redeemable preferred stock		
$2.75 Preferred stock, without par value, stated value and mandatory redemption price $30.50 per share	137.5	137.5
Convertible preferred stock—redeemable at Company's option: $2.67 Convertible Preferred stock, without par value, stated value $30.50 per share	30.8	33.4
Common stockholders' equity		
Common stock, par value $3.125 per share, 114.8 shares issued	358.7	358.7
Paid-in surplus	51.2	58.1
Unrealized depreciation on marketable equity securities	(6.0)	(5.9)
Foreign currency adjustments	(89.4)	(77.6)
Retained earnings	3,060.2	2,717.3
Treasury stock, at cost	(882.3)	(124.9)
Total Common stockholders' equity	2,492.4	2,925.7
Total liabilities and stockholders' equity	$12,200.6	$11,304.6

Notes Accompanying Financial Statements

• • • •

Accounting Changes

In 1988, the Company adopted FAS Statement No. 94, "Consolidation of All Majority-owned Subsidiaries." In accordance with this statement, the financial results of The Franklin Life Insurance Company, a wholly-owned subsidiary of the Company, previously accounted for by the equity method, have been included in the consolidated financial statements and accompanying notes. Adoption of this accounting change increased total assets and liabilities, and total revenues and expenses, but had no effect on net income or Common stockholders' equity.

The financial statements have been restated to reflect the adoption of these Statements.

• • • •

The Franklin Life Insurance Company

Summarized income statement data for The Franklin Life Insurance Company and its subsidiaries, principally Southland Life Insurance Company, are as follows:

(In millions)	1988	1987	1986
Revenues			
Premiums	$480.8	$478.4	$435.9
Net investment income	409.5	413.8	398.1
Other income	33.1	31.5	27.3
	923.4	923.7	861.3
Insurance benefits			
Benefits paid or provided	469.2	446.9	446.9
Change in policy reserves	55.9	66.0	11.6
Dividends to policyholders	77.2	68.8	65.5
Advertising, selling and administrative expenses			
Amortization of deferred policy acquisition costs	57.6	56.5	50.5
Other	105.7	106.1	106.2
Restructuring credit	(34.5)		
	731.1	744.3	680.7
Operating income	192.3	179.4	180.6
Income taxes	110.3	62.9	57.1
Net income	$82.0	$116.5	$123.5

In January 1989, Franklin Life entered into an agreement to sell Southland for approximately $440 million in cash. The sale is subject to the approval of regulatory authorities and resulted in a pretax restructuring credit of $34.5 million and a net income charge of $22.4 million. The principal components of Southland's balance sheet at December 31, 1988 were $846.8 million of investments, $274 million of other assets and $702.2 million of policy reserves and claims and other policyholders' funds. Southland's revenues and net income for the year ended December 31, 1988 were $216 million and $26.8 million, respectively.

Generally, Franklin is restricted by the insurance laws of its domiciliary state as to the amounts that can be transferred to the Company in the form of dividends, loans or advances without the approval of the Director of Insurance. Under these restrictions, dividends in excess of $84 million and loans or advances in excess of $126 million require the approval of the Director.

Information on Business Segments

The Company's subsidiaries operate principally in the following industry segments:

• • • •

Life insurance includes the insurance operations of Franklin and Southland.

• • • •

Operating income in 1988 includes net restructuring charges of $10.6 million, of which $50.5 million related to reductions of goodwill, and dispositions and reorganization of divisions in the office products segment, partly offset by restructuring gains of $34.5 million on the expected sale of Southland in the life insurance segment and $7.8 million principally in connection with the sale of smoking tobacco brands in the tobacco segment.

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Depreciation and amortization by industry segments is as follows:

(In millions)	1988	1987	1986
Tobacco products	$61.8	$55.0	$42.7
Life insurance	11.0	10.2	10.1
Distilled spirits	23.4	16.9	12.7
Office products	44.5	20.9	10.2
Hardware and home improvement products	19.5	4.5	4.8
Specialty businesses	51.7	43.8	28.0
	$211.9	$151.3	$108.5

Capital expenditures by industry segments are as follows:

(In millions)	1988	1987	1986
Tobacco products	$58.9	$83.8	$85.4
Life insurance	8.6	34.5	2.6
Distilled spirits	16.1	6.2	7.3
Office products	47.5	24.2	30.7
Hardware and home improvement products	23.2	8.0	4.7
Specialty businesses	81.0	59.5	71.1
	$235.3	$216.2	$201.8

Information on Business Segments[n(1)] [n(2)]
(In millions)

	1988	1987	1986
Business by industry segments			
Revenues			
Tobacco products	$7,018.6	$6,144.0	$5,169.4
Life insurance	923.4	923.7	861.3
Distilled spirits	758.7	599.4	254.5
Office products	883.2	516.3	353.9
Hardware and home improvement products	437.2	165.3	187.1
Specialty businesses	1,958.9	1,727.9	1,288.0
	$11,980.0	$10,076.6	$8,114.2
Operating income			
Tobacco products	$826.0	$673.8	$498.6
Life insurance	192.3	179.4	180.6
Distilled spirits	100.4	68.3	35.0
Office products	26.6	25.2	(12.3)
Hardware and home improvement products	63.8	39.6	36.3
Specialty businesses	104.8	95.3	69.9
	$1,313.9	$1,081.6	$808.1
Identifiable assets			
Tobacco products	$2,186.1	$2,235.5	$1,692.6
Life insurance	5,610.9	5,258.2	4,911.5
Distilled spirits	822.2	875.7	252.4
Office products	1,537.9	1,177.0	427.8
Hardware and home improvement products	639.6	155.1	172.1
Specialty businesses	1,115.4	1,010.6	815.1
	$11,912.1	$10,712.1	$8,271.5

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n(1) ● ● ● ●

n(2) Applicable amounts have been restated for FAS Statements Nos. 94 and 97 as described on page 36, Notes Accompanying Financial Statements.

FEDERAL SIGNAL CORPORATION, DECEMBER 31, 1988

Federal Signal Corporation and Subsidiaries
Consolidated Balance Sheets

	1988	1987
Assets		
Manufacturing activities:		
Current assets		
Cash and cash equivalents	$908	$2,487
Accounts receivable, net of allowances for doubtful accounts of $1,577,000 and $1,217,000, respectively	60,803	54,452
Inventories—Note C	54,999	55,499
Prepaid expenses	2,512	2,662
Total current assets	119,222	115,100
Properties and equipment—Note D		
Other assets	51,637	50,639
Goodwill, net of accumulated amortization	18,893	16,560
Other deferred charges and assets	4,493	4,175
Total manufacturing assets	194,245	186,474
Financial services activities:		
Lease financing receivables, net of allowances for doubtful accounts of $723,000 and $962,000, respectively, and net of unearned finance revenue—Notes B and E	56,822	46,871
Total assets	$251,067	$233,345
Liabilities and Shareholders' Equity		
Manufacturing activities:		
Current liabilities		
Short-term borrowings—Note F	$6,532	$10,293
Accounts payable	13,409	12,621
Accrued liabilities		
Compensation and withholding taxes	16,057	15,552
Other	18,260	16,802
Income taxes—Note G	5,461	5,946
Total current liabilities	59,719	61,214
Other liabilities		
Long-term borrowings—Note F	18,608	20,772
Deferred income taxes—Note G	8,495	8,457
Total manufacturing liabilities	86,822	90,443
Financial services activities—Note F:		
Short-term borrowings	48,747	35,663
Long-term borrowings		4,000
Total financial services liabilities	48,747	39,663
Total liabilities	135,569	130,106
Shareholders' equity—Notes I and J:		
Common stock, $1 par value, 30,000,000 shares authorized, 10,137,000 and 9,155,000 issued, respectively	10,137	9,155
Capital in excess of par value	97,232	77,781
Retained earnings—Note F	8,417	16,507
Deferred stock awards	(1,123)	(1,105)
Foreign currency translation adjustment	835	901
Total shareholders' equity	115,498	103,239
Total liabilities and shareholders' equity	$251,067	$233,345

Federal Signal Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note B. Accounting Changes

For the year ended December 31, 1988, the company adopted the provisions of Statement No. 94, "Consolidation of All Majority-owned Subsidiaries," issued by the Financial Accounting Standards Board (FASB). Accordingly, the financial statements for 1987 and 1986 have been restated to reflect the amounts of assets, liabilities, revenues and expenses of Federal Signal Credit Corporation (FSCC) discussed in Note E.

Prior to the adoption of Statement 94, the company used the equity method to account for its investment in FSCC. The change in accounting method had no effect on shareholders' equity or net income. Concurrent with this change, the company has adopted a new method of classifying its assets and liabilities which appropriately recognizes the distinct characteristics of its manufacturing and financial services activities.

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Note E. Lease Financing Receivables and Wholly-Owned Subsidiary

As an added service to its customers, the company and Federal Signal Credit Corporation (FSCC), a wholly-owned subsidiary, are engaged in financial services activities. These activities primarily consist of providing long-term financing for certain customers of the company's sign and vehicle operations. Such financing is provided through sales-type lease contracts with terms which range typically as follows:

Sign-related leases	3–5 years
Vehicle-related leases	2–7 years

At the inception of the lease, the company records the product sales price and related costs and expenses of the sale. Financing revenues are included in income over the life of the lease. The amounts recorded as lease financing receivables represent amounts equivalent to normal selling prices less subsequent customer payments.

Lease financing receivables will become due as follows: $16,634,000 in 1989, $13,612,000 in 1990, $10,782,000 in 1991, $8,228,000 in 1992, $5,133,000 in 1993 and $3,156,000 thereafter. At December 31, 1988 and 1987, unearned finance revenue on these leases aggregated $11,963,000 and $10,239,000, respectively.

As indicated in Note B, the company previously accounted for its investment in FSCC, which is engaged solely in financial services activities, using the equity method. The accompanying financial statements now include FSCC on a consolidated basis. Condensed financial information for FSCC is provided below:

For the years ended December 31	1988	1987	1986
Interest income	$1,910,000	$1,886,000	$1,722,000
Net income	$808,000	$1,086,000	$933,000

At December 31	1988	1987
Assets (consisting principally of lease financing receivables, net)	$20,701,000	$26,721,000
Liabilities (consisting principally of short-term borrowings)	$16,582,000	$21,335,000

M.D.C. HOLDINGS, INC., DECEMBER 31, 1988

M.D.C. Holdings, Inc.
Consolidated Balance Sheets
(In thousands)

	December 31,	
	1988	1987
Assets		
Corporate		
Cash and cash equivalents	$22,966	$33,047

	December 31, 1988	December 31, 1987
Receivables	3,413	8,102
Investments and marketable securities, net	10,465	213,610
Investments in and advances to limited partnerships	7,736	13,176
Debt issuance costs, net	12,450	21,324
Other assets, net	35,813	21,549
	92,843	310,808
Home Building		
Cash and cash equivalents	6,498	3,321
Receivables	29,119	14,631
Inventories		
Housing completed or under construction	140,017	197,286
Land and land under development	411,460	418,492
Investments in and advances to joint ventures	10,754	13,085
Prepaid expenses and other assets, net	40,643	40,663
	638,491	687,478
Mortgage Banking and Finance		
Cash and cash equivalents	80	1,703
Restricted cash	29,982	34,029
Mortgage loans held in inventory, net	56,000	126,632
Receivables	17,751	22,218
Ownership interests in CMO issuances	52,816	57,244
Mortgage loans and Agency Securities collateralizing CMOs, net	998,363	1,094,432
Mortgage and other loans, net	85,790	146,292
Debt issuance costs, net	14,597	16,670
Other assets, net	6,684	7,326
	1,262,063	1,506,546
Total Assets	$1,993,397	$2,504,832
Liabilities		
Corporate		
Accounts payable and accrued expenses	$20,375	$28,075
Debt		
Lines of credit	—	63,322
Notes payable	30,241	11,680
Deferred income taxes	10,684	28,000
	61,300	131,077
Home Building		
Accounts payable and accrued expenses	47,724	46,958
Debt		
Lines of credit and commercial paper	126,830	119,661
Notes payable	86,003	80,572
	260,557	247,191
Mortgage Banking and Finance		
Accounts payable and accrued expenses	26,458	27,593
Debt		
Lines of credit and commercial paper	35,209	117,573
Notes payable	25,185	27,606
Collateralized mortgage obligations, net	990,597	1,088,480
	1,077,449	1,261,252
Subordinated Debt, net	414,559	639,446
Total Liabilities	1,813,865	2,278,966

Consolidated Balance Sheets (continued)

	December 31,	
	1988	1987
Stockholders' Equity		
Preferred stock, $.01 par value; 25,000,000 shares authorized; none issued		
Common stock, $.01 par value; 100,000,000 shares authorized; 20,163,000 and 20,151,000 shares issued	202	202
Additional paid-in capital	131,858	131,837
Retained earnings	68,668	103,132
	200,728	235,171
Less treasury stock, at cost; 4,151,000 and 1,592,000 shares	(21,196)	(9,305)
Total Stockholders' Equity	179,532	225,866
Total Liabilities and Stockholders' Equity	$1,993,397	$2,504,832

M.D.C. Holdings, Inc.
Notes to Consolidated Financial Statements
For the Three Years Ended December 31, 1988

B. Adoption of New Statements of Financial Accounting Standards

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Effective December 31, 1988, the mortgage banking and finance subsidiaries are accounted for on a consolidated basis in accordance with SFAS No. 94, "Consolidation of all Majority-Owned Subsidiaries" ("SFAS 94"). Prior to December 31, 1988, the mortgage banking and finance subsidiaries were accounted for by the equity method. In connection with this change, the Company adopted an unclassified balance sheet; prior to 1988, assets and liabilities were classified as current or noncurrent. . . . Prior year financial statements have been restated to reflect such changes.

S. Mortgage Banking and Finance Subsidiaries

As discussed in Note B to the Consolidated Financial Statements, MDC's Consolidated Financial Statements include HomeAmerican, Residual Holdings and Yosemite. The following summarized financial information of the mortgage banking and finance subsidiaries is presented in accordance with the requirement of SFAS 94.

MDC has invested in ownership interests in CMO issuances and has issued mortgage-backed bonds principally through M.D.C. Mortgage Funding Corporation II ("Mortgage Funding II") and Mortgage Funding, respectively. In December 1986, Mortgage Funding was sold to Asset Investors. A substantial portion of the Finance Subsidiaries' income during 1988, 1987 and 1986 was generated through investments in ownership interests in CMO issuances.

The condensed financial information of HomeAmerican and the Finance Subsidiaries set forth below does not reflect certain elimination adjustments required when HomeAmerican and the Finance Subsidiaries were consolidated with M.D.C.

HomeAmerican Mortgage Corporation
Financial Condition

	December 31,	
	1988	1987
	(In thousands)	
Assets		
Mortgage loans, net	$48,771	$104,578
Advances to Parent	185	21,661
Other assets	4,758	7,369
	53,714	133,608

	December 31, 1988	December 31, 1987
	(In thousands)	
Liabilities		
Due to Parent		
Subordinated debt	5,000	2,859
Other	2,825	4,552
Notes payable		
Bank	14,736	27,663
Commercial paper	—	60,080
Accounts payable and accrued expenses	11,833	20,663
	34,394	115,817
Equity	$19,320	$17,791

Operating Results	Year Ended December 31, 1988	1987	1986
	(In thousands)		
Revenues	$15,053	$19,897	$21,576
Expenses	13,524	16,560	18,271
Net income	$1,529	$3,337	$3,305

Advances to Parent are short-term interest-bearing advances to MDC. In addition, HomeAmerican has subordinated debt of $5,000,000 and $2,859,000, respectively, outstanding to MDC at December 31, 1988 and 1987. Due to Parent-other is non-interest bearing and consists principally of income taxes due MDC.

Approximately 95%, 97% and 80%, respectively, of HomeAmerican's mortgage loan originations in 1988, 1987 and 1986 were with purchasers of homes built by subsidiaries of MDC.

M.D.C. Residual Holdings, Inc. and Subsidiaries and
Yosemite Financial, Inc. and Subsidiaries
Combined Financial Condition

	December 31, 1988	December 31, 1987
	(In thousands)	
Assets		
Mortgage loans and Agency Securities, net	$1,098,767	$1,255,238
Ownership interests in CMO issuances	52,816	57,244
Advances to Parent	20,473	29,830
Restricted cash	29,982	34,028
Other assets	35,531	41,717
	1,237,569	1,418,057
Liabilities		
Collateralized mortgage obligations, net	990,597	1,088,480
Notes payable		
Parent	16,610	105,703
Other	45,657	57,436
Due to Parent	83,682	79,389
Accrued interest payable and other	24,966	26,064
	1,161,512	1,357,072
Equity	$76,057	$60,985

Combined Operating Results

	Year Ended December 31,		
	1988	1987	1986
		(In thousands)	
Revenues	$138,055	$139,878	$238,460
Expenses	141,983	138,236	230,685
Net income (loss)	$(3,928)	$1,642	$7,775

Advances to Parent are short-term interest-bearing advances to MDC from Institutional Residuals. Notes payable-Parent consist of MDC's interest-bearing advances to Yosemite. Due to Parent principally includes MDC's non-interest bearing advances to the Finance Subsidiaries.

QUAKER STATE CORPORATION, DECEMBER 31, 1988

Consolidated Balance Sheet
Quaker State Corporation and Subsidiaries
(in thousands except share data)

	1988	1987
Assets		
Petroleum, coal, and other		
Current assets:		
Cash and cash equivalents (Note 7)	$11,459	$12,762
Accounts and notes receivable, less allowance of $1,360 in 1988 and $1,363 in 1987	69,269	74,206
Inventories (Note 3)	54,452	66,513
Other current assets	40,756	32,549
Total current assets	175,936	186,030
Property, plant and equipment, at cost, net of accumulated depreciation and depletion (Notes 2, 5, 7)	335,153	343,773
Other assets	23,467	25,607
Total assets—petroleum, coal and other	534,556	555,410
Insurance assets (Note 4)		
Investments	109,670	103,903
Cash	694	1,246
Premiums and other receivables	27,049	16,518
Deferred policy acquisition costs	51,384	41,144
Other assets	16,541	16,502
Total insurance assets	205,338	179,313
Total assets	$739,894	$734,723
Liabilities		
Petroleum, coal and other		
Current liabilities:		
Accounts payable	$40,773	$49,139
Accrued liabilities (Notes 2 and 6)	49,671	45,384
Income taxes	300	300
Installments on long-term debt	5,256	3,483
Total current liabilities	96,000	98,306
Long-term debt, less current installments (Note 7)	93,612	99,650
Deferred income taxes and investment credit (Note 11)	48,600	43,900
Other long-term liabilities (Note 2)	34,653	45,376
Total liabilities—petroleum, coal and other	272,865	287,232

	1988	1987
Insurance liabilities (Note 4)		
Unearned premiums	124,491	104,115
Policy claims	11,754	10,175
Due to reinsurance companies	4,308	3,492
Other liabilities	11,743	9,379
Total insurance liabilities	152,296	127,161
Commitments and contingencies (Notes 4 and 8)		
Stockholders' Equity		
Capital stock $ 1.00 par value; authorized shares 37,500,000; issued shares, 26,373,512 in 1988 and 26,357,559 in 1987 (Note 9)	26,374	26,358
Additional capital	62,406	62,239
Retained earnings (Note 7)	225,953	231,733
Total stockholders' equity	314,733	320,330
Total liabilities and stockholders' equity	$739,894	$734,723

The accompanying notes are an integral part of the financial statements.

Notes

1. Summary of Significant Accounting Policies:

a. *Basis of Consolidation.*

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Effective December 31, 1988, the company adopted Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries," which required Heritage Insurance Group, Inc. (Heritage), a wholly-owned insurance subsidiary, to be consolidated. Prior to 1988 Heritage was accounted for on the equity method. All financial statements presented have been restated to conform to the change in accounting principle. The assets and liabilities for the insurance operations have not been classified as current or noncurrent in accordance with insurance industry practice.

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4. Heritage Insurance Group:

Heritage is an insurance holding company principally engaged through its subsidiaries in the business of credit life, accident and health and special indemnity insurance.

Heritage's condensed income statements for the years ended December 31, 1988, 1987 and 1986 are presented below:

(in thousands)	1988	1987	1986
Premiums	$56,964	$45,129	$39,558
Net investment income	8,449	6,935	6,286
Realized investment gains	671	1,099	3,777
Other, net	3,705	2,659	2,205
Total revenue	69,789	55,822	51,826
Policy and contract benefit expenses	(30,700)	(22,890)	(19,964)
Amortization of deferred policy acquisition costs	(23,255)	(19,274)	(17,500)
General and administrative costs	(10,141)	(8,488)	(6,755)
Income before income taxes	5,693	5,170	7,607
Provision for income taxes	951	910	1,075
Net income	$4,742	$4,260	$6,532

Investments included in "Insurance Assets" in the balance sheet consist of the following:

(in thousands)	1988	1987
Fixed Maturities:		
Bonds (market value is $70,519 in 1988 and $65,307 in 1987)	$67,217	$60,841
Equity Securities:		
Nonredeemable preferred stocks (cost is $19,068 in 1988 and $11,367 in 1987)	19,547	11,854
Common stocks (cost is $5,788 in 1988 and $6,933 in 1987)	7,191	7,317
Short-term investments, at cost which approximates market	12,198	20,032
Other	3,517	3,859
	$109,670	$103,903

At December 31, 1988, $910,000 of net unrealized appreciation, net of $409,000 of deferred taxes, was included in the stockholders' equity.

Bonds and short-term investments with a carrying value of $5,390,000 and $4,890,000 were on deposit with regulatory authorities at December 31, 1988 and 1987, respectively.

Heritage has various reinsurance agreements whereby it cedes certain risks to reinsurers in order to limit maximum losses under policies under-written. Heritage also assumes insurance from various companies.

Heritage requires that reinsurers maintain funds in trust in excess of the amount of reserves reinsured by such companies at any time.

Heritage has ceded $1,137,555,000 and assumed $266,112,000 of insurance in force at December 31, 1988. Ceded reinsurance premiums amounted to $46,348,000, $31,846,000 and $32,501,000 for the years ended December 31, 1988, 1987 and 1986, respectively. Heritage received $33,868,000, $23,096,000 and $12,961,000 of premiums for business assumed for the years ended December 31, 1988, 1987 and 1986, respectively.

The maximum amount of insurance retained by Heritage on any single policy is $35,000 of life insurance coverage and $600 per month disability coverage.

A contingent liability exists with respect to reinsurance which would become a liability of Heritage to the extent that the reinsuring companies may be unable to meet their obligations under the reinsurance treaties. The amount of such contingent liability was approximately $17,400,000 at December 31, 1988.

The regulations of various states in which the insurance subsidiaries are admitted to do business restrict the amount of dividends that may be paid without obtaining the approval of the regulators and impose minimum statutory capital requirements. Under the most restrictive regulations at December 31, 1988, the amount of retained earnings available for dividends to Quaker State without such approval was approximately $2,369,000 and the minimum statutory capital and surplus requirement was approximately $3,575,000.

Net income and capital stock and surplus for Heritage's life company and indemnity company, as computed on a statutory basis, were as follows *(in thousands)*

	Years Ended December 31,		
	1988	1987	1986
Net income:			
Life company	$1,128	$678	$2,086
Indemnity company	$988	$632	$1,012
Capital stock and surplus:			
Life company	$18,295	$17,626	
Indemnity company	$5,928	$5,001	

13. Segment Information:

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The company's principal operations are in the petroleum, coal and insurance industries. Other operations include vehicular lighting docking, chemical operations, and restaurants. The restaurants and chemical operations were sold in 1988.

Operating profit is total segment revenues less segment expenses. Interest expense related to the collateralized notes is included in operating profit of the coal segment as described in Note 7 of Notes to Financial Statements. General corporate revenues and expenses are those which are not directly related to the company's segments. Corporate assets consist principally of cash and cash equivalents. The 1987 and 1986 amounts have been restated to reflect the consolidation of the insurance operations. See Note 1 of Notes to Financial Statements.

(Thousands of Dollars)	1988		1987	
	Amount	% of Total	Amount	% of Total
Revenue:				
Petroleum operations:				
Lubricants	$387,350	44	$409,363	15
• • • •				
	621,343	71	655,300	72
Coal operations				
Coal	103,488	12	107,750	12
Other	3,880	1	5,120	1
	109,368	13	112,870	13
Insurance operations	69,789	8	55,822	0
Other operations	68,604	8	79,782	9
	$869,104	100	$903,774	100
Operating profit:				
Petroleum: Regular	$3,783	10	$13,267	15
• • • •				
Total petroleum	17,915	46	(104,709)	(117)
Coal operations:	7,025	18	427	1
Unusual items (Note 2)	(147)	—	(350)	—
Total Coal	6,878	18	77	1
Insurance operations	5,693	15	5,170	6
Other	8,353	21	9,272	10
	38,839	100	(89,490)	(100)
	• • • •			
Identifiable assets:				
Petroleum	$394,703	54	$410,029	56
Coal	91,351	12	93,310	13
Insurance	205,338	28	179,313	24
Other	45,842	6	50,414	7
	737,234	100	733,066	100
Corporate	2,660	—	1,657	—
	$739,894	100	$731,723	100
Capital expenditures:				
Petroleum	$40,969	87	$69,305	89
Coal	3,789	8	6,820	9
Insurance and other	2,554	5	1,802	2
	$47,312	100	$77,927	100
Depreciation and depletion:				
Petroleum	$31,018	79	$31,066	78
Coal	5,637	14	5,422	14
Insurance and other	2,546	7	2,979	8
	$39,201	100	$39,467	100

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THE RYLAND GROUP, INC., DECEMBER 31, 1988

Consolidated Balance Sheets
The Ryland Group, Inc., and Subsidiaries
(amounts in thousands)

	December 31, 1988	December 31, 1987
Assets		
Homebuilding:		
Cash and cash equivalents	$9,080	$37,618
Housing inventories	303,183	206,821
Investment in advances to unconsolidated joint ventures (Note C)	24,298	19,986
Property, plant and equipment	29,548	25,195
Purchase price in excess of net assets acquired	28,799	29,831
Other	34,615	27,679
	429,523	347,130
Financial Services:		
Notes receivable (Note D)	13,014	15,028
Mortgage loans and mortgage-backed securities held for sale, net (Note E)	123,417	109,329
Other	21,551	13,581
	*157,982	137,938
Limited-Purpose Subsidiaries:		
Notes receivable (Note D)	1,423,298	1,608,444
Mortgage loans and mortgage-backed securities, net (Note E)	2,084,955	2,474,763
Other	150,770	182,194
	3,659,023	4,265,401
	$4,246,528	$4,750,469
Liabilities and Stockholders' Equity		
Homebuilding:		
Accounts payable and accrued expenses	$126,361	$77,833
Notes payable to banks (Note F)	15,000	
Current portion of long-term debt	11,449	6,509
Long-term debt (Note G)	111,029	98,524
	248,839	182,866
Financial Services:		
Accounts payable and accrued expenses	24,126	15,753
Notes payable to banks (Note F)	139,952	120,700
	*164,078	136,453
Limited-Purpose Subsidiaries:		
Bonds payable (Note H)	3,544,397	4,116,191
Accounts payable and accrued expenses	73,963	110,398
	3,618,360	4,226,589
Deferred Income Taxes (Note I)	46,746	71,095
Total Liabilities	4,078,023	4,617,003
Stockholders' Equity (Notes K and L):		
Common stock, $1 par value		
Authorized—80,000 shares		
Issued and outstanding shares—12,806 in 1988; 12,714 in 1987	12,806	12,714
Paid-in capital	10,423	9,431
Retained earnings	145,276	111,321
Total Stockholders' Equity	168,505	133,466
	$4,246,528	$4,750,469

*Financial services liabilities exceeded assets at Dec. 31, 1988, as a result of certain intersegment transactions and balances eliminated in consolidation.

Note A. Segment Information

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Financial Services. The financial services segment includes the operations of Ryland Mortgage Company (RMC) and several of its subsidiaries. RMC, whose principal business is that of a mortgage banker, originates, sells, finances and services mortgage loans primarily for Ryland homebuyers. Ryland Acceptance Corporation (RAC) administers the bond issuance functions for its limited-purpose financing subsidiaries and other entities. RMC Asset Management Company (RAMCO) performs the bond administration functions for bonds issued by RAC's limited-purpose financing subsidiaries and others. Ryland Acceptance Advisers provides management to investment funds that invest primarily in mortgage-backed securities.

Statements of Earnings	Year ended December 31, 1988	1987	1986
	(amounts in thousands)		
Revenues:			
Interest	$15,616	$14,835	$12,158
Issuance and administration fees*	11,365		
Mortgage servicing	6,780	6,122	3,846
Mortgage production and other	8,119	8,440	8,945
	41,880	29,397	24,949
Intersegment revenue**	5,261	3,704	2,395
Total Revenue	47,141	33,101	27,344
Expenses:			
Selling, general and administrative	25,893	18,550	12,576
Interest	10,813	6,780	5,154
Intersegment expense**	887	3,657	3,469
Total Expenses	37,593	28,987	21,199
Earnings before taxes	$9,548	$4,114	$6,145

Balance Sheets	December 31, 1988	1987
	(amounts in thousands)	
Assets:		
Cash and cash equivalents	$454	$1,054
Notes receivable	13,014	15,028
Mortgage loans receivable held for sale	83,793	78,633
Mortgage-backed securities held for sale	39,624	30,696
Investment in/advances to affiliates**	43,105	36,328
Other	21,097	12,527
	$201,087	$174,266
Liabilities:		
Accounts payable and accrued expenses	$24,126	$15,753
Notes payable to banks	139,952	120,700
Deferred income taxes	5,611	4,747
Payable to affiliates**		6,041
Total Liabilities	169,689	147,241
Stockholders' Equity**	31,398	27,025
	$201,087	$174,266

*Prior to 1988, issuance and administration functions were included in the limited-purpose subsidiaries segment.

