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# Illustrations of cash-flow financial statements : a survey of the application of FASB statement no. 95; Financial report survey, 38

Hal G. Clark

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**Financial Report Survey**  
**May 1989**

# **Illustrations of Cash-Flow Financial Statements**

**A Survey of the Application of  
FASB Statement No. 95**

**Hal G. Clark, CPA**  
**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

## TABLE OF CONTENTS

	<i>Page</i>
<b>CHAPTER I SCOPE AND PURPOSE OF THE SURVEY .....</b>	<b>1</b>
Classifying Cash Flows .....	1
Calculating Net Cash Flow From Operating Activities .....	1
Other Requirements .....	2
Source of Illustrations .....	2
<b>CHAPTER II INDIRECT METHOD—MANUFACTURING ENTERPRISES.....</b>	<b>3</b>
Noncash Information Presented.....	3
No Noncash Information Presented.....	22
<b>CHAPTER III INDIRECT METHOD—RETAILING ENTERPRISES .....</b>	<b>29</b>
Noncash Information Presented.....	29
No Noncash Information Presented.....	37
<b>CHAPTER IV INDIRECT METHOD—OTHER KINDS OF ENTERPRISES.....</b>	<b>47</b>
Services.....	47
Electric, Gas, or Water.....	55
Mining .....	61
Other .....	66
<b>CHAPTER V DIRECT METHOD .....</b>	<b>73</b>
Noncash Information Presented.....	73
No Noncash Information Presented.....	85
<b>APPENDIX A USING NAARS TO EXPAND THE INFORMATION IN THIS PUBLICATION.....</b>	<b>91</b>
<b>APPENDIX B AUTHORITATIVE LITERATURE .....</b>	<b>97</b>

## SCOPE AND PURPOSE OF THE SURVEY

This survey is primarily intended to help accountants of business enterprises prepare statements of cash flows for presentation in accordance with FASB Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," which was issued in November 1987. SFAS 95 requires all business enterprises to present a statement of cash flows as the third major financial statement, in addition to a statement of financial position and a statement of the results of operations. The word "cash" in SFAS 95 means cash and cash equivalents.

### CLASSIFYING CASH FLOWS

SFAS 95 requires a statement of cash flows to classify cash receipts and payments according to whether they pertain to operating, investing, or financing activities.

*Operating Activities.* Cash receipts from operating activities include those from (1) collection of principal on accounts and notes receivable from customers arising from the sale of goods or services, (2) interest, and (3) dividends. Cash payments for operating activities include those made for (1) principal payments on accounts and notes payable to suppliers of goods or services used in the production of inventory, (2) taxes, and (3) interest.

*Investing Activities.* Cash receipts from investment activities include those from (1) collection of principal on loans by the enterprise, (2) sale of equity or debt securities issued by other enterprises, and (3) sale of property, plant, or equipment. Cash payments for investment activities include those made (1) in loaning money, (2) to buy debt or equity securities issued by other enterprises, and (3) to buy property, plant, or equipment.

*Financing Activities.* Cash receipts from financing activities include those from (1) issuing preferred or common stock, and (2) borrowing money. Cash payments for financing activities include (1) dividends on preferred or common stock, (2) redemptions of preferred or common stock, and (3) repayments of amounts borrowed.

### CALCULATING NET CASH FLOW FROM OPERATING ACTIVITIES

SFAS 95 requires enterprises to report in the statement of cash flows the net cash flow from operating activities. The pronouncement encourages that amount to be calculated as the algebraic sum of cash receipts and cash payments pertaining to operating activities. That procedure is called



the "direct" method of calculating the net cash flow from operating activities. If the direct method is used, all major classes of cash receipts and payments are required to be reported in the statement. As a minimum, the following items must be separately distinguished:

- Cash collected from customers
- Interest and dividends received
- Other operating receipts (if any)
- Cash paid to employees and other suppliers of goods or services
- Interest paid
- Income taxes paid
- Other operating cash payments (if any)

SFAS 95 permits the net cash flow from operating activities to be calculated alternatively under the "indirect" method, which involves adding to and subtracting from net income those amounts that affect net income but are not receipts or payments of cash. The indirect method is said to "reconcile" net income to the net cash flow from operating activities.

The reconciliation is required to be presented either inside or outside the statement. All major reconciling items must be separately disclosed, including as a minimum the changes during the period in (1) inventory, (2) current receivables, and (3) current payables. Interest and income taxes paid must be disclosed outside the statement.

If the direct method is used, a similar reconciliation must be presented outside the statement.

#### **OTHER REQUIREMENTS**

SFAS 95 requires the statement of cash flows to report the reporting-currency equivalent of foreign-currency cash flows, using the current exchange rate at the time of the cash flows. The effect of exchange rate changes on cash held in foreign currencies is required to be reported as a separate item in the statement. The pronouncement also requires information about investing and financing activities not resulting in cash receipts or payments to be reported separately from the statement and referenced to it.

SFAS 95 is effective for annual financial statements for fiscal years ending after July 15, 1988, but the FASB encourages earlier adoption. Restatement of financial statements for years prior to the year of adoption that are provided for comparative purposes is permitted but not required.

#### **SOURCE OF ILLUSTRATIONS**

The preparation of a statement of cash flows for presentation in accordance with SFAS 95 requires considerable judgment. An accountant who is confronted with problems in preparing such a statement can benefit from learning how other accountants are solving the problems in practice. Accordingly, this publication presents 62 statements of cash flows and related information in financial statement notes that illustrate the application of SFAS 95. The AICPA National Automated Accounting Research System (NAARS) was used to compile the information. The examples presented were selected from several hundred examples in the 1987/88 annual report file. See Appendix A on how to use NAARS to expand on the information in this publication.

In February 1989, the FASB issued SFAS 102, "Statement of Cash Flows—Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Held for Resale," which would amend SFAS No. 95 as it applies to cash flow statements issued by specified kinds of enterprises. Such cash flow statements are not illustrated in this survey.

# II

## INDIRECT METHOD—MANUFACTURING ENTERPRISES

The vast majority of enterprises in NAARS that have presented cash flow statements said to be prepared in conformity with SFAS 95 have used the indirect method of calculating the net cash flow from operating activities. The vast majority of those enterprises presented in the cash flow statement all items that reconciled net income with the net cash flow from operating activities; a small minority presented some reconciling items outside the statement and included the total of such items in the statement. Some enterprises presented information about financing or investing activities that did not affect cash flows and that was referenced to the cash flow statement; other enterprises did not present such information.

Most of the cash flow statements that have been presented under the indirect method have been presented by manufacturing enterprises. Nineteen examples of such statements and related note information are presented below. The examples are classified according to whether or not noncash information about investing or financing activities was presented and referenced to the cash flow statement. The examples include both enterprises that presented some reconciling items outside the statement and enterprises that presented all reconciling items in the statement.

### NONCASH INFORMATION PRESENTED

#### ALZA CORPORATION

*Consolidated Statement of Cash Flows*

*(Notes 1 and 9)*

*Years Ended December 31, Increase (Decrease)  
in Cash and Cash Equivalents*

*(in thousands)*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$13,984	\$16,753	\$ 9,707
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,440	1,973	1,661

Consolidated Statement of Cash Flows (continued)

<i>(in thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Decrease (increase) in assets:			
Receivables	(10,528)	(119)	(3,408)
Inventories	1,360	205	(3,180)
Prepaid expenses and other current assets	(3,235)	104	195
Increase (decrease) in liabilities:			
Accounts payable	2,679	(2,475)	5,084
Accrued income taxes	5,945	195	(78)
Advanced revenue	(2,453)	1,388	1,157
Accrued compensation	773	1,126	271
Accrued interest payable	2,907	(301)	(32)
Deferred income taxes	1,956		
Deferred compensation	1,661		
Other	242	(958)	163
Total adjustments	3,747	1,138	1,833
Net cash provided by operating activities	17,731	17,891	11,540
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(32,495)	(17,918)	(6,313)
Decrease (increase) in short-term investments	(8,982)	29,574	(73,445)
Net cash provided by (used in) investing activities	(41,477)	11,656	(79,758)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from 5½% convertible subordinated debentures	72,788		
Principal payments on long-term debt	(202)	(196)	(191)
Net proceeds from public offering			99,178
Repurchase of Class B Common Stock			(42,916)
Payable to Ciba-Geigy		(42,916)	42,916
Exercise of warrants		2,584	
Other issuances of common stock	3,782	1,026	641
Net cash provided by (used in) financing activities	76,368	(39,502)	99,628
Net increase (decrease) in cash and cash equivalents	52,622	(9,955)	31,410
Cash and cash equivalents at beginning of year	32,611	42,566	11,156
Cash and cash equivalents at end of year	\$85,233	\$32,611	\$42,566

See accompanying notes.

• • • •

1. Basis of Presentation and Significant Accounting Policies

• • • •

*Change in Presentation:* In 1987 the Company changed its presentation of the Statement of Changes in Financial Position to a presentation in accordance with Statement of Financial Accounting Standard No. 95, "Statement of Cash Flows," which reflects the net change in cash and cash equivalents. Amounts for 1986 and 1985 have been reclassified to conform with the 1987 presentation.

• • • •

9. Statement of Cash Flows

Supplemental disclosures of cash flow information *(in thousands)*:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash paid during the year for:			
Interest		\$ 959	\$1,950
Income taxes	\$2,080	1,395	1,104

Supplemental schedule of noncash investing and financing activities:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Conversion of 8% convertible subordinated debentures		\$22,575	\$2,425

*Disclosure of accounting policy:* For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

BRUNSWICK CORPORATION  
*Consolidated Statements of Cash Flows  
for the Years Ended December 31*

<i>(in millions)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities			
Net income	\$168.8	\$110.3	\$100.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	141.4	61.5	49.6
Compensation plans expense	13.0	8.2	6.2
Equity in unremitted earnings of unconsolidated affiliates	(5.5)	(7.1)	(7.0)
Dividends received from unconsolidated affiliates	9.1	4.6	5.1
Changes in noncash current assets and current liabilities, net of effects of businesses acquired and noncash transactions:			
(Increase) in accounts and notes receivable	(22.1)	(1.5)	(10.4)
(Increase) decrease in inventories	(7.6)	(18.0)	1.4
(Increase) in prepaid income taxes	(15.7)	(.2)	(3.1)
(Increase) decrease in prepaid expenses	11.4	14.3	(3.0)
Increase (decrease) in accounts payable	40.8	25.9	(5.9)
Increase (decrease) in accrued expenses	59.0	(7.4)	17.1
Increase (decrease) in income taxes payable	(15.5)	13.9	(6.9)
Increase in deferred items	40.9	20.3	17.6
Other, net	2.3	1.4	(4.4)
Net cash provided by operating activities	420.3	226.2	156.6
Cash flows from investing activities			
Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions	(1.8)	(695.0)	(8.0)
Capital expenditures	(133.6)	(83.7)	(90.6)
Proceeds from sales of property	5.3	4.0	7.3
Cash invested in unconsolidated affiliate			(2.1)
Net cash (used for) investing activities	(130.1)	(774.7)	(93.4)
Cash flows from financing activities			
Proceeds from issuances of long-term debt	99.5	98.9	
Payments of long-term debt, including current maturities	(4.0)	(63.6)	(44.1)
Net increase (decrease) in privately placed commercial paper	(360.9)	514.3	30.0
Payment of short-term debt assumed in acquisitions		(34.9)	
Net increase (decrease) in short-term debt	(1.6)	.9	(.7)
Payments to acquire treasury stock	(5.6)	(33.5)	(26.7)
Cash dividends paid	(26.7)	(23.4)	(21.5)
Other, net		(2.6)	

*Consolidated Statements of Cash Flows (continued)  
for the Years Ended December 31*

<i>(in millions)</i>	1987	1986	1985
Net cash provided by (used for) financing activities	(299.3)	456.1	(63.0)
Net increase (decrease) in cash and cash equivalents	(9.1)	(92.4)	.2
Cash and cash equivalents at beginning of year	12.2	104.6	104.4
Cash and cash equivalents at end of year	\$ 3.1	\$ 12.2	\$104.6
Supplemental cash flow disclosures:			
Interest paid	\$ 44.8	\$ 17.1	\$ 18.1
Income taxes paid	127.1	41.6	55.9
Supplemental schedule of noncash investing and financing activities:			
Fair market value of treasury stock issued for:			
Compensation plans	\$ 21.9	\$ 8.0	\$ 10.7
Conversion of debentures	.4	1.4	.3
Businesses acquired		102.7	
Fair market value of treasury stock issued	22.3	112.1	11.0
Liabilities assumed in acquisitions of businesses		149.2	

The notes are an integral part of these consolidated statements.

• • • •

1. Significant Accounting Policies

• • • •

*Statements of Cash Flows.* In 1987, the Company adopted Statement of Financial Accounting Standards No. 95 and has presented consolidated statements of cash flows for each of the three years in the period ended December 31, 1987. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**CERTAINTEED CORPORATION**  
*Consolidated Statement of Cash Flows*  
*Years Ended December 31, 1987, 1986 and 1985*

<i>(dollars in thousands)</i>	1987	1986	1985
Cash flows from operating activities:			
Net income	\$ 61,382	\$ 57,274	\$ 53,380
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	55,864	53,621	45,796
Restructuring charge	10,700		
Deferred taxes and other	5,074	12,870	12,553
Change in assets and liabilities, net of effects from purchase of Bay Mills Limited:			
Accounts receivable	(3,475)	(404)	14,335
Inventory	8,541	15,263	(199)
Accounts payable and accrued liabilities	267	13,055	(8,399)
Other, principally insurance and pensions	(6,816)	(14,736)	1,337
Total adjustments	70,155	79,669	65,423
Net cash provided by operating activities	131,537	136,943	118,803
Cash flows from investing activities:			
Purchase of Bay Mills Limited	(98,072)		
Cash balances of Bay Mills Limited	3,408		
Capital expenditures	(46,792)	(47,521)	(83,277)
Purchase of patents and other		(6,826)	
Proceeds from sale of property, plant and equipment	4,117	1,646	5,183
Net cash used in investing activities	(137,339)	(52,701)	(78,094)

*Consolidated Statement of Cash Flows (continued)*  
*Years Ended December 31, 1987, 1986 and 1985*

<i>(dollars in thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from financing activities:			
Increase in debt		2,960	3,700
Payments of debt	(21,422)	(9,346)	(10,986)
Redemption of Series D preferred stock			(32,240)
Dividends paid	(18,513)	(17,079)	(14,880)
Net cash used for financing activities	(39,935)	(23,465)	(54,406)
Net (decrease) increase in cash and cash equivalents	(45,737)	60,777	(13,697)
Cash and cash equivalents at beginning of year	168,208	107,431	121,128
Cash and cash equivalents at end of year	\$122,471	\$168,208	\$107,431

The accompanying notes are an integral part of this statement.

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Note 10. Statement of Cash Flows

In 1987, the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," and restated prior years. The Company's cash includes funds invested in a variety of liquid short-term instruments. The investment policy is to maximize after-tax yields subject to the constraints of liquidity preservation and diversification of risk. Maturities are generally less than three months.

Payments of income taxes were \$51,204 in 1987, \$35,231 in 1986 and \$21,428 in 1985. Payments of interest net of amounts capitalized were \$9,672 in 1987, \$10,406 in 1986 and \$10,399 in 1985.