**Certain intersegment transactions and balances are eliminated in consolidation with no effect on consolidated earnings or equity.

Note B. Summary of Significant Accounting Policies

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The company's mortgage subsidiaries have been consolidated in accordance with Statement of Financial Accounting Standards 94. Accordingly, the consolidated financial statements for 1987 and 1986 have been restated to reflect the adoption of this Statement. Prior to the adoption of Statement 94, the company accounted for these subsidiaries using the equity method of accounting due to the dissimilar nature of the mortgage operations.

This change in accounting policy had no effect on stockholders' equity or net earnings. Concurrent with this change, the company has adopted nonclassified balance sheet presentations.

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TWO KINDS OF NONHOMOGENEOUS OPERATIONS

FORD MOTOR COMPANY, DECEMBER 31, 1988

Ford Motor Company and Subsidiaries
Consolidated Balance Sheet
December 31, 1988 and 1987 (in millions)

	1988	1987
ASSETS		
Automotive		
Cash and cash equivalents (Note 17)	$5,490.8	$5,410.0
Marketable securities, at cost and accrued interest (approximates market)	3,751.7	4,6765.1
Total cash, cash equivalents, and marketable securities	9,242.5	10,175.1
Receivables	4,395.7	3,095.8
Inventories (Note 1)	6,638.2	6,326.9
Other current assets (Note 4)	1,793.8	1,179.3
Total current assets	22,070.2	20,777.1
Equity in net assets of affiliated companies	2,102.7	2,001.2
Property, net (Note 5)	15,594.3	14,399.4
Other assets (Note 12)	2,350.0	1,389.9
Net receivable from Financial Services (Note 14)	1,010.5	1,166.8
Total Automotive assets	43,127.7	39,734.4
Financial Services		
Cash and cash equivalents (Note 17)	1,234.1	509.2
Investments in securities	4,293.4	2,977.2
Receivables and lease investments, net (Notes 6 and 7)	91,290.9	70,608.7
Property, net	397.9	284.3
Other assets	3,022.5	2,060.6
Total Financial Services assets	100,238.8	76,260.0
Total Assets	$143,366.5	$115,994.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive		
Payables and accrued liabilities (Note 8)	$16,787.8	$15,139.7
Income taxes payable	1,007.3	654.7
Debt payable within one year (Note 9)	1,760.9	1,890.3
Total current liabilities	19,556.0	17,684.7

	1988	1987
Long-term debt (Note 9)	1,335.7	2,057.8
Other liabilities (Note 8)	4,839.4	4,467.5
Deferred income taxes (Note 4)	2,297.9	2,312.5
Minority interests in net assets of consolidated subsidiaries	164.1	129.7
Total Automotive liabilities	28,193.1	26,652.2
Financial Services		
Payables	987.9	1,025.4
Income taxes currently payable	58.0	66.2
Debt (Note 9)	66,851.7	52,460.0
Deposit accounts (Note 10)	20,357.8	12,053.3
Deferred income taxes (Note 4)	1,635.2	1,485.7
Other liabilities and deferred income	2,743.3	2,592.1
Net payable to Automotive (Note 14)	1,010.5	1,166.8
Total Financial Services liabilities	93,644.4	70,849.5
Commitments (Note 11)	—	—
STOCKHOLDERS' EQUITY		
Capital stock (Notes 12 and 13)		
Preferred stock, par value $1.00 a share	—	—
Common stock, par value $1.00 a share (453.6 and 469.8 shares issued)	453.6	469.8
Class B stock, par value $1.00 a share (37.2 and 37.7 shares issued)	37.2	37.7
Capital in excess of par value of stock	586.7	595.1
Foreign-currency translation adjustments (Note 1)	325.0	672.6
Earnings retained for use in business	20,126.5	16,717.5
Total Stockholders' Equity	21,529.0	18,492.7
Total Liabilities and Stockholders' Equity	$143,366.5	$115,994.4
Memo: Stockholders' Equity a Share	$43.87	$36.44

Ford Motor Company and Subsidiaries
Consolidated Statement of Income
For the Years Ended December 31, 1988, 1987, and 1986 (in millions)

	1988	1987	1986
AUTOMOTIVE			
Sales	$82,193.0	$71,797.2	$62,868.3
Costs and Expenses (Note 1)			
Costs, excluding items listed below	68,233.3	58,572.7	51,931.5
Depreciation	1,914.9	1,827.7	1,679.9
Amortization of special tools	1,334.7	1,353.2	1,293.2
Selling and administrative	3,452.0	3,289.3	3,109.8
Employee retirement plans (Note 2)	646.2	498.4	711.7
Total costs and expenses (Note 3)	75,581.1	65,541.3	58,726.1
Operating Income	6,611.9	6,255.9	4.142.2
Interest income	885.2	823.5	671.7
Interest expense	354.0	452.9	490.1
Net interest income	531.2	370.6	181.6
Equity in net income/(Loss) of affiliated companies	147.8	(136.6)	11.6
Net revenue/(expense) from transactions with Financial Services (Note 14)	21.1	9.4	(35.9)
Income Before Income Taxes—Automotive	7,312.0	6,499.3	4,299.5

Consolidated Statement of Income (continued)

	1988	1987	1986
FINANCIAL SERVICES			
Revenues (Note 1)	10,252.6	8,095.8	6,826.3
Costs and Expenses			
Interest expense	5,784.0	4,298.1	3,650.1
Operating and other expenses	1,625.4	1,259.6	985.7
Provision for credit and insurance losses (Note 7)	1,248.9	864.3	728.7
Depreciation (Note 6)	542.7	279.0	178.8
Total costs and expenses	9,201.0	6,701.0	5,541.3
Net revenue/(expense) from transactions with Automotive (Note 14)	(21.1)	(9.4)	35.9
Income Before Income Taxes—Financial Services	1,030.5	1,385.4	1,320.9
TOTAL COMPANY			
Income Before Income Taxes	8,342.5	7,884.7	5,620.4
Provision for income taxes (Note 4)	2,998.7	3,226.0	2,323.6
Income Before Minority Interests	5,343.8	4,658.7	3,296.8
Minority interests in net income of consolidated subsidiaries	43.6	33.5	11.7
Net Income	$5,300.2	$4,625.2	$3,285.1

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Ford Motor Company and Subsidiaries
Consolidated Statement of Cash Flows
For the Years Ended December 31, 1988, 1987, and 1986 (in millions)

	1988	1987	1986
Cash and Cash Equivalents at January 1			
Automotive	$5,410.0	$7,375.6	$5,162.3
Financial Services	509.2	669.7	922.6
Total cash and cash equivalents at January 1	5,919.2	8,045.3	6,084.9
Automotive			
Cash Flows from Operating Activities (Note 17)	7,633.9	8,361.6	7,717.6
Cash Flows from Investing Activities			
Capital expenditures	(4,711.5)	(3,674.0)	(3,409.4)
Acquisition of other companies	(406.5)	(1,124.7)	(381.7)
Purchases of marketable securities	(18,813.6)	(11,378.0)	(4,030.9)
Sales of marketable securities	19,592.9	8,287.5	3,640.2
Capital contributions to Financial Services	(300.0)	—	—
Dividends received from Financial Services	80.0	200.0	—
Other	(832.3)	(184.1)	(281.0)
Net cash (used) in investing activities	(5,391.0)	(7,873.3)	(4,462.8)
Cash Flows from Financing Activities			
Cash dividends	(1,113.5)	(805.0)	(591.2)
Purchase of Ford Common Stock	(816.0)	(1,342.4)	(699.7)
Proceeds from issuance of debt	10,977.4	8,599.7	8,263.2
Principal payments of debt	(11,219.8)	(7,862.4)	(7,961.1)
Other	(628.1)	(157.0)	35.8
Net cash (used) in financing activities	(2,800.0)	(1,567.1)	(953.0)
Effect of exchange rate changes on cash	481.6	(187.0)	(74.4)
Transactions with Financial Services	156.3	(699.8)	(14.1)
Net increase/(decrease) in cash and cash equivalents—Automotive	80.8	(1,965.6)	2,213.3

	1988	1987	1986
Financial Services			
Cash Flows from Operating Activities (Note 17)	2,747.6	2,886.0	2,216.3
Cash Flows from Investing Activities			
Capital expenditures	(70.3)	(84.0)	(53.9)
Acquisition of finance and lease receivables and equipment	(85,510.1)	(77,616.4)	(63,371.2)
Collections of finance receivables	76,752.7	64,227.7	51,290.0
Proceeds from sale of receivables	2,501.8	547.3	1,346.4
Loans originated	(11,068.3)	(4,944.6)	(4,403.0)
Loan and mortgage backed certificate reductions	4,581.1	3,273.6	3,501.1
Purchases of securities	(20,255.7)	(12,445.3)	(4,574.2)
Sales of securities	19,630.7	11,396.7	3,994.4
Other	534.5	(3.9)	257.0
Net cash (used) in investing activities	(12,903.6)	(15,648.9)	(12,013.4)
Cash Flows from Financing Activities			
Capital contributions from Automotive	300.0	—	—
Dividends paid to Automotive	(80.0)	(200.0)	—
Proceeds from issuance of long-term debt	11,860.5	9,776.2	10,850.8
Principal payments on long-term debt	(6,141.1)	(2,995.1)	(5,067.7)
Changes in short-term debt	6,641.2	4,286.7	3,267.8
Customer deposits	8,598.4	15,564.7	10,304.0
Customer withdrawals	(10,188.7)	(15,325.7)	(10,576.6)
Other	45.8	809.1	(255.7)
Net cash provided by financing activities	11,036.1	11,915.9	8,522.6
Effect of exchange rate changes on cash	1.1	6.7	7.5
Transactions with Automotive	(156.3)	699.8	14.1
Net increase/(decrease) in cash and cash equivalents—Financial Services	724.9	(160.5)	(252.9)
Cash and Cash Equivalents at December 31			
Automotive	5,490.8	5,410.0	7,375.6
Financial Services	1,234.1	509.2	669.7
Total cash and cash equivalents at December 31	$6,724.9	$5,919.2	$8,045.3

Ford Motor Company and Subsidiaries
Notes to Financial Statements

Note 1. Accounting Policies

Principles of Consolidation. The company's financial services and real estate subsidiaries, previously accounted for by the equity method, have been consolidated in 1988 as required under the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries." Majority-owned subsidiaries where control is expected to be temporary or affiliates that are 20%-50% owned continue to be accounted for on an equity basis. The consolidated financial statements reflect the assets, liabilities, operating results, and cash flows for two broad business segments: Automotive and Financial Services. In accordance with industry practice, the assets and liabilities of the Automotive segment are classified as current or non-current, and those of the Financial Services segment are unclassified. The company also adopted in 1988... Prior years' financial statements have been restated to conform with the 1988 presentations adopted under the new standards. The restatements had no effect on previously reported net income or stockholders' equity.

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Note 14. Segment Information

Industry. The company operates in two principal business segments—Automotive and Financial Services. The Automotive segment comprises a vertically integrated business operating primarily in a single industry segment consisting of the manufacture, assembly, and sale of cars, trucks, and related parts and accessories. This segment also includes the company's agricultural equipment and its aerospace and communications operations which, in the aggregate, comprise less than 10% of consolidated revenues and operating profit. The Financial Services segment includes financing, insurance, savings and loans, and vehicle and equipment leasing operations.

Reference should be made to the consolidated financial statements for industry segment information required to be included under Statement of Financial Accounting Standards No. 14. In the statements, the captions identifying intersegment transactions represent principally borrowings by Financial Services from Automotive, related interest, and interest on special financing programs; these captions are presented to disclose clearly the extent of such transactions.

Geographic Area—Automotive

(in millions)	1988	1987	1988

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Geographic Area—Financial Services			
Total revenue			
United States	$8,812	$6,959	$5,992
Europe	837	624	402
All Other	604	513	432
Total revenue	$10,253	$8,096	$6,826
Net income			
United States	$541	$718	$691
Europe	103	90	38
All Other	47	50	44
Total net income	$691	$858	$773
Assets at December 31			
United States	$87,684	$65,772	$52,090
Europe	7,544	6,566	3,972
All Other	5,043	3,936	3,160
Elimination of intercompany receivables	(32)	(14)	(11)
Total assets	$100,239	$76,260	$59,211

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Note 16. Subsidiaries

The following information is provided for significant, previously unconsolidated subsidiaries which now are included in the financial statements on a consolidated basis:

Ford Motor Credit Company and Consolidated Subsidiaries. Ford Motor Credit Company (Ford Credit) is a wholly-owned subsidiary of the company. Ford Credit and its subsidiaries derive most of their revenues by providing wholesale financing and capital loans to company-franchised vehicle dealers and purchasing retail installment sales contracts from them, primarily in the United States, Canada, and Australia. (Vehicle financing operations in countries outside the United States, Canada, and Australia generally are conducted by other subsidiaries of the company.) Net income of Ford Credit was $564.2 million in 1988, $678.8 million in 1987, and $611.3 million in 1986. Total revenue was $4,972.8 million in 1988, $5,847.3 million in 1987, and $4,972.8 million in 1986. A condensed consolidated balance sheet of Ford Credit and its subsidiaries at December 31 was as follows:

(in millions)	1988	1987
Assets		
Cash and investments in securities	$2,412.5	$1,517.8
Finance receivables, net	52,920.8	48,454.6
Receivables from affiliated companies	64.7	156.5
Other assets	877.9	784.1
Total assets	$56,275.9	$50,913.0
Liabilities and Stockholder's Equity		
Debt payable within one year	$24,784.1	$22,548.3
Accounts payable and other liabilities	4,148.9	3,995.3
Accounts payable affiliated companies	335.7	312.3
Long-term debt	22,748.1	20,410.0
Total liabilities	52,016.8	47,265.9
Stockholders' equity	4,259.1	3,647.1
Total liabilities and stockholders' equity	$56,275.9	$50,913.0

Included in finance receivables of Ford Credit at December 31, 1988 and 1987 were $1,633.7 million and $1,325.5 million, respectively, of accounts receivable purchased from Ford.

First Nationwide Financial Corporation and Consolidated Subsidiaries. First Nationwide Financial Corporation (First Nationwide) is a wholly-owned subsidiary of the company. First Nationwide, through its consolidated subsidiaries, is engaged principally in the business of accepting savings deposits from the general public and making loans collateralized by liens on residential and other real estate.

Income is derived from interest charges on real estate loans and, to a lesser extent, from fees received in connection with such loans, and income on security investments. Net income of First Nationwide was $3.3 million in 1988, $62.5 million in 1987, and $101.8 million in 1986. Total revenue was $2,094.9 million in 1988, $1,501.3 million in 1987, and $1,386.4 million in 1986. A condensed consolidated balance sheet of First Nationwide and its subsidiaries at December 31 was as follows:

(in millions)	1988	1987
Assets		
Cash and investments in securities	$3,037.4	$1,613.1
Loans receivable, net	27,068.6	13,985.9
Property held for investment and sale (at cost)	499.0	489.2
Receivables from affiliated companies	564.5	40.1
Other assets	3,344.8	900.0
Total assets	$34,514.3	$17,028.3
Liabilities and Stockholder's Equity		
Deposit accounts (including accrued interest)	$20,357.8	$12,053.3
Notes, bonds, and other obligations	12,529.0	4,042.0
Accounts payable and other liabilities	485.9	269.7
Total liabilities	33,372.7	16,365.0
Stockholder's equity	1,141.6	663.3
Total liabilities and stockholders' equity	$34,514.3	$17,028.3

In late 1988, First Nationwide and its subsidiaries acquired seven savings and loan institutions with total assets of $10.4 billion. As part of those transactions, First Nationwide and its subsidiaries also assumed liabilities aggregating $10.4 billion. The assets included approximately $1.9 billion in notes receivable from the Federal Savings and Loan Insurance Corporation (FSLIC). In connection with the acquisition transactions, FSLIC entered into assistance agreements with First Nationwide and its subsidiaries providing for yield maintenance and loss protection for varying periods on certain underperforming and other assets of the acquired institutions. The agreements also provide for indemnification of First Nationwide and its subsidiaries against certain liabilities.

PACCAR INC., DECEMBER 31, 1988

Paccar Inc. and Subsidiaries
Consolidated Balance Sheets

(thousands of dollars)	1988	1987
ASSETS		
MANUFACTURING:		
Current Assets		
Cash and equivalents	$289,144	$267,220
Trade receivables, net of allowance for losses (1988—$3,339 and 1987—$2,598)	194,453	162,906
Marketable securities	71,696	67,105
Inventories	230,992	192,609
Deferred income taxes and prepaid expenses	64,660	56,486
Total Manufacturing Current Assets	850,945	746,326
Investments and Other	79,163	55,851
Property, Plant and Equipment, Net	267,289	241,907
Total Manufacturing Assets	1,197,397	1,044,084
FINANCIAL SERVICES:		
Cash and equivalents	20,124	18,199
Notes, contracts and other receivables, net of allowance for losses (1988—$14,688 and 1987—$12,193)	1,679,691	1,385,364
Less unearned interest	(172,611)	(136,401)
	1,507,080	1,248,963
Equipment on operating leases, net	91,947	81,503
Other assets	14,966	16,582
Total Financial Services Assets	1,634,117	1,365,247
	$2,831,514	$2,409,331
LIABILITIES AND STOCKHOLDERS' EQUITY		
MANUFACTURING:		
Current Liabilities		
Accounts payable and accrued expenses	$427,225	$370,607
Income taxes	20,576	9,916
Dividend payable	53,853	26,907
Other	19,839	8,653
Total Manufacturing Current Liabilities	521,493	416,083
Long-Term Debt	39,847	31,347
Deferred Income Taxes and Other	39,443	38,917
Total Manufacturing Liabilities	600,783	486,347
FINANCIAL SERVICES:		
Accounts payable and accrued expenses	61,477	58,387
Commercial paper and bank loans	585,043	478,208
Deferred income taxes and other	151,663	124,137
Long-term debt	528,385	460,969
Total Financial Services Liabilities	1,326,568	1,121,701
STOCKHOLDERS' EQUITY:		
Preferred Stock, no par value—authorized 1,000,000 shares, none issued		
Common Stock, $12 par value—authorized 50,000,000 shares, issued 37,105,004 shares (including 1,203,020 treasury shares)	445,260	222,477
Additional paid-in capital	104	24,028
Retained earnings	518,358	626,660
Less treasury shares—at cost	(32,038)	(32,038)
Foreign currency translation adjustment	(27,521)	(39,844)
Total Stockholders' Equity	904,163	801,283
	$2,831,514	$2,409,331

Paccar Inc. and Subsidiaries
Consolidated Statements of Income
Year Ended December 31 (thousands except per share data)

	1988	1987	1986
MANUFACTURING:			
Revenues			
Net sales	$3,112,196	$2,423,539	$1,795,633
Other	10,278	3,056	2,913
	3,122,474	2,426,595	1,798,546
Costs and Expenses			
Cost of sales	2,656,489	2,087,999	1,591,045
Selling and administrative	246,330	195,737	144,090
Interest	8,171	5,444	2,867
Restructuring costs			18,093
	2,910,990	2,289,180	1,756,095
Manufacturing Income Before Income Taxes	211,484	137,415	42,451
FINANCIAL SERVICES:			
Revenues			
Interest and other	155,238	127,427	116,660
Costs and Expenses			
Interest	87,461	72,998	71,374
Operating	25,971	20,547	18,564
Provision for losses on receivables	9,833	5,827	1,912
	123,265	99,372	91,850
Financial Services Income Before Income Taxes	31,973	28,055	24,810
OTHER:			
Short-term investment income	24,265	19,617	19,590
Total Income Before Income Taxes	267,722	185,087	86,851
Income taxes	91,914	72,625	32,568
Net Income	$175,808	$112,462	$54,283

Paccar Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 1988, 1987, and 1986 (thousands of dollars)

Note A. Summary of Accounting Policies

Principles of Consolidation. The Company has adopted FASB Statement No. 94, "Consolidation of All Majority-owned Subsidiaries." Previously unconsolidated companies include wholly-owned subsidiaries PACCAR Financial Corp., Truck Acceptance Corporation, PACCAR Financial Ltd., PACCAR Leasing Corporation, PacLease Limited, PACCAR Insurance Company Limited, PACCAR Machinery Corporation and 90% owned RAILEASE Inc. All significant intercompany accounts and transactions are eliminated in consolidation. Amounts previously reported in the consolidated financial statements for 1987 and 1986 have been restated accordingly.

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Note O. Geographic Area and Industry Segment Data

PACCAR operates in two principal industries—manufacture of trucks and related parts which are sold through a network of company-appointed dealers, and finance and leasing services provided to customers and dealers. Sales among the industry segments and among geographic areas were insignificant.

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INDUSTRY SEGMENT DATA	1988	1987	1986
		(millions of dollars)	
Revenues:			
Manufacturing:			
Truck	$2,773	$2,246	$1,700
Other	349	181	99
	3,122	2,427	1,799
Financial Services	155	127	117
	$3,277	$2,554	$1,916
Income before taxes:			
Manufacturing:			
Truck	$244	$177	$75
Other	3	(12)	(6)
Corporate expenses	(35)	(28)	(27)
	212	137	42
Financial Services	32	28	25
Short-term investment income	24	20	20
	$268	$185	$87
Depreciation:			
Manufacturing:			
Truck	$19	$20	$19
Other	14	9	4
	33	29	23
Financial Services	17	16	16
	$50	$45	$39
Capital Expenditures:			
Manufacturing:			
Truck	$20	$20	$32
Other	11	14	2
	31	34	34
Financial Services	28	21	6
Businesses acquired	32	42	
	$91	$97	$40
Identifiable Assets:			
Manufacturing:			
Truck	$472	$443	$394
Other	286	185	61
Corporate	439	416	410
	1,197	1,044	865
Financial Services	1,634	1,365	1,101
	$2,831	$2,409	$1,966

PHILIP MORRIS COMPANIES, INC., DECEMBER 31, 1988

Philip Morris Companies, Inc. and Subsidiaries
Consolidated Balance Sheets (in millions of dollars)

	1988	1987
Assets		
Consumer products		
Cash and cash equivalents	$168	$90
Receivables, net	2,222	2,065
Inventories:		
Leaf tobacco	1,873	2,008
Other raw materials	1,540	840
Finished product	1,971	1,306
	5,384	4,154

	1988	1987
Other current assets	377	245
Total current assets	8,151	6,554
Property, plant and equipment, at cost:		
Land and land improvements	612	494
Buildings and building equipment	3,422	2,800
Machinery and equipment	7,137	5,678
Construction in progress	761	424
	11,932	9,398
Less accumulated depreciation	3,284	2,816
	8,648	6,582
Goodwill and other intangible assets (less accumulated amortization of $361 and $243, respectively)	15,071	4,052
Other assets	1,921	1,359
Total consumer products assets	33,791	18,547
Financial services and real estate		
Finance assets, net	2,578	2,185
Real estate held for sale and investment	379	482
Other assets	212	223
Total financial services and real estate assets	3,169	2,890
TOTAL ASSETS	$36,960	$21,437
Liabilities		
Consumer products		
Short-term borrowings	$433	$691
Current portion of long-term debt	127	465
Accounts payable	1,777	791
Payable for untendered Kraft shares	435	
Accrued liabilities:		
Taxes, except income taxes	595	537
Employment costs	697	453
Other	2,556	1,287
Income taxes	1,089	727
Dividends payable	260	213
Total current liabilities	7,969	5,164
Long-term debt	15,882	5,199
Deferred income taxes	825	1,288
Other liabilities	1,988	633
Total consumer products liabilities	26,664	12,284
Financial services and real estate		
Short-term borrowings	264	284
Long-term debt	1,240	1,094
Deferred income taxes	894	756
Other liabilities	219	196
Total financial services and real estate liabilities	2,617	2,330
Total liabilities	29,281	14,614
Contingencies		
Stockholders' equity		
Common stock, par value $1.00 per share (239,618,948 shares issued)	240	240
Additional paid-in capital	252	272
Earnings reinvested in the business	7,833	6,437
Currency translation adjustments	117	146
	8,442	7,095
Less cost of treasury stock (8,588,003 shares, 1988, and 2,992,463 shares, 1987)	763	272
Total stockholders' equity	7,679	6,823
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$36,960	$21,437

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Accounting Changes. The company's financial services and real estate subsidiaries, previously accounted for by the equity method, have been consolidated in 1988 in accordance with Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries."

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Basis of Presentation. The consolidated financial statements include all significant majority-owned subsidiaries.

Balance sheet accounts are segregated by two broad types of businesses. Consumer products assets and liabilities are classified as either current or non-current, whereas the accounts of financial services and real estate are not so classified, in accordance with respective industry practices.

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Note 11. Segment Reporting

Tobacco, food, beer, and financial services and real estate are the major segments of the company's operations.

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... Pursuant to SFAS 94, prior period data have been restated to include previously unconsolidated subsidiaries

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Identifiable assets by segment are those assets applicable to the respective industry segments. Reportable segment data reconciled to the consolidated financial statements follow:

Data by Segment for the years ended December 31, *(in millions)*	1988	1987	1986
Operating revenues:			
Tobacco	$16,586	$14,644	$12,691
Food	11,265	9,946	9,664
Beer	3,262	3,105	3,054
Financial services and real estate	629	488	474
	$31,742	$28,183	$25,883
Operating profit:			
Tobacco	$3,846	$3,290	$2,848
Food	392	605	639
Beer	190	170	154
Financial services and real estate	162	68	31
Other		19	(9)
Total operating profit	4,590	4,152	3,663
Unallocated corporate expenses	193	162	126
Operating income	$4,397	$3,990	$3,537
Depreciation expense:			
Tobacco	$237	$214	$200
Food	221	201	167
Beer	136	137	136
Financial services and real estate	4	4	3
	$598	$556	$506
Identifiable assets:			
Tobacco	$6,001	$6,467	$5,808
Food	24,870	9,125	8,629
Beer	1,623	1,680	1,736
Financial services and real estate	3,169	2,890	2,276
	35,663	20,162	18,449
Corporate assets	1,297	1,275	1,033
Total assets	$36,960	$21,437	$19,482

Data by Segment for the years ended December 31, *(in millions)*	1988	1987	1986
Capital additions:			
Tobacco	$467	$246	$191
Food	466	402	395
Beer	86	57	80
Financial services and real estate		2	12
	$1,019	$707	$678

Note 15. Financial Services and Real Estate Operations

Philip Morris Credit Corporation ("PMCC") is a wholly-owned subsidiary which previously had been accounted for by the equity method. PMCC has been consolidated in 1988, and prior years' data have been restated. PMCC invests in third-party leveraged and direct finance leases and securities of third parties, primarily preferred stocks, and engages in various financing activities for customers and suppliers of the company's subsidiaries. Additionally, PMCC is engaged through its wholly-owned consolidated subsidiary, Mission Viejo Realty Group Inc. ("MVRG"), in community commercial and industrial real estate development activities.

Pursuant to a support agreement, the company has agreed to retain ownership of 100% of the voting stock of PMCC and make periodic payments to PMCC to the extent necessary to ensure that earnings available for fixed charges equal at least 1.25 times its fixed charges.

Condensed financial data follows:

	At December 31,	
(in millions)	1988	1987
Assets		
Finance assets, net	$2,601	$2,208
Real estate held for sale and investment	379	482
Goodwill, net of accumulated amortization	40	41
Other assets	252	185
Total assets	$3,272	$2,916
Liabilities and stockholders' equity		
Short-term borrowings	$264	$284
Long-term debt	1,240	1,094
Deferred income taxes	894	756
Other liabilities	221	203
Capital notes due parent		90
Stockholders' equity	653	489
Total liabilities and stockholders' equity	$3,272	$2,916

Finance assets, net, include a $23 million note receivable from Miller Brewing Company, a wholly-owned subsidiary of the company, at December 31, 1988 and 1987. Other assets and other liabilities include intercompany balances of $80 million and $2 million, respectively, at December 31, 1988 and $3 million and $7 million, respectively, at December 31, 1987. These items, as well as the capital notes due parent, were eliminated in the company's consolidated balance sheets.

	For the Year Ended December 31, *(in millions)*		
	1988	1987	1986
Revenues:			
Financial services	$175	$158	$174
Real estate	456	330	300
Total revenues	631	488	474
Expenses:			
Financial services	114	130	113
Real estate	357	290	262
Total expenses	471	420	375
Pre-tax earnings before cumulative adjustments	160	68	99

	For the Year Ended December 31, (in millions) 1988	1987	1986
Cumulative pre-tax adjustments related to leveraged leases	—	—	(71)
Earnings before income taxes and cumulative effect of accounting change	160	68	28
Provision for income taxes:			
Current year	37	(4)	36
Cumulative adjustments related to leveraged leases			(83)
Earnings before cumulative effect of of accounting change	123	72	75
Cumulative effect of change in method of accounting for income taxes	41		
Net earnings	$164	$72	$75

A. Financial Services and Real Estate Operations—Cumulative Adjustments Related to Leveraged Leases

The Tax Reform Act of 1986 decreased federal income tax rates for periods after 1986. As a result of these lower tax rates, as well as provisions in certain lease agreements, PMCC renegotiated some of its leveraged leases, which resulted in changes in most major assumptions. These renegotiations and recalculations of other leveraged leases using the new lower rates resulted in a cumulative adjustment in 1986 that decreased earnings before income taxes and cumulative effect of accounting change, decreased provision for income taxes, and increased net earnings by $71 million, $83 million, and $12 million, respectively.

B. Financial Services and Real Estate Operations—Finance Assets

At December 31, PMCC's finance assets consisted of the following:

(in millions)	1988	1987
Finance leases	$2,163	$1,946
Other investments (at cost, which approximates market)	1,166	922
	3,329	2,868
Less unearned income and allowances	728	660
	$2,601	$2,208

Other investments consist primarily of preferred stocks and real estate and commercial receivables.

C. Financial Services and Real Estate Operations—Finance Leases

Finance leases consist of investments in transportation, telecommunications, commercial equipment and facilities and have initial lease terms of 4 to 30 years. Rentals receivable for leveraged leases represent unpaid rentals less principal and interest on third-party nonrecourse debt.

A summary of PMCC's investment in finance leases at December 31, 1988 and 1987, follows:

	Leveraged Leases		Direct Finance Leases		Total	
(in millions)	1988	1987	1988	1987	1988	1987
Rentals receivable, net	$1,464	$1,378	$149	$93	$1,613	$1,471
Unguaranteed residual values	540	470	10	5	550	475
Unearned income	(537)	(518)	(58)	(12)	(595)	(530)
Deferred investment tax credits	(87)	(92)	(1)	(2)	(88)	(94)
Net investment in finance leases	1,380	1,238	100	84	1,480	1,322
Related deferred income taxes	(857)	(628)	(17)	(29)	(874)	(657)
Net investment in finance leases, less related deferred income taxes	$523	$610	$83	$55	$606	$665

Rentals receivable in excess of debt service requirements on nonrecourse debt related to leveraged leases, and rentals receivable from direct finance leases, range from $45 million to $87 million during each of the next five years (a total of $292 million) and a total of $1.3 billion for 1994 and thereafter.

U.S. HOME CORPORATION, DECEMBER 31, 1988

U.S. Home Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 1988 and 1987

	1988	1987
	(Dollars in Thousands)	
Assets		
Housing:		
Cash (including restricted funds of $2,089 and $1,219)	$12,395	$15,911
Receivables	26,886	23,929
Land, development costs and finished lots	230,922	261,167
Single-family residential housing completed and under construction	232,418	199,633
Option deposits on real estate	42,645	34,806
Investments in and advances to joint ventures	30,226	20,411
Other assets	53,975	54,957
	629,467	610,814
Financial Services:		
Cash (including restricted funds of $11,264 and $16,582)	21,255	32,468
Inventory of residential mortgage loans and GNMA certificates, net of discounts	7,839	14,752
Accrued interest and other receivables	30,381	57,499
Investments	224,261	438,096
Other assets	29,832	45,888
	313,568	588,703
Net Assets of Discontinued Operations Held For Disposal	3,707	15,396
	$946,742	$1,214,913
Liabilities and Stockholders' Equity		
Housing:		
Current Liabilities—		
Short-term debt	$176,533	$190,385
Current maturities of long-term debt	12,793	6,075
Accounts payable	50,195	41,638
Accrued expenses and other current liabilities	55,795	60,948
	295,316	299,046
Long-Term Debt	238,164	246,863
	533,480	545,909
Financial Services:		
Current Liabilities—		
Short-term debt	15,899	43,298
Current maturities of long-term debt	6,047	12,858
Accrued expenses and other current liabilities	16,188	27,016
	38,134	83,172
Long-Term Debt	198,539	414,280
	236,673	497,452
Total Liabilities	$770,153	$1,043,361
Stockholders' Equity:		
Preferred stock, authorized 2,500,000 shares	—	—
Common stock, $.10 par value, authorized 80,000,000 shares; outstanding 39,900,545 and 39,895,346 shares	$3,990	$3,990
Capital in excess of par value	208,937	208,928
Retained earnings (deficit)	(36,338)	(41,366)
Total Stockholders' Equity	176,589	171,552
	$946,742	$1,214,913

U.S. Home Corporation and Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 1988, 1987 and 1986

	1988	1987	1986
	(Dollars in thousands, except per share data)		
Housing:			
Operating Revenues	$672,891	$745,989	$724,712
Operating Costs and Expenses—			
Cost of products sold	547,845	610,074	576,244
Selling, general and administrative	104,968	131,207	152,636
Interest	16,240	9,419	6,801
Provision for loss relating to restructuring of certain housing operations	—	—	98,402
	669,053	750,700	834,083
Housing Operating Income (Loss)	3,838	(4,711)	(109,371)
Financial Services:			
Operating Revenues	62,916	97,191	140,908
Operating Costs and Expenses—			
General and administrative	15,066	21,176	22,499
Provision for loan losses	6,951	17,964	6,774
Interest	38,216	69,903	102,308
	60,233	109,043	131,581
Financial Services Operating Income (Loss)	2,683	(11,852)	9,327
Income (Loss) From Continuing Operations Before Income Taxes	6,521	$(16,563)	(100,044)
Income Tax Provision (Benefit)	—	4,600	(41,625)
Income (Loss) From Continuing Operations	6,521	(21,163)	(58,419)
Loss From Discontinued Operations, net of income tax benefit	(1,493)	(28,513)	(21,652)
Net Income (Loss)	$5,028	$(49,676)	$(80,071)

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U.S. Home Corporation and Subsidiaries
Notes to Consolidated Financial Statements

(1) Significant Accounting Policies

General:
Principles of Consolidation and Basis of Presentation—

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The Company is engaged in two related industry segments, the on-site development of single-family residential communities and financial services. Identifiable assets and the results of operations of the Company's segments are reported in the consolidated balance sheets and statements of operations.

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Accounting Changes—

In 1988, the Company implemented the provisions of new financial accounting standards relating to consolidations and income taxes. The accompanying consolidated financial statements have been restated, for all periods presented, to reflect the retroactive implementation of the new accounting standards.

Effective December 31, 1988, the Company adopted retroactively the accounting for consolidations prescribed by Statement of Financial Accounting Standards ("SFAS") No. 94. Accordingly, the Company's consolidated financial statements as restated include its wholly-owned insurance and financial subsidiaries, which include U.S. Home Mortgage Corporation ("Mortgage"). Prior to December 31, 1988, these subsidiaries were accounted for by the equity method.

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WESTINGHOUSE ELECTRIC CORPORATION, DECEMBER 31, 1988

Consolidated Balance Sheet
(in millions)

At December 31	1988	1987[a]
ASSETS		
Operations excluding financing services:		
Cash	$165.7	$228.7
Marketable securities (note 4)	938.9	1,206.1
Customer receivables (note 5)	2,280.0	1,947.9
Inventories (note 6)	1,368.8	1,237.5
Uncompleted contracts costs over related billings (note 6)	336.0	247.0
Prepaid and other current assets (note 7)	622.7	442.3
Total current assets	5,712.1	5,309.5
Investments (note 8)	253.5	287.2
Plant and equipment (note 9)	2,501.3	2,337.0
Intangible and other noncurrent assets (note 10)	1,183.3	1,041.7
Total assets excluding financing services	9,650.2	8,975.4
Financing services:		
Cash and short-term investments (note 4)	128.8	386.7
Marketable securities (note 4)	469.5	380.6
Receivables (note 5)	6,276.2	5,227.1
Other assets (note 10)	412.6	225.8
Total assets—financing services	7,287.1	6,220.2
Total assets	$16,937.3	$15,195.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Operations excluding financing services:		
Short-term debt (note 11)	$1,955.0	$1,528.2
Accounts payable	738.0	724.9
Uncompleted contracts billings over related costs (note 6)	1,106.9	962.3
Other current liabilities (note 12)	1,512.2	1,683.0
Total current liabilities	5,312.1	4,898.4
Long-term debt (note 13)	892.3	823.3
Other noncurrent liabilities (note 14)	507.2	743.3
Total liabilities excluding financing services	6,711.6	6,465.0
Financing services:		
Short-term debt (note 11)	3,291.1	2,500.3
Long-term debt (note 13)	2,629.6	2,527.6
Other liabilities (note 14)	489.3	459.8
Total liabilities—financing services	6,410.0	5,487.7
Total liabilities	13,121.6	11,952.7
Minority interest	21.2	20.9
Shareholders' equity (note 15):		
Common stock	183.4	183.4
Capital in excess of par value	763.5	762.2
Common stock held in treasury	(1,780.1)	(1,780.1)
Other	(8.9)	(35.3)
Retained earnings	4,636.6	4,091.8
Total shareholders' equity	3,794.5	3,222.0
Total liabilities and shareholders' equity	$16,937.3	$15,195.6

[a]Restated for accounting changes. See notes 1 and 3.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Consolidation

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In 1988, the Corporation consolidated its financing services subsidiaries pursuant to a new accounting standard. Prior year amounts have been restated. For consolidated financial statement purposes, financing services relates to the business activities defined in note 20.

Note 19. Segment Information

Westinghouse is a diversified, global, technology-based corporation operating in the principal business arenas of television and radio broadcasting, defense electronics, financial services, and the industrial, construction and electric utility markets. Through 1988 the Corporation's business units were structured into seven organizational groups—Westinghouse Broadcasting, Electronic Systems, Energy and Utility Systems, Commercial, Industries, International and Financial Services. Financial results of international manufacturing entities, export sales, and foreign licensee income are included in the financial information of the organizational group which has operating responsibility.

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The Financing Services segment consists of financing, lending, leasing and investing activities primarily through Westinghouse Credit. A broad range of financing services including financing of commercial and residential real estate projects as well as the leasing of income producing capital assets are furnished. Financing Services also provides intermediate-term loans secured by general business assets for acquisition financing, project financing and general corporate purposes, and extends commercial line-of-credit loans secured by accounts receivable and inventories. The segment also invests in high-yield marketable debt securities, preferred stocks with mandatory redemption features and other equity securities.

Certain amounts shown for 1987 and 1986 in the segment information tables have been restated for accounting changes and reclassified for comparative purposes.

Financial Information by Segment
(in millions)

	1988	1987	1986
Total sales and operating revenues:			
Broadcasting	$632.8	$600.5	$838.8
Electronic Systems	2,671.9	2,498.1	2,434.6
Energy and Utility Systems	2,749.2	2,702.5	2,882.0
Commercial	1,159.8	1,166.2	1,134.3
Industrial	4,783.7	3,988.4	3,753.0
Financing Services	780.6	653.0	639.1
Other	115.7	103.1	97.6
	12,893.7	11,711.8	11,779.4
Intersegment sales	(394.2)	(379.8)	(409.3)
Total sales and operating revenues	$12,499.5	$11,332.0	$11,370.1
Operating profit:			
Broadcasting	$148.0	$137.4	$149.9
Electronic Systems	262.7	224.5	216.1
Energy and Utility Systems	280.4	274.1	294.4
Commercial	105.7	116.1	108.5
Industrial	313.0	224.4	125.0
Financing Services	137.3	137.6	66.6
Other	(26.4)	(38.7)	(22.9)

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	1988	1987	1986
Segment identifiable assets:			
Broadcasting	$425.9	$383.4	$313.9
Electronic Systems	1,538.4	1,110.9	1,132.2
Energy and Utility Systems	1,975.4	1,886.5	1,960.7
Commercial	754.9	854.8	840.9
Industrial	2,731.0	2,271.1	1,828.2
Financing Services	7,287.1	6,220.2	5,730.0
Other	184.0	179.3	149.5

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Other Financial Data
(in millions)

	1988	1987	1986
Depreciation and amortization:			
Broadcasting	$18.5	$20.2	$84.0
Electronic Systems	82.3	71.4	62.3
Energy and Utility Systems	93.5	98.8	95.1
Commercial	22.8	24.9	23.7
Industrial	97.3	84.2	66.3
Financing Services	9.7	5.8	5.1
Other	23.4	18.5	39.6
Total depreciation and amortization	$347.5	$323.8	$376.1
Capital expenditures:			
Broadcasting	$21.3	$20.8	$45.0
Electronic Systems	109.9	108.8	98.5
Energy and Utility Systems	113.7	108.5	134.4
Commercial	27.7	43.1	46.1
Industrial	136.8	126.9	108.9
Financing Services	1.8	1.3	2.1
Other	10.6	10.5	6.8
Total capital expenditures	$421.8	$419.9	$441.8

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Note 20. Westinghouse Financial Services, Inc. and Consolidated Subsidiaries

The following condensed financial statements of Westinghouse Financial Services, Inc. (WFSI) and its consolidated subsidiaries, include the results of Westinghouse Communities, Inc. for 1988. On a consolidated basis, Westinghouse Communities is reported as part of the Commercial segment in non-financing operations. Intercompany transactions which are not material between WFSI and its parent, Westinghouse Electric Corporation, have not been eliminated in the following statements.

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Condensed Consolidated Balance Sheet
(in millions)

At December 31	1988	1987
Cash and marketable securities	$598.2	$767.3
Receivables, net	6,276.2	5,227.1
Other assets	732.9	225.8
Total assets	$7,607.3	$6,220.2
Short-term debt	$3,293.0	$2,500.3
Long-term debt	2,629.6	2,527.6
Other liabilities	552.4	459.8
Shareholders' equity	1,132.3	732.5
Total liabilities and shareholders' equity	$7,607.3	$6,220.2

Condensed Consolidated Statement of Income
(in millions)

Year Ended December 31	1988	1987	1986
Earned income and other revenues	$933.9	$663.0	$680.3
Interest expense	(458.4)	(394.8)	(379.1)
Provision for losses	(87.2)	(33.4)	(111.0)
Other expenses	(166.6)	(86.5)	(82.2)
Income taxes	(62.8)	(52.3)	(3.1)
Net income	$158.9	$96.0	$104.9

Additional information concerning Westinghouse Credit Corporation, a principal subsidiary of Westinghouse Financial Services, Inc., is included in its 1988 Annual Report.

III

OTHER PRESENTATIONS OUTSIDE THE NOTES

Line item segregation is not the only approach used by companies to present financial information about consolidated subsidiaries. Some companies present the subsidiary information in columns next to the consolidated amount columns in the consolidated financial statements. Other companies present the information in a section of the annual report separate from the consolidated financial statements and the notes and refer to the information in the notes. Additional financial information about such subsidiaries is presented in the notes.

Below are four examples of the types of presentations described above of financial information about consolidated subsidiaries with nonhomogeneous operations.

GENERAL ELECTRIC COMPANY, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Consolidation and Financial Statement Presentation. In 1988, GE was required to adopt two new Statements of Financial Accounting Standards (SFAS): SFAS No. 94—"Consolidation of All Majority-owned Subsidiaries"; and. . . .

Consolidation. The consolidated financial statements now represent the adding together of all companies in which General Electric Company directly or indirectly has a majority ownership or otherwise controls ("affiliated companies"). In the past, results of financial services affiliates—the principal one being General Electric Financial Services, Inc. (GEFS or GE Financial Services) and its affiliated companies—were included on the equity basis as one line in total earnings and net assets. This was permissible under prior rules and, because financial services operations are so different in nature from and essentially unrelated to operations of other GE businesses, management believed that financial statements were more understandable if GEFS' statements were shown separately. It should be emphasized that, using the new consolidation procedure, consolidated net earnings and share owners' equity are unchanged for all periods presented. However, substantially more detail is required under the new standard than under rules previously in effect. Also as a result of this change, the Company adopted an unclassified consolidated statement of financial position.

Management believes it is important to preserve as much as possible the identity of the principal financial data and related measurements to which share owners and others have become accustomed over the years. Accordingly, consolidated financial statements and notes now are generally presented in a format that includes data grouped basically as follows:

- GE—this is essentially the former basis of consolidation except that it includes some very small financial services affiliates previously not consolidated. The effect of transactions among companies within this group has been eliminated. Where appropriate for clarification or emphasis, particularly in the notes, this group of entities also is referred to as "GE except GEFS."
- GEFS—this affiliate owns all of the common stock of General Electric Capital Corporation (GECC or GE Capital) and of Employers Reinsurance Corporation (ERC) and 80% of the stock of Kidder, Peabody Group Inc. (Kidder, Peabody). These affiliates and their respective affiliates are consolidated in the GEFS columns with the effect of transactions among them eliminated before the consolidated presentation.
- Consolidated—these columns represent the adding together of GE and GEFS. However, it is necessary to remove the effect of transactions between GE except GEFS and GEFS to arrive at a consolidated total. The "eliminations" used to arrive at these consolidated totals are summarized below.

[Ed. Note: For each year presented, three columns appeared opposite the captions in the balance sheet, income statement, and statement of cash flows. The columns were titled "GE," "GEFS," and "CONSOLIDATED." The columns for GEFS are presented in this survey below.]

Eliminations *(In millions)*	1988	1987	1986
Statement of Earnings			
Sales of goods	$(5)		
Sales of services	(26)	(8)	(5)
Other income	(5)	6	6
Earnings of GEFS	(788)	(552)	(504)
Earned income	(34)	(29)	(23)
Total revenues	(858)	(583)	(526)
Cost of goods sold	(5)		
Cost of services sold	(26)	(8)	(5)
Interest and other financial charges	(29)	(10)	(9)
Other costs and expenses	(10)	(13)	(8)
Total costs and expenses	(70)	(31)	(22)
Earnings before income taxes, extraordinary item and cumulative effect of accounting change	(788)	(552)	(504)
Extraordinary item		62	
Income tax accounting change		(518)	
Net earnings	$(788)	$(1,008)	$(504)
Statement of Financial Position			
GE current receivables	$(330)	$(37)	
GEFS financing receivables	(107)	(92)	
Other GEFS receivables	(107)	(183)	
Investment in GEFS	(4,819)	(3,980)	
Total assets	$(5,363)	$(4,292)	
Short-term borrowings	$(170)	$(85)	
Accounts payable	(264)	(216)	
Long-term borrowings	(110)	(11)	
Total liabilities	(544)	(312)	
GEFS equity	(4,819)	(3,980)	
Total liabilities and equity	$(5,363)	$(4,292)	
Statement of Cash Flows			
Net earnings (operating activities)	$(13)	$(213)	$483
Investing activities	(171)	243	(508)
Financing activities	184	(30)	25

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Virtually all products financed by GECC are manufactured by companies other than GE.

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Note 33. Industry Segment Details

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(In millions)	Assets At December 31		
	1988	1987	1986
GE			
Aerospace	$3,838	$3,943	$2,253
• • • •			
Investment in GEFS	4,819	3,980	2,994
All Other	1,122	2,046	2,193
Corporate Items and Eliminations	3,379	2,707	3,316
Total GE	$41,283	$38,300	$34,411
GEFS			
Financing	$44,874	$34,163	$25,867
Insurance	7,849	6,481	5,517
Securities Broker–Dealer	21,891	20,041	22,181
All Other	331	721	258
Total GEFS	74,945	61,406	53,823
Eliminations	(5,363)	(4,292)	(3,416)
Consolidated totals	$110,865	$95,414	$84,818

(In millions)	Property, plant and equipment (including equipment leased to others) For the years ended December 31					
	Additions			Depreciation, depletion and amortization		
	1988	1987	1986(a)	1988	1987	1986
GE						
Aerospace	$208	$178	$311	$170	$151	$111
• • • •						
Investment in GEFS						
All Other	5	72	417	17	62	56
Corporate Items and Eliminations	91	48	175	102	83	53
Total GE	$2,288	$1,778	$3,680	$1,522	$1,544	$1,460
GEFS						
Financing	$1,738	$503	$701	$695	$325	$337
Insurance	26	3	4	6	4	4
Securities Broker–Dealer	19	60	40	32	28	13
All Other	14	13	19	11	12	11
Total GEFS	1,797	579	764	744	369	365
Eliminations						
Consolidated totals	$4,085	$2,357	$4,444	$2,266	$1,913	$1,825

(a) Includes $1,638 million acquired with RCA.

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General Electric Company and Consolidated Affiliates
For the Years Ended December 31
Summary of Industry Segments

For the years ended December 31 (In Millions)	1988	1987	1986	1985	1984
Revenues					
GE					
Aerospace	$5,343	$5,262	$4,318	$3,085	$2,622
• • • •					
Earnings of GEFS	788	552	504	413	329
All Other	394	3,176	3,379	1,071	1,762
Corporate Items and Eliminations	(1,477)	(1,287)	(1,077)	(903)	(990)
Total GE	40,292	40,516	36,725	29,252	28,931
GEFS					
Financing	5,827	3,507	2,594	2,469	2,093
Insurance	2,469	2,206	2,017	1,329	831
Securities Broker–Dealer	2,316	2,491	1,176		
All Other	43	21	27	7	9
Total GEFS	10,655	8,225	5,814	3,805	2,933
Eliminations	(858)	(583)	(526)	(433)	(422)
Consolidated revenues	$50,089	$48,158	$42,013	$32,624	$31,442
Operating profit					
GE					
Aerospace	$640	$603	$608	$437	$332
• • • •					
Earnings of GEFS	788	552	504	413	329
All Other	168	72	162	376	797
Total GE	5,715	4,440	4,310	4,068	3,779
GEFS					
Financing	899	636	(99)	501	444
Insurance	325	172	123	45	3
Securities Broker–Dealer	64	(23)	83		
All Other	(261)	(213)	(168)	(122)	(93)
Total GEFS	1,027	572	(61)	424	354
Eliminations	(802)	(562)	(513)	(420)	(339)
Consolidated operating profit	5,940	4,450	3,736	4,072	3,794
GE interest and financial charges (net of eliminations)	(655)	(635)	(616)	(354)	(325)
GE items not traceable to segments	(564)	(588)	7	(287)	(175)
Earnings before income taxes, extraordinary item and cumulative effect of changes in accounting principles	$4,721	$3,227	$3,127	$3,431	$3,294

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. . . operating profit of GEFS includes the effect of interest and discount, which is the largest element of GEFS' operating costs.

A description of each of the Company's industry segments follows.

• • • •

GE

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GEFS

The business of General Electric Financial Services, Inc. (GEFS) consists of the ownership of three affiliates that, together with their affiliates and other investments, constitute General Electric Company's principal financial services activities. GEFS owns all of the common stock of General Electric Capital Corporation (GECC) and of Employers Reinsurance Corporation (ERC) and owns 80% of Kidder, Peabody Group Inc. (the other 20% is held by or on behalf of certain Kidder, Peabody officers).

For industry segment purposes, Financing consists solely of activities of GECC; Insurance consists principally of activities of ERC but also includes certain insurance entities owned by GECC; Securities Broker–Dealer consists entirely of Kidder, Peabody's operations; and All Other is mainly GEFS' corporate activities not identifiable with specific industry segments.

Additional information about each GEFS segment follows.

- Financing activities of GECC include time sales, revolving credit and inventory financing for retail merchants (major appliances, television sets, furniture and other home furnishings, and personal computers); automobile leasing and automobile inventory financing; home and recreation financing (principally time sales and dealer inventory financing of mobile homes); commercial and industrial loans and equipment sales financing provided through leases, time sales and loans; leasing services for third-party investors; and commercial and residential real estate financing. Acquisition of Montgomery Ward & Co.'s credit operations in June 1988 added to GECC's earning assets, particularly in credit card operations. GE Capital also is an equity investor in certain other service and financial services organizations and participates in leveraged buyouts. Although leasing has been a major factor in GECC's growth in recent years, GECC has actively changed its investment portfolio to place greater emphasis on asset ownership, management and operation. Virtually all products financed by GECC are manufactured by companies other than GE.
- Insurance consists mainly of ERC, a multiple-line property and casualty reinsurer that writes all lines of reinsurance other than title and annuities. ERC reinsures property and casualty risks written by more than 1,000 domestic and foreign insurers and augments its foreign business through subsidiaries located in the United Kingdom and, since January 1988, in Denmark. By way of other subsidiaries, ERC writes property and casualty reinsurance through brokers and provides reinsurance brokerage services. ERC also writes certain specialty lines of insurance on a direct basis, principally excess workers' compensation for self-insurers, libel and allied torts, and errors and omissions coverage for insurance agents and brokers. It is licensed in all states of the United States, the District of Columbia, certain provinces of Canada and in other jurisdictions. ERC's business is generally subject to regulation by various insurance regulatory agencies. Lesser insurance activities of GEFS include certain GECC affiliates that provide private mortgage insurance, life reinsurance and, for GECC customers, credit life and certain types of property/casualty insurance.
- Securities Broker–Dealer represents Kidder, Peabody, which is a major investment banking and securities firm. Principal businesses include securities underwriting; sales and trading of equity and fixed income securities; financial futures activities; advisory services for mergers, acquisitions and other corporate finance matters; merchant banking; research services; and asset management. These services are provided in the United States and abroad to domestic and foreign business entities, governments, government agencies, and individual and institutional investors. Kidder is a member of the principal domestic securities and commodities exchanges and is a primary dealer in United States government securities. Certain affiliates of Kidder, Peabody are subject to the rules and regulations of various federal, state and industry regulatory agencies that apply to securities Broker–Dealers, including the U.S. Securities and Exchange Commission, U.S. Commodity Futures Trading Commission, New York Stock Exchange, National Association of Securities Dealers and the Chicago Board of Trade.

*[**Ed. Note:** The following columns in the balance sheet, income statement, and cash flows statement pertained to GEFS.]*

Statement of Financial Position

At December 31 *(In millions)*	GEFS 1988	GEFS 1987
Assets Cash (note 12)	$633	$709
Marketable securities carried at cost (note 13)	5,430	4,495
Marketable securities carried at market (note 14)	5,089	4,000
Securities purchased under agreements to resell	13,811	12,889
GEFS financing receivables (investment in time sales, loans and financing leases)—net (note 17)	35,939	27,931
Other GEFS receivables (note 18)	4,806	4,641
Property, plant and equipment (including equipment leased to others)—net (note 19)	4,251	3,718
Intangible assets (note 20)	1,568	1,318
All other assets (note 21)	3,418	1,705
Total assets	$74,945	$61,406
Liabilities and equity short-term borrowings (note 22)	$28,731	$22,848
Accounts payable (note 23)	4,132	3,329
Securities sold under agreements to repurchase	13,864	13,187
Securities sold but not yet purchased, at market (note 24)	2,088	1,407
Long-term borrowings (note 26)	10,862	8,037
Reserves of insurance affiliates	4,177	3,549
All other liabilities (note 27)	1,505	1,237
Deferred income taxes	4,014	3,720
Total liabilities	69,373	57,314
Minority interest in equity of consolidated affiliates (note 28)	753	112
Common stock (926,564,000 shares issued)	1	1
Other capital	1,379	1,328
Retained earnings	3,439	2,651
Total share owners' equity (notes 29 and 30)	4,819	3,980
Total liabilities and equity	$74,945	$61,406

Statement of Earnings

For the years ended December 31 *(In millions)*	GEFS 1988	GEFS 1987	GEFS 1986
Revenues			
GEFS earned income from operations (note 5)	$10,655	$8,225	$5,986
Effect of change in tax-rate assumptions for leveraged leases (note 5)			(172)
Total revenues	10,655	8,225	5,814
Costs and expenses (note 6)			
Interest and other financial charges (note 8)	4,177	3,277	2,063
Insurance policy holder losses and benefits	1,501	1,560	1,439
Provision for losses on financing receivables (note 9)	434	290	558
Other costs and expenses	3,484	2,440	1,805
Unusual expenses, including provisions for business restructurings (note 10)		91	
Minority interest in net earnings (loss) of consolidated affiliates	32	(5)	10
Total costs and expenses	9,628	7,653	5,875

For the years ended December 31 *(In millions)*	GEFS 1988	1987	1986
Earnings (loss) before income taxes, extraordinary item and cumulative effect of accounting changes	1,027	572	(61)
(Provision) credit for income taxes (note 11)	(239)	(20)	173
Effect of change in tax-rate assumptions for leveraged leases (note 5)			392
Earnings before extraordinary item and cumulative effect of accounting changes	788	552	504
Extraordinary item (note 26)		(62)	
Cumulative effect to January 1, 1987 of accounting changes: Initial application of Statement of Financial Accounting Standards No. 96—"Accounting for Income Taxes" (note 1)		518	
Net earnings	$788	$1,008	$504

Statement of Cash Flows

For the years ended December 31 *(In millions)*	GEFS 1988	1987	1986
Cash flows from operating activities			
Net earnings	$788	$1,008	$504
Adjustments to reconcile net earnings to cash provided from operating activities			
Extraordinary item and cumulative effect of changes in accounting principles		(456)	
Depreciation, depletion and amortization	744	369	365
Earnings retained by GEFS			
Deferred income taxes	339	195	250
Increase in insurance reserves	315	669	852
Provision for losses on financing receivables	434	290	558
Net change in certain Broker–Dealer accounts	(573)	(103)	(1,298)
All other operating activities	1,444	207	421
Cash provided from operating activities	3,491	2,179	1,652
Cash flows from investing activities			
Property, plant and equipment including equipment leased to others			
—additions	(1,797)	(579)	(764)
—dispositions	352	480	419
Net increase in GEFS financing receivables	(5,943)	(4,627)	(3,779)
Payments for principal businesses purchased, net of cash acquired	(541)	(555)	(620)
Proceeds from principal business dispositions			19
All other investing activities	(2,007)	(1,282)	(1,617)
Cash used for investing activities	(9,936)	(6,563)	(6,342)
Cash flows from financing activities			
Net change in borrowings (less than 90-day maturities)	4,249	3,515	4,039
Debt having maturities more than 90 days			
—newly issued	10,291	7,818	6,195
—repayments and other reductions	(8,771)	(6,645)	(5,648)
Sale of preferred stock by GECC	600		
Cash provided from (used for) financing activities	6,369	4,688	4,586
Total cash flows—increase (decrease) in cash and equivalents	$(76)	$304	$(104)

PACIFICORP, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

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In accordance with the Statement of Financial Accounting Standards (FAS) No. 94—"Consolidation of All Majority-owned Subsidiaries," effective December 31, 1988, the Company changed its consolidation policy. The consolidated financial statements now contain the accounts of the Financial Services businesses formerly reported on the equity method. The 1987 and 1986 consolidated financial statements and related footnotes have been restated to reflect this change. The restatement had no effect on the Company's common equity, net income or earnings per share. Summary financial information is reported in the table on page 40 of this report.