During 1987, the Company purchased all of the stock of Bay Mills Limited for \$98.1 million. In connection with the acquisition, liabilities were assumed as follows:

<i>(dollars in thousands)</i>	
Fair value of assets acquired	\$116,305
Cash paid for the capital stock	(98,072)
Liabilities assumed	\$ 18,233

CHAMPION INTERNATIONAL CORPORATION AND SUBSIDIARIES

*Consolidated Cash Flows*  
*Years Ended December 31*

<i>(in thousands of dollars)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities:			
Net income	\$382,012	\$200,832	\$163,139
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation expense	194,566	207,448	200,611
Cost of timber harvested	57,110	63,029	62,595
Gain on sale of investments in Stone Container Corporation and U.S. Plywood Corporation	(142,763)		
Increase (Decrease) in accrued interest	(5,777)	10,174	(15,911)
Increase (Decrease) in income taxes	9,587	(1,792)	(30,704)
Increase in deferred income taxes	183,490	81,716	41,639
Change in assets and liabilities, net of effects of purchase accounting adjustments, restructuring and divestiture programs (Notes 2 and 3):			
(Increase) Decrease in receivables (Note 4)	(21,654)	(125,555)	68,208
(Increase) Decrease in inventories	(35,620)	4,141	27,694

*Consolidated Cash Flows (continued)*  
*Years Ended December 31*

<i>(in thousands of dollars)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
(Increase) Decrease in prepaid expenses	(3,364)	(6,865)	7,261
Increase (Decrease) in accounts payable and accrued liabilities	31,256	(40,660)	100,524
Net charges and adjustments to wood products restructuring reserve (Note 3)	(42,800)	(23,400)	(91,900)
All other—net	(7,964)	(47,394)	(25,429)
Net cash provided by operating activities	598,079	321,674	507,727
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(340,230)	(445,755)	(442,816)
Timber and timberlands expenditures	(62,060)	(53,110)	(42,915)
Cash proceeds from sale of investments in Stone Container Corporation and U.S. Plywood Corporation (Note 3)	249,720		
Cash proceeds from divestiture and restructuring programs (Note 3)	29,671	432,228	632,091
All other—net	(81,970)	(125,280)	(3,330)
Net cash provided (used) in investing activities	(204,869)	(191,917)	143,030
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	19,565	463,312	161,401
Payments of notes payable, current			
Installments of long-term debt	(343,115)	(369,173)	(848,164)
Redemption of preference shares (Note 11)		(158,218)	
Cash dividends paid	(61,765)	(58,359)	(55,114)
All other—net	26,572	(2,056)	(7,874)
Net cash used in financing activities	(358,743)	(124,494)	(749,751)
Increase (Decrease) in cash	34,467	5,263	(98,994)
Cash and temporary cash investments:			
Beginning of period	24,394	19,131	118,125
End of period	\$ 58,861	\$ 24,394	\$ 19,131
Supplemental cash flow disclosures:			
Cash paid during the year for:			
Interest (net of capitalized amounts)	\$170,008	\$147,430	\$180,031
Income taxes (Note 14)	40,300	32,400	42,300
Non-cash investing transactions:			
Non-cash proceeds from sale to:			
Simpson Paper Company	\$ 72,078		
Stone Container Corporation		71,763	
U.S. Plywood Corporation			35,194

The accompanying notes are an integral part of this statement.

• • • •

Note 1. Summary of Significant Accounting Policies

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In November 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." The new pronouncement requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. The standard is effective for annual financial statements for fiscal years ending after July 15, 1988. The company has early adopted the standard for 1987 and has restated the prior years for comparative purposes.

ELXSI CORPORATION  
*Consolidated Statement of Cash Flows*

(dollars in thousands)

	Year Ended		
	December 27, 1987	December 28, 1986	December 29, 1985
Cash flows from operating activities:			
Net income (loss)	\$ 850	\$(17,337)	\$(46,237)
Adjustments to reconcile net income (loss) to net cash used by operating activities:			
Depreciation and amortization	2,470	3,224	6,045
Gain on sale of investment	(500)		
(Gain) loss on discontinued development activities (DDA)	(3,526)	8,000	10,500
Purchase of Partnership assets		6,016	
Gain on sale of interconnector technology		(12,915)	
Common stock portion of class action settlement			3,750
Writeoff of other assets		616	1,738
Share of related party losses		249	425
(Increase) decrease in assets:			
Accounts receivable	(1,143)	678	727
Receivables from related parties	270	1,298	(1,592)
Inventories	(684)	2,247	
Prepaid expenses and other current assets	357	523	835
Deposits and other long-term assets	(650)	342	(2,744)
Increase (decrease) in liabilities:			
Accounts payable	(294)	(1,668)	(2,941)
Accrued compensation and employee benefits	(612)	(535)	720
Other accrued liabilities	(506)	(2,064)	2,009
Deferred contract research and development revenues from related parties	(831)	171	
(Charges) credits to DDA reserve	488	(5,298)	(10,853)
Sublease revenue and other credits to DDA reserve	1,639	3,042	1,597
Net cash used by operating activities	\$ (1,841)	\$(14,413)	\$(35,850)
Cash flows from investing activities:			
(Restriction) release of short-term investments	\$ 4,324	\$ 6,246	\$ (4,845)
Acquisition of property and equipment, net of debt	(2,072)	(1,566)	(1,733)
Proceeds from disposal of property and equipment			297
Disposition of assets related to DDA		692	5,744
Proceeds from sale of interconnector technology, net of expenses		12,427	
Investments in related parties		(100)	(925)
Cash proceeds from sale of investment	1,000		
Net cash provided by (used by) investing activities	\$ 3,252	\$ 17,699	\$ (1,462)



Consolidated Statement of Cash Flows (continued)

(dollars in thousands)

	Year Ended		
	December 27, 1987	December 28, 1986	December 29, 1985
Cash flows from financing activities:			
Net payments under line of credit agreement		\$ (6,681)	\$ (819)
Proceeds from issuance of long-term debt		34	296
Principal payments on notes payable and installment contracts	(1,251)	(2,430)	(3,854)
Principal payments on capital lease obligations	(5,872)	(7,615)	(7,007)
Principal payments on loans payable to shareholders	(265)	(1,215)	(3,379)
Proceeds from issuance of common stock	7,473	261	1,003
Retirement of common stock, purchase of treasury stock and other equity transactions			(926)
Net cash provided by (used by) financing activities	\$ 85	\$(17,646)	\$(14,686)
Net increase (decrease) in cash and cash equivalents	\$ 1,496	\$(14,360)	\$(51,998)
Cash and cash equivalents, beginning of year	13,874	28,234	80,232
Cash and cash equivalents, end of year	\$ 15,370	\$ 13,874	\$ 28,234

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

Supplemental disclosures of cash flow information:

Cash paid during the year for interest:	1987	1986	1985
Charged to operations	\$ 145	\$1,120	\$3,874
Charged to DDA reserve	962	2,351	2,641
	\$1,107	\$3,471	\$6,515

Supplemental disclosures of noncash investing and financing activities:

Capital lease obligations of \$81 and \$1,113 were incurred in 1986 and 1985, respectively, when the Company entered into leases for new equipment.

In conjunction with the disposition of certain DDA facilities and equipment, the Company surrendered \$11,462 in future noncancellable sublease revenue in 1987 and was relieved of debt and other DDA obligations in the aggregate amounts of \$14,988, \$1,908 and \$6,226 in 1987, 1986 and 1985, respectively.

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Note 2. Summary of Significant Accounting Policies

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*Statement of Cash Flows.* During 1987 the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," retroactive to its inception. Accordingly, the accompanying consolidated financial statements for the fiscal year ended December 27, 1987 include a statement of cash flows, replacing the consolidated statement of changes in financial position. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments to be cash equivalents.

FIRST CITY INDUSTRIES INC.  
*Consolidated Statements of Cash Flows*

<i>(in thousands)</i>	Years Ended December 31		
	1985	1986	1987
Cash flows from operating activities:			
Net income (loss)	\$ (10,274)	\$ (9,501)	\$ 73,316
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	6,445	7,699	8,502
Provision for possible losses	2,936	4,508	20,319
Loss on foreign currency translation	1,692	1,610	760
Gain on foreign currency hedge			(1,639)
Gain on sale of discontinued operations		(9,800)	(92,110)
Equity in net income of unconsolidated affiliates	(3,652)	(3,043)	(8,084)
Other	399	(239)	(442)
Decrease (increase) in noncash working capital:			
Marketable securities	1,042		(1,125)
Receivables, net	10,812	4,095	(12,461)
Amount due from affiliate	34,877		
Inventories	4,343	(13,362)	(2,216)
Other assets	469	193	157
Accounts payable	630	(1,246)	(6,816)
Accrued liabilities and income taxes	(26,517)	(14,581)	8,980
Decrease in other assets and liabilities	(17,103)	(9,345)	(3,483)
Net cash provided (used) by operating activities	6,099	(43,012)	(16,342)
Cash flows from investing activities:			
Acquisition of Scovill Inc.	\$(623,676)		
Proceeds from sales of businesses	77,500	139,239	97,732
Increase (decrease) in net assets related to discontinued operations	49,440	43,764	(96,517)
Investments in unconsolidated affiliates	(54,984)	(19,760)	(1,953)
Proceeds from distributions from unconsolidated affiliates	9,135	5,362	16,723
Additions to property, plant and equipment	(4,506)	(4,714)	(7,954)
Proceeds from sale of property, plant and equipment	18,934	2,379	1,604
Additions to long-term receivables	(9,088)	(7,308)	(3,736)
Proceeds from collection of notes receivable	12,025	13,823	3,977
Investment in Valor preferred stock			(35,000)
Dividends received	462	887	60,499
Net cash provided (used) by investing activities	(524,758)	173,672	35,375
Effect of exchange rate changes on cash and cash equivalents	23	(873)	12
Cash flows from financing activities:			
Proceeds from long-term debt	686,709	8,661	1,048
Payments of long-term debt	(381,574)	(77,023)	(7,857)
Redemption of subordinated debt			(37)
Issuance of common stock	4	5	4
Issuance of preferred stock	195,000	1,000	
Redemption of preferred stock	(155,177)		
Payments of dividends	(6,853)	(2,800)	
(Increase) decrease in accounts and notes receivable	(9,091)	7,288	(2,213)
Increase (decrease) in short-term debt	96,233	(92,089)	25,595

Consolidated Statements of Cash Flows (continued)

(in thousands)	Years Ended December 31		
	1985	1986	1987
Increase (decrease) in current maturities of notes payable	2,066	(3,548)	(3,796)
Net cash provided (used) by financing activities	427,317	(158,506)	12,744
Net increase (decrease) in cash and cash equivalents	(91,319)	(28,719)	31,789
Cash and cash equivalents at beginning of year	127,914	36,595	7,876
Cash and cash equivalents at end of year	\$ 36,595	\$ 7,876	\$ 39,665

See accompanying notes to consolidated financial statements.

The following is a summary of supplemental cash flow and non-cash investing and financing information:

(in thousands)	Years Ended December 31		
	1985	1986	1987
Cash paid (received):			
Interest, net of amount capitalized	\$45,579	\$52,552	\$48,097
Income taxes	9,601	(5,864)	1,892
Non-cash investing and financing activities:			
Notes receivable received upon sale of NuTone and Yale Security			365,000
Liabilities assumed upon acquisition of Scovill Inc.	101,529		
Common stock dividends paid on convertible preferred stock		1,093	3,280

Note 1. Summary of Significant Accounting Policies

*Cash Equivalents.* Cash equivalents consist of highly liquid debt instruments purchased with a maturity of three months or less.

*Consolidated Statements of Cash Flows.* For the year ended December 31, 1987, Industries has elected to adopt the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." The statement establishes standards for providing a statement of cash flows and supersedes Accounting Principles Board Opinion No. 19, which required a statement of changes in financial position. The statement also requires that specified information about non-cash investing and financing transactions and other events be provided separately. Industries' statements of changes in financial position for the years ended December 31, 1985 and 1986 have been restated to conform with these provisions.

GENERAL SIGNAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statement of Cash Flows

(\$ in thousands)

Year Ended December 31,	Increase (Decrease) in Cash and Cash Equivalents		
	1987	1986	1985
		Restated	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 69,378	\$ 74,622	\$ 49,267
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	63,246	60,623	54,969

*Statement of Cash Flows (continued)*  
(\$ in thousands)

Year Ended December 31,	Increase (Decrease) in Cash and Cash Equivalents		
	1987	1986 Restated	1985
Undistributed earnings of affiliates	(1,876)	716	(1,749)
Deferred taxes	(2,332)	7,137	946
Changes in assets and liabilities net of effects from acquisitions and divestitures:			
Accounts receivable	(35,270)	24,394	(3,170)
Contracts in progress	17,155	(5,155)	(3,676)
Inventories	10,095	47,517	24,898
Prepaid expenses	(7,464)	(4,279)	(29,968)
Accounts payable	11,927	(20,156)	(12,009)
Accrued expenses:			
Restructuring	(8,375)	(13,070)	70,248
Other	(749)	(26,768)	(7,386)
Income taxes	(13,460)	10,326	(31,003)
Net cash provided by operating activities	102,275	155,907	111,367
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of companies	27,603	33,408	5,000
Capital expenditures	(34,025)	(45,653)	(68,087)
Payments for acquisitions, net of cash acquired (note 12)	(2,777)	(51,958)	(67,929)
Investments in non-consolidated subsidiaries	(10,214)	(1,499)	(1,763)
Short-term investments	(2,090)	16,055	60,879
Other, net	4,141	10,664	3,830
Net cash used in investing activities	(17,362)	(38,983)	(68,070)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net borrowings under line of credit agreement	(535)	(441)	(6,289)
Proceeds from issuance of long-term debt		12,122	31,902
Repurchase of treasury stock	(57,864)	(5,076)	(21,687)
Dividends paid	(51,772)	(51,740)	(51,817)
Redemption of long-term debt	(14,548)	(13,336)	(4,421)
Proceeds from issuance of common stock	7,739	3,137	2,070
Other, net	(1,358)	(62)	38
Net cash used in financing activities	(118,338)	(55,396)	(50,204)
Effect of exchange rate changes on cash	2,938	449	(291)
Net changes in cash and cash equivalents	(30,487)	61,977	(7,198)
Cash and cash equivalents at beginning of year	113,416	51,439	58,637
Cash and cash equivalents at end of year	\$ 82,929	\$113,416	\$ 51,439

See accompanying notes to financial statements.

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1. Summary of Significant Accounting Policies and Related Matters

*Statement of Cash Flows.* The company has elected to adopt Financial Accounting Standard No. 95 with this report. As a result, the Statement of Changes in Financial Position has been replaced by the Statement of Cash Flows. For purposes of this statement, the company considers its holdings of highly liquid debt and money-market preferred instruments to be cash equivalents if the securities either mature within 90 days from the date of acquisition or contain an investor put option which can be exercised at par within 90 days. Accordingly, cash and cash equivalents and short-term investments have been restated for comparative purposes in 1986 and 1985.

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12. Supplementary Information

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Statement of Cash Flows

Year Ended December 31,	(\$ in thousands)		
	1987	1986	1985
Cash paid during the year for:			
Interest	\$ 8,021	\$17,707	\$ 16,556
Income taxes	31,618	21,286	61,442
Liabilities assumed in conjunction with acquisitions:			
Fair value of assets acquired	\$ 4,378	\$64,721	\$119,182
Cash paid	(2,777)	(53,758)	(88,029)
Issuance of common stock			(25,750)
	\$ 1,601	\$10,963	\$ 5,403

MAPCO INC.

Consolidated Statement of Cash Flows (Note 2)

Year Ended December 31, (dollars in thousands)	1987	1986	1985
Cash Flows from Operating Activities:			
Net income	\$108,391	\$ 74,149	\$104,065
Reconciliation of net income to net cash provided by operating activities:			
Depreciation, depletion and impairments	88,330	72,209	65,873
Cumulative effect of change in method of accounting for income taxes			(51,129)
Provision for deferred income taxes	7,427	37,709	33,886
Other items not providing or requiring cash (Note 2)	8,770	7,697	10,242
Changes in operating assets and liabilities (Note 2)	45,676	(56,838)	(15,913)
Net cash provided by operating activities	207,465	134,926	198,153
Cash Flows from Investing Activities:			
Capital expenditures	(62,429)	(42,664)	(95,984)
Proceeds from sales of property, plant and equipment	3,085	7,787	306,025
(Increase) decrease in marketable securities	(560)	171,358	(174,893)
Other	(7,661)	(1,477)	(1,382)
Net cash provided by (used in) investing activities	(67,565)	135,004	33,766
Cash Flows from Financing Activities:			
Purchases of common stock	(65,717)	(5,667)	(398,328)
Payments on debt and capital leases	(25,664)	(20,079)	(24,542)
Dividends paid	(20,847)	(21,302)	(29,516)
Proceeds from issuance of debt	8,752	113,470	
Proceeds from exercise of stock options	1,059	220	485
Increase (decrease) in short-term borrowings		(142,644)	142,644
Payments for redemption of long-term debt		(113,585)	
Net cash used in financing activities	(102,417)	(189,587)	(309,257)
Increase (Decrease) in Cash and Cash Equivalents	37,483	80,343	(77,338)
Cash and Cash Equivalents, January 1,	95,932	15,589	92,927
Cash and Cash Equivalents, December 31,	\$133,415	\$ 95,932	\$ 15,589

See notes to consolidated financial statements.

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Note 2. Consolidated Statement of Cash Flows Supplemental Disclosures

In 1987, MAPCO adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, and prior years' Statements of Changes in Financial Position have been restated for comparative purposes.

Other items not providing or requiring cash consist of (*in thousands*):

Year Ended December 31,	1987	1986	1985
Loss on sales of property, plant and equipment	\$10,493	\$1,157	\$ 3,491
Pension income	(5,199)	(5,247)	
Loss of unconsolidated affiliate	2,103	3,891	4,625
Provision for losses on trade accounts receivable	830	1,884	1,834
Extraordinary loss from debt extinguishment		4,133	
Other non-cash income and expense items	543	1,879	292
	\$ 8,770	\$7,697	\$10,242

Changes in operating assets and liabilities consist of (*in thousands*):

Year Ended December 31,	1987	1986	1985
Decrease (increase) in trade accounts receivable	\$50,396	\$ 35,766	\$(19,068)
Decrease in inventories	7,490	49,810	28,922
Decrease (increase) in prepaids and other current assets	(697)	1,683	(7,161)
(Increase) in other assets	(2,279)	(7,109)	(3,410)
Increase (decrease) in accounts payable and accrued expenses	(10,456)	(128,350)	40,665
Increase (decrease) in current income taxes payable	543	(13,385)	(55,022)
Increase (decrease) in other deferred items	679	4,747	(839)
	\$45,676	\$ (56,838)	\$(15,913)

Cash income taxes paid were \$11,943,000, \$43,289,000 and \$71,430,000 during 1987, 1986 and 1985, respectively.

Interest paid, net of amounts capitalized, was \$36,551,000, \$42,773,000 and \$41,166,000 during 1987, 1986 and 1985, respectively.

Noncash financing activities include the December 31, 1987 reclassification to short-term borrowings of \$56,745,000 of commercial paper and bank loans and the issuance of 97,736 shares of common stock during 1986 upon conversion of \$4,473,000 of the 10% Convertible Subordinated Debentures.

PACIFIC RESOURCES, INC.

*Consolidated Statements of Cash Flows*

( <i>in thousands</i> )	1987	1986	1985
Operations:			
Net Income	\$ 6,145	\$ 27,783	\$ 18,162
Expense (income) not affecting cash:			
Depreciation and amortization	12,077	11,197	10,794
Deferred income taxes	(1,737)	23,509	10,174
Provision for inventory valuation	(4,566)	10,196	
Provision for loss on short-term investments		5,093	
Extraordinary item, net of deferred income taxes	(2,086)		3,375
Other, net	2,702	394	1,018
Changes in working capital other than debt:			
Trade receivables—net	(26,938)	59,094	32,877
Inventories	30,525	32,750	(15,277)
Other current assets	(1,601)	(5,285)	(1,613)

*Consolidated Statements of Cash Flows (continued)*

<i>(in thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Accounts payable and other accrued liabilities	10,810	(55,306)	(53,757)
Income taxes payable	(1,661)	(2,551)	1,220
Net Cash Flow Provided From Operations	23,670	100,874	6,973
Investments:			
Investment in direct financing lease		(7,466)	(10,084)
Short-term investments	(5,700)	19,000	(2,609)
Additions to property, plant and equipment	(35,571)	(11,616)	(24,144)
Receivables from unconsolidated affiliate		4,449	
Other, net	2,323	1,014	132
Net Cash Flow Provided From (Used For) Investments	(38,948)	5,381	(36,705)
Financing:			
Issuance of common stock	491	902	639
Issuance of long-term debt	60,000	7,466	
Repurchase of preferred stock	(368)		
Short-term borrowings (payments)		(56,100)	38,494
Payments on long-term debt	(11,574)	(13,743)	(10,479)
Dividends	(6,178)	(3,942)	(4,282)
Net Cash Flow Provided From (Used For) Financing	42,371	(65,417)	24,372
Net Increase (Decrease) in Cash and Cash Equivalents	\$27,093	\$ 40,838	\$ (5,360)
Additional Cash Flow Information:			
Cash Paid During the Year for:			
Interest (net of amount capitalized)	\$10,811	\$ 11,401	\$ 18,890
Income taxes	6,664	3,611	1,072
Noncash Investing and Financing Activities:			
Common stock exchanged for treasury stock	\$ 329	\$ 298	
Leases capitalized	8,528		
Deferred assets and liabilities recognized	305	395	859
Debentures converted into common stock		20,000	
Preferred stock converted into common stock		6,001	
See notes to consolidated financial statements.			

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Note 1. Significant Accounting Policies

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*Cash Equivalents.* Cash equivalents consist of investments in short-term, highly-liquid securities having a maturity of three months or less made as a part of PRI's cash management activity. In 1987, PRI adopted Financial Accounting Standards Board Statement No. 95, "Statement of Cash Flows," which requires the presentation of Statements of Cash Flows instead of Statements of Changes in Financial Position. This adoption made certain reclassifications to prior years' financial statements necessary to conform with the 1987 presentation. At December 31, 1987, cash equivalents consisted of tax-exempt variable rate demand bonds (put bonds) with maturities of 1-90 days and short-term auction-rate preferred stock with maturities of 49 and 50 days. . . .

QUANTUM CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES  
*Consolidated Statement of Cash Flows*

<i>(dollar amounts in millions)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flow from operating activities			
Income from continuing operations	\$143.6	\$ 55.1	\$ 58.5
Adjustments to reconcile income to net cash provided by (used for) continuing operations:			
Depreciation, depletion and amortization	155.1	97.4	73.8
(Earnings)/losses of associated companies, net of dividends	2.1	4.1	.3
Other	5.2	16.6	9.0

*Consolidated Statement of Cash Flows (continued)*

<i>(dollar amounts in millions)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Change in assets and liabilities, net of effects from companies acquired:			
Accounts receivable	(45.4)	(55.4)	(51.0)
Inventory	(2.2)	17.4	38.9
Prepaid expenses and other assets	(11.5)	4.5	16.8
Accounts payable and accrued liabilities	120.7	16.9	6.0
Deferred taxes on income	(1.5)	2.0	17.6
Cash provided by continuing operations	366.1	158.6	169.9
Income from discontinued operations	108.0	20.5	18.7
Adjustments to reconcile income to net cash provided by (used for) discontinued operations:			
Net gain on sale of spirits and wine segment	(98.9)		
Increase in net assets of spirits and wine segment	(9.1)		
Depreciation and amortization		8.2	8.1
Other		4.0	2.7
Cash provided by operating activities	366.1	191.3	199.4
Cash flow from investing activities:			
Proceeds from sale of spirits and wine segment	684.3		
Expenses and income taxes related to sale of spirits and wine segment	(158.9)		
Proceeds from sale of associated company	28.6		
Cost of acquisitions, net of cash acquired		(782.4)	(220.1)
Proceeds from sale of insurance subsidiary			77.4
Capital expenditures excluding capital leases	(154.2)	(93.2)	(75.3)
Investment in marketable securities, net	(64.5)	(.2)	(20.0)
Other	16.5	12.0	50.5
Cash provided by (used for) investing activities	351.8	(863.8)	(187.5)
Cash flows from financing activities:			
Changes in notes payable to banks	(703.3)	544.2	92.1
Changes in long term debt and capital lease obligations	148.7	242.7	(40.5)
Redemption of preferred and preference stocks	(92.3)	(4.7)	(6.6)
Issuance (repurchase) of common stock, net	(60.7)	5.3	5.2
Dividends paid	(72.7)	(75.0)	(74.6)
Cash provided by (used for) financing activities	(780.3)	712.5	(24.4)
Net increase (decrease) in cash and short term investments	(62.4)	40.0	(12.5)
Cash and short term investments at beginning of year	87.3	47.3	59.8
Cash and short term investments at end of year	\$ 24.9	\$ 87.3	\$ 47.3

Supplemental disclosures—Cash payments for income taxes were \$267.8 million, \$79.7 million and \$67.6 million in 1987, 1986 and 1985, respectively; in these periods interest payments were \$75.7 million, \$59.8 million and \$43.5 million, respectively.

Capital lease obligations of \$3.0 million, \$8.4 million and \$.9 million were incurred in 1987, 1986 and 1985, respectively.

Common stock was issued upon conversion of debentures of \$.5 million in 1987 and \$.4 million in 1986 and 1985.

In conjunction with the purchase of the capital stock of companies acquired, the Company assumed liabilities of \$142.7 million and \$17.2 million in 1986 and 1985, respectively.

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Note 1. Summary of Accounting Policies

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*Consolidated Statement of Cash Flows*

The Company has adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows. Prior years have been reclassified to conform to the 1987 presentation. For purposes of this Statement short term investments which have a maturity of ninety days or less are considered cash equivalents.



RUSSELL CORPORATION AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*  
*Years Ended January 2, 1988, January 3, 1987, and January 4, 1986*

	1987	1986	1985
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 46,333	\$43,282	\$29,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	26,039	22,849	19,954
Deferred income taxes	1,906	3,188	4,793
Changes in assets and liabilities:			
Accounts receivable	(12,177)	(7,610)	(1,808)
Inventories	(1,322)	(5,524)	8,267
Prepaid expenses	(108)	(53)	(128)
Accounts payable and accrued expenses	2,400	550	965
Income taxes payable	387	635	3,250
Accrued retirement benefits	859	(195)	(152)
Net cash flows provided by operations	64,317	57,123	64,754
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in temporary investments	(24,038)	(54)	(29,427)
Purchases of property—net	(75,980)	(37,508)	(30,274)
Investment in noncurrent assets	(9,283)	(469)	859
Net cash used in investing activities	(109,302)	(38,033)	(58,841)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution of treasury shares	238	1,165	243
Cost of Common Stock for treasury	(3,585)	(9,499)	(103)
Long-term borrowings	60,000		20,000
Payments on long-term debt	(3,804)	(3,918)	(20,155)
Dividends on Common Stock	(7,553)	(6,333)	(5,928)
Net cash from financing activities	45,294	(18,585)	(5,944)
Net Increase (Decrease) In Cash	309	504	(32)
Cash balance at beginning of year	1,458	954	987
Cash balance at end of year	\$ 1,768	\$ 1,458	\$ 954
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash paid during the year for:			
Interest	\$ 6,458	\$ 4,154	\$ 3,824
Income taxes	31,518	33,161	14,244

*Supplemental Schedule of Noncash Investing and Financing Activities*

The Company incurred capital lease obligations for the purchase of plant and equipment of \$450,000 in 1987 and \$357,782 in 1986.

See notes to consolidated financial statements.

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Note A. Significant Accounting Policies

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Consolidated Statement of Cash Flows: During 1987, the Company adopted Financial Accounting Standards Board Statement No. 95, "Statement of Cash Flows," which established new standards for cash flow reporting. Accordingly, the consolidated statements of cash flows have replaced the consolidated statements of changes in financial position, with prior years being restated.

TOSCO CORPORATION AND SUBSIDIARIES  
*Consolidated Statement of Cash Flows*

(thousands of dollars)

	Year Ended December 31		
	1987	1986	1985
Cash flows from operating activities:			
Income (loss) before extraordinary items	\$ 27,822	(\$56,420)	\$ 8,867
Adjustments to arrive at net cash provided by operating activities:			
Extraordinary credit resulting from utilization of net operating loss carryforwards		25,133	
Writedown of assets and related termination costs		40,662	4,000
Depreciation and depletion	22,094	21,834	20,966
Amortization of deferred items	14,767	16,882	15,556
Amortization of deferred gains	(2,206)	(24,450)	(16,942)
Interest earned on notes receivable from issuance of common stock	(379)	(436)	(2,091)
Loss on equity investments			1,694
Issuance of common stock in settlement of litigation		5,250	5,500
Issuance of debt in payment of interest on debt		23,455	35,295
(Increase) decrease:			
Receivables	(11,723)	43,184	24,157
Inventories	1,787	(4,144)	37,510
Prepaid expenses and other current assets	4,319	4,651	(2,660)
Increase (decrease):			
Accounts payable and accrued liabilities	27,868	(33,637)	(17,941)
Other non-current liabilities	(1,185)	(9,331)	(7,650)
Deferred income taxes	(534)	(690)	(2,000)
Other	(717)	(1,529)	(264)
Total adjustments	79,224	81,701	95,130
Net cash provided by operating activities	107,046	25,281	103,997
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	605	42,205	1,963
Purchase of property, plant and equipment	(15,587)	(14,121)	(26,723)
Increase in deferred turnarounds and charges and other assets	(8,200)	(13,849)	(16,784)
Purchase of short-term investments	(15,839)		
Net cash provided by (used in) investing activities	(39,021)	14,235	(41,544)
Cash flows from financing activities:			
Issuance of Series E Preferred Stock	12,100	200,000	
Issuance of long-term debt		150,000	
Costs of refinancing debt		(25,000)	
Net borrowings under working capital facilities			35,000
Principal payments under debt agreements:			
Refinancing Agreement		(275,000)	
Other	(5,440)	(99,697)	(104,148)
Payments received from ESOP	806	2,507	
Preferred stock dividends	(22,583)		
Net cash used in financing activities	(15,117)	(47,190)	(69,148)
Net increase (decrease) in cash and cash equivalents	52,908	(7,674)	(6,695)
Cash and cash equivalents at beginning of year	15,965	23,639	30,334
Cash and cash equivalents at end of year	\$ 68,873	\$ 15,965	\$ 23,639

The accompanying notes are an integral part of this statement.

*Supplemental Schedule of Noncash Investing and Financing Activities*

<i>(thousands of dollars)</i>	Year Ended December 31		
	1987	1986	1985
Sale of property, plant and equipment for notes receivable (net of cash received)	\$1,676	\$ 5,000	\$7,300
Sale of secured assets held for sale (net of cash received) for assumption of debt			\$7,500
Purchase of property, plant and equipment (net of cash paid) for notes	\$6,356	\$ 2,553	
Issuance of Common Stock in payment of Floating Rate Subordinated Notes	\$7,991	\$ 4,382	
Extraordinary gain from refinancing of debt (Note 3)		\$74,000	
Surrender of Series C Preferred Stock (Note 3)		\$70,845	

*Supplemental Disclosures of Cash Flow Information*

	Year Ended December 31		
	1987	1986	1985
Cash paid during year:			
Interest	\$27,277	\$5,868	\$10,247
Income taxes	\$ 567	\$ 931	\$ 3,082

The accompanying notes are an integral part of this statement.

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1. Summary of Significant Accounting Policies

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*Reclassifications and Restatement.* Certain previously reported amounts have been restated to conform to classifications adopted in 1987. In addition, Tosco has adopted in 1987 the recently issued Statement of Financial Accounting Standards (SFAS) No. 95, which requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. Accordingly, the consolidated statements of changes in financial position for the years ended December 31, 1986 and 1985 have been replaced with statements of cash flows.