*[**Ed. Note:** The summary information on page 40 is presented in this survey below.]*

The consolidated financial statements of the Company encompass two businesses primarily of a utility nature... and two leasing-lending subsidiaries referred to as Financial Services (PacifiCorp Financial Services, Inc. and Paccom Leasing Corporation).

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*[**Ed. Note:** The following information was presented on page 40 of the annual report.]*

Financial Services
(Millions of dollars/for the year)

	1988	1987	1986
REVENUES			
Net financing	$215.8	$129.0	$61.7
Other	14.0	3.4	.2
TOTAL	229.8	132.4	61.9
Interest and debt expense	115.3	58.6	34.1
NET	114.5	73.8	27.8
Depreciation and amortization	11.5	5.3	.7
Other expenses	68.6	41.6	22.0
INCOME FROM OPERATIONS	$34.4	$26.9	$5.1
NET INCOME	$23.4	$21.3	$7.7
Allocated Corporate interest charges, preferred dividends and other	14.8	11.3	3.6
EARNINGS CONTRIBUTION[n1]	$8.6	$10.0	$4.1
Identifiable assets	$2,213	$1,565	$877
Capital spending	$42	$138	$34
Number of employees	634	387	277
FINANCIAL POSITION			
Net investment in finance receivables and leases	$1,846.6	$1,273.2	$816.7
Marketable securities	125.7	139.2	—
Other assets	268.0	180.9	68.0
Short-term notes	662.9	480.4	354.0
Debt due affiliates	9.3	18.5	28.1
Long-term debt	906.0	550.9	239.2
Other liabilities	341.3	240.2	116.8
Preferred stock	40.0	40.0	40.0
Common equity	280.8	263.3	106.6

	1985	1988 to 1987 Percentage Comparison	3-Year Compound Annual Growth
REVENUES			
Net financing	$19.5	67%	123%
Other		*	
TOTAL	19.5	74	128
Interest and debt expense	9.4	97	131
NET	10.1	55	125
Depreciation and amortization	.3	117	*
Other expenses	7.7	65	107
INCOME FROM OPERATIONS	$2.1	28	154
NET INCOME	$1.8	10	135
Allocated Corporate interest charges, preferred dividends and other	(.6)	31	*
EARNINGS CONTRIBUTION[n1]	$2.4	(14)	53
Identifiable assets	$457	41	69
Capital spending	$145	(70)	(34)
Number of employees	207	64	45
FINANCIAL POSITION			
Net investment in finance receivables and leases	$422.7	45	63
Marketable securities	—	(10)	*
Other assets	39.9	48	89
Short-term notes	195.5	38	50
Debt due affiliates	21.3	(50)	(24)
Long-term debt	128.3	64	92
Other liabilities	34.7	42	114
Preferred stock	1.0	—	*
Common equity	81.8	7	51

*Not a meaningful number.

[n1]Does not reflect income taxes on a separate-company basis. PacifiCorp Financial Services, Inc. is compensated for certain tax benefits regardless of when the company can utilize these benefits.

TEMPLE-INLAND INC., DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Note A. Summary of Significant Accounting Policies
Basis of Consolidation

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Included as an integral part of the consolidated financial statements are separate summarized financial statements and notes for the Company's primary business groups as well as the significant accounting policies unique to each group.

[Ed. Note: The summarized financial statements referred to include financial statements for Temple-Inland Financial Services Group. Those financial statements are presented below.]

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Note B. Investments in Affiliated Companies

In 1988, the Company adopted FASB Statement No. 94, "Consolidation of All Majority-Owned Subsidiaries." Accordingly, the wholly-owned subsidiaries of the Company have been consolidated in the accompanying financial statements, which have been restated for 1987 and 1986. These subsidiaries consist primarily of those in the Temple-Inland Financial Services Group. Before adopting Statement 94, the Company accounted for these subsidiaries using the equity method of accounting. The change in accounting policy had no effect on shareholders' equity or net income. Concurrent with this change, the Company has adopted an unclassified balance sheet.

As a result of adopting Statement 94, the Company included in its results of operations for 1988, 1987 and 1986, respectively, revenues of $326 million, $336 million and $346 million, and expenses of $331 million, $329 million and $313 million, and in its financial position for 1988 and 1987, respectively, assets and liabilities of $1.4 and $1.3 billion, from these subsidiaries net of intercompany amounts.

Note G. Business Segment Information

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Results of operations including information regarding the Company's principal business segments are shown below.

Business Segments for the year	1988	1987	1986	1985	1984
			(in millions)		
Revenues					
Container and containerboard	$1,093.1	$964.2	$721.7	$684.2	$665.3
Pulp and paperboard	336.0	292.5	264.9	256.7	284.5
Building products:					
Manufacturing	278.4	290.7	251.0	226.9	226.6
Retail	33.8	32.1	30.5	41.1	68.7
Other activities[n1]	32.2	23.2	27.7	34.2	17.8
Manufacturing Net Sales	1,773.5	1,602.7	1,295.8	1,243.1	1,262.9
Financial services	325.6	336.2	346.3	231.4	152.3
Total Revenues	$2,099.1	$1,938.9	$1,642.1	$1,474.5	$1,415.2
Income Before Taxes					
Container and containerboard	$221.3	$150.8	$38.8	$49.7	$74.8
Pulp and paperboard	82.7	53.4	29.4	19.8	46.8
Building products:					
Manufacturing	24.1	36.8	36.2	23.5	40.2
Retail	.5	(.3)	(.3)	(1.0)	.7
Other activities[n1]	1.2	—	(5.8)	2.5	(3.2)
Operating profit	329.8	240.7	98.3	94.5	159.3
Financial services	(5.6)	7.6	33.0	25.3	15.2
	324.2	248.3	131.3	119.8	174.5

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[n1]Primarily industrial contracting.

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Additional business segment information is presented below.

For the year	1988	1987	1986
		(in millions)	
Identifiable Assets			
Container and containerboard	$967.9	$841.7	$901.5
Pulp and paperboard	245.6	252.0	255.3
Building products	187.1	209.4	183.2
Timber and timberlands	377.8	376.7	220.7
Corporate	89.7	26.5	54.7
Other activities	46.7	27.4	27.9
	1,914.8	1,733.7	1,643.3
Financial services	1,455.5	1,338.3	1,246.0
Total	$3,370.3	$3,072.0	$2,889.3

For the year	1988	1987	1986
		(in millions)	
Depreciation, Amortization and Depletion			
Container and containerboard	$52.1	$34.9	$30.0
Pulp and paperboard	28.8	30.0	29.7
Building products	18.8	16.9	14.4
Timber and timberlands	10.9	11.2	3.9
Other activities	1.5	1.1	1.3
	112.1	94.1	79.3
Financial services	3.2	2.7	2.3
Total	$115.3	$96.8	$81.6

***[Ed. Note:** The following financial statements were presented outside the notes.]*

Temple-Inland Financial Services Group
Summarized Statements of Cash Flows

For the year	1988	1987	1986
		(in thousands)	
Cash Provided by (Used for) Operations			
Net income	$(3,863)	$4,899	$22,695
Adjustments to reconcile net income to net cash:			
Depreciation	3,230	2,669	2,328
Deferred taxes and tax credits	2,217	2,541	1,075
Receivables and accrued investment income	(11,337)	(8,205)	(10,004)
Future policy benefit reserves	86,504	65,173	199,281
Deferred policy acquisition costs	(3,343)	(3,669)	(17,445)
Cost of insurance acquired	4,758	8,273	7,185
Real estate held for development and sale	2,474	(6,978)	(3,069)
Realized investment gains	(3,909)	(15,392)	(18,579)
Receivable from mortgage insurers	12,824	4,284	(14,582)
Loan inventory	(12,670)	61,511	(24,776)
Accounts payable and accrued expenses	2,564	(8,681)	(441)
Amortization of discounts on investments	(1,153)	(1,713)	8,565
Other	1,228	(1,170)	(6,718)
	79,524	103,542	145,515
Cash Provided by (Used for) Investments			
Purchase of investments	(768,280)	(349,555)	(350,766)
Sale or maturity of investments	695,470	275,456	205,974
Short-term investments	(5,268)	18,894	(9,706)
Capital expenditures	(4,852)	(612)	(3,120)
Sale of property and equipment, net	117	—	—
Purchase of Kilgore Savings and Loan	—	(9,995)	—
Policy loans	3,022	10,883	(5,661)
	(79,791)	(54,929)	(163,279)
Cash Provided by (Used for) Financing			
Net increase in deposits	35,867	—	—
Additions to long-term debt	5,249	33,445	70,707
Payments of long-term debt	(31,119)	(88,727)	(24,047)
Dividends	—	—	(9,000)
Sale of preferred stock	—	2,270	(10,000)
	9,997	(53,012)	27,660
Net Increase (Decrease) in Cash	9,730	(4,399)	9,896
Cash at beginning of year	9,351	13,750	3,854
Cash at end of year	$19,081	$9,351	$13,750

See the notes to the Temple-Inland Financial Services Group summarized financial statements.

***[Ed. Note:** See p. 49.]*

Temple-Inland Financial Services Group
Summarized Balance Sheets

At year end	1988	1987
	(in thousands)	
ASSETS		
Cash	$19,081	$9,351
Investments—Note D	1,069,095	994,577
Receivables, net of reserve of $4,392 in 1988 and $3,187 in 1987	57,853	59,511
Accrued Investment Income	17,669	17,947
Loan Inventory	42,528	29,858
Real Estate Held for Sale	65,082	36,460
Income-Producing Properties—net of allowances of $2,541 in 1988 and $2,246 in 1987	11,325	8,543
Property and Equipment—net of accumulated depreciation of $9,706 in 1988 and $8,007 in 1987	17,429	18,782
Deferred Policy Acquisition Costs	47,888	44,545
Cost of Insurance Acquired	26,062	30,820
Excess of Cost Over Net Assets Acquired	26,030	26,762
Separate Account Assets	30,528	32,275
Other Assets	24,907	28,870
TOTAL ASSETS	$1,455,477	$1,338,301
LIABILITIES		
Future Policy Benefit Reserves	$917,871	$831,367
Policy and Contract Claims	10,204	12,134
Policyholders' Funds	6,243	6,994
Short-Term Borrowings—Note C	207,119	202,325
Long-Term Debt—Note C	24,656	29,961
Deferred Federal Income Taxes	31,248	31,354
Deposits	114,740	78,873
Liabilities Related to Separate Accounts	30,528	32,275
Other Liabilities	51,698	47,985
TOTAL LIABILITIES	1,394,307	1,273,268
SHAREHOLDERS' EQUITY	61,170	65,033
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,455,477	$1,338,301

See the notes to the Temple-Inland Financial Services Group summarized financial statements.

*[**Ed. Note:** See p. 49.]*

Temple-Inland Financial Services Group
Summarized Statements of Income

For the year	1988	1987	1986
		(in thousands)	
Revenues			
Premiums	$189,454	$191,539	$195,807
Other	136,118	144,660	150,466
	325,572	336,199	346,273
Costs and Expenses			
Operating costs	316,879	313,360	298,331
Interest expense	14,316	15,218	14,908
	331,195	328,578	313,239
Income (Loss) Before Taxes	(5,623)	7,621	33,034
Taxes on income	(1,760)	2,722	10,339
Net Income (Loss)	$(3,863)	$4,899	$22,695

See the notes to the Temple-Inland Financial Services Group summarized financial statements.

*[**Ed. Note:** See below.]*

Notes to the Temple-Inland Financial Services Group Summarized Financial Statements

Note A. Summary of Significant Accounting Policies

Basis of Presentation. The Temple-Inland Financial Services Group summarized financial statements include the mortgage banking, Kilgore Federal Savings and Loan, real estate development and insurance activities. All material intercompany amounts and transactions have been eliminated. These financial statements should be read in conjunction with the Temple-Inland Inc. consolidated financial statements.

Investments. Bonds, notes, redeemable preferred stocks and mortgage loans on real estate are carried at amortized cost (which approximates market), other preferred and common stocks at quoted market values, real estate loans at unpaid balance adjusted for amortization of discounts and policy loans at the respective unpaid balances.

Realized gains or losses from the sale of investments and any related Federal income taxes are included in the determination of net income. The "specific identification" method is used to determine cost of investments sold.

Recognition of Premium Income. Insurance premiums include assumptions for expected issuance and maintenance expenses, benefit reserve requirements and profit. Individual life, annuity and individual health premiums are recognized as revenue over the premium-paying period of the policies; group life and group health premiums are earned pro-rata over the terms of the policies. Universal life insurance premiums are recognized as premium income when received. Profits on universal life insurance are recognized in proportion to anticipated margins, as adjusted for actual experience.

Deferred Policy Acquisition Costs. Certain costs of acquiring new insurance policies have been deferred. Such costs include commissions, certain expenses of policy issuance and underwriting and other costs which vary with and are primarily related to the production of new business. These deferred policy acquisition costs are being amortized over the revenue producing period of the related policies using assumptions consistent with those used in computing future policy benefit reserves. Such charges to expense total $12 million, $17 million and $24 million in 1988, 1987 and 1986, respectively.

Future Policy Benefit Reserves. Life insurance future policy benefit reserves have been calculated using a net-level method based on reasonable assumptions for investments yields, mortality and withdrawals which contemplate the risk of adverse deviation. Universal life insurance future policy benefit reserves are carried at accumulated contract values. Future policy benefit reserves for annuities, other than structured settlements, are generally carried at accumulated values. Structured settlement annuities future policy benefit reserves are calculated based on the present value of estimated payments under terms of the contract.

In late 1987, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments," effective for fiscal years beginning after December 15, 1988. The Company intends to adopt the new standards for its year ending December 31, 1989 and believes it will have little impact on financial position and results of operations.

Real Estate Held for Development and Sale. Real estate held for sale and development is carried at the lower of cost or market. Interest on indebtedness, property taxes, improvements and other development costs are capitalized during the development phase.

Reinsurance. Total future policy benefit reserves are shown after deduction for reinsurance ceded to other companies on a coinsurance and yearly renewable term basis. Contingent liabilities exist with respect to this reinsurance in the event that these reinsurance companies should be unable to meet their contractual obligations.

Note B. Leases

Total rental expense was $1.6 million, $2.4 million and $2.8 million for the years 1988, 1987 and 1986, respectively.

The future minimum rental commitments, as of year end 1988, under non-cancellable operating leases were as follows: 1989—$.8 million; 1990—$.6 million; 1991—$.5 million; 1992—$.4 million; and 1993—$.3 million.

Note C. Short-Term Borrowings and Long-Term Debt

Short-term borrowing consists of the following:

	1988	1987
	(in thousands)	
Short-term borrowings:		
Secured	$205,748	$193,625
Unsecured	1,371	8,700
	$207,119	$202,325

Long-term debt consists of the following:

	1988	1987
	(in thousands)	
Long-term debt (at varying interest rates which approximate prime):		
Notes payable to banks	$12,412	$8,502
Other indebtedness	12,244	21,459
	$24,656	$29,961

To offset a portion of the floating rate characteristic of the bank borrowings, the Financial Services Group negotiated an interest rate conversion agreement for an aggregate amount of $70 million. Under this agreement, the Group is required to pay interest at a fixed rate of 10.2% annually. In return, the Group receives interest payments on an equal balance calculated at the 90-day LIBOR rate. This agreement expires in 1990.

Aggregate maturities of the Group's long-term debt during the next five years are as follows (in millions): 1989—$7.0; 1990—$12.6; 1991—$.2; 1992—$.2; 1993—$.2.

Note D. Investments and Net Investment Income

Investments consist of the following:

	1988	1987
	(in thousands)	
Investments:		
Fixed maturities	$669,912	$578,872
Equity securities	34,072	31,572
Real estate loans	221,754	266,168
Short-term investments	74,447	46,033
Policy loans	68,910	71,932
	$1,069,095	$994,577

The following schedule summarizes the components of net investment income:

	1988	1987	1986
		(in thousands)	
Investment income from:			
Fixed maturities	$60,742	$50,544	
Equity securities	1,027	1,238	900
Mortgage loans	19,839	23,544	25,034
Investment real estate	1,912	533	690
Short-term investments	2,330	1,063	1,329
Policy loans	4,110	4,501	4,741
	89,960	87,423	83,359
Investment expenses	(2,887)	(1,778)	(1,243)
Net investment income	$87,073	$85,645	$82,116

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation. In 1988 the Company retroactively adopted the provisions of Statement of Financial Accounting Standards No. 94 which requires the consolidation of all majority-owned subsidiaries. Accordingly, the consolidated financial statements now include the accounts of Xerox Financial Services, Inc. and the Company's other previously unconsolidated financial services and real estate subsidiaries. Under the new rules prior years' net income and shareholders' equity remain unchanged; however, substantially all other data have been restated to reflect the new basis of consolidation. Additional information regarding subsidiaries that are being consolidated for the first time may be found in Notes 8 and 9. Investments in corporate joint ventures, and other companies in which the Company has a 20% to 50% ownership, continue to be accounted for by the equity method.

Rank Xerox Limited, Rank Xerox Holding B.V. and their respective subsidiaries and the other subsidiaries jointly-owned by the Company and The Rank Organization Plc are referred to as Rank Xerox Companies.

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8. Xerox Financial Services, Inc.

Xerox Financial Services, Inc. (XFSI) is the holding company for the Company's wholly owned domestic financial services subsidiaries engaged in property and casualty and life insurance (Crum and Forster, Inc.), financing activities (Xerox Credit Corporation), and investment banking (Van Kampen Merritt Inc. and Furman Selz Holding Corporation).

The income (loss) from the continuing operations of the XFSI companies included in XFSI's consolidated statements of income for the years ended December 31, 1988, 1987 and 1986 differ from the Xerox Financial Services amounts reported on page 27.

*[**Ed. Note:** The amounts reported on page 27 are presented below].*

The amounts shown on that page reflect the allocation of Xerox Corporation interest expense associated with debt incurred to finance the acquisition of Van Kampen Merritt Inc. and the acquisition of, and subsequent capital infusions into, Crum and Forster, Inc. (C&F). The amounts shown *[below]* reflect the income or loss from continuing operations of the respective XFSI legal entities.

(In millions)	1988	1987	1986
Crum and Forster, Inc.	$305	$269	$189
Xerox Credit Corporation	105	83	84
Van Kampen Merritt Inc.	20	14	25
Furman Selz Holding Corporation	7	1	
Xerox Financial Services, Inc.	(43)	(25)	(20)
Total	$394	$342	$278

During 1987, XFSI acquired all of the outstanding common stock of Furman Selz Holding Corporation, a research, brokerage and investment banking firm which operates in the equity investments markets. The acquisition was accounted for as a purchase. The purchase price of approximately $110 million exceeded the fair value of the net assets acquired by approximately $79 million.

Condensed Financial Statements

Condensed consolidated financial statements for XFSI follow:

Condensed Consolidated Statements of Income

(In millions)	Year ended December 31 1988	1987	1986
Revenues			
Insurance premiums earned	$3,498	$3,241	$2,662
Investment and other income	750	613	524
Finance and investment banking income	564	419	355
Realized capital gains	153	166	199
Total Revenues	4,965	4,439	3,740
Costs and Expenses			
Insurance losses and loss expenses	2,754	2,640	2,292
Insurance acquisition costs and other insurance operating expenses	1,148	965	818
Interest expense	290	211	188
Administrative and general expenses	304	239	195
Total Costs and Expenses	4,496	4,055	3,493
Income before Income Taxes	469	384	247
Provisions for Income Taxes (Benefits)	75	42	(31)
Income from Continuing Operations	394	342	278
Discontinued Operations			(51)
Accounting Change for Pension Costs			42
Net Income	$394	$342	$269

Condensed Consolidated Balance Sheets

(In millions)	December 31 1988	1987	1986
Assets			
Investments	$7,960	$6,497	$5,489
Cash	67	57	47
Finance receivables, net	3,682	2,856	2,133
Premiums receivable, net	752	750	751
Reinsurance recoverable and other receivables, net	787	681	424
Deferred policy acquisition costs	318	273	192
Other assets	1,374	1,073	1,177
Cost of acquired businesses in excess of net assets	1,060	1,069	1,008
Total Assets	$16,000	$13,256	$11,221
Liabilities and Shareholders' Equity			
Liabilities			
Unearned premiums	$1,214	$1,305	$1,130
Unpaid losses and loss expenses	5,685	5,189	4,314
Policyholders' funds on deposit	1,160	333	24
Short and long-term debt	3,582	2,561	1,781
Other liabilities	1,309	1,201	1,442
Total Liabilities	12,950	10,589	8,691
Shareholders' Equity	3,050	2,667	2,530
Total Liabilities and Shareholders' Equity	$16,000	$13,256	$11,221

Condensed Consolidated Statements of Cash Flows

(In millions)	Year ended December 31 1988	1987	1986
Net Cash Flows from Operating Activities:			
Income from continuing operations	$394	$342	$278
Reconciliation of income from continuing operations to cash provided by continuing operations:			
Increase in unpaid losses and loss expenses	545	897	719
Increase (decrease) in unearned premiums	(90)	174	310
Other	99	92	145
Cash provided by operating activities	948	1,505	1,452
Increase in premiums and other receivables	(108)	(243)	(42)
Decrease in liabilities and other, net	(189)	(323)	(594)
Cash used by operating activities	(297)	(566)	(636)
Total	651	939	816
Cash Flows from Investing Activities:			
Net investment in finance receivables	(826)	(715)	(209)
Purchase of investments	(4,017)	(3,915)	(3,685)
Proceeds from sales of investments	2,938	3,084	2,882
Net increase in short-term investments	(204)	(112)	(63)
Businesses acquired and advances to affiliates	(10)	(344)	
Net investment in equipment on operating leases and land, buildings and equipment	(95)	(109)	(31)
Total	(2,214)	(2,111)	(1,106)
Cash Flows from Financing Activities:			
Net increase in short- and long-term debt	776	994	394
Net increase in policyholders' funds on deposit	827	309	24
Dividends paid to Xerox Corporation	(30)	(121)	(108)
Total	1,573	1,182	310
Cash Increased During the Year	10	10	20
Cash at Beginning of Year	57	47	27
Cash at End of Year	$67	$57	$47

New Accounting Pronouncements. Statement No.97—Effective January 1, 1988, C&F retroactively adopted Statement of Financial Accounting Standards No.97—"Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." The Statement requires C&F to exclude from revenues any earned premiums on life insurance policies that do not subject C&F to significant mortality or morbidity risks but, in substance, represent an investment by the policyholders. Net income was not affected because there was an offsetting decrease in operating expenses. Statement No. 97 also changes the income statement presentation of realized capital gains and losses resulting from C&F's sale of portfolio investments by requiring such gains and losses to be reported on a pre-tax basis as a component of income from continuing operations.

In accordance with Statement No. 97, the Company's consolidated financial statements and XFSI's condensed consolidated financial statements have been restated. Accordingly, insurance premiums earned and insurance losses and loss expenses for 1987 and 1986 have been reduced by $302 million and $23 million, respectively, to reflect the change in accounting for life insurance premiums. Also realized capital gains, previously reported on a net-of-tax basis, are now included in revenue at their corresponding pre-tax amounts. The provisions for income taxes have correspondingly been increased.

Statement No. 91—Also effective January 1, 1988, Xerox Credit Corporation (XCC) prospectively adopted Statement of Financial Accounting Standards No. 91—"Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." The Statement modifies the timing of the recognition of fees and related costs of lease origination. The Statement also eliminates XCC's existing practice of recognizing as earned income, at the time of purchase, a portion of the finance charge to offset the provision for losses on certain finance receivables. The provisions of this Statement do not materially affect 1988 net income.

Statement Nos. 87 and 88—In 1986, the Company adopted Statements of Financial Accounting Standards Nos. 87 and 88 which established standards for the determination of pension costs and for the settlement of pension plan obligations. In accordance with these standards, in 1986 C&F recognized a net-of-tax gain of $42 million related to the 1985 termination of its pension plan. This accounting change is more fully discussed in Note 10.

Crum & Forster, Inc. C&F's insurance subsidiaries are restricted by insurance laws as to the amount of dividends they may pay without the approval of regulatory authorities. There are additional restrictions with regard to the amount of loans and advances that C&F's subsidiaries may make to C&F. These restrictions indirectly limit the payment of dividends and the making of loans and advances by C&F, through XFSI, to the Company. The amount of restricted net assets of C&F's insurance subsidiaries at December 31, 1988, 1987 and 1986 approximated $1,904 million, $1,663 million and $1,503 million, respectively.

Generally accepted accounting principles differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis) for C&F's insurance subsidiaries. The statutory net income for the years ended December 31, 1988, 1987 and 1986 amounted to $340 million, $364 million and $173 million, respectively. Statutory policyholders' surplus amounted to $1,409 million, $1,198 million and $1,152 million at December 31, 1988, 1987 and 1986, respectively. The principal differences between statutory policyholders' surplus and the C&F equity determined in accordance with generally accepted accounting principles are that deferred federal income taxes, deferred policy acquisition costs and cost of acquired businesses in excess of net assets are generally not considered assets for statutory purposes.

In 1985 the Company discontinued the operations of Industrial Indemnity Financial Corporation (IIFC), a unit of C&F which was in the financial guarantee and contract surety businesses. At that time, the Company provided $86 million, net of income tax benefits, for expected operating losses during the phaseout period which will be lengthy due to the long-term nature of IIFC's outstanding financial guarantees. An additional provision of $51 million, net of income tax benefits, was made in 1986 to further strengthen the reserve for the discontinuance of IIFC.

At December 31, 1988, IIFC was contingently liable for approximately $2.1 billion, which represents the aggregate par value, net of reinsurance, of the guarantee contracts in force but before consideration of $1.0 billion of collateral which was pledged under these contracts. These contingent liabilities expire as follows (in billions): $.3—1989–1993; $1.1—1994–1998; and $.7 thereafter. Reserves for IIFC's losses, loss expenses and other costs of disposition were $126 million and $184 million at December 31, 1988 and 1987, respectively.

Xerox Credit Corporation. XCC purchases long-term accounts receivable associated with the Company's sold equipment. XCC also engages in leveraged and non-leveraged leasing and third party asset based equipment financing transactions. During the years ended December 31, 1988, 1987 and 1986, the Company sold receivables to XCC for $1,082 million, $998 million and $629 million, respectively. In connection with the receivables sold, XCC retains an allowance for losses at the time of purchase which is intended to protect against future losses. The Company will fund any additional allowance required. The Company has an earnings support agreement with XCC; however, no income maintenance payments have ever been required.

Effective January 1, 1987, XCC acquired a 25% interest in VMS Realty Partners and certain affiliated companies (VMS). XCC invested $80 million in VMS and provided loans of $120 million to VMS. VMS, a privately held partnership, is a full service real estate investment firm which is involved in acquiring, financing, and developing real estate throughout the U.S. XCC also has equity interests in three joint ventures which engage in specialized tax-oriented leasing and in municipal bond guarantee insurance.

Condensed financial data, combined as of each entity's respective fiscal year, for VMS and the other XCC affiliated companies are as follows:

(In millions)	1988	1987
Summary of Operations		
Revenues	$199	$205
Operating costs and expenses	153	114
Net income	$36	$82
Xerox's equity in net income	$16	$18

	1988	1987
Balance Sheet Data		
Assets	$2,319	$2,112
Liabilities	$1,771	$1,590
Equity	548	522
Total liabilities and equity	$2,319	$2,112

9. Investments in Affiliates, At Equity

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The Company's retroactive adoption in 1988 of Statement of Financial Accounting Standards No. 94 resulted in the consolidation of the Company's real estate and international financing subsidiaries. In prior years these subsidiaries had been accounted for on an equity basis. The Company's primary real estate subsidiary is Xerox Realty Corporation (XRC) which the Company recently announced plans to sell. Although no definitive sales agreements with prospective purchasers have been entered into, the Company does expect to realize a profit on the sale. XRC is not material to the Company's results of operations or financial position. The Company's international financing subsidiaries include Xerox Canada Finance Inc. (XCFI) which is wholly owned by Xerox Canada Inc. and the Rank Xerox Leasing International Companies (RXLI) which are owned by the Rank Xerox Companies. Similar to the activities of XCC, these subsidiaries are principally engaged in the financing of accounts receivable arising out of Xerox business equipment sales and, to a lesser extent, in the business of financing leases for third parties.

As required by Statement No. 94, condensed financial data for the Company's previously unconsolidated real estate and international finance companies is set forth below and has been combined based on each entity's respective fiscal year:

(In millions)	1988	1987	1986
Summary of Operations Revenues	$236	$194	$74
Costs and expenses	177	132	48
Income before income taxes	59	62	26
Provisions for income taxes	10	27	12
Net income	$49	$35	$14
Balance Sheets			
Assets			
Finance receivables	$1,875	$1,420	$645
Other assets	56	91	85
Total assets	$1,931	$1,511	$730
Liabilities and Shareholders' Equity			
Short-term debt and current portion of long-term debt	$552	$259	$234
Long-term debt	851	759	306
Other liabilities	167	210	69
Shareholders' equity	361	283	121
Total liabilities and shareholders' equity	$1,931	$1,511	$730

***[Ed. Note:** The following information was presented on pages 26 and 27 of the annual report.]*

The Xerox Financial Services (XFS) Statements of Income on the following page ***[Ed. Note:** The page referred to is page 27]* portray the consolidated operating results of the Company's XFS organization. The XFS organization Statements of Income include the results of Xerox Financial Services, Inc. (XFSI), adjusted for the effect of acquisition and financing interest expense (net of related tax effects) allocated from Xerox Corporation. Allocated interest expense for the three years ended December 31, 1988 amounted to *(in millions)*: $125—1988; $110–1987; and $100–1986. The corresponding tax effects were $46—1988; $48—1987; and $50—1986. XFSI's legal basis results of operations, which are disclosed in Note 8, do not include these allocated amounts.