VELO-BIND INCORPORATED  
*Consolidated Statements of Cash Flows*  
*(dollars in thousands)*

	Years Ended		
	1987	1986	1985
Cash flows from operating activities:			
Net income	\$ 460	\$1,402	\$3,060
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,971	1,634	1,295
Accretion of note discount	93	79	64
Manufacturing consolidation accrual	900		
Deferred income taxes	(261)	(179)	94
Cash provided by (used in):			
Accounts receivable	(1,566)	363	(1,844)
Inventories	235	(2,393)	(907)
Accounts payable and accrued expenses	(88)	(407)	(1,025)
Accrued compensation and employee benefits	44	(112)	43

VELO-BIND INCORPORATED  
*Consolidated Statements of Cash Flows (continued)*  
*(dollars in thousands)*

	Years Ended		
	1987	1986	1985
Other (including Supply Express net assets in 1985)	(43)	104	(139)
Net cash provided by operating activities	1,745	491	641
Cash flows from investing activities:			
Short-term investments		1,468	(1,468)
Additions to equipment and leasehold improvements	(1,935)	(4,239)	(1,375)
Payment for acquisition of Supply Express			(163)
Dissolution of investment in affiliate			567
Net cash used for investing activities	(1,935)	(2,771)	(2,439)
Cash flows from financing activities:			
Repurchase of common stock	(2,498)		
Proceeds from issuances of common stock	182	487	525
Payments of long-term debt	(378)	(558)	(555)
Proceeds from collection on notes receivable	22	176	45
Net cash provided by (used for) financing activities	(2,672)	105	15
Net decrease in cash and temporary cash investments	(2,862)	(2,175)	(1,783)
Cash and temporary cash investments, beginning of year	5,135	7,310	9,093
Cash and temporary cash investments, end of year	\$2,273	\$5,135	\$7,310

Supplemental disclosures of cash flow information:

	Years Ended		
	1987	1986	1985
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 73	\$ 134	\$ 142
Income taxes	\$556	\$1,947	\$3,700

*Supplemental disclosure of noncash investing and financing activities.* In fiscal 1985, the Company acquired Supply Express Incorporated, a supply service to the copy and print shop industry, for \$1,443. The noncash portion of this purchase cost included the issuances of \$710 of common stock, \$238 of convertible notes (which were converted into 32,000 shares of common stock in 1985) and \$332 of long-term notes. The net assets purchased were \$60 and have been included in Other above. In 1986, the Company issued an additional \$360 of stock in connection with this acquisition. In 1987, an adjustment was made for \$120 to reduce stock previously recorded as issued.

In 1986, the Company entered into an agreement to make monthly payments, with a present value of \$359, to a former employee in exchange for an agreement not to compete. In 1985, the Company also entered into agreements to pay former shareholders of Supply Express, Incorporated \$400 in exchange for agreements not to compete.

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1. Summary of Significant Accounting Policies

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*Statements of Cash Flows.* The Company has adopted Statement of Financial Accounting Standard No. 95, "Statement of Cash Flows." Prior years' statements of changes in financial position have been restated to conform to the new format. For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be temporary cash investments.

## NO NONCASH INFORMATION PRESENTED

FIELDCREST CANNON, INC.  
Consolidated Statement of Cash Flows

<i>(dollars in thousands)</i>	For the years ended December 31		
	1987	1986	1985
Increase (decrease) in cash:			
Cash flows from operating activities:			
Net income	\$ (3,658)	\$ 17,389	\$13,062
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,896	22,719	15,299
Deferred income taxes	(2,330)	9,368	2,287
Change in assets and liabilities excluding effects from purchase of Cannon and Bigelow:			
Accounts receivable	(21,793)	2,339	(12,833)
Inventory	(11,375)	12,344	(13,519)
Prepaid income taxes	(4,217)	(1,905)	4,518
Other prepaid expenses and current assets	1,696	(3,790)	69
Accounts payable and accrued liabilities	(3,529)	(808)	(2,775)
Federal and state income taxes	(1,847)	1,197	(769)
Other	(6,967)	(2,138)	2,479
Net cash provided by (used in) operating activities	(22,124)	56,715	7,818
Cash flows from investing activities:			
Additions to plant and equipment	(43,544)	(21,501)	(21,846)
Purchase of Cannon and Bigelow, net of cash acquired (Note 2)		(247,992)	
Proceeds from disposals of plant and equipment	960	3,289	3,526
Other	(10,385)	1,877	9,171
Net cash used in investing activities	(52,969)	(264,327)	(9,149)
Cash flows from financing activities:			
Proceeds from sale of convertible debentures	122,763		
Proceeds from issuance of long-term debt	84,683	476,016	23,787
Proceeds from sale of common stock		59,921	302
Payments on long-term debt	(125,443)	(315,291)	(21,326)
Dividends paid	(6,641)	(4,693)	(4,866)
Net cash provided by financing activities	75,362	215,953	(2,103)
Net Increase (decrease) in cash	269	8,341	(3,434)
Cash at beginning of year	10,913	2,572	6,006
Cash at end of year	\$ 11,182	\$ 10,913	\$ 2,572
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest expense	\$ 36,173	\$ 29,386	\$ 7,626
Income tax payments (refund)	(323)	859	2,842

The notes to consolidated financial statements are an integral part of the Consolidated financial statements.

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Note 1: Significant Accounting Policies

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The Company adopted Financial Accounting Standards No. 95, "Statement of Cash Flows," in 1987 and restated the comparative statements for 1986 and 1985.

McFADDIN VENTURES, INC. AND SUBSIDIARIES  
*Consolidated Statement of Cash Flows*

(in thousands)

	Year Ended November 29, 1987
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash provided by operating activities before changes in current assets and current liabilities (Note 15)	\$5,026
Changes in current assets and current liabilities:	
(Increase) decrease in current assets:	
Trade and other accounts receivable	(66)
Federal income taxes	1,450
Inventory	(5)
Prepaid expenses and other	(184)
(Decrease) in current liabilities:	
Accounts payable	(858)
Accrued expenses	(335)
Net cash provided by operating activities	5,028
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Additions to property and equipment	(2,972)
Additions to other accounts receivable	(565)
Additions to preopening costs	(475)
Additions to other assets	(64)
Contributions to 50% or less owned affiliates	(316)
Distributions to minority interests	(289)
Collections of notes receivable	78
Net cash used by investing activities	(4,603)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on long-term debt	(4,116)
Payments on capital lease obligations	(192)
Net cash used by financing activities	(4,308)
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	(3,883)
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	8,452
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	\$4,569

See notes to consolidated financial statements.

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15. Consolidated Statement of Cash Flows

The Company has chosen to adopt Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," issued in November 1987. The 1986 and 1985 consolidated statements of changes in financial position were not restated. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. A reconciliation of the 1987 net loss to cash provided by operating activities before changes in current assets and current liabilities, and other information follows:

	1987
	<i>(in thousands)</i>
Net loss	\$(9,209)
Noncash charges (credits) to earnings:	
Depreciation and amortization	9,977
Accrual for claims payable	1,095
Loss from unit concept changes and discontinued units	1,791
Allowances for doubtful accounts and notes receivable	583
Equity in losses of 50% or less owned affiliates	703
Write-off of other assets	257
Deferred income taxes	(165)
Minority interest in earnings	(185)
Other	179
Cash provided by operating activities before changes in current assets and current liabilities	\$ 5,026
Cash paid during 1987 for:	
Interest	\$1,917
Income taxes	414

POPE & TALBOT, INC. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*  
*Years ended December 31*

<i>(thousands)</i>	1987	1986	1985
Cash flow from operating activities:			
Net income	\$ 28,129	\$ 15,815	\$ 6,648
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, and cost of fee timber harvested	20,827	18,446	20,412
Increase (decrease) in:			
Short-term notes payable	(3,000)	3,000	(1,000)
Accounts payable	967	3,510	477
Accrued liabilities	8,996	(932)	(5,522)
Income taxes	4,623	(2,782)	1,644
Deferred income taxes	(2,055)	1,675	(3,542)
Decrease (increase) in:			
Accounts receivable	(5,272)	(8,442)	4,593
Inventories	(12,036)	192	895
Deposits on timber purchase contracts	(2,791)	(2,569)	317
Prepaid expenses	(358)	7	2,742
Deferred charges and other	1,124	112	(675)
Net cash provided by operating activities	39,154	28,032	26,989
Cash flow from investing activities:			
Purchase of Ransom tissue mill (Note 10)	(24,504)		
Less working capital acquired	8,574		
Net properties acquired	(15,930)		
Capital expenditures	(28,560)	(20,770)	(23,911)
Proceeds from sale of properties	398	1,528	11
Cash used by Pope Resources prior to plan of distribution (Note 11)			(2,380)
Cash provided by plan of distribution (Note 11)			24,668
Net cash used for investing activities	(44,092)	(19,242)	(1,612)

*Consolidated Statements of Cash Flows (continued)*  
*Years ended December 31*

<i>(thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flow from financing activities:			
Proceeds from issuance of debentures	40,000		
Reduction of long-term debt, including current portion	(20,159)	(20,801)	(4,688)
Proceeds from issuance of common stock	2,342	417	69
Purchase of treasury stock	(2,535)	(112)	
Cost to issue debentures	(1,109)		
Cash dividends	(5,308)	(4,803)	(4,796)
Net cash provided by (used for) financing activities	4,231	(25,299)	(9,415)
Increase (decrease) in cash and cash equivalents	\$ (707)	\$(16,509)	\$15,962

The accompanying notes are an integral part of these statements.

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1. Accounting Policies

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*Statements of Cash Flows:* In 1987, the Company adopted the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." Prior years' statements have been restated to conform to this new presentation. The Company classifies as cash and cash equivalents cash on deposit in banks plus cash invested temporarily in various investment instruments as part of the Company's cash management program. Total cash expenditures for interest, net of capitalized interest, were \$3,809,000, \$5,064,000 and \$7,248,000 for 1987, 1986 and 1985, respectively. Total cash expenditures (receipts) for income taxes were \$12,932,000 for 1987, \$7,649,000 for 1986 and \$ (2,711,000) for 1985.

TELLABS, INC., AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

	<u>Year Ended</u>		
	<u>Jan. 1, 1988</u>	<u>Dec. 31, 1986</u>	<u>Dec. 31, 1985</u>
	<i>(in thousands)</i>		
Cash Flows from Operating Activities:			
Net earnings	\$10,725	\$ 8,410	\$ 6,963
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	4,450	3,813	3,016
Deferred income taxes	1,127	1,187	(73)
Minority interest in subsidiaries' earnings	204	136	24
Employee stock-award program	21	159	17
Net (increase) decrease in current assets:			
Accounts receivable—net	(949)	(3,947)	(4,648)
Inventories	6,065	5,285	(3,830)
Prepaid expenses	(484)	361	(625)
Net increase (decrease) in current liabilities:			
Accounts payable	(80)	705	1,473
Accrued liabilities	2,078	1,618	(758)
Income taxes	978	740	1,660
Net (increase) decrease in other assets	148	(187)	(142)



Consolidated Statements of Cash Flows (continued)

	Year Ended		
	Jan. 1, 1988	Dec. 31, 1986	Dec. 31, 1985
	(in thousands)		
Net Cash Flow from Operating Activities	24,283	18,280	3,077
Cash Flows from Investing Activities:			
Acquisition of property, plant and equipment—net	(8,718)	(4,924)	(9,513)
(Increase) decrease in VEBA trust	1,903	1,862	(1,234)
Equity investments	(3,000)	(100)	(1,000)
Net (purchases) maturities of marketable securities	(6,645)	(10,536)	1,084
Reduction of restricted investment in marketable securities		1,143	492
Net Cash Used by Investing Activities	(16,460)	(12,555)	(10,171)
Cash Flows from Financing Activities:			
Payments of maturities of long-term debt	(518)	(516)	(374)
Acquisition of common stock	(1,518)	(1,926)	(1,705)
Common stock sold through stock option plans	1,518	28	344
Net Cash Used by Financing Activities	(518)	(2,414)	(1,735)
Net Increase (Decrease) in Cash and Cash Equivalents	7,305	3,311	(8,829)
Cash and Cash Equivalents at Beginning of Year	24,333	21,022	29,851
Cash and Cash Equivalents at End of Year	\$31,638	\$24,333	\$21,022
Other Supplemental Information:			
Interest paid	\$ 394	\$ 578	\$ 487
Income taxes paid	\$ 2,397	\$ 2,064	\$ 3,588

The accompanying notes are an integral part of these statements.

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Note A. Summary of Significant Accounting Policies

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*Statement of Cash Flows.* In accordance with Statement of Financial Accounting Standards No. 95, issued in November, 1987, a Statement of Cash Flows is presented. Accordingly, the financial statements for the years ended December 31, 1986 and 1985 provide additional required disclosures. The Company considers all highly liquid debt instruments purchased with a maturity or "put" feature of three months or less to be cash equivalents.

TIME INCORPORATED  
Consolidated Statement of Cash Flows  
For years ended December 31

(in millions)	1987	1986	1985
Net income	\$ 250	\$ 376	\$ 200
Non-cash and non-operating items included in income:			
Depreciation	167	139	121
Amortization of goodwill and other intangibles	38	21	17
Deferred income taxes	110	111	97
Equity in net losses of affiliated companies	15	17	1
Gain on partial sale of a subsidiary		(318)	
Net gain on sales of properties	(43)	(34)	(4)
Net (increase) decrease in working capital items (see separate schedule below)	(109)	166	(117)
Net decrease (increase) in programming and other assets and other liabilities	2	(142)	(83)
Net increase in unearned subscriptions	29	51	30

*Consolidated Statement of Cash Flows (continued)*  
*For years ended December 31*

<i>(in millions)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Other	33	3	
Net cash flows from operating activities	492	390	262
Cash flows from investing activities:			
Investments and acquisitions	(343)	(661)	(451)
Purchases of property and equipment	(260)	(203)	(203)
Partial sale of a subsidiary		350	
Dispositions of investments and property and equipment	126	248	27
Other	(58)	65	(3)
Net cash flows used by investing activities	(535)	(201)	(630)
Cash flows from financing activities:			
Payments and redemption of debt	(481)	(747)	(36)
Purchases of treasury stock	(268)	(255)	(2)
Dividends paid	(59)	(62)	(63)
Proceeds from issuance of debt and stock	671	1,120	162
Net cash (used) provided from financing activities	(137)	56	61
Net (decrease) increase in cash and equivalents	\$(180)	\$ 245	\$(307)
Schedule of working capital items:			
Net change in:			
Receivables	\$ (56)	\$ (9)	\$ (3)
Inventories	(19)	(5)	(25)
Prepaid programming	2	(30)	(88)
Prepaid promotion and other	(8)	(54)	(17)
Accounts payable and accrued expenses	8	163	(5)
Employee compensation and benefits	(36)	101	21
Net (increase) decrease in working capital items	\$(109)	\$ 166	\$(117)

The Company made cash payments of \$98 million, \$69 million and \$46 million for interest and \$150 million, \$166 million and \$113 million for income taxes during 1987, 1986 and 1985, respectively.

The above Consolidated Statement of Cash Flows reflects the provisions of FASB Statement No. 95 on cash flow reporting for all periods presented.

The accompanying notes are an integral part of this financial statement.

# III

## INDIRECT METHOD—RETAILING ENTERPRISES

The cash flow statements issued by retailing enterprises differ in some important respects from those issued by manufacturing enterprises. Fourteen examples of cash flow statements and related note information said to be prepared in conformity with SFAS No. 95 under the indirect method that have been issued by retailing enterprises are presented below. The examples are classified according to whether or not noncash information about investing or financing activities was presented and referenced to the cash flow statement.

### NONCASH INFORMATION PRESENTED

#### DAYTON HUDSON CORPORATION AND SUBSIDIARIES *Consolidated Statements of Cash Flows*

<i>(millions of dollars)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Operating Activities			
Net earnings from continuing operations before extraordinary charge	\$228.4	\$255.0	\$280.5
Reconciliation to cash flow:			
Depreciation and amortization	232.4	184.9	159.3
Non-current deferred tax provision	5.8	39.3	32.0
Current deferred tax provision	(36.3)	(1.0)	14.3
(Increase) in accounts receivable	(21.0)	(1.7)	(63.0)
(Increase) in inventory	(310.9)	(162.5)	(160.4)
Increase in accounts payable	212.6	184.9	114.0
Other	(1.1)	36.7	40.0
Cash Flow Provided by Continuing Operations	309.9	535.6	416.7
Cash Flow Provided by Discontinued Operations		50.3	12.2
	309.9	585.9	428.9
Net (Decrease)/Increase in Cash and Cash Equivalents	(48.7)	44.0	122.0
Cash and cash equivalents at beginning of year	223.8	179.8	57.8
Cash and cash equivalents at end of year	\$175.1	\$223.8	\$179.8

Amounts in this statement are presented on a cash basis and therefore may differ from those shown in other sections of this annual report.

Investing and financing activities not reported in the Statements of Cash Flows, because they do

not involve cash, include capital lease obligations incurred when we entered into leases for buildings and equipment of \$8.2 million, \$9.1 million and \$7.9 million in 1987, 1986 and 1985, respectively. In addition, non-cash capital expenditures resulting from assumed liabilities and asset reclassifications were \$43.4 million and \$16.0 million in 1987 and 1986, respectively. There were no such transactions in 1985.

Interest paid (including interest capitalized) during 1987, 1986 and 1985 was \$141.0, \$121.9 and \$86.4, respectively. Income tax payments of \$217.7, \$190.5, and \$187.4 were made during 1987, 1986, and 1985, respectively.

The net change in notes payable includes the issuance of \$66.0 million and repayment of \$60.0 million of commercial paper with maturities over 90 days in 1987 and the issuance and repayment of \$16.0 million of commercial paper with maturities over 90 days in 1985. There were no such transactions in 1986.

These financial statements should be read in conjunction with the Analysis of Continuing Operations on pages 17-21 and the information on pages 26-28.

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#### Summary of Accounting Policies

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*Statements of Cash Flows.* We adopted the provisions of Statement of Accounting Standards No. 95, "Statement of Cash Flows," in our 1987 financial statements and restated previously reported statements of changes in financial position for 1986 and 1985. For purposes of the statements of cash flows, we consider all short-term investments purchased with a maturity of three months or less to be cash equivalents.

#### HANNAFORD BROS. CO. AND SUBSIDIARIES

##### *Consolidated Statements of Cash Flows*

<i>Full Year</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities:			
Net income	\$24,083	\$18,816	\$14,399
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,154	15,057	13,190
Increase in inventories	(10,590)	(13,461)	(1,321)
Increase in receivables and prepayments	(2,802)	(928)	(190)
Increase (decrease) in accounts payable and accrued expenses	17,343	12,082	(4,017)
Increase (decrease) in income taxes payable	(2,228)	1,131	2,004
Minority interest	702	661	926
Increase in deferred taxes	2,044	2,828	3,664
Other operating activities	(1,761)	(4,328)	(1,407)
Net cash provided by operating activities	44,944	31,860	27,248
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(51,334)	(37,093)	(28,949)
Sale of property, plant and equipment, net	1,233	3,406	4,319
Increase in deferred acquisition cost	(3,483)	(1,659)	(794)
Investment in affiliate	(152)	(2,742)	
Net cash used in investing activities	(53,737)	(38,089)	(25,424)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(4,500)	4,500	
Principal payments under capital lease obligation	(979)	(987)	(925)
Proceeds from issuance of long-term debt	20,457	1,077	(4,472)
Issuance of common stock	1,374	1,068	22,154
Payments of long-term debt	(2,486)	(3,337)	(10,322)
Dividends paid	(5,188)	(4,593)	(3,985)
Net cash provided by (used for) financing activities	8,677	(2,273)	2,449

*Consolidated Statements of Cash Flows (continued)*

<i>Full Year</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Net Increase (decrease) in cash and cash equivalents	(116)	(8,502)	4,273
Cash and cash equivalents at beginning of year	6,372	14,875	10,601
Cash and cash equivalents at end of year	\$ 6,256	\$ 6,372	\$14,875

See accompanying notes to consolidated financial statements.

*Supplemental disclosures of cash flow information*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 3,483	\$ 3,487	\$ 4,955
Income taxes	20,458	15,481	7,034

Supplemental disclosure of non-cash investing and financing activity: A capital lease obligation of \$1,891,000 was incurred in 1986 when the Company entered into a lease for certain improved real estate.

Disclosure of accounting policy: For the purposes of the Consolidated Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

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1. Summary of Significant Accounting Policies

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*L. Statement of Cash Flows.* In November 1987, the FASB issued Statement of Financial Accounting Standards No. 95—Statement of Cash Flows. This statement establishes standards for cash flow reporting and requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. The Company has elected early adoption of this statement and has incorporated the Statement of Cash Flows into its 1987 financial statements presentation. The Consolidated Statements of Changes in Financial Position for 1985 and 1986 have been restated to conform to this cash flow presentation.

MELVILLE CORPORATION AND SUBSIDIARY COMPANIES

*Consolidated Statements of Cash Flows*

<i>Years ended December 31</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash Flows from Operating Activities:			
Net earnings from continuing operations	\$285,383	\$238,332	\$219,811
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	72,032	64,071	59,605
Amortization of goodwill	3,961	3,618	3,463
Minority interests in net earnings	42,495	47,753	47,969
Increase in deferred Federal income taxes	7,133	11,540	10,304
Common shares awarded under restricted stock plan	1,365	1,249	1,224
Change in assets and liabilities, net of acquisitions and dispositions:			
Decrease (increase) in deferred charges and other assets:	353	(88)	552
Increase in accounts payable	12,916	42,844	16,837
Increase in accrued expenses	29,621	13,909	24,024
Increase in accounts receivable	(3,324)	(15,228)	(8,450)
Increase in inventories	(87,370)	(96,968)	(84,132)
Increase in prepaid expenses	(16,032)	(12,554)	(6,070)
Increase (decrease) in Federal income taxes payable	(10,835)	5,900	13,897

*Consolidated Statements of Cash Flows (continued)*

<i>Years ended December 31</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Net cash provided (used) by operating activities of:			
Continuing operations	338,000	304,380	299,038
Discontinued operations			(7,341)
Net cash provided by operating activities	338,000	304,380	291,696
Cash Flows from Investing Activities:			
Proceeds from the sale or disposal of:			
Discontinued operations, net of cash			46,993
Property, plant, equipment and leasehold improvements	12,751	7,615	13,444
Leased property under capital leases	309	440	367
Acquisitions, net of cash	(63,667)	(200)	(9,491)
Additions to property, plant, equipment and leasehold improvements	(129,464)	(115,572)	(101,570)
Net cash used in investing activities	(180,070)	(107,715)	(50,256)
Cash Flows from Financing Activities:			
Proceeds from the sale or issuance of common stock	3,980	5,649	5,853
Reduction of long-term debt	(7,967)	(45,929)	(5,723)
Decrease in obligations under capital leases	(3,398)	(3,288)	(2,941)
Dividends paid	(95,680)	(84,584)	(77,092)
Dividends paid to minority interests	(39,903)	(46,529)	(44,944)
Other	74	126	259
Net cash used in financing activities	(142,894)	(174,555)	(124,588)
Net increase in cash and cash equivalents	15,035	22,109	116,851
Cash and cash equivalents at beginning of year	326,780	304,671	187,820
Cash and cash equivalents at end of year	\$341,815	\$326,780	\$304,671

See accompanying notes to consolidated financial statements.

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Summary of Significant Accounting Policies

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Changes in Presentation: In 1987, the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," which requires the presentation of cash flows to differentiate between those from operations and from other activities. Accordingly, amounts previously reported in 1986 and 1985 have been reclassified to conform with the 1987 presentation.

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*Supplemental Cash Flow Information.* Cash paid for income taxes and interest during the years ended December 31, 1987, 1986 and 1985 was as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Income taxes	\$251,302,170	\$221,075,876	\$176,696,726
Interest (net of amounts capitalized)	4,442,495	5,001,455	9,130,520

In addition, during the years ended December 31, 1987, 1986 and 1985, the Company had the following noncash financing and investing activities:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Conversion of 4 $\frac{7}{8}$ % Convertible Subordinated Debentures	\$ 466,992	\$77,968	\$190,960
Capital leases entered into	5,133,915		
Acquisition of subsidiary in exchange for common stock	6,422,124		

NORDSTROM, INC. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

(dollars in thousands)

Year ended January 31,	1988	1987	1986
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings	\$ 92,733	\$ 72,939	\$ 50,079
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	50,090	46,835	37,537
Change in:			
Accounts receivable	(51,953)	(46,237)	(79,047)
Merchandise inventories	(55,362)	(31,317)	(63,656)
Prepaid expenses	(879)	(785)	(905)
Accounts payable	49,265	24,492	20,107
Accrued salaries, wages and taxes	15,050	16,202	13,175
Accrued expenses	283	5,478	6,443
Income tax liabilities	(11,552)	27,415	12,755
Net cash provided by (used in) operating activities	87,675	115,002	(3,512)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Disposition of property, buildings and equipment	670	5,964	3,182
Additions to property, buildings and equipment	(129,019)	(75,800)	(124,102)
Net cash used in investing activities	(128,349)	(69,836)	(120,920)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in notes payable	38,795	(80,055)	56,401
Proceeds from issuance of long-term debt		75,000	82,400
Debt issue costs	(28)	(1,042)	(1,082)
Proceeds from issuance of common stock	3,885	265	518
Principal payments on long-term debt and obligations under capitalized leases	(10,711)	(9,019)	(5,368)
Cash dividends paid	(14,605)	(10,104)	(8,187)
Net cash provided by (used in) financing activities	17,336	(24,955)	124,682
Net (decrease) increase in cash and cash equivalents	(23,338)	20,231	250
Cash and cash equivalents at beginning of year	28,287	8,056	7,806
Cash and cash equivalents at end of year	\$ 4,949	\$ 28,287	\$ 8,056

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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Note 13. Supplementary Statements of Cash Flows Information

The Company has implemented Statement of Financial Accounting Standards No. 95, which requires a Statement of Cash Flows in place of a Statement of Changes in Financial Position. Prior years have been restated to conform with the current format.

Supplementary cash flow information includes the following:

Year ended January 31,	1988	1987	1986
Cash paid during the year for:			
Interest (net of capitalized interest)	\$32,279	\$30,938	\$26,046
Income taxes	81,548	38,522	25,163

Non-cash investing and financing activities:

The Company incurred an additional capital lease obligation of \$3,654 upon entering into a lease for new property in 1986.

Additional common stock was issued upon the conversion of \$75,000 of long-term debt in 1986.

SERVICE MERCHANDISE COMPANY, INC. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

<i>(in thousands)</i>	January 2, 1988	January 3, 1987	December 28, 1985
<b>CASH PROVIDED (USED) BY OPERATIONS</b>			
Continuing Operations:			
Net earnings (loss) from continuing operations	\$ 30,854	\$ (17,098)	\$ 24,269
Depreciation and amortization	56,619	53,256	40,486
Deferred taxes on income	3,743	13,770	8,178
Working Capital Provided from:			
Continuing Operations	91,216	49,928	72,933
Discontinued Operations:			
Net (loss) from discontinued operations		(11,870)	(13,536)
Depreciation and amortization		3,560	3,494
Provision for loss on disposal of Mr. HOW units		(17,930)	
Working Capital (Used) by Discontinued Operations		(26,240)	(10,042)
Other Changes in Working Capital:			
(Increase) Decrease in accounts receivable	506	(9,656)	(6,082)
(Increase) Decrease in refundable income taxes	57,218	(49,366)	(7,852)
(Increase) Decrease in inventories	(17,111)	75,087	(277,066)
(Increase) Decrease in prepaid expenses	(1,563)	4,419	(9,920)
Increase (Decrease) in accounts payable	78,457	(25,252)	104,621
Increase (Decrease) in accrued expenses	7,036	(11,816)	18,752
Increase (Decrease) in taxes on income	11,743		(24,225)
	136,286	(16,584)	(201,772)
<b>CASH PROVIDED (USED) FROM OPERATIONS</b>	<b>227,502</b>	<b>7,104</b>	<b>(138,881)</b>
<b>FINANCING ACTIVITIES</b>			
Increase (Decrease) in notes payable to banks		(93,000)	93,000
Proceeds from long-term debt	3,950	338,527	387,675
Reductions in long-term debt	(102,249)	(116,948)	(119,089)
Increase in capitalized lease obligations	5,191	11,425	
Reductions in capitalized lease obligations	(8,759)	(8,602)	(6,151)
Cash dividends paid	(2,665)	(2,665)	(2,663)
	(104,532)	128,737	352,772
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$103,852</b>	<b>\$ 97,840</b>	<b>\$ (41,965)</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>			
	\$146,011	\$ 48,171	\$ 90,136
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>			
	<b>\$249,863</b>	<b>\$146,011</b>	<b>\$ 48,171</b>

See notes to consolidated financial statements.



O. *Statements of Cash Flows (in thousands)*. In 1987, the Company adopted FASB Statement No. 95, "Statement of Cash Flows." Accordingly, information for the years prior to 1987 previously reported in the Statements of Changes in Financial Position has been restated to conform to the 1987 presentation.

Supplemental disclosures of cash flow information are as follows:



	January 2, 1988	January 3, 1987	December 28, 1985
Cash paid (received) for:			
Interest	\$ 70,055	\$ 65,978	\$42,317
Income taxes	\$(49,575)	\$ (979)	\$21,822

Additionally, during the year ended December 28, 1985, \$11,004 of subordinated debentures were converted to common stock, which is a noncash financing activity.

**W.W. GRAINGER, INC. AND SUBSIDIARIES**  
*Consolidated Statements of Cash Flows*

*(in thousands of dollars)*

	Years Ended December 31		
	1987	1986	1985
Cash flows from operating activities:			
Net earnings from continuing operations	\$ 90,506	\$ 74,798	\$ 67,735
Depreciation and amortization	22,667	19,277	17,108
Provision for losses on accounts receivable	7,661	6,447	4,221
Deferred income taxes	(4,665)	9,393	15,833
Gain on sale of property, buildings, and equipment	(675)	(790)	(647)
Gain from revaluing purchased tax benefits		(4,584)	
(Increase) in accounts receivable	(27,328)	(18,771)	(16,273)
(Increase) in inventories	(81,069)	(27,522)	(25,629)
(Decrease) increase in trade accounts payable	(29)	19,624	(4,858)
Increase in current income taxes	3,208	4,669	179
(Increase) decrease in prepaid expenses	(1,814)	(919)	347
Increase in other current liabilities	4,162	11,320	2,419
Net earnings from discontinued operations			4,040
Net cash provided by operating activities	12,624	92,942	64,475
Investing activities:			
Proceeds from sale of discontinued operations, net of expenses and taxes		34,757	
Additions to property, buildings, and equipment	(45,824)	(29,511)	(14,609)
Proceeds from sale of property, buildings, and equipment	1,772	1,939	1,128
(Increase) decrease in marketable securities	(10,000)		993
Purchase of tax benefits	(316)	(2,413)	(5,239)
Decrease in restricted investments	1,605	2,273	2,633
Decrease in net assets of discontinued operations			4,806
Other—net	477	1,595	(922)
Net cash (used) provided by investing activities	(52,286)	8,640	(11,210)
Cash flows from financing activities:			
Proceeds from long-term debt		1,213	3,788
Long-term debt payments	(1,068)	(681)	(275)
Purchase of Company common stock	(72,484)	(4,505)	(975)
Stock option plan	3,470	2,799	2,782
Cash dividends paid	(22,370)	(20,549)	(19,222)
Net cash used in financing activities	(92,452)	(21,723)	(13,902)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(132,114)</b>	<b>79,859</b>	<b>39,363</b>
Cash and cash equivalents at beginning of year	180,517	100,658	61,295
Cash and cash equivalents at end of year	\$ 48,403	\$180,517	\$100,658

The accompanying notes are an integral part of these financial statements:

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Note 2. Cash Flows

The Company has adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," for 1987. Cash flow information has been restated for 1986 and 1985. In addition, to conform with this statement, cash and marketable securities as shown on the balance sheets at December 31, 1986 and 1985 have been restated to cash and cash equivalents. The Company considers investments in highly liquid debt instruments, with an original maturity of three months or less, to be cash equivalents.

The Company had noncash financing transactions relating to capital lease obligations for new equipment. These totaled \$603,000, \$585,000, and \$4,477,000 for 1987, 1986, and 1985, respectively.