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Xerox Financial Services Statements of Income

(In millions)	Year ended December 31 1988	1987	1986
Revenues			
Insurance premiums earned	$3,498	$3,241	$2,662
Investment income	619	505	440
Finance income	384	300	253
Investment banking income	180	119	102
Realized capital gains	153	166	199
Other income	131	108	84
Total Revenues	4,965	4,439	3,740
Costs and Expenses			
Insurance losses and loss expenses	2,754	2,640	2,292
Insurance acquisition costs and other insurance operating expenses	1,148	965	818
Interest expense	415	321	288
Administrative and general expenses	304	239	195
Total Costs and Expenses	4,621	4,165	3,593
Income before Income Taxes	344	274	147
Provisions for Income Taxes (Benefits)	29	(6)	(81)
Income from Continuing Operations	315	280	228
Discontinued Operations			(51)
Cumulative Effect on Prior Years of Change in Accounting Principles for Pension Costs			42
Net Income	$315	$280	$219

IV

NOTE PRESENTATION—SINGLE KINDS OF NONHOMOGENEOUS OPERATIONS

Most companies that present financial information about consolidated subsidiaries with nonhomogeneous operations present the information solely in the notes. Some of those companies have consolidated subsidiaries with only one type of nonhomogeneous operations.

Presented below are sixteen examples of financial information about such subsidiaries. Classification of the examples is according to the kind of nonhomogeneous operations to which the information pertains.

FINANCE

GREYHOUND CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements
Three Years Ended December 31, 1988

Note A. Significant Accounting Policies

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Principles of Consolidation

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The accounts of the Financial Group subsidiaries, previously accounted for on the equity method, have been included in the consolidated financial statements for the first time in 1988 as required by Statement of Financial Accounting Standards (SFAS) No. 94. The consolidated financial statements for all years have been restated to include the accounts of such Financial Group subsidiaries.

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Note O. Financial Group Subsidiaries

Summary Financial Information. The following summary combined financial information for the Financial Group subsidiaries is prepared on Greyhound's cost basis. This combined information should be read in conjunction with the consolidated financial statements of The Greyhound Corporation and subsidiaries.

Financial Group Subsidiaries of Greyhound
Summary Combined Balance Sheet

(000 omitted) Year Ended December 31,	1988	1987
Assets		
INVESTMENT IN FINANCING TRANSACTIONS	$1,965,799	$1,840,624
CASH AND CASH EQUIVALENTS	41,007	67,047
RECEIVABLES	24,663	26,130
DUE FROM GREYHOUND, NET	407	3,311
OTHER ASSETS	73,185	52,453
	$2,105,061	$1,989,565
Liabilities and Greyhound Equity		
LIABILITIES:		
Short-term bank and other loans	$96,230	$48,670
Long-term debt	1,332,767	1,281,222
Long-term advances due to Greyhound, net	2,000	9,000
Other liabilities	189,315	152,777
	1,620,312	1,491,669
TAXES DUE TO GREYHOUND	3,702	110
DEFERRED INCOME TAXES	220,943	291,515
GREYHOUND EQUITY	260,104	206,271
	$2,105,061	$1,989,565

Financial Group Subsidiaries of Greyhound
Summary of Combined Income

(000 omitted) Year Ended December 31,	1988	1987	1986
REVENUES:			
Finance, lease and other income	$235,716	$211,659	$239,473
Gain on disposal of assets	15,176	15,896	23,447
	250,892	227,555	262,920
OPERATING COSTS:			
Interest	167,644	158,229	175,706
Provision for possible credit losses	4,745	10,424	91,997
Other	53,621	41,234	43,234
	226,010	209,887	310,937
Income (loss) before income taxes	24,882	17,668	(48,017)
Income taxes (benefit)	2,849	(2,490)	(15,363)
Income (loss) before cumulative effect of change in accounting principle	22,033	20,158	(32,654)
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96	39,820		
NET INCOME (LOSS)	$61,853	$20,158	$(32,654)

Financial Group Subsidiaries of Greyhound
Summary of Combined Cash Flows

(000 omitted) Year Ended December 31,	1988	1987	1986
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:			
Net income (loss)	$61,853	$20,158	$(32,654)
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Deferred income taxes	(9,063)	37,005	20,772

(000 omitted) Year Ended December 31,	1988	1987	1986
Cumulative effect of change in accounting principle	(39,820)		
Provision for possible credit losses	4,745	11,086	91,997
Gain on sale of assets	(18,442)	(18,954)	(23,447)
Investment tax credit amortization	(3,564)	(5,911)	(2,900)
Other noncash items, net	1,510	4,985	1,042
Changes in operating assets and liabilities:			
Receivables	(15,324)	18,852	(31,897)
Short-term liabilities	61,244	(10,366)	30,757
Tax benefits (payments) due from (to) Greyhound	3,592	(23,214)	15,679
Other transactions with Greyhound	4,957	7,703	(18,349)
Other assets and liabilities, net	(15,745)	(4,015)	16,616
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,943	37,329	67,616
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:			
Proceeds from disposal of assets	41,090	64,322	73,209
Principal collections on financing contracts	412,281	378,519	360,307
Expenditures on financing contracts	(577,949)	(340,889)	(380,183)
Other, net	6,074	(1,317)	(871)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(118,504)	100,635	52,462
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	431,009	335,400	153,421
Payments on long-term borrowings	(379,178)	(444,016)	(279,327)
Net change in short-term borrowings	22,500	12,500	(10,000)
Dividends paid to Greyhound	(16,546)	(8,423)	(15,108)
Investment by Greyhound	(1,264)	5,025	37,041
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	56,521	(99,514)	(113,973)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,040)	38,450	6,105
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	67,047	28,597	22,492
CASH AND CASH EQUIVALENTS, END OF YEAR	$41,007	$67,047	$28,597

The provision (benefit) for income taxes for the three years ended December 31, 1988 consists of the following:

(000 omitted)	1988	1987	1986
United States:			
Federal:			
Currently payable (benefit)	$11,042	$(37,187)	$(35,682)
Deferred payable (benefit)	(9,063)	37,005	20,772
State tax (benefit)	870	(2,335)	(921)
Foreign		27	468
Provision (benefit) for income taxes	$2,849	$(2,490)	$(15,363)

Investment tax credits of $3,385,000 in 1986 resulting from leasing operations have been deferred. Amortization of deferred investment tax credits included in revenues was $3,564,000 in 1988, $5,911,000 in 1987 and $6,285,000 in 1986.

A reconciliation of the provision (benefit) for income taxes and the amount that would be computed using statutory federal income tax rates on income (loss) before income taxes is set forth below:

(000 omitted)	1988	1987	1986
Computed income taxes (benefit) at statutory federal income tax rates of 34%, 40% and 46%, respectively	$8,460	$7,067	$(22,088)
Effects of investment tax credits in lease revenue		(2,364)	(2,891)
Statutory rate differences and tax-exempt income	(103)	(202)	(1,674)
Tax adjustment on leveraged leases due to the change in Federal tax law			(3,377)
Foreign losses without tax benefit	(3,235)		14,436
Effects of state income tax (benefit)	691	(1,402)	(497)
Other	(2,964)	(5,589)	728
Provision (benefit) for income taxes	$2,849	$(2,490)	$(15,363)

United States and foreign income (loss) before income taxes is as follows:

(000 omitted)	1988	1987	1986
United States	$15,371	$14,388	$19,833
Foreign	9,511	3,280	(67,850)
Income (loss) before income taxes	$24,882	$17,668	$(48,017)

*Loss before income taxes for 1986 includes a special loss provision of $56,500,000, principally foreign.

The executive, financial, legal, tax, insurance and other corporate staff departments of Greyhound perform certain services for the Financial Group subsidiaries, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest paid to Greyhound was $951,205 in 1988, $477,016 in 1987 and $5,000 in 1986.

During 1988 and 1987, a consolidated subsidiary sold various notes receivable with book values of $5,555,000 and $27,266,000, and rights to sublease rental payments having present values of $11,953,000 and $39,523,000 (such rentals due from the principal bus operating subsidiary of GLI Holding) to Financial Group subsidiaries. No gain or loss was recognized on the sales and the assets are classified as investments in financing transactions in the combined balance sheet.

A Financial Group subsidiary provides financing for certain installment sales of new buses manufactured by the Transportation Manufacturing Group, including certain buses leased under operating leases by a consolidated subsidiary. The financial statements of the Financial Group subsidiaries include receivables of $126,223,000 and $109,923,000 at December 31, 1988 and 1987, respectively, applicable to such transactions including $46,103,000 and $56,016,000, respectively, applicable to buses leased by the consolidated subsidiary (and subleased to the principal bus operating subsidiary of GLI Holding). The December 31, 1988 receivable balance also includes $30,537,000 due from the GLI Holding subsidiary secured by new buses manufactured by the Transportation Manufacturing Group.

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MEDIQ, INCORPORATED, SEPTEMBER 30, 1988

Notes to Consolidated Financial Statements
Three Years Ended September 30, 1988

Note A. Summary of Significant Accounting Policies

• • • •

Prior to fiscal 1988, the Company accounted for its investment in Copelco Financial Services Group, Inc. ("Copelco") on the equity method because its operations were nonhomogeneous with the Company's other subsidiaries. Effective for fiscal 1988, the Company adopted Statement of Financial

Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries," and has consolidated Copelco with the Company. As a result, the presentation of the balance sheet has changed from a classified to a non-classified basis. These changes have no effect on consolidated net income (loss) or stockholders' equity, and prior years' financial statements have been restated on a comparable basis.

Note N. Business Segment Data

The table below sets forth for each of the three years ended September 30, 1988, an analysis of the Company's operations by business segment.

The Company's operations fall into three broad segments: Healthcare Services....; Financial Services and Industry Services.

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Prior year segment data has been restated to reflect the ... consolidation of the Company's financial services business.

	Year Ended September 30,		
	1988	1987	1986
		(in thousands)	
Revenues:			
Healthcare Services:			
Hospitals	$87,932	$66,399	$19,332
• • • •			
	241,475	196,148	112,560
Financial Services	49,132	35,430	23,099
Industry Services	11,806	15,449	8,668
Other	5,324	4,127	1,638
Intersegment eliminations	(6,314)	(5,020)	(3,765)
Consolidated Revenues	$301,423	$246,134	$142,200
Operating Income:			
Healthcare Services:			
Hospitals	$13,439	$7,483	$3,231
• • • •			
	31,511	24,944	13,391
Financial Services	9,943	8,306	6,127
Industry Services	(960)	4,794	3,558
Other	(7,724)	(5,965)	(6,044)
Intersegment eliminations	(1,785)	(1,365)	(1,507)
Consolidated Operating Income	$30,985	$30,714	$15,525

	Year Ended September 30,		
	1988	1987	1986
		(in thousands)	
Identifiable Assets:			
Healthcare Services:			
Hospitals	$66,280	$51,488	$25,310
• • • •			
	169,254	142,885	89,880
Financial Services	331,820	232,197	121,683
Industry Services	7,318	8,456	1,533
Other	137,936	99,971	101,436
Discontinued Operations	188	28,506	25,816
Intersegment eliminations	(19,287)	(14,985)	(8,810)
Consolidated Assets	$627,229	$497,030	$331,538

	Year Ended September 30,		
	1988	1987	1986
		(in thousands)	
Capital Expenditures:			
Healthcare Services:			
Hospitals	$14,598	$9,438	$6,639
• • • •			
	20,861	19,527	13,083
Financial Services—primarily equipment on direct financing leases	164,112	96,707	49,090
Industry Services	864	199	486
Other	8,045	16,045	4,776
Intersegment eliminations	(8,583)	(4,629)	(3,304)
Total Capital Expenditures	$185,299	$127,849	$64,131
Depreciation and Amortization Expense:			
Healthcare Services:			
Hospitals	$5,164	$3,333	$1,337
• • • •			
	11,013	7,692	4,330
Financial Services	2,454	1,980	1,377
Industry Services	1,523	552	139
Other	3,972	3,118	1,092
Total Depreciation and Amortization Expense	$18,962	$13,342	$6,938

Note T. Summarized Financial Information

The following condensed disaggregated financial information is presented for informational purposes only in order to provide separate financial information for the Company and its other subsidiaries taken as a whole apart from Copelco.

MEDIQ Incorporated and Subsidiaries
(with Copelco on the equity method)
Balance Sheets

	September 30,	
	1988	1987
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	$6,465	$12,524
Accounts receivable—net	52,309	47,533
Inventories	23,007	18,577
Advances—Copelco	39,824	2,841
Other current assets	4,602	16,570
Total Current Assets	126,207	98,045
Investment in affiliates	16,647	14,790
Property, plant and equipment—net	97,780	81,006
Cost in excess of net assets of businesses acquired	63,609	59,583
Other assets	18,545	36,396
Total Assets	$322,788	$289,820
Liabilities and Stockholders' Equity		
Current Liabilities:		
Notes payable	$34,760	$24,576
Accounts payable and accrued expenses	30,338	26,181
Other current liabilities	5,995	6,137
Current portion of long-term debt	26,071	8,178
Total Current Liabilities	97,164	65,072

	September 30, 1988	September 30, 1987
	(in thousands)	
Senior debt	94,561	54,437
Subordinated debt	57,976	77,250
Deferred taxes	10,066	9,111
Other liabilities	8,642	5,726
Stockholders' equity	54,379	78,224
Total Liabilities and Stockholders' Equity	$322,788	$289,820

MEDIQ Incorporated and Subsidiaries
(with Copelco on the equity method)
Statements of Operations

	Year Ended September 30, 1988	1987	1986
		(in thousands)	
Revenues	$255,369	$213,377	$121,275
Costs and expenses	232,300	189,559	110,268
Operating income	23,069	23,818	11,007
Other (charges) credits	(25,065)	(4,728)	(2,128)
Income (loss) from continuing operations before income taxes and extraordinary items	(1,996)	19,090	8,879
Income taxes	3,684	6,831	3,184
Income (loss) from continuing operations before extraordinary items	(5,680)	12,259	5,695
Income (loss) from discontinued operations	(8,926)	(3,167)	3,450
Extraordinary items	3,916	—	(1,679)
Net income (loss)	$(10,690)	$9,092	$7,466

Copelco Financial Services Group, Inc.
Balance Sheets

	September 30, 1988	September 30, 1987
	(in thousands)	
Assets		
Cash and cash equivalents	$7,572	$6,025
Net investment in leases	293,200	195,773
Equipment on operating leases—net	25,162	26,653
Loans receivable—net	32,018	—
Other assets	14,217	6,837
Total Assets	$372,169	$235,288
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable	$155,911	$51,415
Nonrecourse notes payable	134,843	125,968
Due to MEDIQ	40,074	3,091
Deferred taxes	15,894	12,353
Other liabilities	15,621	14,005
	362,343	206,832
Shareholders' equity	9,826	28,456
Total Liabilities and Shareholders' Equity	$372,169	$235,288

Copelco Financial Services Group, Inc.
Statements of Income

	Year Ended September 30,		
	1988	1987	1986
Revenues	$48,801	$35,548	23,659
Expenses	39,464	27,272	17,092
	9,337	8,276	6,567
Other (charges) credits	—	(309)	215
Income before income taxes and extraordinary item	9,337	7,967	6,782
Income taxes	4,528	3,861	2,943
Income before extraordinary item	4,809	4,106	3,839
Extraordinary item	(768)	—	—
Net income	$4,041	$4,106	$3,839

SQUARE D COMPANY, DECEMBER 31, 1988

Square D Company and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share)

A. Summary of Significant Accounting Policies

Principles of Consolidation. The financial statements include the accounts of the Company and all majority-owned subsidiaries in accordance with the Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries." This standard was adopted effective January 1, 1988, and requires the consolidation of all majority-owned subsidiaries. Accordingly, all previously reported financial data has been restated.

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O. Financing Subsidiary

Effective January 1, 1988, the Company consolidated its majority-owned financing subsidiary, in compliance with the requirements of the Statement of Financial Accounting Standards No. 94.

Summarized financial information, including minority interest, for the Company's consolidated financing subsidiary (80% owned) is shown below. Included in the amounts are intercompany balances which are eliminated when consolidated.

	1988	1987	1986
As of December 31:			
Current Assets	$15,936	$1,321	$1,222
Non-Current Assets	132,972	132,081	120,893
Current Liabilities	6,815	12,618	26,960
Non-Current Liabilities	100,543	84,472	72,999
For the Year Ended December 31:			
Revenues	9,352	5,862	13,176
Gross Profit	6,783	1,453	7,714
Net Earnings	5,238	6,440	3,859

INSURANCE

ACTON CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

2. Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Prior to the Company's adoption in 1988 of the principles contained in the recently issued Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries," the Company accounted for its investment in Normandy Insurance

Agency, Inc. ("Normandy") and Normandy's insurance subsidiary, Coronet Insurance Company ("Coronet"), using the equity method of accounting. In accordance with this Statement, the accompanying financial statements have been restated in all periods presented to reflect the consolidation of Normandy. This restatement had no effect on stockholders' equity or net income. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accounts of the insurance subsidiary are included based upon generally accepted accounting principles, which differ from statutory accounting practices required by regulatory authorities.

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13. Industry Segments

The Company operates in three industry segments: insurance, real estate development and cable television.

Operations of the insurance segment include the providing of property and casualty insurance, primarily confined to the writing of non-standard automobile insurance in Illinois, Florida, Georgia and several other states, and the financing of premiums on policies issued by the Company.

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During 1988, 1987 and 1986, insurance premium production from one broker approximated 22%, 35%, and 22% respectively, of direct written premiums and 14%, 22%, and 14%, respectively, of total written premiums. During 1988, 1987 and 1986, 76%, 82% and 85%, respectively, of the Company's assumed business was produced under contract with one insurance carrier. This volume accounted for approximately 31%, 32% and 31%, respectively, of written premiums.

Information about the Company's operations in different industry segments for the three years ended December 31, 1988 is as follows:

(amounts in thousands)	1988	1987	1986
Revenues			
Insurance	$115,959	$94,101	$51,612
Real Estate	16,836	28,955	37,753
Cable	7,899	—	—
Equity Investees	1,272	3,702	(484)
Corporate & Eliminations	105	(57)	613
	$142,071	$126,701	$89,494
Operating Income (Loss)			
Insurance	$4,008	$4,958	$4,968
Real Estate	(824)	4,837	674
Cable	945	—	—
Equity Investees	1,272	3,702	(484)
Corporate	(3,052)	(2,994)	(2,481)
Interest	(2,623)	(2,465)	(2,730)
	$(274)	$8,038	$(53)
Identifiable Assets			
Insurance	$139,022	$109,472	$81,676
Real Estate	64,240	55,419	61,708
Cable	37,576	—	—
Equity Investees	11,060	15,192	9,664
Corporate	3,673	5,077	5,437
Eliminations	(6,562)	(2,700)	(1,625)
	$249,009	$182,460	$156,860
Depreciation			
Insurance	$324	$271	$235
Real Estate	233	459	257
Cable	1,176	—	—
Corporate	82	128	149
	$1,815	$858	$641
Capital Expenditures			
Insurance	$274	$223	$348
Real Estate	61	75	683
Cable	2,852	—	—
Corporate	144	48	50
	$3,331	$346	$1,081

14. Condensed Financial Statements of Subsidiary Formerly Unconsolidated

The statutory net worth (unaudited) of Coronet at December 31, 1988 was in excess of $51.8 million. The maximum amount of dividends which can be paid by the insurance subsidiary without prior approval of the Insurance Commissioner of the State of Illinois is subject to restrictions. The maximum dividend payment which may be made without prior approval is limited to the greater of statutory net income for the twelve months last ended or 10% of the subsidiary's statutory surplus. For 1989, this amount is $5.2 million.

Normandy's financial statements are prepared on a stand alone basis, and accordingly, federal income taxes are provided against Normandy's earnings and unrealized gains on marketable securities without respect to the existence of net operating loss carryforwards available to the Company to offset such tax liability. Effective December 31, 1987, a tax sharing agreement between the Company and Normandy was established whereby any benefit derived by Normandy from utilizing the Company's net operating loss carryforwards to reduce its current tax liability would be paid to the Company or forgiven by the Company and recorded as a contribution to Normandy's capital. Accordingly, Normandy recorded contributions to its capital of $2,111,100 and $1,276,943 in 1988 and 1987, respectively.

Included in Normandy's investment in affiliates at December 31, 1988 is $9,423,817 related to the Company's cost of investment in cable operations, which amount is eliminated from the consolidated assets of the Company. The assets and results of operations of Normandy also include amounts related to equity investees and to the real estate segment of the Company's business.

Normandy Insurance Agency, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
($000's omitted)

	December 31, 1988	December 31, 1987
Assets:		
Investments in:		
Marketable securities	$95,089	$69,794
Affiliates	20,484	15,192
Other, principally real estate and mortgages receivable	36,990	23,608
Cash	2,988	2,769
Operating assets	24,784	25,386
Due from affiliates	8,620	3,170
Cost in excess of assets acquired	3,391	3,946
Total assets	$192,346	$143,865
Liabilities and Stockholder's Equity:		
Unpaid losses and loss adjustment expenses	$69,352	$51,571
Unearned premiums	38,949	36,947
Due to affiliates	20,599	10,349
Other liabilities[B]	19,206	12,394
Total liabilities	148,106	111,261
Stockholder's equity[A]	44,240	32,604
Total liabilities and stockholder's equity	$192,346	$143,865

[A]Includes $2,648 (before $507 of deferred federal income taxes) and ($3,470) of unrealized gains (losses) on marketable equity securities at December 31, 1988 and 1987, respectively.

[B]Includes $940 and $1,225 of deferred federal income taxes at December 31, 1988 and 1987, respectively.

Normandy Insurance Agency, Inc. and Subsidiaries
Condensed Consolidated Income Statements
($000's omitted)

	Year Ended December 31,		
	1988	1987	1986
Income:			
Premiums earned	$104,756	$84,276	$38,994
Investment income, including realized gains on investments of $927, $943, and $6,501	7,768	7,656	10,118
Other income	2,601	2,938	2,894
Total income	115,125	94,870	52,006
Expenses:			
Losses and loss adjustment expenses	71,896	58,266	28,678
Underwriting expenses	31,440	24,912	12,631
Other expenses	7,559	5,676	4,627
Total expenses	110,895	88,854	45,936
Operating income before taxes	4,230	6,016	6,070
Provision for income taxes, including federal income taxes of $1,238, $968 and $1,535	1,271	1,046	1,681
Operating income	2,959	4,970	4,389
Equity in earnings (losses) of affiliates	1,272	3,702	(484)
Net income	$4,231	8,672	3,905

GUARDSMAN PRODUCTS, INC., DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Note N. Accounting Change and Consolidation of Subsidiary

In October 1987, the FASB issued Statement No. 94, "Consolidation of All Majority-Owned Subsidiaries." The Company adopted the provisions of this Statement for the year ended December 31, 1988. Accordingly, the Company's wholly-owned captive insurance subsidiary has been consolidated in the accompanying financial statements, which have been restated for 1987 and 1986. Before adopting Statement 94, the Company accounted for this subsidiary using the equity method of accounting. The change in accounting policy had no effect on stockholders' equity or net income.

As a result of adopting Statement 94, the Company included the following assets and liabilities of the insurance subsidiary in its balance sheet *(in thousands):*

	1988	1987
Cash and marketable securities, reserved for payment of insured claims	$2,345	$2,010
Other current assets	134	173
Non-current assets	50	50
	$2,529	$2,233
Current liabilities	$643	$592

The effect of the restatement on the Company's statements of income was not significant.

12. Insurance Subsidiaries

Beginning January 1, 1988, the Company consolidated the accounts of its insurance subsidiaries in accordance with provisions of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries." Prior year consolidated financial statements of the Company have been restated.

The insurance subsidiaries consist of Highlands Insurance Company and its subsidiary companies, Highlands Overseas Limited, Highlands Lloyds, Highlands Limited, Underwriters Special Risks, Inc. and its subsidiary companies, Southern California Bonding Service, Inc., Life Insurance Company of the Southwest and Health Economics Corporation and its subsidiary company.

Combined Financial Position

	1988	1987
	(In millions)	
Assets		
Cash and investments:		
Cash, including time deposits	$23.5	$41.8
Other cash equivalents	37.8	42.0
Fixed maturity securities, at cost (market value $1,081.8 million and $928.3 million, respectively)	1,105.0	933.5
Mortgage loans on real estate	114.8	95.8
Other investments	28.7	31.2
Total cash and investments	1,309.8	1,144.3
Receivables	146.6	123.4
Property, plant and equipment, at cost	18.0	17.8
Less accumulated depreciation	8.6	7.9
Net property, plant and equipment	9.4	9.9
Other assets	50.4	41.6
	$1,516.2	$1,319.2
Liabilities and Equity		
Accounts payable	$52.9	$46.9
Unearned insurance premiums	52.6	57.0
Reserves for insurance losses and claims	1,040.0	836.5
Deferred income taxes	10.5	8.8
Other liabilities	38.2	53.5
Halliburton Company equity, adjusted for net unrealized losses of $.2 million in 1988 and $1.0 million in 1987	322.0	316.5
	$1,516.2	$1,319.2

Combined Operating Results

	1988	1987	1986
		(In millions)	
Revenues:			
Net earned premiums and agency income	$409.2	$372.0	$322.7
Investment income	104.2	90.7	88.1
	513.4	462.7	410.8
Operating Costs and Expenses:			
Underwriting	463.3	414.2	351.2
Investment	3.4	2.7	3.3
General and administrative	17.7	14.3	11.5
	484.4	431.2	366.0

	1988	1987	1986
		(In millions)	
Operating income	29.0	31.5	44.8
Foreign currency gains (losses)	(.7)	1.5	.3
Nonoperating expense, net	(.7)	(.2)	(.3)
Benefit (provision) for income taxes	(2.4)	4.2	(4.4)
Net income	$25.2	$37.0	$40.4

Undistributed earnings of $46.1 million were restricted as to payment of dividends by the insurance subsidiaries at December 31, 1988.

Assets of the insurance subsidiaries, with the exception of dividend payments to the parent company, are not available for general corporate use.

13. Business Segment Information

SEGMENT OPERATIONS

	Revenues			Operating Income (Loss)		
	1988	1987	1986	1988	1987	1986
			(In millions)			
Oil field services and products	$2,173.0	$1,549.2	$1,797.7	$95.8	$17.7	*$(354.0)
Engineering and construction services	2,152.3	1,818.4	1,700.5	46.6	18.9	*(229.8)
Insurance services	513.4	462.7	410.8	29.0	31.5	44.8
General corporate expenses	—	—	—	(18.6)	(16.9)	(16.3)
Consolidated total	$4,838.7	$3,830.3	$3,909.0	$152.8	$51.2	$(555.3)

*Includes special write-downs of $308.6 million for oil field services and products, and $194.3 million for engineering and construction services.

	Identifiable Assets		
	1988	1987	1986
		(In millions)	
Oil field services and products	$2,112.8	$1,532.8	$1,789.8
Engineering and construction services	798.6	789.4	657.3
Insurance services	1,516.2	1,319.2	1,167.0
General corporate	294.6	630.9	585.6
Consolidated total	$4,722.2	$4,272.3	$4,199.7

	Capital Expenditures			Depreciation		
	1988	1987	1986	1988	1987	1986
			(In millions)			
Oil field services and products	$128.5	$48.9	$80.6	$177.4	$181.8	$235.5
Engineering and construction services	38.4	27.4	15.4	31.5	30.5	43.8
Insurance services	1.4	3.1	1.4	1.9	1.6	1.6
General corporate	.6	.2	1.5	1.9	1.2	1.4
Consolidated total	$168.9	$79.6	$98.9	$212.7	$215.1	$282.3

TELEDYNE, INC., DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Note 2. Change in Accounting Policies and Presentation

In 1988, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 94, "Consolidation of All Majority-owned Subsidiaries." Accordingly, the consolidated financial statements of the Company have been restated to reflect the consolidation of its insurance and finance subsidiaries which were previously accounted for by the equity method. This change in accounting policy has no effect on shareholders' equity or net income.

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Note 9. United Insurance Company of America and Subsidiaries

The following condensed statements summarize the consolidated financial position and operating results of United, a 99.2 percent owned subsidiary at December 31, 1988 and 1987 and a 98.4 percent owned subsidiary at December 31, 1986 *(in millions):*

Consolidated Balance Sheets
December 31, 1988 and 1987

	1988	1987
Assets:		
Investments:		
Fixed maturities, at amortized cost (market: 1988—$1,553.8; 1987—$1,620.4)	$1,573.7	$1,620.1
Equity securities, at market (cost: 1988—$203.3; 1987—$225.1)	365.3	415.8
Other	201.8	90.9
	2,140.8	2,126.8
Deferred policy acquisition costs	142.9	129.5
Other	142.9	133.1
	$2,426.6	$2,389.4
Liabilities and Shareholders' Equity:		
Policy reserves and liabilities	$1,013.2	$981.0
Accrued and deferred Federal income taxes	85.6	118.9
Other liabilities	73.9	82.5
Shareholders' equity	1,253.9	1,207.0
	$2,426.6	$2,389.4

Consolidated Statements of Income
For the Years Ended December 31, 1988, 1987 and 1986

	1988	1987	1986
Premiums and Net Investment Income:			
Premiums	$426.0	$436.0	$427.5
Net investment income	154.0	144.9	163.1
	580.0	580.9	590.6
Expenses:			
Benefits paid or provided	247.9	271.3	253.8
Underwriting, acquisition and other expenses	262.5	249.6	250.3
	510.4	520.9	504.1
	69.6	60.0	86.5
Gains on Sales of Investments	76.5	103.4	21.2
Income before Federal Income Taxes	146.1	163.4	107.7
Provision for Federal Income Taxes	45.7	53.9	33.7
Net Income	$100.4	$109.5	$74.0

Shareholders' equity includes retained earnings of $1.1 billion in 1988 and 1987. United presently intends to retain in the business and restrict from the payment of dividends at least 75 percent of retained earnings. Dividends of $2.5 million were paid to Teledyne in 1988 and 1987.

Note 10. Trinity Universal Insurance Company and Subsidiaries

The following condensed statements summarize the consolidated financial position and operating results of Trinity, a wholly-owned subsidiary *(in millions)*:

Consolidated Balance Sheets
December 31, 1988 and 1987

	1988	1987
Assets:		
Investments:		
Fixed maturities, at amortized cost (market: 1988—$551.0; 1987—$512.8)	$557.6	$512.4
Equity securities, at market (cost: 1988—$83.4; 1987—$95.1)	359.9	393.3
	917.5	905.7
Receivables	97.5	93.6
Deferred policy acquisition costs	28.7	26.1
Other	33.7	13.2
	$1,077.4	$1,038.6
Liabilities and Shareholder's Equity:		
Reserves for losses and loss adjustment expenses	$270.3	$240.7
Unearned premiums	162.3	149.4
Accrued and deferred income taxes	77.8	115.5
Other liabilities	26.7	26.4
Shareholder's equity	540.3	506.6
	$1,077.4	$1,038.6

Consolidated Statements of Income
For the Years Ended December 31, 1988, 1987 and 1986

	1988	1987	1986
Premiums and Net Investment Income:			
Premiums	$382.4	$386.1	$338.6
Net investment income	47.8	38.3	39.4
	430.2	424.4	378.0
Expenses:			
Losses and loss adjustment expenses	278.0	267.0	235.8
Underwriting, acquisition and other expenses	103.2	111.4	103.9
	381.2	378.4	339.7
	49.0	46.0	38.3
Gains on Sales of Investments	42.2	111.7	106.9
Income before Federal Income Taxes, Minority Interest and Income Tax Reduction	91.2	157.7	145.2
Provision for Federal Income Taxes	23.6	48.3	44.9
Minority Interest	—	—	22.8
	67.6	109.4	77.5
Income Tax Reduction	—	—	29.8
Net Income	$67.6	$109.4	$107.3

Shareholder's equity includes retained earnings of $348.0 million in 1988 and $299.9 million in 1987. Trinity presently intends to retain in the business and restrict from the payment of dividends at least 75 percent of retained earnings. Dividends of $19.5 million and $25.0 million were paid to Teledyne in 1988 and 1987, respectively.

GENERAL DATACOMM INDUSTRIES, INC., SEPTEMBER 30, 1988

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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Reclassifications. Effective October 1, 1987, the Company adopted Financial Accounting Standards Board Statement No. 94, "Consolidation of All Majority-owned Subsidiaries." As a result, the financial statements include consolidation of the Company's wholly-owned leasing subsidiaries, which had previously been accounted for using the equity method of accounting. The Company also adopted .... Prior year financial statements have been restated to conform with the current year's presentation for these, as well as certain other presentation changes.

7. Leasing Subsidiaries

The Company's consolidated financial statements include the accounts of its leasing subsidiaries, DataComm Leasing Corporation and DataComm Rental Corporation. The leasing subsidiaries purchase equipment for lease to others from General DataComm, their present sole supplier, at prices comparable to those paid by General DataComm's direct sale customers. The following represents condensed financial information of these subsidiaries *(in thousands):*

Financial condition as of September 30,	1988	1987
Current assets	$4,268	$9,294
Noncurrent assets	3,366	4,687
Due from General DataComm	9,625	1,016
Total assets	$17,259	$14,997
Current liabilities	$2,479	$2,670
Noncurrent liabilities	298	336
Stockholder's equity	14,482	11,991
Total liabilities and stockholder's equity	$17,259	$14,997

Results of operations Years ended September 30,	1988	1987	1986
Net revenues	$6,638	$6,818	$4,981
Income before income taxes	$4,103	$4,098	$2,554

NALCO CHEMICAL COMPANY, DECEMBER 31, 1988

Financial Review
Finance Subsidiaries

Nalco has four finance subsidiaries, one wholly-owned and three 80%-owned, which were established to increase the return on financial assets. These subsidiaries are the lessor on finance leases involving creditworthy lessees. Amounts relating to these subsidiaries which are included in Nalco's consolidated financial statements follow:

(in thousands)	1988	1987	1986
AT YEAR END			
Leveraged lease investments	$42,162	$40,275	$39,862
Miscellaneous other assets	11,993	10,267	9,947
Total assets	54,155	50,542	49,809
Total liabilities	37,730	35,054	35,490
Net assets	$16,425	$15,488	$14,319
FOR THE YEAR			
Net earnings	$1,282	$1,473	$1,744
Dividends received by Nalco	345	304	374

The Financial Accounting Standards Board issued Statement No. 94, "Consolidation of All Majority-owned Subsidiaries," late in 1987. Nalco adopted the provisions of this statement for the year ended December 31, 1988. For comparative purposes the 1987 and 1986 financial statements have been restated. Implementation of FASB 94 had no impact on the net earnings or net assets of the Company. For 1988, amounts related to the finance subsidiaries which are shown on the Statement of Consolidated Financial Condition are as follows: Other assets, $42.2 million; Short-term debt, $4.3 million; Long-term debt, $3.3 million and Deferred income taxes, $30.2 million.

Investments in leased property are recorded as a receivable from the lessee to be recovered through future rentals and residuals, net of nonrecourse debt. The cost of assets leased to others is financed primarily by loans from debt participants, which are secured by the lessee's rental obligations and the leased property, but ownership of the property is retained by the finance subsidiaries. Loans from debt participants amounted to approximately $74.3 million, $74.0 million and $75.1 million at December 31, 1988, 1987 and 1986 respectively. Income from leveraged lease transactions is reported on the financing method, which requires recognition over the life of the lease at a level rate of return on the positive net investment. For income tax purposes, income from all leases represents gross rentals less depreciation on the underlying assets and interest expense.

PITNEY BOWES, INC., DECEMBER 31, 1988

Pitney Bowes Inc.
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data or as otherwise indicated)

1. Summary of Significant Accounting Policies

Consolidation. During 1988, Pitney Bowes Inc. ("the company") adopted Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries," and restated reported financial results to consolidate activities of the company's previously unconsolidated finance subsidiaries. Information pertaining to consolidated finance operations is disclosed in Note 14.

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14. Finance Operations

The company has several consolidated finance operations which are engaged in lease financing of the company's products as well as other commercial and industrial products in the U.S., Canada, the U.K. and Germany. Condensed financial data for the consolidated finance operations follows:

Condensed balance sheet at December 31	1988	1987
Cash and cash equivalents	$3,320	$3,126
Finance receivables, net	690,813	553,828
Other current assets and prepayments	17,672	18,376
Total current assets	711,805	575,330
Long-term finance receivables, net	2,063,818	1,597,639
Other assets	82,898	23,389
Total assets	$2,858,521	$2,196,358
Accounts payable and accrued liabilities	$206,494	$162,406
Notes payable and current portion of long-term obligations	1,039,864	725,568
Total current liabilities	1,246,358	887,974
Deferred taxes on income	265,589	214,912
Long-term debt	944,057	761,741
Total liabilities	2,456,004	1,864,627
Equity	402,517	331,731
Total liabilities and equity	$2,858,521	$2,196,358

Condensed summary of operations, years ended December 31	1988	1987	1986
Revenue	$365,896	$295,903	$262,518
Operating expenses	96,469	78,349	80,871
Interest, net	143,937	111,415	88,376
Total expenses	240,406	189,764	169,247
Income before income taxes	125,490	106,139	93,271
Provision for income taxes	38,722	34,134	31,928
Net income	$86,768	$72,005	$61,343

The above statements reflect the prospective implementation, effective January 1, 1987, of the requirements of Statement of Financial Accounting Standards No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." This implementation had no effect on the finance operations' net income for 1987.

Finance receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to seven years. In addition, gross finance receivables for the company's external financing programs include commercial and private jet aircraft transactions with lease terms ranging from five to 24 years. Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable and subordinated debt
1989	$953,935	$1,039,864
1990	780,316	105,632
1991	551,921	198,825
1992	337,397	189,131
1993	175,597	13,020
Thereafter	840,051	437,449
Total	$3,639,217	$1,983,921

Finance operations' net purchases of Pitney Bowes' equipment amounted to $402.5 million, $354.0 million, and $298.8 million in 1988, 1987 and 1986, respectively. The components of net finance receivables were as follows:

December 31	1988	1987
Gross finance receivables	$3,639,217	$2,792,781
Residual valuation	291,390	210,545
Initial direct cost deferred	19,874	12,154
Allowance for credit losses	(77,455)	(77,388)
Unearned income	(1,118,395)	(786,625)
Net finance receivables	$2,754,631	$2,151,467

In 1988 and 1987, the company entered into certain real estate and aircraft leveraged lease transactions. The net investment in leveraged leases at December 31, 1988 and 1987 was not significant.

15. Business Segment Information

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Additional segment information is as follows:

Years ended December 31	1988	1987	1986
Depreciation and amortization:			
Business equipment	$147,978	$122,330	$104,058
Business supplies and services	10,200	9,530	8,217
Financial services	2,269	1,755	1,373
Total	$160,447	$133,615	$113,648

Years ended December 31	1988	1987	1986
Net additions to property, plant and equipment and rental equipment and related inventories:			
Business equipment	$301,601	$232,997	$184,583
Business supplies and services	9,380	9,499	8,945
Financial services	4,547	2,087	4,011
Total	$315,528	$244,583	$197,539

THE RAYMOND CORPORATION, DECEMBER 31, 1988

Notes to Financial Statements
The Raymond Corporation and Subsidiaries
Years Ended December 31, 1988, 1987 and 1986

A. Significant Accounting Policies

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In 1988, the Company adopted the provisions of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries." By implementing this accounting standard, the leasing operations of its wholly-owned subsidiary, Raymond Leasing Corporation, are included in its consolidated financial statements. This subsidiary was previously presented as an unconsolidated investee accounted for under the equity method of accounting. Prior year financial statements have been restated to reflect this change. Adoption of Statement 94 had no effect on the Company's consolidated shareholders' equity or net income.

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D. Unconsolidated Investees at Equity

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The following presents summarized information of Raymond Leasing Corporation that is now contained in the Company's consolidated financial statements to conform with the provisions of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries," (Note A):

	1988	1987	1986
Revenues	$9,877,809	$8,875,318	$9,152,868
Gross margin	3,887,722	3,471,489	3,688,237
Income before cumulative effect of accounting change	1,445,171	1,617,164	1,740,666
Net income	3,205,938	1,617,164	1,740,666
Current assets	21,993,943	23,531,496	16,304,584
Noncurrent assets	39,144,445	36,928,459	33,035,839
Current liabilities	7,366,621	4,088,220	11,070,280
Noncurrent liabilities	35,029,525	40,835,429	24,351,001

UAL CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

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In 1988, UAL adopted the provisions of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries." Accordingly, the accounts of UAL Leasing, Inc. ("UAL Leasing"), a wholly-owned finance subsidiary which had previously been carried on the equity basis, are now included in UAL's consolidated financial statements. Prior year consolidated financial statements have been restated to reflect this change.

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UAL Leasing

Summarized earnings data of UAL Leasing is as follows:

(In Thousands)	1988	1987	1986
Revenues	$21,083	$23,308	$22,372
Expenses	46,073	31,004	19,281
Foreign exchange losses		19,735	40,037
Pretax loss	(24,990)	(27,431)	(36,946)
Provision (credit) for income taxes	(2,448)	(7,601)	(12,798)
Net loss	$(22,542)	$(19,830)	$(24,148)

UAL Leasing's summarized financial position as of December 31 was as follows:

(In Thousands)	1988	1987
Cash and marketable securities	$34,050	$40,160
Receivables from affiliates	64,677	63,644
Other receivables	9	21,698
Net investment in direct financing lease	84,819	86,536
Flight equipment leased to United, net	19,631	21,149
Total assets	$203,186	$233,187
Deferred purchase certificates, 7.1% and 7.2%, due 1991 to 2001 (38,756,900 Japanese yen)	$310,105	$320,305
Other liabilities	8,833	10,172
Parent company's investment[n(1)]	(115,752)	(97,290)
Total liabilities and parent company's investment	$203,186	$233,187

[n(1)]Includes ($50.0 million) and ($54.1 million) at December 31, 1988 and 1987, respectively, representing the excess of UAL Leasing's purchase price of aircraft acquired from United over United's book value of such aircraft at the date of sale, less subsequent amortization.

REAL ESTATE

THE SHERWIN-WILLIAMS COMPANY, DECEMBER 31, 1988

The Sherwin-Williams Company and Subsidiaries
Notes to Consolidated Financial Statements
Years ended December 31, 1988, 1987 and 1986

Note 1. Significant Accounting Policies

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Accounting Change. During 1988, the Company adopted the provisions of Financial Accounting Standards Board Statement No. 94, "Consolidation of All Majority-owned Subsidiaries." Accordingly, Sherwin-Williams Development Corporation ("SWDC"), a wholly-owned subsidiary of the Company, and its wholly-owned affiliates have been consolidated in the accompanying financial statements and schedules. All periods affected have been restated. SWDC, carried on the equity basis since being established, is the only previously unconsolidated subsidiary of the company required to be consolidated by Statement No. 94.

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Note 4. Real Estate Subsidiary

SWDC and its wholly-owned affiliates have been consolidated in 1988. Financial Accounting Standards Board Statement No. 94 requires that summarized financial information about SWDC continue to be disclosed.

SWDC and its wholly-owned affiliates acquire, develop, lease, and manage properties for the company and others. Total revenue includes intersegment revenue of $9,575,000, $7,040,000 and $5,945,000 in 1988, 1987 and 1986, respectively, which is eliminated in consolidation with the parent. Summarized financial data for SWDC and its affiliates is as follows:

(Thousands of dollars)	December 31, 1988	1987	1986
Property, plant and equipment—net	$88,871	$75,666	$82,796
Current assets	1,053	1,536	1,881
Other noncurrent assets	817	918	1,159
Long-term debt	53,615	52,160	57,791
Current liabilities	3,125	13,196	1,563
Other noncurrent liabilities	4,781	4,173	3,146
Due to parent	19,916	2,169	22,875
Total revenue	$15,414	$14,884	$11,113
Interest expense	5,156	6,293	6,272
Total expenses—net	11,191	9,837	11,381
Net income (loss)	$2,883	$5,561	$(64)

TEXAS EASTERN CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation

• • • •

The company has ... restated its 1987 and 1986 financial statements to report its real estate operations on a consolidated basis (since May 1, 1986 when the company acquired the remaining 50% it did not own) in accordance with Statement of Financial Accounting Standards No. 94—"Consolidation of All Majority-owned Subsidiaries" (see Note 9).

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Note 2. Segment Information (As Restated)

The company, through its various subsidiaries and affiliates, is primarily engaged in natural gas and refined petroleum products sales, transportation, and storage; oil and gas exploration and production; LP-Gas sales, transportation, and services; petroleum products refining and marketing; and real estate operations. Intersegment sales in the following tables are accounted for at market prices.

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Operations in Business Segments

	Operating Revenues					
($ Millions)	Unaffiliated	Inter-Segment	Total	DD&A	Operating Income	Other Income
NATURAL GAS						
1988	$2,151.3	17.9	2,169.2	114.6	203.3	14.7
1987	$2,025.8	16.0	2,041.8	109.1	254.0	10.6
1986	$2,167.7	6.4	2,174.1	92.4	233.9	11.7
EXPLORATION & PRODUCTION						
1988	$329.1	0.8	329.9	111.7	8.1	1.2
1987	$402.1	1.1	403.2	114.6	110.8	4.2
1986	$333.5	40.8	374.3	139.4	35.4	4.3
• • • •						
REAL ESTATE						
1988	$46.3	15.1	61.4	13.5	(14.9)	0.8
1987	$42.4	14.1	56.5	12.3	4.6	0.2
1986	$24.2	9.1	33.3	8.4	2.4	0.2
OTHER						
1988	$102.4	34.4	136.8	0.6	(23.1)	34.9
1987	$97.3	0.6	97.9	0.6	(10.2)	26.8
1986	$134.9	0.2	135.1	20.7	(49.2)	15.1
CONSOLIDATED						
1988	$3,481.3	—	3,481.3	260.4	249.7	75.0
1987	$3,614.8	—	3,614.8	261.1	448.2	57.4
1986	$4,098.2	—	4,098.2	303.2	354.6	33.3

($ Millions)	Net Income	Net Assets	Capital Expenditures	Identifiable Assets
NATURAL GAS				
1988	$0.4	5.4	280	2,332.7
1987	$0.3	5.9	276	2,130.9
1986	$1.8	0.1	391	1,936.5
EXPLORATION & PRODUCTION				
1988	—	—	77	848.6
1987	—	—	68	1,079.4
1986	—	—	60	1,309.6

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REAL ESTATE				
1988	—	—	13	492.8
1987	—	—	19	482.7
1986	—	—	9	458.1
OTHER				
1988	$0.8	319.0	1	46.6
1987	$(26.2)	319.7	—	38.1
1986	$(5.9)	324.2	8	315
CONSOLIDATED				
1988	$28.0	477.6	401	4,550.0
1987	$(15.2)	468.0	398	4,553.4
1986	$(4.0)	325.5	509	4,965.4

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Note 9. Real Estate and Corporate Joint Venture

Real Estate. Effective May 1, 1986, the company acquired Cadillac Fairview Urban Development Inc.'s interest in Houston Center, except for two undeveloped blocks. The company has assumed full management responsibility for operation and development of the mixed-use urban development project in Houston, Texas. In 1987 and 1986 the company reported its wholly-owned real estate operations on an equity basis. The 1987 and 1986 financial statements have been restated for the consolidation of real estate operations in accordance with Financial Accounting Standard No. 94—"Consolidation of All Majority-Owned Subsidiaries."

At December 31 the assets and liabilities of the company's real estate operations were as follows:

(In Millions)	1988	1987	1986
Income-producing properties	$464.1	$447.5	$434.6
Amounts receivable and cash	6.9	9.6	6.3
Other assets	70.6	50.5	17.1
Totals	$541.6	$507.6	$458.0
Debt on income properties	$334.3	$335.6	$336.9
Accounts payable and other liabilities	103.9	88.6	35.7
Advances and notes from related parties—net	179.2	131.4	115.8
Common Stockholder's equity	(75.8)	(48.0)	(30.4)
Totals	$541.6	$507.6	$458.0

The results of real estate operations for the periods ended December 31 are as follows:

(In Millions)	1988	1987	1986 (8 Months)
Operating revenues	$61.4	$56.5	$33.2
Costs and expenses	[n1]76.3	51.9	30.8
Interest expense	43.3	40.0	22.9
Other income—net	[n2](1.9)	5.7	6.0
Income taxes	(20.9)	(13.4)	(8.6)
Loss from operations	$(39.2)	$(16.3)	$(5.9)

[n1]Includes $17.5 million for the writedown of an unfavorable sublease.
[n2]Includes $5.0 million writedown of property in Louisiana.

The company's equity in net loss of real estate operations for the four months ended April 30, 1986 was $2.5 million.

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OTHER

JEFFERSON PILOT CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Principles of Consolidation

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The Company's most significant operations are in the life insurance industry. Other substantial business activities include communications operations and property and casualty insurance. Information about reportable business segments is presented in Note 10 to the consolidated financial statements.

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New Accounting Standards

During 1987, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 94 (FASB 94) "Consolidation of All Majority-owned Subsidiaries."

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FASB 94 requires that the accounts of all majority-owned subsidiaries be included in the consolidated financial statements even if their operations are considered nonhomogeneous. This statement is effective in 1988 and has been adopted in the 1988 consolidated financial statements, with prior years' statements presented being restated, to include the accounts of Jefferson-Pilot Communications Company. Adoption of FASB 94 had no effect on consolidated net income, earnings per share or stockholders' equity.

Summarized financial information of Jefferson-Pilot Communications Company, as included in the consolidated financial statements, follows *(in thousands):*

	December 31	
	1988	1987
Cash and receivables	$32,530	$26,847
Property and equipment, net	45,402	47,999
Goodwill and other	44,599	48,845
Liabilities, including items which eliminate in consolidation	55,790	64,120
Net assets	$66,741	$59,571

	Year Ended December 31		
	1988	1987	1986
Revenue	$126,820	$123,543	$92,778
Expenses	108,090	111,800	74,067
Income before income taxes	18,730	11,743	18,711
Income taxes	7,560	6,552	9,236
Net income	$11,170	$5,191	$9,475

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10. Segment Information

The Company's operations are conducted principally through the following three business segments:

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Communications. The communications operations of the Company consist principally of radio and television broadcasting, televised sports program production and electronic data services.

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Information about each major operating segment of the Company for 1988, 1987 and 1986 follows *(in thousands)*. All operations which do not constitute reportable business segments have been combined.

	1988	1987	1986
Revenue, including net investment income of insurance operations:			
Life insurance	$1,036,251	$997,095	$991,952
Other insurance	47,399	42,819	36,134
Communications	126,820	123,543	92,778
Nonreportable segments	88,653	102,271	96,881
Consolidating adjustments	(75,661)	(92,898)	(86,697)
Consolidated	$1,223,462	$1,172,830	$1,131,048
Income before income taxes and gain from sales of investments:			
Life insurance	$107,673	$116,824	$147,704
Other insurance	7,853	7,251	5,971
Communications	18,730	11,743	18,711
Nonreportable segments	77,850	90,570	83,466
Consolidating adjustments	(73,326)	(89,927)	(84,837)
Consolidated	$138,780	$136,461	$171,015
Identifiable assets at December 31:			
Life insurance	$3,780,353	$3,557,510	$3,498,858
Other insurance	116,597	103,113	95,961
Communications	122,531	123,691	124,540
Nonreportable segments	226,325	219,159	196,565
Consolidating adjustments	(71,745)	(81,126)	(78,681)
Consolidated	$4,174,061	$3,922,347	$3,837,243

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THE WASHINGTON WATER POWER COMPANY, DECEMBER 31, 1988

The Washington Water Power Company
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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Basis of Reporting

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In accordance with Statement of Financial Accounting Standards (FAS) No. 94, the financial statements are presented on a consolidated basis and, as such, include the assets, liabilities, revenues and expenses of the Company and its wholly-owned subsidiaries, Washington Irrigation and Development Company (WIDCo) and Pentzer Corporation (Pentzer). All material intercompany transactions that are not allowed recovery under regulation have been eliminated in the consolidation. Prior to 1988, the Company had accounted for its investment in subsidiaries on the equity method. 1987 and 1986 have been restated to consolidate all majority owned subsidiaries. In addition, certain amounts from prior years have been reclassified to conform with the 1988 method of presentation.

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Note 10. Principal Subsidiary

WIDCo:

Condensed financial information of the Company's principal non-utility subsidiary, WIDCo, as presented below is based on financial statements for the years ended December 31, 1988 and 1987 and the 12 months ended November 30, 1986. This subsidiary owns an undivided one-half interest in coal mining properties near Centralia, Washington, which it operates and which supplies coal to the Centralia Steam Electric Generating Plant owned 15% by the Company.

	1988	1987*	1986
	(Thousands of Dollars)		
Statements of Operations:			
Sales and revenues	$62,651	$61,400	$59,282
Costs and expenses	57,136	54,716	52,779
Income before federal income tax	5,515	6,684	6,503
Federal income tax expense[a]	1,206	1,730	1,730
Net income before preferred dividends	$4,309	$4,954	$4,773

	1988	1987
	(Thousands of Dollars)	
Balance Sheets:		
Assets:		
Centralia Coal Mining Project[b]	$35,629	$40,331
Cash and other assets	11,520	9,388
Total	$47,149	$49,719
Liabilities:		
Capital stock	$14,300	$14,300
Retained earnings	10,856	11,039
Term loan	—	1,539
Capital lease obligations	3,594	3,556
Current liabilities	7,684	7,487
Deferred credits	10,715	11,798
Total	$47,149	$49,719

*Includes 13 months of operations, December 1, 1986 through December 31, 1987.

[a]The provision for federal income tax is different from that which would be computed by applying the statutory tax rate to income before income tax due to the use of percentage depletion of mineral properties.

[b]Plant and equipment are recorded at cost and depreciated over estimated useful lives utilizing straight-line and unit of production methods and exploration and development costs are depleted and amortized on the unit of production method.

V

NOTE PRESENTATION—TWO OR MORE KINDS OF NONHOMOGENEOUS OPERATIONS

Some companies present financial information about consolidated subsidiaries with nonhomogeneous operations solely in the notes with nonhomogeneous operations of more than one kind. Presented below are sixteen examples of such financial information. Classification of the examples is according to the kinds of nonhomogeneous operations to which the information pertains.

FINANCE AND REAL ESTATE

ALFA CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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The Company's wholly-owned noninsurance subsidiaries have historically been accounted for by the equity method. However, in 1988 the Company adopted FASB Statement No. 94, "Consolidation of All Majority-owned Subsidiaries," which requires the consolidation of these subsidiaries and requires restatement of comparative financial statements for earlier periods presented. The accompanying financial statements reflect the effects of adopting this statement.

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Certain reclassifications have been made in 1987 and 1986 in order to conform to 1988 classifications and descriptions. These reclassifications were primarily related to the adoption of FASB Statement No. 94 requiring consolidation of all majority-owned subsidiaries.

6. Summarized Financial Information of Noninsurance Subsidiaries

Combined summarized financial information relating to 100% owned consolidated noninsurance subsidiaries Alfa Financial Corporation, Alfa Investment Corporation, and Alfa Realty, Inc. is as follows:

	December 31, 1988	December 31, 1987
Assets:		
Cash and short-term investments	$588,806	$487,768
Finance receivables	18,630,323	15,497,254
Less unearned interest	(2,107,337)	(2,188,210)
Other assets	10,062,321	8,301,384
Total assets	$27,174,113	$22,098,196
Liabilities:		
Notes payable	$14,627,920	$8,608,833
Notes payable to affiliates	3,730,996	5,623,034
Other liabilities	2,601,426	2,655,339
Total liabilities	20,960,342	16,887,206
Stockholders' equity	6,213,771	5,210,990
Total liabilities and stockholders' equity	$27,174,113	$22,098,196

	December 31, 1988	1987	1986
Operations:			
Interest and fee income	$2,896,791	$3,399,217	$3,558,943
Interest expense	(1,222,430)	(1,088,225)	(1,248,855)
Other expenses, net	(835,727)	(1,107,507)	(1,191,947)
Net income	$838,634	$1,203,485	$1,118,141

11. Segment Information

Alfa Corporation operations include life insurance, property and casualty insurance and noninsurance segments. Presented below is summarized financial information for the Company's three businesses as of and for the years ended December 31, 1988, 1987, and 1986:

	1988	1987	1986
		(In Thousands)	
Revenues			
Life	$54,325	$49,849	$46,088
Property and casualty	133,527	54,883	5,008
Noninsurance operations and corporate	593	1,534	2,479
	$188,445	$106,266	$53,575
Net income			
Life insurance	$13,090	$12,004	$11,279
Property and casualty	10,261	2,137	(320)
Noninsurance operations and corporate	285	495	
	$23,636	$14,636	$11,815
Assets			
Life insurance	$259,102	$225,417	$201,260
Property and casualty	154,662	100,393	9,189
Noninsurance operations and corporate	23,607	16,791	19,449
	$437,371	$342,601	$229,898

Forest City Enterprises, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

A. Summary of Significant Accounting Policies

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Principles of Consolidation

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In October 1987, the Financial Accounting Standards Board issued Statement No. 94, "Consolidation of All Majority-owned Subsidiaries," ("Statement 94"). The Company adopted the provisions of Statement 94 in 1988 and consolidated both Forest City Rental Properties Corporation ("Rental Properties") and Forest City Credit Corporation ("Credit Corporation").

The Company's equity in the net assets and net earnings of these entities, previously unconsolidated prior to the adoption of Statement 94, had been included in the consolidated balance sheets and consolidated statements of earnings, respectively, and adoption of Statement 94 had no effect on the Company's consolidated shareholders' equity or net earnings. Concurrent with this change, the Company adopted an unclassified balance sheet and restated its financial statements for prior years to reflect the provisions of Statement 94.

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Rental Properties is a wholly-owned subsidiary engaged in the development of real estate projects and in the management of completed real estate, including regional malls and shopping centers, hotels, office and mixed-use facilities and apartment complexes.

Credit Corporation is a wholly-owned finance subsidiary whose function is to facilitate the financing of certain of the Company's operations.

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P. Summarized Financial Information

The Company adopted Financial Accounting Standards Board Statement No. 94, "Consolidation of All Majority-owned Subsidiaries," in 1988. Statement 94 requires the consolidation of two significant subsidiaries, Rental Properties and Credit Corporation, which previously had been accounted for under the equity method.