*Cash paid during the year for:*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(in thousands of dollars)</i>		
Interest (net of amount capitalized)	\$ 2,688	\$ 2,881	\$ 2,695
Income taxes	\$73,808	\$62,110	\$51,054

WYLE LABORATORIES

*Consolidated Statements of Cash Flows*

*For the Years Ended January 31 (in thousands)*

	<u>1988</u>	<u>1987</u>	<u>1986</u>
<b>Operating Activities:</b>			
Income from continuing operations	\$ 5,779	\$ 4,307	\$ 1,514
Adjustments to derive cash flow from operating activities:			
Depreciation and amortization	4,580	3,997	3,797
Provision for losses on receivables	2,009	1,331	1,539
Deferred income taxes	(998)	324	108
(Gain) loss from disposition of property, plant and equipment	74	(856)	14
Net (increase) decrease in receivables, inventories and prepaid expenses	(17,600)	(21,245)	10,555
Net increase in payables and accrued expenses	5,746	959	7,903
Increase (decrease) in deferred and other income taxes	(1,624)	1,520	
Net cash provided by (used for) continuing operating activities	(2,034)	(9,663)	25,430
Loss from discontinued operations			(4,710)
Net cash provided by (used for) total operating activities	(2,034)	(9,663)	20,720
<b>Investing Activities:</b>			
Additions to property, plant and equipment using cash	(3,776)	(4,213)	(3,419)
Proceeds from disposition of property, plant and equipment	587	1,789	172
Decrease in net assets of discontinued operations	527	1,666	
Other, net	(340)	(518)	444
Net cash (used for) investing activities	(3,002)	(1,276)	(2,803)
<b>Financing Activities:</b>			
Issuance of 6¼% convertible subordinated debentures, less issuance cost	24,001		
Reduction of current and long-term debt	(5,746)	(1,810)	(15,929)
Dividends on common stock	(2,673)	(2,461)	(2,432)
Additions to current and long-term debt		4,600	10,000
Exercise of stock options	322	361	597
Net cash provided by (used for) financing activities	15,904	690	(7,764)
Increase (decrease) in cash and equivalents	\$10,868	\$(10,249)	\$10,153

*Consolidated Statements of Cash Flows (continued)*

<i>For the Years Ended January 31 (in thousands)</i>	<u>1988</u>	<u>1987</u>	<u>1986</u>
Noncash Investing and Financing Activities:			
Conversion of 5¼% subordinated debentures	\$ 4,505	\$ 32	\$ 4
Additions to property, plant and equipment using debt financing		3,734	
Issuance of stock for acquisition of business			1,600

The accompanying notes are an integral part of these financial statements:

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Note 1. Summary of Significant Accounting Policies

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*Statement of Cash Flows.* In November 1987, the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows." The company early adopted the provisions of this statement in its 1988 financial statements and restated previously reported "Consolidated Statements of Changes in Financial Position" for 1987 and 1986. For the purpose of reporting cash flows, cash and equivalents include cash on hand and cash invested in short-term securities.

Because the company uses the "indirect method" of reporting operating cash flows, Statement No. 95 requires disclosure of certain amounts paid during the reporting periods, including interest and income taxes. Total interest paid was \$3,654,000 in 1988, \$2,628,000 in 1987 and \$2,500,000 in 1986. Total income taxes paid were \$6,934,000 in 1988, \$1,626,000 in 1987 and \$710,000 in 1986.

**NO NONCASH INFORMATION PRESENTED**

EDISON BROTHERS STORES INC  
*Consolidated Statements of Cash Flow*

	<u>1987</u> <u>(52 weeks)</u>	<u>1986</u> <u>(53 weeks)</u>	<u>1985</u> <u>(52 weeks)</u>
	<i>(in millions)</i>		
Cash Flows from Operating Activities:			
Net income (loss)	\$(12.2)	\$33.9	\$27.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Restructuring costs (Notes 3 and 5)	53.3		
Cumulative effect on prior years' income due to changing income tax accounting methods (Note 11)	(8.7)		
Pension settlement gain (Note 5)	(6.0)	(14.7)	
Depreciation and amortization (Notes 6 and 7)	30.8	27.4	24.7
Change in assets and liabilities net of effects from acquisitions and dispositions:			
Merchandise inventories	3.6	10.9	14.0
Assets held for resale (Note 3)	(10.1)		
Deferred income taxes (Note 11)	(11.8)	18.9	1.7
Other assets	(5.8)	(6.4)	(1.3)
Accounts payable, accrued expenses, and other liabilities	7.1	18.5	(5.6)
Working capital used by or distributed to Handyman, net			(36.5)
Other	(.2)	2.0	1.7
	40.0	90.5	25.7

*Consolidated Statements of Cash Flow (continued)*

	1987 <u>(52 weeks)</u>	1986 <u>(53 weeks)</u>	1985 <u>(52 weeks)</u>
	<i>(in millions)</i>		
<b>Cash Flows from Investing Activities:</b>			
Payment for companies purchased, net of cash acquired (Note 2)	(40.7)	(5.4)	(1.7)
Net cash proceeds from Gussini sale (Note 3)	9.2		
Capital expenditures	(34.7)	(31.3)	(39.0)
Other	3.4	4.7	2.4
	(62.8)	(32.0)	(38.3)
<b>Cash Flows from Financing Activities:</b>			
Common stock dividends	(17.4)	(16.2)	(16.3)
Common stock purchased	(2.3)	(9.4)	
Proceeds from long-term debt issuance			50.0
Other	(1.6)	(.2)	(.6)
	(21.3)	(25.8)	33.1
Cash Provided (Used)	(44.1)	32.7	20.5
Beginning cash and short-term investments	80.4	47.7	27.2
Ending cash and short-term investments	\$36.3	\$ 80.4	\$47.7

See notes to consolidated financial statements.

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10. *Cash Flow.* The company adopted Statement of Financial Accounting Standards (SFAS) No. 95, "Statement of Cash Flows," in 1987. 1986 and 1985 have been restated to conform to SFAS No. 95.

Interest paid, net of amounts capitalized, was \$9.7, \$7.4, and \$4.0, in 1987, 1986, and 1985, respectively. Income taxes paid were \$7.5, \$9.7, and \$15.7 in 1987, 1986, and 1985, respectively.

Continuing operations exclude Handyman, which was spun off in 1985.

**HECHINGER COMPANY**

*Consolidated Statements of Cash Flows*

	52 Wks. ended <u>Jan. 30, 1988</u>	52 Wks. ended <u>Jan. 31, 1987</u>	52 Wks. ended <u>Feb. 1, 1986</u>
	<i>(in thousands)</i>		
<b>Cash Flows from Operating Activities:</b>			
Earnings before cumulative effect of change in accounting principle	\$ 39,974	\$ 28,254	\$ 23,111
Adjustments to reconcile earnings before cumulative effect of change in accounting principle to net cash provided by operating activities:			
Depreciation and amortization	10,669	8,798	6,594
Deferred income taxes	2,653	1,831	1,375
Deferred rent expense	3,653	2,457	2,321
	56,949	41,340	33,401
Cumulative Effect of Change in Accounting Principle	1,930		
Cash Provided from Operations	58,879	41,340	33,401
<b>Change in Assets and Liabilities:</b>			
Accounts receivable	(10,117)	(3,946)	(4,657)
Merchandise inventories	(34,144)	(14,649)	(17,998)
Other current assets	4,756	1,647	(4,891)
Accounts payable and accrued expenses	12,212	10,429	6,620
Income taxes payable	(2,947)	3,254	(285)
	(30,240)	(3,265)	(21,211)
Net Cash Provided from Operations	28,639	38,075	12,190

*Consolidated Statements of Cash Flows (continued)*

<i>(in thousands)</i>	<u>52 Wks. ended</u> <u>Jan. 30, 1988</u>	<u>52 Wks. ended</u> <u>Jan. 31, 1987</u>	<u>52 Wks. ended</u> <u>Feb. 1, 1986</u>
<b>Cash Flows from Investing Activities:</b>			
Expenditures for property, furniture and equipment, net of disposals, and other assets	(63,364)	(42,952)	(36,037)
<b>Cash Flows from (Used in) Financing Activities:</b>			
<b>Net proceeds from public offerings:</b>			
5½% Convertible Subordinated Debentures	130,386		
Class A common stock			28,969
Proceeds from sale and leaseback transactions under operating leases, less deferred gains	12,905	34,373	
<b>Long-term debt and capital lease obligations:</b>			
Capital lease obligations	5,106		
Repayments of capital lease obligations	(367)	(342)	(311)
Decrease in 8½% Convertible Subordinated Debentures as a result of conversions	(85,572)	(678)	
Decrease in 5½% Convertible Subordinated Debentures as a result of early extinguishment	(6,425)		
Conversions of 8½% Convertible Subordinated Debentures into shares of Class A common stock, net of issue costs	84,467	668	
Exercise of stock options including income tax benefit	699	415	180
Purchase of treasury stock, net	(3,032)	(536)	
Dividends paid to shareholders	(2,582)	(1,996)	(1,550)
	135,585	31,904	27,288
<b>Increase in Cash and Equivalents</b>	<b>100,860</b>	<b>27,027</b>	<b>3,441</b>
Cash and Equivalents at Beginning of Year	154,319	127,292	123,851
Cash and Equivalents at End of Year	\$255,179	\$154,319	\$127,292
<b>Supplemental Information:</b>			
Cash payments for income taxes	\$ 21,095	\$ 13,749	\$ 14,458
Cash payments for interest, net of amount capitalized	\$ 13,727	\$ 9,771	\$ 9,841

See notes to consolidated financial statements.

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**Summary of Significant Accounting Policies**

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*Statement of Cash Flows.* The Company has adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, for purposes of presenting its 1987 financial statements. The statements of changes in financial position for the years ended January 31, 1987 and February 1, 1986 have been restated as permitted under the statement to conform to the current year's statement of cash flows presentation. For purposes of the statement of cash flows, the Company considers its entire investment portfolio to be cash equivalents.

HOUSE OF FABRICS, INC. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

<i>For the Years Ended January 31,</i>	<u>1988</u>	<u>1987</u>	<u>1986</u>
Cash Flows from Operating Activities:			
Net Income	\$10,501,000	\$ 6,191,000	\$ 4,257,000
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	5,954,000	5,844,000	5,444,000
Loss on Disposal of Fixed Assets	980,000	920,000	4,800,000
Deferred Taxes	467,000	2,723,000	(673,000)
Other Assets	958,000	(1,121,000)	44,000
Changes in Other Working Capital Components:			
Accounts Receivable	(2,258,000)	(2,285,000)	1,074,000
Inventories	(21,910,000)	320,000	(22,833,000)
Prepaid Expenses and Other Current Assets	(965,000)	(212,000)	(1,631,000)
Accounts Payable and Accrued Liabilities	18,650,000	(7,243,000)	10,885,000
Income Taxes Payable	587,000	(950,000)	(681,000)
Total Adjustments	2,463,000	(2,004,000)	(3,576,000)
Net Cash Provided by Operating Activities	12,964,000	4,187,000	681,000
Cash Flows Used for Investing Activity:			
Capital Expenditures	(9,538,000)	(8,666,000)	(12,293,000)
Cash Flows from Financing Activities:			
Proceeds from Issuance of Long Term Debt		10,000,000	1,399,000
(Reduction) Increase in Long Term Debt	(314,000)	(2,309,000)	749,000
Payment of Dividends	(3,151,000)	(3,147,000)	(3,132,000)
Proceeds from Exercise of Stock Options	81,000	149,000	249,000
Change in Net Borrowings Under Lines of Credit Agreements		(1,000,000)	13,000,000
Net Cash (Used for) Provided by Financing Activities	(3,384,000)	3,693,000	12,265,000
Net Increase (Decrease) in Cash	42,000	(786,000)	653,000
Cash at Beginning of Year	529,000	1,315,000	662,000
Cash at End of Year	\$ 571,000	\$ 529,000	\$ 1,315,000

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For			
Interest	\$ 2,442,000	\$ 2,441,000	\$ 1,570,000
Income Taxes	\$ 7,850,000	\$ 4,970,000	\$ 5,223,000

See notes to financial statements.

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Note 1. Summary of Accounting Policies

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*Reclassifications.* In November 1987, the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows." The Company adopted the provisions of the Statement in its fiscal 1988 financial statements and restated the previously reported consolidated statements of changes in financial position for 1987 and 1986.

ROSE'S STORES, INC.  
*Statements of Cash Flows*  
*(dollar amounts in thousands)*

	Years Ended		
	January 27, 1988	January 28, 1987	January 29, 1986
Cash and Cash equivalents at Beginning of Year	\$ 773	\$ (5,546)	\$ 7,176
Operating Activities:			
Net earnings	18,095	24,049	20,322
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	20,537	17,309	14,046
Deferred income taxes—current	742	(177)	(473)
—non-current	(234)	1,016	1,240
(Gain) loss on disposal of property and equipment	(2,326)	266	403
Change in operating assets and liabilities:			
Increase in accounts receivable	(39)	(1,274)	(1,708)
(Increase) decrease in inventories	2,696	(66,677)	(51,548)
Increase in accounts payable and other current liabilities	563	20,635	20,853
Decrease in interest and income taxes payable	(3,397)	(4,298)	(2,428)
Increase in other current and non-current assets	(822)	(311)	(624)
Other	166	700	337
Net cash provided (used) in operating activities	35,981	(8,762)	420
Investing Activities:			
Purchases of property and equipment	(20,066)	(24,684)	(23,407)
Proceeds from disposal of property and equipment	4,143	720	707
Net cash used in investing activities	(15,923)	(23,964)	(22,700)
Financing Activities:			
Net proceeds (repayments) of short-term borrowings	(12,500)	12,500	
Proceeds from long-term borrowings	15,000	47,000	18,025
Repayments of long-term borrowings		(11,972)	(1,653)
Dividends paid	(4,316)	(4,115)	(3,900)
Principal payments on capital leases	(5,030)	(4,368)	(2,914)
Purchases of treasury stock	(1,781)		
Net cash provided (used) in financing activities	(8,627)	39,045	9,558
Increase in Cash and Cash Equivalents	11,431	6,319	(12,722)
Cash and Cash Equivalents at End of Year	\$12,204	773	(5,546)

See accompanying notes to financial statements.

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1. Summary of Significant Accounting Policies

*Years Ended January 27, 1988; January 28, 1987; and January 29, 1986*  
*(dollar amounts in thousands except per share amounts)*

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Cash Equivalents: In 1987 the Company adopted FASB 95, "Statement of Cash Flows." The financial statements for each of the years in the three-year period ended January 27, 1988 reflect application of the new standard. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Interest-bearing cash equivalents are carried at cost, which approximates market.

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4. Interest Expense

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The Company paid interest of \$7,808 for the year ended January 27, 1988; \$5,234 for the year ended January 28, 1987; and \$3,042 for the year ended January 29, 1986.

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6. Income Taxes

The Company paid income taxes of \$16,528 for the year ended January 27, 1988; \$22,781 for the year ended January 28, 1987; and \$15,467 for the year ended January 29, 1986.

**STRAWBRIDGE & CLOTHIER**  
*Consolidated Statements of Cash Flows*  
*(in thousands)*

	Year Ended		
	January 30 1988	January 31 1987	February 1 1986
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings	\$27,014	\$20,692	\$24,086
Adjustments to reconcile net earnings to cash flows from operating activities:			
Provision for depreciation	18,812	16,911	14,815
Provision for deferred income taxes	(2,067)	(3)	4,213
Changes in:			
Accounts receivable	(3,868)	5,206	(9,143)
Merchandise inventories	(10,949)	(5,553)	(12,406)
Accounts payable and accrued expenses	8,034	3,175	8,125
Federal, state, and local taxes	(916)	6,982	(6,016)
Other	884	(1,321)	644
<b>TOTAL</b>	<b>36,944</b>	<b>46,089</b>	<b>24,318</b>
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>			
Acquisition of property, fixtures and equipment	(46,857)	(26,111)	(18,361)
Changes in other assets	(70)	(478)	786
<b>TOTAL</b>	<b>(46,927)</b>	<b>(26,589)</b>	<b>(17,575)</b>
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>			
Additional long-term debt	18,500	50,000	20,000
Payment of long-term debt and capital lease obligations	(7,301)	(43,515)	(17,434)
Decrease in short-term notes payable		(17,500)	(6,000)
Purchase of common treasury stock	(41)	(366)	(147)
Purchase of Preferred Stock		(21)	
Proceeds from issuance of common stock	66	226	
Proceeds from issuance of common treasury stock	1,392	1,356	1,313
Cash dividends	(6,434)	(5,701)	(4,734)
<b>TOTAL</b>	<b>6,182</b>	<b>(15,521)</b>	<b>(7,002)</b>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>(3,801)</b>	<b>3,979</b>	<b>(259)</b>
Cash and equivalents at beginning of year	5,684	1,705	1,946
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,883</b>	<b>\$ 5,684</b>	<b>\$ 1,705</b>

See notes to consolidated financial statements.

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Note A. Significant Accounting Policies

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*Statement of Cash Flows.* In November 1987, the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows." The Company adopted the provisions of the Statement in its 1987 financial statements and restated previously reported statements of changes in financial position for 1986 and 1985.