Certain summarized financial information for Credit Corporation follows:

	January 31,	
	1989	1988
	(in thousands)	
Balance Sheet		
Assets		
Receivables from affiliates	$20,387	$26,515
Other receivables	2,311	3,267
Other assets	1,038	727
	$23,736	$30,509
Liabilities and Stockholders' Equity		
Notes payable to banks	$16,000	$22,000
Other liabilities	80	154
Stockholders' equity	7,656	8,355
	$23,736	$30,509

	For the Years Ended January 31,		
	1989	1988	1987
		(in thousands)	
Statement of Earnings			
Revenues	$4,793	$4,941	$7,380
Costs and expenses	1,858	2,191	4,071
Earnings before income taxes	2,935	2,750	3,309
Provision for income taxes	1,134	1,273	1,647
Net earnings before accounting change	1,801	1,477	1,662
Accounting change for income taxes		150	
Net earnings	$1,801	$1,627	$1,662

A consolidated balance sheet, statement of earnings and retained earnings and statement of cash flows for Rental Properties and its subsidiaries follow:

Forest City Rental Properties Corporation and Subsidiaries
Consolidated Balance Sheet

	January 31,	
	1989	1988
	(in thousands)	
Assets		
Real Estate		
Completed rental properties	$1,003,795	$808,643
Less accumulated depreciation	(113,004)	(100,434)
	890,791	708,209
Projects under construction	186,933	210,234
Land under development	16,630	5,836
Total Real Estate	1,094,354	924,279
Cash	12,480	12,238
Restricted funds	16,231	25,132
Notes and accounts receivable, net	87,543	94,023
Unamortized mortgage and lease costs on rental properties, net	49,573	29,859
Other assets	13,022	15,197
	$1,273,203	$1,100,728
Liabilities and Shareholders' Equity		
Liabilities		
Mortgage debt on real estate		
Without recourse	$989,760	$843,136
With recourse	3,975	4,339
	993,735	847,475
Notes payable	6,315	11,673
Loans payable to affiliates	69,042	52,436
Accounts payable and accrued expenses	68,534	64,709
Deferred income taxes	54,974	47,274
Deferred profit	16,378	19,477
Total Liabilities	$1,208,978	$1,043,044
Shareholders' Equity Common stock	2,600	2,600
Additional paid-in capital	2,778	2,778
Retained earnings	58,847	52,306
Total Shareholders' Equity	64,225	57,684
	$1,273,203	$1,100,728

Forest City Rental Properties Corporation and Subsidiaries
Statement of Consolidated Earnings and Retained Earnings

	For the Years Ended January 31,		
	1989	1988	1987
	(in thousands)		
Revenues			
Sales and operating revenues	$203,154	$179,999	$138,369
Interest and other income	8,767	7,625	9,274
Equity in earnings of affiliates	(25)	30	27
Total revenues	211,896	187,654	147,670
Operating costs excluding depreciation and amortization			
Interest incurred	85,081	69,685	46,916
Less interest capitalized for projects under construction	17,076	11,641	10,388
	68,005	58,044	36,528
Operating costs of rental properties	117,957	109,266	85,216
	185,962	167,310	121,744
Operating earnings before depreciation and amortization and gain on disposition of properties and other provisions	25,934	20,344	25,926
Depreciation and amortization	23,647	19,014	13,149
Operating earnings before gain on disposition of properties and other provisions	2,287	1,330	12,777
Gain on disposition of properties and other provisions	10,753	597	5,922
Earnings before income taxes	13,040	1,927	18,699
Provision for income taxes	5,860	(153)	7,429
Net earnings before cumulative effect of an accounting change	7,180	2,080	11,270
Cumulative effect on prior years of a change in accounting principle relating to income taxes		8,884	
Net earnings	7,180	10,964	11,270
Transfer of wholly-owned subsidiary to Enterprises	(639)		
Retained earnings at beginning of year	52,306	41,342	30,072
Retained earnings at end of year	$58,847	$52,306	$41,342

Forest City Rental Properties Corporation and Subsidiaries
Statement of Consolidated Cash Flows

	For the Years Ended January 31,		
	1989	1988	1987
	(in thousands)		
Operating Activities			
Net earnings	$7,180	$10,964	$11,270
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	23,647	19,014	13,149
Deferred income taxes	9,598	8,528	9,380
Accrued interest of a rental property not payable until future years	4,462	4,605	
Gain on disposition of properties and other provisions	(10,753)	(597)	(5,922)
Purchases of land held for development or sale	(7,705)	(1,614)	(106)
Cumulative effect of a change in accounting principle		(8,884)	
(Increase) decrease in restricted funds	8,901	(7,426)	(7,597)

Statement of Consolidated Cash Flows (continued)

	For the Years Ended January 31,		
	1989	1988	1987
	(in thousands)		
(Increase) decrease in notes and accounts receivable	6,480	45,588	(55,144)
(Increase) decrease in other assets	2,175	(10,452)	(2,131)
(Increase) in unamortized mortgage and lease costs on rental properties	(24,739)	(8,736)	(11,330)
Increase (decrease) in accounts payable and accrued expenses	(929)	13,478	17,405
(Decrease) in deferred profit	(3,099)	(749)	(6,815)
Transfer of land to (from) Forest City Enterprises	(3,089)	(235)	288
Net cash provided by (used in) operating activities	12,129	63,484	(37,553)
Investing Activities			
Capital expenditures on rental properties	(190,043)	(185,734)	(331,032)
Proceeds from disposition of properties	21,231	1,331	15,998
Net cash used in investing activities	(168,812)	(184,403)	(315,034)
Financing Activities			
Increase in payable to Forest City Enterprises	21,890	28,612	31,995
Increase (decrease) in payable to affiliates	(5,228)	1,784	(10,446)
Transfer of wholly-owned subsidiary to Enterprises	(639)		
Increase in mortgage and long-term debt	152,436	163,241	285,080
Principal payments on mortgage debt—Rental Properties	(6,176)	(5,834)	(5,586)
Principal payments on mortgage debt—Land	(39)	(104)	
Payments on notes payable	(4,105)	(59,950)	(376)
Increase (decrease) in notes payable	(1,253)	1,777	54,446
Net cash provided by financing activities	156,925	129,591	355,009
Net increase in cash	242	8,672	2,422
Cash at beginning of year	12,238	3,566	1,144
Cash at end of year	$12,480	$12,238	$3,566

HONEYWELL, INC., DECEMBER 31, 1988

Honeywell Inc. and Consolidated Subsidiaries
Notes to Financial Statements
(Dollars in Millions Except Per Share Amounts)

12. Consolidation of Finance and Real Estate Subsidiaries

In 1988 Honeywell adopted Financial Accounting Standard No. 94, "Consolidation of All Majority-owned Subsidiaries," and accordingly the consolidated financial statements include finance and real estate subsidiaries, which had previously been accounted for using the equity method. Prior-year financial statements have been restated to conform to this change.

Summarized financial information of these subsidiaries not previously consolidated is as follows:

Condensed Income Statement	1988	1987	1986
Revenues and other income	$51.2	$25.1	$29.7
Costs and expenses	19.7	23.0	24.6
Income taxes	1.7	1.0	2.4
Net income	$29.8	$1.1	$2.7
Dividends		$5.0	
Condensed Statement of Financial Position			
Receivables	$186.5	$183.8	$182.7
Receivables from Honeywell	25.1	19.3	21.5
Property	48.3	75.3	75.8
Other	2.2	1.7	1.3
	$262.1	$280.1	$281.3

	1988	1987	1986
Payables and accruals	$9.7	$6.4	$6.2
Short-term debt	.5	27.8	26.9
Long-term debt	60.5	84.3	86.6
Payables to Honeywell	41.4	41.1	41.6
Stockholders' equity	150.0	120.5	120.0
	$262.1	$280.1	$281.3

Receivables include customer obligations purchased from Honeywell by Honeywell Finance Inc. Collection of these receivables is performed by Honeywell and the cost of this service is paid by Honeywell Finance Inc.

Revenues and other income consist primarily of financing fees paid by Honeywell to the finance subsidiaries and rental income from buildings owned by the real estate subsidiaries. The financing fees are based upon the finance subsidiaries' expenses and interest income. In the United States, fees are paid to Honeywell Finance Inc. under a formula providing fixed-charges coverage of 150 percent. In 1988 revenues include $29.8 of gains on sales of real estate.

MOBIL CORPORATION, DECEMBER 31, 1988

Notes to Financial Statements

2. Accounting Changes

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Also in the third quarter of 1988 Mobil adopted retroactively FAS 94, "Consolidation of All Majority-Owned Subsidiaries." The restatement of Mobil's prior years' consolidated financial statements for FAS 94 had no effect on Mobil's net income or earnings retained in the business. Mobil's restated assets and liabilities increased from previously reported amounts. The financial service and real estate subsidiaries that are consolidated under FAS 94 are Mobil Oil Credit Corporation (Mobil Credit) and Mobil Land Development Corporation (Mobil Land). These subsidiaries were previously accounted for on the equity method.

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7. Consolidated Financial Service and Real Estate Subsidiaries

Summary financial information for Mobil Credit and Mobil Land is shown below.

Prior to July 1, 1988, Mobil Credit operated as a finance company, servicing Mobil Oil Corporation's (Mobil Oil) credit card business, purchasing accounts receivable from Mobil Oil, and issuing short-term debt. Effective July 1, 1988, Mobil Credit ceased these financing operations and began operating solely as a service company administering the credit card business of Mobil Oil.

	Mobil Credit			Mobil Land		
(in millions)	1988	1987	1986	1988	1987	1986
Current assets	$351	$1,087	$864	$141	$143	$141
Noncurrent assets	14	12	11	378	366	303
Current liabilities	31	729	606	39	85	52
Long-term debt	—	—	—	65	200	183
Other liabilities[n1]	305	142	41	17	14	34
Net assets	$29	$228	$228	$398	$210	$175
Gross revenues	$188	$179	$184	$207	$126	$159
Income before taxes	34	28	33	58	47	47
Net income	21	17	17	38	27	37

[n1]For Mobil Credit, principally intercompany.

FINANCE AND INSURANCE

GENERAL MOTORS CORPORATION, DECEMBER 31, 1988

Notes to Financial Statements

Note 1. Significant Accounting Policies

Principles of Consolidation

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In the fourth quarter of 1988, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 94, Consolidation of All Majority-owned Subsidiaries, as required by the Financial Accounting Standards Board (FASB). While the adoption of SFAS No. 94 had no effect on consolidated net income or stockholders' equity, it did significantly alter the format of the basic financial statements. Under prior accounting policies, the net investment in nonmanufacturing type companies (e.g., General Motors Acceptance Corporation—GMAC) was reflected as a single line item ("equity in net assets of nonconsolidated subsidiaries and associates") on the Consolidated Balance Sheet and the net income of these operations was reflected as a single line item ("equity in earnings of nonconsolidated subsidiaries and associates") on the Statement of Consolidated Income.

However, as required by SFAS No. 94, the accounts of GMAC, GM's wholly-owned finance subsidiary and its subsidiaries, including Motors Insurance Corporation (MIC) as well as other more than 50% owned domestic and foreign finance and insurance subsidiaries, have been added, account by account, to those of the statements of GM and its manufacturing, marketing, defense, electronics and computer service subsidiaries.

As a result, it is no longer meaningful to prepare a Consolidated Balance Sheet in which current and noncurrent assets and liabilities are displayed. Instead, the unclassified format utilized by banking and finance companies has been adopted. Furthermore, the Statement of Consolidated Income no longer reflects Operating Income amounts.

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Note 12. General Motors Acceptance Corporation and Subsidiaries

Condensed Consolidated Balance Sheet *(Dollars in Millions)*	1988	1987
Cash and investments in securities	$3,272.0	$3,037.5
Finance receivables—net	74,230.8	74,306.6
Notes receivable from General Motors Corporation	14,840.0	13,981.0
Other assets	6,698.1	7,201.9
Total Assets	$99,040.9	$98,527.0
Short-term debt	$54,505.0	$50,878.5
Accounts payable and other liabilities (including GM and affiliates—$3,515.5 and $2,742.4)	9,960.3	9,803.9
Long-term debt	27,370.4	30,869.4
Stockholders' equity	7,205.2	6,975.2
Total Liabilities and Stockholders' Equity	$99,040.9	$98,527.0

Condensed Statement of Separate Consolidated Income *(Dollars in Millions)*	1988	1987	1986
Gross Revenue	$13,499.6	$13,400.7	$13,069.9
Interest and discount	6,641.9	6,118.3	6,188.5
Other expenses	5,670.1	5,829.2	5,696.3
Total Expenses	12,312.0	11,947.5	11,884.8
Separate Consolidated Net Income	$1,187.6	$1,453.2	$1,185.1
Dividends paid to GM	$1,000.0	$900.0	

Note 19. Segment Reporting

Industry Segments. While the major portion of the Corporation's operations is derived from the automotive products industry segment, GM also has financing and insurance operations and produces products and provides services in other industry segments. . . . The financing and insurance operations assist in the merchandising of General Motors' products as well as other products. GMAC and its subsidiaries, as well as certain other subsidiaries of GM, offer financial services and certain types of insurance to dealers and customers. In addition, subsidiaries of GMAC are engaged in mortgage banking operations. . . . Because of the high degree of integration, substantial interdivisional and intersegment transfers of materials and services are made. Intersegment sales and revenues are made at negotiated selling prices.

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Information concerning operations by industry segment is displayed below and on the next page.

	Automotive Products	Financing & Insurance Operations	Other Products	Total
		(Dollars in Millions)		
1988				
Net Sales and Revenues:				
Outside	$97,437.5	$10,664.9	$12,285.3	$120,387.7
Intersegment	339.6	3.0	2,866.6	
Total net sales and revenues	$97,777.1	$10,667.9	$15,151.9	*$120,387.7
Operating Profit	$5,614.5	N/A	**$175.7	**$5,790.2
Identifiable Assets at Year-End	$60,420.4	$84,444.8	$16,553.1	$161,418.3
Depreciation and Amortization	$4,050.6	$1,585.5	$1,444.9	$7,081.0
Capital Expenditures	$4,524.6	$127.4	$974.5	$5,626.5
1987				
Net Sales and Revenues:				
Outside	$89,612.6	$10,920.8	$11,744.9	$112,278.3
Intersegment	278.0	7.3	2,870.7	
Total net sales and revenues	$89,890.6	$10,928.1	$14,615.6	*$112,278.3
Operating Profit	$3,379.9	N/A	**$420.2	**$3,800.1
Identifiable Assets at Year-End	$60,159.5	$84,713.0	$16,305.9	$161,178.4
Depreciation and Amortization	***$4,695.3	$1,669.0	$1,462.6	$7,826.9
Capital Expenditures	$6,127.9	$111.3	$911.4	$7,150.6

*After elimination of intersegment transactions.

**Excludes Financing and Insurance Operations as they do not report Operating Profit.

***Includes a revision to estimated service lives of plant and equipment and special tools of $1,661.1 million.

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FPL GROUP INC., DECEMBER 31, 1988

Notes to Consolidated Financial Statements
For the years ended December 31, 1988, 1987 and 1986

1. Summary of Significant Accounting and Reporting Policies
   Basis of Presentation

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Effective December 31, 1988 FPL Group adopted Statement of Financial Accounting Standards (SFAS) No. 94, "Consolidation of All Majority-Owned Subsidiaries." Prior years' financial statements and the related footnote disclosures have been restated for the consolidation of insurance and finance operations, primarily Colonial Penn Group, Inc., previously accounted for using the equity method of accounting. Adoption of SFAS 94 had no effect on net income or earnings per share as previously reported.

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9. Business Segments

FPL Group operates principally in two business segments: utility and non-utility operations. The utility operations are conducted by FPL and include the generation, transmission, distribution and sale of electric energy. The non-utility operations are conducted by FPL Group Capital and consist primarily of the development, marketing and sale of personal lines insurance (property and casualty, life and health) and other financial services by Colonial Penn.

FPL Group's business segment information for the three years in the period ended December 31, 1988 is summarized below:

Years Ended December 31,	1988	1987	1986
	(Thousands of Dollars)		
Revenues:			
Utility	$4,627,278	$4,349,722	$4,087,203
Non-utility	1,231,821	1,131,852	1,369,753
Corporate items and eliminations	(5,586)	—	—
Total revenues	$5,853,513	$5,481,574	$5,456,956
Operating Profit: Utility	$908,624	$949,810	$1,005,157
Non-utility	112,831	28,049	(64,809)
Total business segment operating profit	$1,021,455	$977,859	$940,348

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Identifiable Assets:			
Utility	$8,983,136	$8,943,386	$8,566,067
Non-utility	2,837,073	2,318,554	1,900,020
Corporate items and eliminations	(26,872)	(32,841)	93,065
Total assets	$11,793,337	$11,229,099	$10,559,152
Depreciation and Amortization: Utility	$490,724	$434,106	$334,797
Non-utility	124,678	95,779	54,325
Corporate items and eliminations	515	515	517
Total depreciation and amortization	$615,917	$530,400	$389,639
Capital Expenditures: Utility	$671,359	$688,283	$671,779
Non-utility	163,244	66,590	68,777
Corporate items and eliminations	—	(1,336)	—
Total capital expenditures	$834,603	$753,537	$740,556

10. Previously Unconsolidated Operations

Prior to the adoption of SFAS 94 in 1988, the company accounted for its investments in Colonial Penn, Palms Insurance Company, Limited and FPL Investments Inc. using the equity method of accounting. The accompanying financial statements have been restated to consolidate these entities in accordance with SFAS 94. FPL Investments and Palms are not significant to FPL Group's financial position or results of operations and, accordingly, separate financial statements are not presented.

The business information operations of Colonial Penn, which were conducted through its subsidiary Praxis, were sold in 1988 and resulted in a gain of $68 million ($43 million after tax). See "Note 2." Due to the nature of its operations, Praxis was consolidated by FPL Group effective January 1, 1987. Accordingly, the following summarized financial information of Colonial Penn does not include this gain.

Consolidated Balance Sheets December 31,	1988	1987
	(Thousands of Dollars)	
Assets:		
Cash and investments	$1,619,151	$1,319,660
Receivables	219,702	119,650
Unamortized policy acquisition costs	222,016	179,123
Goodwill	169,107	174,086
Other assets	208,773	204,967
Total assets	$2,438,749	$1,997,486
Liabilities and Shareholders' Equity:		
Policy liabilities	$1,102,665	$983,126
Other liabilities	526,496	386,441
Shareholders' equity	809,588	627,919
Total liabilities and shareholders' equity	$2,438,749	$1,997,486

Consolidated Statements of Income Years Ended December 31,	1988	1987	1986
	(Thousands of Dollars)		
Revenues:			
Insurance premiums:			
Property and casualty	$562,376	$544,136	$408,956
Life and health	241,974	205,266	184,453
Life and health reinsurance	152,955	178,101	629,538
Other	166,773	110,189	142,523
Total revenues	$1,124,078	$1,037,692	$1,365,470
Expenses:			
Benefits, claims and settlement expenses	$789,054	$756,942	$1,154,969
Other	293,190	227,708	214,543
Total expenses	1,082,244	984,650	1,369,512
Net income (loss)	[1]$41,834	$53,042	$(4,042)

[1]Excludes gain of approximately $68 million ($43 million after tax) on the sale of Colonial Penn's business information operations.

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SHELL OIL COMPANY, DECEMBER 31, 1988.

Shell Oil Company and Subsidiaries
Notes to Consolidated Financial Statements

2. Accounting Changes

Shell Oil adopted Statement of Financial Accounting Standards (SFAS) No. 94 in 1988. SFAS No. 94 requires the consolidation of majority-owned subsidiaries except in circumstances where a question of control exists. The effect of applying the provisions of that standard was the line-by-line consolidation of the Company's insurance and finance subsidiaries with restatement of comparative financial statements. There was no effect on consolidated net income or shareholders' equity, nor any significant impact on debt to total capital ratio.

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7. Investments

During 1988, the Company implemented SFAS No. 94 which requires the consolidation of nonhomogeneous majority-owned subsidiaries. As a result, the accounts of PICO Limited, a wholly-owned Bermuda insurance subsidiary, and Shell Credit, Inc., a wholly-owned domestic finance subsidiary, have been consolidated in the Company's financial statements with restatement of prior years.

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Although wholly-owned subsidiaries formerly accounted for on an equity basis are now fully consolidated in Shell Oil's financial statements in accordance with SFAS No. 94, that standard also requires continued disclosure of the following information for those same subsidiaries.

	1988	1987	1986
	(millions of dollars)		
Wholly-Owned Subsidiaries Formerly Accounted for on an Equity Basis			
Current assets	$397	$473	$595
Noncurrent assets	586	536	452
Current liabilities*	141	373	356
Noncurrent liabilities*	509	404	477
Revenues	91	69	79
Net income	54	43	47

*Includes a $45 million long-term note payable by Shell Credit, Inc. to the Company at the end of each of the three years.

TEXTRON, INC., DECEMBER 31, 1988

Textron Inc.
Notes to Consolidated Financial Statements

18. Financial Information by Borrowing Group

Textron consists of two borrowing groups—the Textron Parent Company Borrowing Group and the finance and insurance subsidiaries.

This framework is designed to enhance the borrowing power of the total company by separating borrowing oriented units of a specialized business nature such as financial services.

The Textron Parent Company Borrowing Group is comprised of all entities of Textron other than its finance and insurance subsidiaries. The financial statements of this group as set forth below reflect Textron's investments in its finance and insurance subsidiaries on the equity basis. Its sources of cash flow include dividends paid by the finance and insurance subsidiaries, as well as cash generated by other operating units.

The finance and insurance subsidiaries finance their respective operations by borrowing from their own group of external creditors.

Financial Information for the Textron Parent Company Borrowing Group
Statement of Income

(In millions)	1988	1987	1986
Revenues:			
Sales	$5,342.7	$5,388.4	$4,688.1
Investment income	6.1	9.0	11.4
Total revenues	5,348.8	5,397.4	4,699.5
Costs and expenses:			
Cost of sales	4,278.7	4,387.7	3,768.3
Selling and administrative	656.8	604.3	539.6
Interest expense	208.5	206.1	191.5
Total costs and expenses	5,144.0	5,198.1	4,499.4
	204.8	199.3	200.1
Equity in pre-tax income of finance and insurance subsidiaries	228.5	253.3	223.5
Income from continuing operations before income taxes	433.3	452.6	423.6
Income taxes	161.2	191.5	194.0
Income from continuing operations before extraordinary losses	272.1	261.1	229.6
Discontinued operations, net of income taxes	—	27.8	16.3
Extraordinary losses, net of income taxes	(37.7)	(32.6)	(6.7)
Net income	$234.4	$256.3	$239.2

Balance Sheet
(In millions)

	1988	1987
Assets		
Cash	$10.3	$5.6
Receivables—net	815.3	773.2
Inventories	1,231.7	1,210.4
Investments in finance and insurance subsidiaries	1,615.9	1,490.8
Property, plant and equipment—net	850.3	791.0
Goodwill (less accumulated amortization of $52.8 and $33.4)	723.9	739.3
Other assets	309.8	333.3
Total assets	$5,557.2	$5,343.6
Liabilities and shareholders' equity		
Accounts payable, income taxes and accrued liabilities	$1,383.7	$1,546.7
Debt	1,788.6	1,489.7
Shareholders' equity	2,384.9	2,307.2
Total liabilities and shareholders' equity	$5,557.2	$5,343.6

Statement of Cash Flows
(In millions)

	1988	1987	1986
Cash flows from operating activities:			
Net income	$234.4	$256.3	$239.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of finance and insurance subsidiaries	(82.0)	(69.5)	(97.0)
Depreciation and amortization	171.4	170.3	124.1
Deferred income taxes	(.6)	14.3	26.2
Contributions of common stock to employee benefit plans	—	64.4	19.4
Gains on sales of discontinued operations	—	(51.5)	(66.4)
Losses on early redemption of debt	15.6	14.2	13.1
Changes in assets and liabilities excluding those related to acquisitions and divestitures of businesses:			
Increase in receivables	(53.6)	(93.7)	(58.6)
Increase in inventories	(21.3)	(8.3)	(35.2)
Decrease (increase) in other assets	(16.5)	44.8	(70.0)
Increase (decrease) in accounts payable, income taxes payable and accrued liabilities	(135.3)	64.4	70.7
Other—net	5.6	(4.5)	(.4)
Net cash provided by operating activities	117.7	401.2	165.1
Cash flows from investing activities:			
Purchases of investments	(43.8)	—	(8.5)
Proceeds from sales of investments	1.6	48.7	29.9
Collection on notes receivable	11.0	46.5	40.3
Capital expenditures	(192.8)	(215.7)	(181.3)
Proceeds from sales of property, plant and equipment	12.4	35.9	32.0
Proceeds from sales of discontinued operations	34.3	293.0	454.6
Cash used in acquisition of Ex-Cell-O	—	—	(999.9)
Net cash provided (used) by investing activities	(176.8)	208.4	(632.9)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(.7)	(21.2)	1.6
Proceeds from issuance of long-term debt	581.5	562.5	1,403.8
Principal payments on long-term debt	(324.6)	(1,281.9)	(868.2)
Sales of common stock	—	195.6	—
Purchases of common stock	(105.5)	(12.1)	—
Dividends paid	(87.1)	(87.0)	(74.0)
Net cash provided (used) by financing activities	63.6	(644.1)	463.2

(In millions)	1988	1987	1986
Effect of exchange rate changes on cash	.2	.3	.2
Net increase (decrease) in cash	4.7	(34.2)	(4.4)
Cash at beginning of year	5.6	39.8	44.2
Cash at end of year	$10.3	$5.6	$39.8

Financial Information for Textron's Finance and Insurance Subsidiaries

Statement of Income

(In millions)	1988	1987	1986
Revenues:			
Interest, discount and service charges	$891.7	$829.3	$877.2
Credit life, credit disability and casualty insurance premiums	223.2	220.2	298.1
Non-cancellable disability income, life and group insurance premiums	527.6	435.0	377.2
Investment income (including net capital gains)	294.2	282.3	275.0
Total revenues	$1,936.7	$1,766.8	$1,827.5
Costs and expenses:			
Selling and administrative	$533.6	$433.6	$456.3
Interest expense	393.4	374.1	392.3
Provision for losses on collection of finance receivables, less recoveries	85.0	87.7	96.4
Credit life, credit disability and casualty insurance losses and adjustment expenses, less recoveries	97.5	120.9	197.3
Death and other insurance benefits	285.0	224.2	188.6
Increase in insurance policy liabilities	206.8	183.1	161.9
Amortization of insurance policy acquisition costs	106.9	89.9	111.2
Total costs and expenses	1,708.2	1,513.5	1,604.0
Income before income taxes	228.5	253.3	223.5
Income taxes	83.7	101.7	86.7
Income before extraordinary losses	144.8	151.6	136.8
Extraordinary losses, net of income taxes	(28.0)	(24.6)	—
Net income	$116.8	$127.0	$136.8

Balance Sheet

(In millions)	1988	1987
Assets		
Cash	$5.7	$36.9
Investments	2,875.5	2,563.1
Finance receivables—net	4,684.9	4,063.4
Property, plant and equipment—net	92.7	78.3
Unamortized insurance policy acquisition costs	443.1	378.7
Goodwill (less accumulated amortization of $76.3 and $57.9)	392.5	410.9
Other assets	173.1	145.2
Total assets	$8,667.5	$7,676.5
Liabilities and equity		
Accounts payable, income taxes and accrued liabilities	$628.0	$509.9
Insurance reserves and claims	2,344.4	2,104.5
Debt	4,079.2	3,571.3
Equity	1,615.9	1,490.8
Total liabilities and equity	$8,667.5	$7,676.5

Notes:

(i) Prior years' amounts have been reclassified and restated to conform to the current year's presentation and to comply with new accounting requirements.

(ii) TFC derives a substantial portion of its business from financing the sale and lease of products manufactured and sold by Textron. In 1988, 1987 and 1986, TFC paid Textron $312.3 million and $228.8 million, respectively, for the purchase of receivables. Under an operating agreement with Textron, TFC generally has recourse to Textron with respect to finance receivables and leases of products manufactured and sold by Textron. At December 31, 1988, finance receivables of $407.1 million ($389.8 million at January 2, 1988) were due from Textron or subject to recourse to Textron.

(iii) Approximately 77%, 69% and 52% of the credit life and credit disability insurance premiums earned and 24%, 14% and 7% of the casualty insurance premiums earned in 1988, 1987 and 1986, respectively, were related directly to AFS' consumer loan activities.