Cash Equivalents: For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

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

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Total interest paid, net of amounts capitalized, was: 1987—\$17,613,000; 1986—\$17,091,000; 1985—\$16,790,000.

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Note G. Income Taxes

Income taxes paid were as follows: 1987—\$25,502,000; 1986—\$13,832,000; 1985—\$23,709,000.

SUPER VALU STORES, INC. AND SUBSIDIARIES

*Consolidated Statements of Cash Flows*

	February 27, 1988 (52 Weeks)	February 28, 1987 (53 Weeks)	February 22, 1986 (52 Weeks)
Cash flows from operating activities:			
Net earnings	\$111,780	\$ 89,301	\$ 91,247
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and intangibles	103,268	86,215	72,769
Amortization of capital leases	6,970	6,959	4,692
Provision for losses on receivables	4,855	2,368	3,168
Loss (gain) on sale of property, plant and equipment	240	(2,496)	(6,234)
Deferred income taxes	9,317	(5,620)	14,735
Minority interest		(3,785)	
Change in assets and liabilities net of effects from acquired companies:			
Increase in receivables	(31,662)	(382)	(1,448)
Increase in inventory	(43,375)	(51,173)	(103,295)
Decrease (increase) in prepaid supplies and expenses	(907)	7,805	(14,049)
Increase in direct finance leases	(5,467)	(3,542)	(208)
Increase (decrease) in checks outstanding, net	(26,934)	(19,395)	8,409
Increase in accounts payable and accrued expenses	28,739	53,931	59,999
Increase (decrease) in income taxes payable	(8,444)	15,580	(16,441)
Increase (decrease) in other liabilities	(1,981)	2,624	780
Net cash provided by operating activities	146,399	178,390	114,124

*Consolidated Statements of Cash Flows (continued)*

	February 27, 1988 <u>(52 Weeks)</u>	February 28, 1987 <u>(53 Weeks)</u>	February 22, 1986 <u>(52 Weeks)</u>
Cash flows from investing activities:			
Additions to long-term notes receivable	(46,612)	(36,247)	(35,412)
Payments on long-term notes receivable	34,294	42,030	42,088
Proceeds from sale of property, plant and equipment	14,575	26,571	19,234
Property, plant and equipment additions	(193,745)	(191,732)	(176,646)
Disposals of leased assets	13,292	15,239	3,360
Leased asset additions	(20,174)	(3,411)	(7,051)
Net assets of acquired companies, net of cash acquired	(19,065)	(65,081)	(92,216)
Other assets	(12,952)	(4,161)	(1,507)
Net cash used in investing activities	(230,387)	(216,792)	(248,150)
Cash flows from financing activities:			
Issuance (reduction) of short-term notes payable	16,564	104,134	(25,947)
Proceeds from issuance of long-term debt	100,100	3,792	209,694
Repayment of long-term debt	(9,657)	(19,719)	(24,293)
Additions to obligations under capital leases	20,174	3,411	7,051
Reduction of obligations under capital leases	(13,888)	(22,912)	(6,761)
Sale of common stock under option plans and ESOP	1,910	2,596	1,875
Cash dividends declared	(32,477)	(30,511)	(27,462)
Net cash provided by financing activities	82,726	40,791	134,157
Net increase (decrease) in cash	(1,262)	2,389	131
Cash at beginning of year	3,432	1,043	912
Cash at end of year	\$ 2,170	\$ 3,432	\$ 1,043
Supplemental cash flow information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 59,450	\$ 50,767	\$ 37,657
Income taxes	83,665	84,742	81,344

See notes to consolidated financial statements.

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A. Summary of Significant Accounting Policies

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*Change in Presentation.* The company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," during fiscal 1988, and restated the February 28, 1987 and February 22, 1986 statements of changes in financial position for comparative purposes.

WINNERS CORPORATION AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

	Year Ended December 31		
	1987	1986	1985
<b>OPERATING ACTIVITIES</b>			
Net Loss	\$ (7,334)	\$ (2,178)	\$ (3,629)
Adjustments to reconcile net loss to net cash provided by operations:			
Depreciation and amortization of property and equipment	5,840	5,940	5,304
Amortization of deferred charges and mortgage bond discount	739	723	587
Provision for losses on disposition of restaurants	2,950	375	2,370
Provision for losses on direct financing leases	66	171	120
Loss on other disposals of property and equipment	127	110	374
Deferred income taxes			(3,042)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(34)	84	(44)
(Increase) decrease in inventory	60	90	(113)
(Increase) decrease in prepaid expenses and other current assets	118	(92)	318
(Increase) decrease in deferred charges and other assets	(131)	59	(38)
Decrease in refundable state and federal income taxes	19	394	805
Increase (decrease) in accounts payable	934	(2,593)	(84)
Increase (decrease) in accrued expenses and other current liabilities	(199)	272	(245)
(Decrease) in deferred credits	(31)	(215)	(649)
Net Cash Provided by Operating Activities	3,124	3,140	2,034
<b>INVESTING ACTIVITIES</b>			
Collections of notes receivable	171	361	1,701
Proceeds from sale of marketable securities			2,065
Proceeds from property and equipment sales	5,836	2,153	703
Purchase of property and equipment	(1,859)	(2,353)	(10,809)
Acquisition of franchisees			(1,776)
Other, net	38	54	(337)
Net Cash Provided (Used) by Investing Activities	4,186	215	(8,453)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock		4	135
Proceeds from issuance of debt			5,840
Retirement of debt and obligations under capital leases	(5,950)	(2,237)	(2,838)
Payments on notes payable		(2,040)	
Other	(112)	(148)	
Net Cash Provided (Used) by Financing Activities	(6,062)	(4,421)	3,137
Increase (Decrease) in Cash and Cash Equivalents	1,248	(1,066)	(3,282)
Cash and cash equivalents at beginning of year	1,174	2,240	5,522
Cash and Cash Equivalents at End of Year	\$ 2,422	\$ 1,174	\$ 2,240

See notes to consolidated financial statements.



Note A. Significant Accounting Policies

Principles of Consolidation: . . . Certain reclassifications have been made in the prior years' consolidated financial statements to conform to the 1987 presentation, including those resulting from the adoption of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," issued by the Financial Accounting Standards Board in November 1987.

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Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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Note C. Long-Term Debt and Obligations Under Capital Leases

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Cash paid for interest (net of amount capitalized) amounted to \$4,639,000, \$5,076,000 and \$4,607,000 in 1987, 1986, and 1985, respectively.

# IV

## INDIRECT METHOD—OTHER KINDS OF ENTERPRISES

Nineteen examples of cash flow statements and related note information said to be prepared in conformity with SFAS No. 95 that have been issued by enterprises other than manufacturing or retailing enterprises are presented below. The examples are classified according to the kinds of enterprises for which the statements were issued.

### SERVICES

#### AGS COMPUTERS, INC. AND SUBSIDIARIES *Consolidated Statements of Cash Flows*

<i>For the years ended December 31,</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flow from operating activities:			
Net income	\$14,158	\$ 8,752	\$ 7,493
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of software products	3,092	2,492	2,291
Depreciation and amortization of fixed assets	2,661	2,188	1,602
Amortization of costs in excess of net assets acquired	1,757	1,060	818
Provision for doubtful accounts	1,400	1,568	792
Changes in assets and liabilities net of effects from businesses acquired:			
Increase in accounts receivable	(12,930)	(15,024)	(9,796)
Increase in inventories	(7,425)	(10,410)	(5,301)
Increase in accounts payable and accrued expenses	6,916	570	6,371
Increase (decrease) in deferred income taxes	(3,032)	5,639	4,059
Increase (decrease) in income taxes payable	573	(224)	(1,739)
Other	(1,157)	(971)	238
Total adjustments	(8,145)	(13,112)	(665)
Net cash provided (used) by operating activities	6,013	(4,360)	6,828

*Consolidated Statements of Cash Flows (continued)*

<i>For the years ended December 31,</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from investing activities:			
Capital expenditures	(4,346)	(3,065)	(3,607)
Additions to software products	(4,059)	(2,660)	(2,580)
Payments for businesses acquired	(4,200)	(31,200)	(349)
Other	(2,672)		750
Net cash used in investing activities	(15,277)	(36,925)	(5,786)
Cash flows from financing activities:			
Borrowings under long-term debt	32,000	45,750	7,500
Payments of long-term debt	(8,826)	(37,646)	(6,173)
Payments of notes payable			(1,932)
Proceeds from issuance of convertible debentures		40,000	
Cost of issuance of convertible debentures		(1,378)	
Payment for treasury stock purchased	(13,418)	(5,374)	(528)
Other	1,247	307	263
Net cash provided (used) by financing activities	11,003	41,659	(870)
Net increase in cash and cash equivalents	1,739	374	172
Cash and cash equivalents at beginning of year	3,343	2,969	2,797
Cash and cash equivalents at end of year	\$ 5,082	\$ 3,343	\$ 2,969
Supplemental disclosure of cash flow information:			
Cash paid during the years for:			
Interest	\$ 4,373	\$ 2,620	\$ 297
Income taxes, excluding pre-acquisition liabilities	10,636	3,241	4,542
Non cash investing and financing activities:			
Conversion of long term debt to common stock	38,595		
Shares issued for business acquired	11,208		

See accompanying notes to consolidated financial statements.

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Note A. Significant Accounting Policies

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Statements of changes in cash position for the years ended December 31, 1986 and 1985 have been restated to statements of cash flows as promulgated by FASB 95. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

DYATRON CORPORATION

*Consolidated Statements of Cash Flows*

*Years ended December 31, 1987, 1986, and 1985*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities:			
Income before extraordinary item	\$3,549	\$1,455	\$ 638
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:			
Depreciation and amortization	1,257	1,196	1,179
Gain on sale of subsidiary			(968)
(Increase) in accounts receivable	(675)	(790)	(893)
Decrease in note receivable		3,400	

Consolidated Statements of Cash Flows (continued)  
 Years ended December 31, 1987, 1986, and 1985

	1987	1986	1985
(Increase) decrease in inventory of computer equipment	(448)	359	(3)
Increase (decrease) in accounts payable and accrued liabilities	(329)	(258)	197
Increase in deferred revenue	971	400	304
Other changes in assets and liabilities	(182)	204	(9)
	4,143	5,968	446
Extraordinary item		463	1,620
Net cash provided by operating activities	4,143	6,431	2,066
Cash flows from investing activities:			
Property, plant and equipment additions	(436)	(981)	(1,107)
Additions to computer software	(10)	(869)	(676)
Disposition of equipment	151	54	
Reduction of investments in related companies		132	28
Disposition of subsidiary			(373)
Net cash used in investing activities	(294)	(1,663)	(2,129)
Cash flows from financing activities:			
Additions to note payable		99	1,473
Reduction of note payable	(618)	(5,066)	(1,054)
Issuance of common stock to ESOP	122	173	142
Exercise of incentive stock options	118	9	
Redemption of common stock warrants	(550)		
Dividends on preferred stock	(360)	(345)	(330)
Net cash provided by (used in) financing activities	(1,287)	(5,128)	230
Increase (decrease) in cash and cash equivalents	2,561	(361)	168
Cash and cash equivalents, beginning of year	21	382	214
Cash and cash equivalents, end of year	\$2,582	\$ 21	\$ 382

See Notes to Consolidated Financial Statements.

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1. Accounting Policies

Basis of Presentation

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The accompanying statements of cash flows for 1986 and 1985 reflect the restatement of the statements of changes in financial position in accordance with the provisions of Statement of Financial Accounting Standards No. 95, Statement of Cash Flows.

*Cash equivalents.* For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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3. Notes Payable

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Interest paid during 1987, 1986 and 1985 amounted to approximately \$286,000, \$452,000 and \$758,000, respectively.

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6. Income Taxes

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Income taxes actually paid during 1987, 1986 and 1985 amounted to approximately \$562,000, \$6,000 and \$135,000, respectively.

INTERNATIONAL RESEARCH AND DEVELOPMENT CORPORATION  
*Consolidated Statements of Cash Flow*

	Year Ended December 31		
	1987	1986	1985
Operating Activities			
Net Income	\$ 1,902	\$ 438	\$ 1,218
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,670	1,659	1,651
Increase in cash value of life insurance	(52)	(40)	(69)
Non-current deferred taxes	(50)	(4)	254
Deferred employee benefits	85	78	74
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(171)	25	1,648
Increase in supplies and prepaid expenses	(342)	(58)	(163)
Increase in accounts payable	122	6	120
Increase (decrease) in advanced billings on studies in progress	2,205	1,638	(920)
Increase in accrued expenses and other liabilities	778	90	74
Net Cash Provided by Operating Activities	6,147	3,835	3,887
Investment Activities			
Equipment purchases, net of equipment disposals	(1,484)	(308)	(475)
Net Cash Used In Investment Activities	(1,484)	(308)	(475)
Financing Activities			
Proceeds from long-term debt			2,500
Loan to Employee Stock Ownership Plan			(2,500)
Receipts from Employee Stock Ownership Plan	397	406	
Payment of long-term debt	(303)	(500)	
Sale of common stock to Employee Stock Ownership Plan			2,500
Purchase of common stock for treasury	(3)	(4,329)	(216)
Proceeds from exercise of stock options	10	11	15
Dividends paid	(979)	(1,085)	(1,037)
Net Cash Provided By (Used In) Financing Activities	(878)	(5,497)	1,260
Increase (Decrease) in Cash and Certificates of Deposit	3,785	(1,971)	4,673
Cash and certificates of deposit at beginning of year	6,351	8,322	3,649
Cash and certificates of deposit at end of year	\$10,136	\$6,351	\$8,322

See notes to consolidated financial statements.

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Note A. Summary of Significant Accounting Policies

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*Statement of Cash Flows.* During 1987, the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows." The Corporation adopted the provisions of the Statement in its 1987 financial statements and restated previously reported statements of changes in financial position for 1986 and 1985. For purposes of this statement, the Corporation has included certificates of deposit purchased with maturities of six months or less.

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Note D. Borrowings

In November 1985, the Corporation borrowed \$2,500,000 from a bank and subsequently loaned the proceeds to the Corporation's Employee Stock Ownership Plan (see note F). The bank loan agreement requires monthly interest payments at 83% of the prime rate (7.3% at December 31, 1987) and annual principal payments of at least \$250,000. Interest paid under this agreement was \$123,000 during 1987 and \$146,000 during 1986.

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Note G. Federal Income Taxes

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The Corporation made income tax payments of \$815,000 during 1987, \$270,000 during 1986 and \$565,000 during 1985.

INFORMATION RESOURCES, INC. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*  
*Year ended December 31,*  
*(dollars in thousands)*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash Flows from Operating Activities:			
Net earnings (loss):	\$ (3,038)	\$ 10,002	\$ 8,725
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	\$ 12,403	\$ 7,940	\$ 6,511
Amortization of InfoScan data costs	2,639	175	0
Provision for losses on accounts receivable	371	205	(35)
Provision for losses on marketable securities	548	220	0
Deferred income taxes	3,447	1,907	2,490
Change in assets and liabilities:			
(Increase) in marketable securities	(233)	(4,821)	0
(Increase) in accounts receivable	(7,209)	(10,822)	(5,422)
(Increase) in refundable income taxes	(9,196)	0	0
(Increase)/Decrease in other current assets	350	(709)	(1,316)
(Increase) in other assets	(18,541)	(2,405)	(421)
Increase in accounts payable	451	2,177	674
Increase/(Decrease) in other current liabilities	4,560	1,829	(631)
Increase/(Decrease) in income taxes	(312)	(1,181)	926
Increase/(Decrease) in deferred revenue	1,927	(1,153)	727
Increase in accrued lease obligation	1,679	0	0
Total adjustments	(7,116)	(6,638)	3,503
Net cash provided/(used) by operating activities	\$(10,154)	\$ 3,364	\$ 12,228
Cash Flows from Investing Activities:			
Acquisition of subsidiaries	\$ 411	\$ (334)	\$ 0
Investment in affiliated company	(2,514)	(332)	0
Purchase of property & equipment	(17,751)	(19,681)	(11,179)
Net cash used by investing activities	\$(19,854)	\$(20,347)	\$(11,179)
Cash Flows from Financing Activities:			
Net borrowing under line-of-credit agreements	\$ 29,000	\$ 8,000	\$ (1,306)
Increase/(Decrease) in other noncurrent liabilities	323	(12)	(32)
Proceeds from exercise of stock options	1,336	3,039	1,577
Net cash provided by financing activities	\$ 30,659	\$ 11,027	\$ 239
Net increase (Decrease) in Cash and Cash Equivalents	651	(5,956)	1,288
Cash and Cash Equivalents at Beginning of Year	2,765	8,721	7,433
Cash and Cash Equivalents at End of Year	\$ 3,416	\$ 2,765	\$ 8,721

The Company has adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," for 1987. Cash flow information has been restated for 1986 and 1985.