Statement of Cash Flows

(In millions)	1988	1987	1986
Cash flows from operating activities:			
Net income	$116.8	$127.0	$136.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	33.3	32.6	30.3
Provision for losses on finance receivables	106.9	108.6	115.5
Deferred income taxes	29.3	47.3	77.9
Increase in insurance policy liabilities	206.8	133.1	161.9
Amortization of insurance policy acquisition costs	106.9	89.9	111.2
Gains on sales of investments	(11.0)	(16.0)	(31.7)
Gain on sales of credit card receivables	—	(52.3)	—
Losses on early redemption of debt	—	41.9	—
Changes in assets and liabilities:			
Additions to insurance policy acquisition costs	(171.3)	(142.6)	(157.3)
Decrease (increase) in other assets	(5.7)	6.0	25.1
Increase in accounts payable, income taxes payable and accrued liabilities	84.2	47.2	32.1
Increase (decrease) in unearned insurance premiums and reserves for insurance losses and adjustment expenses	12.9	(16.7)	30.7
Other-net	9.7	(1.6)	(.2)
Net cash provided by operating activities	518.8	454.4	532.3
Cash flows from investing activities:			
Purchases of investments	(796.3)	(1,003.4)	(993.5)
Proceeds from sales of investments	538.0	765.3	776.4
Finance receivables originated or purchased	$(3,232.9)	(2,684.4)	(2,436.6)
Finance receivables repaid or sold	2,491.0	2,699.9	2,343.9
Capital expenditures	(25.0)	(13.9)	(27.4)
Proceeds from sales of property, plant and equipment	—	8.3	—
Net cash used by investing activities	(1,025.2)	(228.2)	(337.2)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	112.9	188.9	(296.3)
Proceeds from issuance of long-term debt	742.6	411.2	573.0
Principal payments on long-term debt	(362.8)	(819.8)	(414.4)
Receipts from interest sensitive insurance products	95.6	92.9	100.1
Return of account balances on interest sensitive insurance products	(79.2)	(73.3)	(98.5)
Dividends paid—intercompany	(34.8)	(57.5)	(39.8)
Net cash provided (used) by financing activities	474.3	(257.6)	(157.6)
Effect of exchange rate changes on cash	.9	.7	(1.7)
Net increase (decrease) in cash	(31.2)	(30.7)	17.8
Cash at beginning of year	36.9	67.6	49.8
Cash at end of year	$5.7	$36.9	$67.6

New Accounting Requirements

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FAS 94—"Consolidation of All Majority-owned Subsidiaries"

In 1988, Textron adopted Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries," which requires Textron to consolidate the accounts of its finance and insurance subsidiaries in its consolidated financial statements. Prior periods' financial statements have been restated to conform to this presentation.

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UNISYS CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements
Unisys Corporation

2. Accounting Changes

Certain amounts for prior years have been restated, with no effect on net income or stockholders' equity, as a result of the adoption, effective January 1, 1988, of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries," which requires the consolidation of wholly owned finance and insurance subsidiaries previously accounted for by the equity method. See Note 14 for summarized financial information for these subsidiaries.

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14. Wholly Owned Finance and Insurance Subsidiaries

Presented below is summarized financial information for wholly owned finance and insurance subsidiaries previously accounted for by the equity method (see Note 2).

Condensed combined balance sheets December 31 *(Millions)*	1988	1987
Assets		
Receivables	$1,350.9	$1,079.9
Other assets	43.8	55.8
	$1,394.7	$1,135.7
Liabilities		
Short-term debt	$102.3	$135.2
Accrued liabilities	59.0	54.4
Long-term debt	547.9	444.0
Due to affiliates	162.8	33.7
Stockholder's equity	522.7	468.4
	$1,394.7	$1,135.7

Condensed combined summary of income Year ended December 31 *(Millions)*	1988	1987	1986
Income	$88.8	$119.7	$102.2
Expense	60.0	94.6	82.2
Income before income taxes	28.8	25.1	20.0
Estimated income taxes	.6	4.2	5.8
Net income	$28.2	$20.9	$14.2

FINANCE AND LEASING

GENERAL DYNAMICS CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements
(Dollars in millions, except per share amounts)

A. Summary of Significant Accounting Policies

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Accounting Change. Consistent with the requirements of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries," wholly-owned finance and leasing subsidiaries, previously accounted for on the equity basis, are now consolidated in the financial statements of the Company. Financial data presented for previous periods has been restated to reflect this change. This restatement had no impact on previously reported net earnings or earnings per share.

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F. Finance and Leasing Subsidiaries

The following is a summary of the comparative combined financial statements for the finance and leasing subsidiaries:

Balance Sheet Data 31 December	1988	1987
Assets		
Receivables on ship leases	$314.8	$326.4
Notes receivable on general aviation aircraft and leased aircraft	334.4	309.1
Notes and leases receivable on telecommunication equipment and other notes	36.6	47.8
Cash and other assets	24.8	36.4
	$710.6	$719.7
Liabilities and Shareholders' Equity		
Debt	$442.9	$500.0
Other liabilities	99.1	42.7
Investment of and advances from parent company	168.6	177.0
	$710.6	$719.7

Earnings Data Year ended 31 December	1988	1987	1986
Interest and other income	$70.8	$70.2	$78.5
Interest, taxes and other expenses	61.3	59.4	69.5
Net earnings	$9.5	$10.8	$9.0

McDONNELL DOUGLAS CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements
(Millions of dollars, except share data)

Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of McDonnell Douglas Corporation (MDC) and its subsidiaries including McDonnell Douglas Finance Corporation (MDFC). In consolidation, all significant intercompany balances and transactions are eliminated.

Reporting Changes. MDC adopted Financial Accounting Standard No. 94, "Consolidation of All Majority-owned Subsidiaries," in 1988 and has consolidated MDFC and several minor affiliates previously reported using the equity method of accounting. Concurrent with full consolidation, MDC has adopted an unclassified balance sheet and has reclassified several other balance sheet accounts for presentation purposes.

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Investment in Financial Services Subsidiary

The condensed financial data presented below have been summarized from the audited consolidated financial statements of MDFC:

December 31	1988	1987
Assets		
Cash	$12	$14
Accounts with MDC	1	4
Notes and leases receivable—net	2,095	1,739
Investment in operating leases	402	331
Other assets	143	137
Total	$2,653	$2,225
Liabilities and Equity		
Accounts payable and accrued expenses	$145	$104
Income taxes	538	494
Notes payable and long-term debt	1,721	1,414
Shareholders' equity	249	213
Total	$2,653	$2,225

Years Ended December 31	1988	1987	1986
Operating income	$285	$228	$196
Costs and expenses	211	167	149
Net earnings	$53	$43	$35

UNITED TECHNOLOGIES CORPORATION, DECEMBER 31, 1988

Notes to Financial Statements

Note 2

Accounting Changes. In 1988, the Corporation adopted Financial Accounting Standard No. 94, "Consolidation of All Majority-owned Subsidiaries" (FAS 94), requiring that certain of the Corporation's previously unconsolidated subsidiaries, summarized in Note 9, be consolidated rather than accounted for under the equity method, and.... Prior years' financial statements have been restated to reflect adoption of the Standards, neither of which had any effect on net income or shareowners' equity.

Note 9

Consolidated Subsidiaries and Other Investments. Summarized financial data for the Corporation's previously unconsolidated finance subsidiaries is presented below. See Note 2.

Finance Subsidiaries:

As of December 31, 1987 and 1986, the Corporation's wholly-owned finance subsidiaries included UT Financial Services Corporation (UT Financial Services) and its consolidated subsidiaries, UT Credit Corporation (UT Credit), Carrier Distribution Credit Corporation (CDCC) and UT Communications Credit Corporation (UTCCC). In 1988, the Corporation reorganized CDCC and UTCCC, as well as the nonleasing finance activities of UT Financial Services and UT Credit under UT Finance Corporation, a wholly-owned subsidiary. Subsequent to the reorganization, the Corporation sold the stock of UT Credit and UT Financial Services, which conducted substantially all of the finance subsidiaries' leasing activities. These sales resulted in the recognition of consolidated pretax gains of $98.8 million including $71.8 million recognized by the consolidated subsidiaries shown below.

Summary financial data for these subsidiaries is shown below:

(In Millions of Dollars)	1988	1987	1986
Revenues:			
Operating	$87.7	$123.9	$144.3
Gain on sales of leasing subsidiaries	71.8		
Total expenses	84.1	88.3	102.3
Net Income	$75.4	$35.6	$42.0

	1988	1987
Assets:		
Intercompany receivables, net	$417.9	$202.2
Financing assets, net	292.0	1,038.5
Other assets	15.7	18.8
Total Assets	725.6	$1,259.5
Liabilities and Shareholders' Equity:		
Debt payable within one year	$9.7	$261.3
Deferred income taxes	8.3	293.0
Long-term debt	362.6	373.5
Other liabilities	44.5	56.4
Total Liabilities	$425.1	$984.2
Shareholders' Equity	300.5	275.3
Total Liabilities and Shareholders' Equity	$725.6	$1,259.5

Included in net income for 1986 is approximately $9 million representing the cumulative impact of the Tax Reform Act of 1986 on existing leveraged leases.

Since the sale of stock of the leasing subsidiaries, the finance company and its remaining subsidiaries are primarily engaged in financing products of the Corporation and its subsidiaries.

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OTHER COMBINATIONS OF NONHOMOGENEOUS OPERATIONS

BELL ATLANTIC CORPORATION, DECEMBER 31, 1988

Notes to Consolidated Financial Statements

6. Summarized Financial Information

Summarized financial information for previously unconsolidated, wholly owned financial and real estate services subsidiaries is as follows:

	December 31,	
(Dollars in Millions)	1988	1987
Finance lease and notes receivable, net	$2,019.3	$1,622.2
Equipment under operating leases, net	819.8	746.4
Real estate held for investment, net	357.0	314.7
Other assets	292.6	256.7
Total assets	$3,488.7	$2,940.0
Notes payable	$2,294.2	$1,913.5
Other liabilities	806.7	698.9
Equity	387.8	327.6
Total liabilities and equity	$3,488.7	$2,940.0

Years Ended December 31,	1988	1987	1986
Revenues	$569.1	$452.4	$135.5
Operating income	$49.7	$36.6	$12.5
Net income	$40.2	$24.5	$11.0

13. Segment Information

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Financial and Real Estate Services—engages in lease financing of commercial, industrial, medical, and high-technology equipment and in real estate investment and development.

(Dollars in Millions)	1988	1987	1986
Operating revenues:			
Communications and Related Services	$10,311.0	$10,294.9	$9,918.8
Financial and Real Estate Services	569.1	452.4	135.5
	$10,880.1	$10,747.3	$10,054.3
Operating income:			
Communications and Related Services	$2,240.8	$2,385.4	$2,492.1
Financial and Real Estate Services	49.7	36.6	12.5
	$2,290.5	$2,422.0	$2,504.6

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Identifiable assets:			
Communications and Related Services	$20,851.0	$20,322.8	$19,858.7
Financial and Real Estate Services	3,488.7	2,940.0	2,077.3
Corporate	389.5	290.2	230.3
	$24,729.2	$23,553.0	$22,166.3
Depreciation and amortization:			
Communications and Related Services	$2,092.9	$2,116.9	$1,926.6
Financial and Real Estate Services	261.1	205.4	38.8
	$2,354.0	$2,322.3	$1,965.4
Additions to plant, property and equipment:			
Communications and Related Services	$2,498.4	$2,364.3	$2,290.9
Financial and Real Estate Services	121.1	58.9	253.0
	$2,619.5	$2,423.2	$2,543.9

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Summary of Significant Accounting Policies

Basis of Presentation

In 1988, Bell Atlantic Corporation changed its consolidation policy with the adoption of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries" (Statement No. 94). The consolidated financial statements of Bell Atlantic Corporation and subsidiaries (the Company) now include the accounts of all majority-owned subsidiaries. Previously, the Company's wholly owned lease financing and real estate subsidiaries were accounted for using the equity method. Prior years' consolidated financial statements have been restated to reflect the adoption of Statement No. 94.

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The Company's seven telephone subsidiaries and a centralized management and technical services subsidiary compose Network Services. Financial Services consists of the Company's lease financing subsidiaries.

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CINCINNATI MILACRON, INC., DECEMBER 31, 1988

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

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Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries. The consolidated financial statements for 1987 and 1986 have been restated to reflect the consolidation of the company's wholly-owned finance and insurance subsidiaries and its majority-owned utility subsidiary that were previously accounted for using the equity method. The change in accounting method was required, effective in 1988, under generally accepted accounting principles and had no effect on shareholders' equity or net income.

Certain reclassifications have been made to prior years' financial statements to conform with the current presentation.

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Finance, Insurance and Utility Subsidiaries

Financial information, which is also included in the consolidated financial statements, for the company's wholly-owned finance and insurance subsidiaries and majority-owned utility subsidiary is summarized in the table.

Balance Sheet—Finance, Insurance and Utility Subsidiaries

(In thousands)	1988	1987
Cash and cash equivalents	2,956	$2,605
Notes and accounts receivable	$24,806	51,757
Other assets	12,809	9,825
Total assets	$40,571	$64,187
Short-term debt	$ —	$16,100
Long-term debt	16,260	16,260
Other liabilities	12,751	14,153
Equity and advances from affiliates	11,560	17,674
Total liabilities and equity	$40,571	$64,187

Income Statement—Finance, Insurance and Utility Subsidiaries

(In thousands)	1988	1987	1986
Intercompany and other income	$3,601	$5,460	$8,717
Interest expense	2,824	3,985	5,186
Earnings before income taxes	777	1,475	3,531
Provision for income taxes	286	731	1,302
Net earnings	$491	$744	$2,229

KERR-McGEE CORPORATION, DECEMBER 12, 1988

Notes to Financial Statements

1. Significant Accounting Policies

Restatement. Previously reported financial information has been restated to include the consolidation of all majority-owned subsidiaries (see Principles of Consolidation below) and

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Principles of Consolidation. Effective January 1, 1988, the company changed its consolidation policy to conform to the Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries." Previously, Kerr-McGee Credit Corporation, a financing and leasing subsidiary, and Marine Resources Insurance, Limited (Bermuda), an insurance subsidiary, were accounted for by the equity method of accounting. See Note 8 for additional information regarding these subsidiaries.

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8. Majority-Owned Financing and Insurance Subsidiaries

The following condensed financial information for the majority-owned financing and insurance subsidiaries is consolidated in conformity with the accounting change described in Note 1. Financial statements and disclosures for the prior years have been restated to reflect the change. The major effects of the change on the consolidated financial statements were to increase accounts receivable, decrease investments and other assets, decrease current liabilities, and increase long-term debt. There was no effect on net income.

(In millions of dollars)	1988	1987
Financial position—		
Current assets	$209	$257
Current liabilities	(54)	(65)
Working capital	155	192
Other assets	12	12
Other liabilities and deferred credits	(78)	(112)
Stockholders' equity	$89	$92

	1988	1987	1986
Results of operations—			
Interest income	$11	$24	$26
Net income	4	9	8

SOUTHERN NEW ENGLAND TELECOMMUNICATIONS CORPORATION, DECEMBER 31, 1988

Southern New England Telecommunications Corporation
Notes to Consolidated Financial Statements

Note 1

Summary of Significant Accounting Policies

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Basis of presentation. These consolidated financial statements include the accounts of the Corporation and its subsidiaries. During 1988, the Corporation's wholly-owned subsidiaries, SNET Credit, Inc. and SNET Real Estate, Inc., previously reported under the equity method of accounting were consolidated in accordance with Statement of Financial Accounting Standards (SFAS) No. 94, "Consolidation of All Majority-owned Subsidiaries." Prior years have been restated for the change; net income and per share amounts were not affected. . . .

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Note 3. Consolidation of Wholly-Owned Subsidiaries

Effective January 1, 1988, the Corporation consolidated its wholly-owned subsidiaries, SNET Credit, Inc. and SNET Real Estate, Inc., in accordance with SFAS 94. Combined financial statement information for these subsidiaries is as follows:

Condensed Statements of Income

(In millions) for the years ended December 31,	1988	1987	1986
Sales	$12.0	$6.0	$5.4
Interest expense	7.0	4.0	3.9
Depreciation and amortization	.8	.7	.7
Other expenses and taxes, net	1.7	1.2	1.2
Net income (loss)	$2.5	$.1	$(.4)

Condensed Balance Sheets

(In millions) at December 31,	1988	1987
Current assets	$21.0	$13.0
Property and equipment, net	27.8	18.0
Long-term lease notes receivable and other assets	106.0	44.3
Total assets	$154.8	$75.3
Current liabilities	$42.5	$20.5
Long-term debt	69.5	30.8
Other long-term liabilities	20.8	10.5
Shareowners' equity	22.0	13.5
Total liabilities and shareowners' equity	$154.8	$75.3

SNET Credit, Inc., as a lessor, has entered into direct financing and leveraged leases of telecommunications and other equipment. The components of SNET Credit, Inc.'s lease notes receivable are as follows:

(In millions) at December 31,	1988		1987	
	Direct Financing Leases	Leveraged Leases	Direct Financing Leases	Leveraged Leases
Minimum rentals receivable	$162.9	$6.4	$58.5	$2.6
Allowance for uncollectible accounts	(1.1)	—	(1.1)	—
Unearned income	(65.0)	(4.0)	(11.6)	(1.1)
Estimated unguaranteed residual value of leased assets	13.5	10.1	2.5	3.8
Initial direct costs	.4	—	—	—
Lease notes receivable	$110.7	$12.5	$48.3	$5.3
Deferred taxes arising from leveraged leases		(7.7)		(1.6)
Net investment in leveraged leases		$4.8		$3.7

In addition to the leases described above, SNET Credit, Inc. is a lessor of telecommunications and other equipment under operating leases. SNET Real Estate, Inc. is also a lessor of real property under operating leases. Future minimum receipts under operating leases of both subsidiaries and direct financing leases of SNET Credit, Inc. at December 31, 1988 are as follows *(in millions)*:

Year	Operating Leases	Direct Financing Leases
1989	$4.2	$26.0
1990	4.4	22.0
1991	4.6	24.1
1992	8.6	12.8
1993	8.6	8.4
Thereafter	60.2	69.6
Total	$90.6	$162.9

APPENDIX A

USING NAARS TO EXPAND THE INFORMATION IN THIS PUBLICATION

The National Automated Accounting Research System (NAARS) is a full text, on-line data base that includes three types of files: (1) corporate annual reports, (2) governmental units, and (3) accounting literature.

The corporate annual report files contain the financial statements, audit report, management responsibility letter, and notes to the financial statements. If the annual report received at the AICPA was on a Form 10-K, we also include the supplementary schedules.

Always there are five single-year files of annual reports on-line, which you may search individually or in a combined group. Each single-year file contains over 4,000 reports. The combined group contains over 21,000 annual reports.

SEARCH FRAMES

Search the reports by using a key word or phrase in the search frame transmitted. However, a particular accounting concept may be difficult to find by using a key word or phrase. For example, the subject "Accounting Changes" is sometimes difficult to identify in an annual report. A particular report may refer to an accounting change simply by saying, "During the year we changed the method of accounting for. . . ," which is a simple example to find. The search frame to transmit may be constructed as follows:

CHANG! W/5 METHOD OR ACCOUNTING

In this case, the researcher instructs the computer to search the annual reports for examples of any form of the word **CHANGE** (the exclamation point is a wild card) to appear within five words of either **METHOD** or **ACCOUNTING.**

However, a report that discloses an accounting change in a manner that does not use the word **CHANGE** can be a difficult one to find. For example, the report might say "Since 1986 we account for. . ." or "before 1985, we accounted for. . . ." Both methods of disclosure imply there has been a change in the method of accounting but neither employ any form of the word change.

Members of the staff at the AICPA index the notes to make it possible to find examples such as this one. A CPA reads each of the notes going into the data base. These professionals identify accounting concepts contained within a note. The accounting concepts contained within the note are indexed by applying acronym(s) at the beginning of each note. When the report is entered into the data base, the acronym becomes part of the note. The acronyms are called descriptors. (A list of all the descriptors used in NAARS is presented below.) The descriptor that identifies an accounting change is **ACCTG.**

The above example may be searched by using the following search frame:

ACCTG W/SEG SINCE OR PRIOR OR CHANG! OR ADOPT!
W/5 METHOD OR ACCOUNT!

Here the researcher instructs the computer to find examples of note disclosure, where the note includes the descriptor **ACCTG**. Within the text of that note, the words **PRIOR** or **SINCE** or any form of the words **CHANGE** or **ADOPT** must appear within five words of **METHOD** or any form of the word **ACCOUNT**.

The researcher may also use descriptors together with a key word or phrase to find examples of specific kinds of changes. For example, the following search frame would provide examples of a change in the method of accounting for pension costs in conformity with SFAS No 87.

ACCTG W/SEG PENS W/SEG
(STATEMENT OR STANDARD OR SFAS OR FASB W/3 87)

While these search frames may appear intimidating at first glance, formulating a search becomes easy with a little experience. To provide new users with a quick-start, the AICPA is offering a self-study course on formulating searches and using this data base. The first course is entitled *Learning LEXIS/NEXIS/NAARS* and is available from the AICPA Order Department, 1-800-334-6961 (in New York, 1-800-248-0445).

(If you have questions about subscribing to the NAARS data base through AICPA TOTAL (Total On-line Tax and Accounting Library), call Hal G. Clark at (212) 575-6393. To subscribe to TOTAL, call the Order Department number listed above.)

SEARCH FRAME USED FOR THIS SURVEY

Research for this survey employed the following search frame.

STATEMENT OR STANDARD OR SFAS OR FAS! W/4 94

This search frame instructs the computer to find reports of companies with financial statements that contain the word *statement* or *standard* or SFAS or FAS within four words of the word *94*. Most companies found in the 87 and 88 annual report files indicate a change in consolidation policy in conformity with SFAS 94.

The financial statements of companies selected from that group provided the examples in this survey.

The preceding search frame can be used by readers of this survey to find additional examples.

LIST OF DESCRIPTORS USED IN NAARS

Below is a listing of note descriptors used within the NAARS data base and a brief explanation of the concept identified by each:

Descriptor	Concept
PRACT	Accounting policies or practices
ACCTG	Accounting changes; changes in estimate
ACQUIS	Business combinations and acquisitions

Descriptor	Concept
COMMT	Commitments and contingencies
COMPEN	Compensation
CONSPOL	Consolidation policies
CONTR	Long-term contracts or lessor disclosures
DEBTAC	Debt
DEFERC	Deferred charges or credits; or negative goodwill
DIF	Disagreement between registrant and auditor
DISCOP	Discontinued operations disclosed within a note and the discontinued operation is presented as a separate segment in the income statement
DISCOPNSG	Discontinued operations disclosed within a note and the discontinued operation is not presented as a separate segment in the income statement
EPS	Earnings per share
FORCST	Forecasting
FOREFF	Foreign exchange—economic effect
FORX	Foreign exchange
FYCHG	Fiscal year change
FYDIF	Year-end difference between investor/investee
INSIDR	Related party transactions
INTANG	Intangible assets—positive goodwill
INTCONT	Internal control
INTRIM	Quarterly information
INVOL	Involuntary conversion
LOB	Line of business or segment disclosure
MDA	Management discussion analysis
NSUMOP	Notes to the summary of operations
PENS	Pension or retirement plans
PRIPER	Prior period adjustments
PROP	Property, depreciation, or depletion
REC	Receivables
RECLAS	Reclassifications
REORG	Reorganization or recapitalization
REPL	Replacement costs or Current value of inflation disclosure
RESDEV	Research and development
REVREC	Revenue recognition

Descriptor	Concept
RRA	Reserve recognition accounting
STOK	Stock, shares, retained earnings, or dividends
STOKOP	Stock options
SUBEV	Subsequent event
SUPINF	Supplementary information
TX	Taxes
XTRA	Extraordinary items

In addition to the above note descriptors, the following are used to index or identify accounting concepts within the audit reports:

ADVER	Adverse opinion
CHGAUD	Change of auditor
CHGOP	Change prior year opinion
CONST	Consistency exception
CONTG	Contingency qualification
DISCL	Disclaimed opinion
GAAP	Departure from generally accepted accounting principles
INFDIS	Informative disclosure
OTHEX	Other reports, i.e., appraiser
RELYAUD	Reliance on other auditor
SCOP	Scope limitation
SUMOP	Summary of Operations covered by audit report
UNQUAL	Unqualified opinion

APPENDIX B

AUTHORITATIVE LITERATURE

The NAARS library contains a full-text file of authoritative and semiauthoritative accounting and auditing literature, which includes the following:

> FASB Statements, Concepts, Interpretations and Technical Bulletins; Emerging Issues Task Force of the FASB Issues Summaries and Minutes of Meetings; GASB Statements, Interpretations, Technical Bulletins and Concepts; APB Opinions, Statements and Interpretations; AICPA Statements on Auditing Standards; Auditing Interpretations; Accounting Standard Executive Committee Pronouncements; Issues Papers; Industry Audit and Accounting Guides; Statements on Standards for Accounting and Review Services, and Interpretations; Statement on Quality Control and Interpretation; Statement on Management Advisory Service; Statement on Standards for Accountants Services on Prospective Financial Information; Statement on Standards for Attestation Engagements; Accounting Research Bulletins; Terminology Bulletins; International Accounting Standard Committee Pronouncements; AICPA Ethics—Concepts, Rules of Conduct, Interpretations, and Ethics Rulings—Technical Information Service Inquiries and Replies; International Federation of Accountants Committee Pronouncements (Auditing); Cost Accounting Standards Board Pronouncements; S.E.C. Staff Accounting Bulletins, Accounting Series Releases, Financial Reporting Releases, and Accounting and Auditing Enforcement Releases; Office of Management and Budget Circulars and Standards for Audit of Governmental Organizations & Functions; Presidents Council on Integrity and Efficiency: State Network Block Grants

Just as search frames can be used to obtain illustrations of specific kinds of accounting from the NAARS annual report file, as discussed in Appendix A, so can they be used to obtain currently-effective authoritative guidance on specific accounting or auditing problems from the NAARS literature file.

SFAS 94, the subject of this survey, deals with these two accounting problems: (1) whether any subsidiary should be excluded from consolidation, and (2) what financial information, if any, should be presented for a consolidated subsidiary.

The following search frame was used to obtain currently-effective authoritative guidance on solving those two problems:

(CONSOLIDAT! W/10 EXCLU! OR DISCLOS!) OR (CONSOLIDAT! W/4 NOT) OR UNCONSOLIDATED OR NONCONSOLIDAT! OR (ARB OR ACCOUNTING RESEARCH BULLETIN W/8 51) OR (STATEMENT OR FASB OR STANDARD W/8 94)

These items were obtained:

Statement of Financial Accounting Standards (SFAS) No. 94

This is the principal authoritative pronouncement discussed in chapter 1 of this survey.

Accounting Research Bulletin No. 51, *Consolidated Financial Statements*

It discusses, among other things, what kinds of subsidiaries should not be consolidated and what financial information should be presented for formerly unconsolidated subsidiaries that are now consolidated.

Technical Practice Aids (TPA), Accounting Standards Division, Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*

It discusses, among other things, whether an investor in a partnership should consolidate its operations in specified circumstances.

TPA, *Technical Information Service Inquiries and Replies* (TIS), Section 1400.07, "Reporting on Company Where Option to Acquire Control Exists"

It discusses whether an enterprise that owns convertible debt of another enterprise, owns an option to buy stock providing a controlling interest in the enterprise, and has the right to appoint a majority of its board of directors should consolidate its operations with its own operations.

TPA, TIS, Section 1400.13, "Presentation of Investment in Partnership"

It discusses whether an investor in a partnership should consolidate its operations in specified circumstances.

TPA, TIS, Section 1400.14, "Consolidation of Indirect Subsidiaries"

It discusses the circumstances in which indirectly owned companies should be treated as subsidiaries for consolidation purposes.

TPA, TIS, Section 1400.15, "Loss of Control of Subsidiary"

It discusses whether such loss of control justifies nonconsolidation.

TPA, TIS, Section 1400.19, "Consolidation of Limited Partnerships"

It discusses whether such consolidation is appropriate in specified circumstances.

FINANCIAL REPORT SURVEYS*

23 **Illustrations and Analysis of Disclosures of Inflation Accounting Information (1981)**
A survey of the application of the requirements of FASB Statement Nos. 33, 39, 40, and 41

24 **Illustrations of Foreign Currency Translation (1982)**
A survey of the application of FASB Statement No. 52

25 **Illustrations of Accounting for Innovative Financing Arrangements (1982)**

26 **Updated Illustrations of Management's Discussion and Analysis of Financial Condition and Results of Operations (1983)**
A survey of the application of recently amended Rules 14a-3 and 14c-3 of the Securities Exchange Act of 1934 in annual reports to shareholders

27 **Illustrations of Accounting and Reporting by Development Stage Enterprises (1984)**
A survey of the application of FASB Statement No. 7

28 **Illustrations of Accounting for Enterprises in Unusual Circumstances and Reporting on Them by Independent Accountants (1984)**
A survey of • troubled enterprises • reorganized enterprises • liquidating enterprises

31 **Illustrations of "Push Down" Accounting (1985)**

32 **Illustrations of Accounting for In-Substance Defeasance of Debt (1986)**
A survey of the application of FASB Statement No. 76

33 **Illustrations of Accounting for Pensions and for Settlements and Curtailments of Defined Benefit Pension Plans (1987)**
A survey of the application of FASB Statement Nos. 87 and 88

34 **Illustrations of Accounting for the Inability to Fully Recover the Carrying Amounts of Long-Lived Assets (1987)**
A survey of the subject of an issues paper by the AICPA Accounting Standards Division's Task Force on Impairment of Value

35 **Updated Illustrations of Reporting Accounting Changes (1987)**
A survey of the application of APB Opinion No. 20, as amended

36 **Illustrations of Accounting Policy Disclosure (1987)**
A survey of the application of APB Opinion No. 22

37 **Illustrations of Accounting for Income Taxes (1989)**
A survey of the application of FASB Statement No. 96

38 **Illustrations of Cash-Flow Financial Statements (1989)**
A survey of the application of FASB Statement No. 95

39 **Quasi-Reorganizations (1989)**
A survey of quasi-reorganizations disclosed in corporate annual reports to shareholders

40 **Illustrations of the Presentation of Financial Information About Consolidated Nonhomogeneous Subsidiaries (1990)**
A survey of the application of FASB Statement No. 94

**FRS Nos. 1–22, 29, and 30 are no longer in print.*

TECHNICAL HOTLINE

The AICPA Technical Information Service answers inquiries about specific audit or accounting problems.

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(800) 522-5430 (New York Only)

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