<i>(in thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash paid during the year for:			
Interest (net of amount capitalized)	\$1,358	\$ 204	\$ 133
Income taxes	\$2,068	\$4,639	\$3,798

The Company had non-cash financing transactions relating to capital lease obligations for new equipment. These totaled \$494,000, \$79,000, and \$41,000 for 1987, 1986 and 1985, respectively.

The accompanying notes to consolidated financial statements are an integral part of these statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

<i>Year Ended December 31</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash Flows from Operating Activities:			
Net income	\$11,758,000	\$ 1,694,000	\$ 21,745,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	38,454,000	40,118,000	28,839,000
Nonrecurring charges	9,801,000		
Provision for self insurance reserves	7,094,000	5,726,000	
(Increase) decrease in other assets and deferred charges	(4,441,000)	(3,326,000)	(5,189,000)
Other	1,436,000	1,455,000	320,000
Equity in loss of unconsolidated subsidiaries	3,828,000	3,353,000	567,000
Changes in assets and liabilities net of effects from acquisitions and dispositions:			
Accounts receivable	1,241,000	(17,866,000)	7,278,000
Accrued interest	2,332,000	482,000	(647,000)
Accrued and deferred income taxes	9,716,000	19,580,000	14,668,000
Other working capital accounts	(1,892,000)	3,561,000	(8,958,000)
Change in accounting for income taxes	(6,000,000)		
Gain on debt extinguishment	(285,000)	(5,807,000)	
(Gain) loss on marketable securities	(4,837,000)	13,921,000	
Net cash provided by operating activities	68,205,000	62,891,000	58,623,000
Cash Flows from Investing Activities:			
Property and equipment additions	(32,389,000)	(109,387,000)	(82,192,000)
Disposition of assets	9,259,000	8,630,000	5,735,000
Sales (purchases) of marketable securities, net	38,677,000	(15,274,000)	(30,723,000)
Capital contributions to unconsolidated subsidiaries	(3,050,000)	(5,801,000)	(2,750,000)
(Acquisition) disposition of businesses	2,748,000		(38,697,000)
Net cash provided (used) in investing activities	15,245,000	(121,832,000)	(148,627,000)

*Consolidated Statements of Cash Flows (continued)*

<i>Year Ended December 31</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
<b>Cash Flows from Financing Activities:</b>			
Additional borrowings	5,093,000	104,772,000	124,268,000
Reduction of long term debt	(80,733,000)	(71,562,000)	(45,793,000)
Issuance of common stock		114,000	36,643,000
Cash transaction costs of exchange		(2,137,000)	
Net cash provided (used) in financing activities	(75,640,000)	31,187,000	115,118,000
Increase (decrease) in cash	\$ 7,810,000	\$ (27,754,000)	\$ 25,114,000
Cash, Beginning of Period	\$ 4,662,000	\$ 32,416,000	\$ 7,302,000
Cash, End of Period	\$12,472,000	\$ 4,662,000	\$ 32,416,000
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Interest paid, net of amounts capitalized	\$20,313,000	\$ 33,427,000	\$ 30,329,000
Income taxes paid, net of refunds	\$ 1,250,000	\$ 2,014,000	\$ 6,780,000

Supplemental Schedule of Noncash Investing and Financing Activities: See Note 4.

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

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1. Summary of Significant Accounting Policies

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*Statement of Cash Flows.* In 1987, the Company adopted the provisions of the Financial Accounting Standards Board's Statement No. 95, which requires a statement of cash flows in place of a statement of changes in financial position. Prior year information has been restated to conform with the current year presentation.

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4. Acquisitions and Dispositions

*1987.* The Company divested its leasing subsidiary (1986 revenues and assets of \$2,800,000 and \$27,000,000, respectively). The sale price of \$3,600,000 approximated net book value.

The Company also entered into an agreement to sell an 87 bed acute care hospital for total consideration of \$9,500,000 pending regulatory approval. The Company anticipates that the divestiture will result in an after tax gain of approximately \$700,000 when the transaction is consummated in 1988.

*1986.* In December 1986, the Company transferred the real property of seven acute care and three psychiatric hospitals with a net book value of approximately \$112,000,000, including debt assumed, to Universal Health Realty Income Trust (the "Trust"), a real estate investment trust, in exchange for approximately 8.6 million Trust shares. The Trust shares were used by the Company to acquire 3,000,000 shares of the Company's Class B Common Stock and \$75,000,000 principal amount of its 7½% Convertible Subordinated Debentures. The Company is leasing the hospitals back from the Trust under long-term operating leases which provide for annual minimum rentals totaling \$13,671,000 plus contingent rentals based on the increase in each facility's annual net revenues. As of December 31, 1987, the Company owned approximately 6% of the outstanding Trust shares and the investment of \$5,300,000 is included in investments in unconsolidated subsidiaries in the accompanying balance sheet.

*1985.* The Company purchased a newly constructed 300 bed acute care hospital, land and related assets for \$53,900,000 including the assumption of substantially all the liabilities of the former owners relating to the hospital.

The Company invested \$26,800,000 to obtain the general partnership interest in a limited partnership which was formed to own and operate a 202 bed acute care hospital.

In separate transactions, the company acquired a 109-bed psychiatric care hospital for \$6,400,000 and a 43-bed acute care hospital for \$4,000,000 in cash and liabilities assumed in each case.

Operating results of these businesses have been included in the financial statements only from the dates of acquisition.

## IMMUNEX CORPORATION

### Statements of Cash Flows

Year Ended December 31,	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities:			
Net loss	\$ (175)	\$ (1,415)	\$ (4,441)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	762	706	801
Loss from joint venture	396	9	
Increase in accounts receivable	(686)	(27)	(432)
Decrease (increase) in interest receivable from marketable securities	(23)	(824)	90
Increase in accounts payable and accrued liabilities	430	204	43
Increase (decrease) in deferred revenue	79	350	(13)
Increase in debenture interest payable		1,250	
Other	(259)	(63)	(70)
Net cash provided (used) by operating activities	523	188	(4,022)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(1,358)	(2,103)	(115)
Investment in joint venture	(2,280)	(275)	
Net sales (purchases) of marketable securities	5,259	(52,286)	2,165
Patent costs	(308)	(136)	(146)
Net cash provided (used) by investing activities	1,313	(54,802)	1,903
Cash flows from financing activities:			
Proceeds from issuance of convertible subordinated debentures, net of debt issuance costs of \$1,425		38,574	
Net proceeds from issuance of common stock	181	18,795	175
Principal payments under capitalized lease obligations	(442)	(308)	(490)
Net cash provided (used) by financing activities	(261)	57,061	(315)
Net increase (decrease) in cash and cash equivalents	\$ 1,575	\$ 2,448	\$ (2,433)
Supplemental disclosures:			
Interest paid, net of amount capitalized	\$ 3,114	\$ 104	\$ 101
Capitalized lease obligations incurred for the lease of new equipment	852	1,077	141
Purchase of marketable securities	29,052	114,940	14,001

See accompanying notes.

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#### Note 1. Organization and Description of Significant Accounting Policies

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*Restatement of prior years.* In 1987, the Company adopted the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." Accordingly, certain prior year amounts have been restated to conform to current year classifications.

## ELECTRIC, GAS, OR WATER

### KANSAS GAS AND ELECTRIC COMPANY

#### Statements of Cash Flows

For the Years Ended December 31

Increase (Decrease) in Cash and Cash Equivalents

	1987	1986	1985
	<i>(thousands of dollars)</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 97,437	\$ 14,856	\$ 97,732
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	84,167	105,838	52,739
Deferred income taxes	(77,492)	28,450	37,785
Deferred investment tax credits—net	51,596	(1,384)	(1,052)
Phase-in revenues	(51,037)	(57,518)	(16,306)
Disallowed plant cost		89,183	
Customer advances	(702)	14,242	
Allowance for other funds used during construction	431	680	(62,652)
Changes in current assets and liabilities:			
Accounts receivable and unbilled revenues	6,124	(21,996)	12,511
Other current assets	4,429	(6,391)	(18,138)
Accounts payable	12,769	(3,889)	(18,942)
Accrued liabilities	26,992	(7,432)	3,311
Other current liabilities	232	485	360
Other	(10,951)	(3,448)	10,649
Net cash provided by operating activities	143,995	151,676	97,997
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to electric plant (less allowance for other funds used during construction)	(53,920)	(41,488)	(161,589)
Investments in life insurance policies	(47,121)		
Proceeds from sale-leaseback	392,100		
Purchase of short-term investments	(373,723)		
Drawdown of short-term investments	76,000		
Net cash used in investing activities	(6,664)	(41,488)	(161,589)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Issuance of first mortgage bonds		50,000	30,000
Issuance of pollution control bonds			142,500
Issuance of common stock	553	4,814	67,192
Revolving bank loans	150,000	25,000	50,000
Special deposits	(22,988)	7,875	17,156
Borrowings against cash surrender value of life insurance policies	45,944		
Net borrowings (repayments) under:			
Other credit agreements	923	20,902	(43,480)
Short-term borrowing agreements	39,500	7,500	(13,000)
Redemptions of:			
Revolving bank loans	(170,000)	(5,000)	
Other long-term debt	(58,300)	(134,000)	(40,000)
Preferred stock	(23,000)	(100,000)	(15,000)
Purchases of treasury stock	(39,259)		
Dividends paid	(58,536)	(59,115)	(94,781)
Net cash provided by (used in) financing activities	(135,183)	(182,024)	100,587

*Statements of Cash Flows (continued)*  
*For the Years Ended December 31*  
*Increase (Decrease) in Cash and Cash Equivalents*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(thousands of dollars)</i>		
Net increase (decrease) in cash and cash equivalents	2,148	(71,836)	36,995
Cash and cash equivalents at beginning of year	5,514	77,350	40,355
Cash and cash equivalents at end of year	\$ 7,662	\$ 5,514	\$ 77,350

See notes to financial statements.

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1. Summary of Significant Accounting Policies

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Statements of Cash Flows—The Company has adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, in 1987, and has conformed its 1986 and 1985 financial statements to include statements of cash flows for those years. For purposes of the statements of cash flows, the Company considers highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The following amounts of interest (net of amounts capitalized) and income taxes paid for each of the three years in the period ended December 31, 1987, are as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Interest	\$98,248	\$105,552	\$57,176
Income taxes	\$34,800		

MIDDLE SOUTH UTILITIES, INC. & SUBSIDIARIES  
*Statements of Consolidated Cash Flows*

*For the years ended December 31,*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(in thousands)</i>		
Operating Activities:			
Net income	\$356,604	\$454,465	\$215,598
Noncash items included in net income:			
Rate deferrals (Note 1, 2, and 8)	(469,548)	(780,563)	(242,744)
Write-off of previously deferred Grand Gulf 1 expenses (Notes 2 and 8)	135,000		
Depreciation	384,374	339,438	263,622
Deferred income taxes	269,433	552,712	65,293
Investment tax credits—net	(5,246)	\$577,399	(4,699)
Allowance for funds used during construction (Note 1)	(8,993)	(8,240)	(364,414)
Write-off of disallowed plant costs (Note 10)			276,900
Write-off of deferred costs relating to standard coal plant design and equipment		31,657	16,790
Write-off of deferred costs relating to SFI's fuel acquisition program		19,151	
Provisions for estimated losses	(4,551)	13,978	52,707
Changes in:			
Receivables	59,887	13,824	(65,862)
Fuel inventory	(1,946)	26,177	33,237
Accounts payable	(8,898)	(82,307)	119,906
Other working capital accounts	(11,898)	(54,373)	(47,363)
Proceeds from gas contract settlements (Note 12)	20,138	11,846	168,651
Refunds to customers—gas contract settlements (Note 12)	(252,785)	(56,374)	(62,964)

Statements of Consolidated Cash Flows (continued)

For the years ended December 31,	1987	1986	1985
	<i>(in thousands)</i>		
Increase in escrow bonding arrangement (Notes 2 and 8)	(101,202)		
Other	26,497	(33,174)	(40,562)
Net cash flow provided by operating activities	386,866	455,488	384,096
Investing Activities:			
Construction expenditures	(351,227)	(335,289)	(876,473)
Allowance for funds used during construction (Note 1)	8,993	8,240	364,414
Nuclear fuel sales to lessors	125,053	143,998	54,045
Nuclear fuel expenditures	(65,800)	(74,718)	(64,225)
Expenditures on suspended construction project (Note 8)	(10,403)		
Net cash flow used by investing activities	(293,384)	(257,769)	(522,239)
Financing Activities:			
Proceeds from issuance of:			
Common stock			208,539
Preferred stock	35,000	85,000	
First mortgage bonds	375,000	1,750,000	130,000
General and refunding mortgage bonds	75,000		
Bank notes and other long-term debt	51,377	427,846	446,684
Retirement of first mortgage bonds	(107,365)	(860,548)	(73,600)
Retirement of bank notes and other long-term debt	(406,758)	(1,352,912)	(298,070)
Redemption of preferred stock	(48,030)	(40,961)	(9,848)
Common stock dividends paid			(256,720)
Escrow payments (Note 4)	(89,400)	(19,162)	
Funds held by first mortgage bond trustee (Note 6)	(60,000)		
Changes in short-term borrowings	119,667	(162,295)	84,670
Net cash flow provided (used) by financing activities	(55,509)	(173,032)	231,655
Net increase in cash and cash equivalents	37,973	24,687	93,512
Cash and cash equivalents at beginning of year	577,399	552,712	459,200
Cash and cash equivalents at end of year	\$615,372	\$ 577,399	\$552,712
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$681,788	\$722,373	\$648,631
Income taxes (net of refunds)	\$ (5,421)	\$ 2,479	\$ 16,546
Noncash Investing and Financing Activities:			
Capital lease obligations recorded (Note 9)	\$555,104	\$ 1,773	\$ 4,021

See Notes to Consolidated Financial Statements.

Prior Years Restated to Reflect the Adoption of SFAS No. 95.

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1. Summary of Significant Accounting Policies

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*Statement of Cash Flows.* The Company has adopted SFAS No. 95, Statement of Cash Flows, and has presented statements of cash flows for the years 1987, 1986, and 1985. For purposes of this statement, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

PUBLIC SERVICE COMPANY OF COLORADO AND SUBSIDIARIES  
*Consolidated Statement of Cash Flows*  
*Years ended December 31, 1987, 1986 and 1985*

<i>(thousands of dollars)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Operating Activities:			
Net income	\$173,268	\$ 22,428	\$110,693
Adjustments to reconcile net income to cash flows:			
Extraordinary item		101,393	
Write-down of real estate investments	19,505		
Depreciation and amortization	122,719	122,937	115,770
Investment tax credit-net	(4,766)	(1,889)	13,136
Deferred income taxes	71,256	143	17,428
Change in accounts receivable	5,923	40,231	(14,127)
Change in inventories	13,720	9,358	(5,759)
Change in other current assets	(83,464)	10,980	(5,558)
Change in accounts payable	(71,252)	(45,577)	50,004
Change in other current liabilities	(93,233)	(25,844)	(366)
Change in deferred amounts	14,354	(13,867)	(707)
Change in noncurrent liabilities	(1,191)	31,950	
Net Cash Provided by Operating Activities	166,839	252,243	280,514
Investing Activities:			
Capital expenditures	(127,610)	(195,660)	(237,508)
Proceeds from disposition of equipment	4,259	11,756	2,214
Purchase of other investments	(34,848)	(196,623)	(16,292)
Sale of other investments	29,386	129,199	
Net Cash Used in Investing Activities	(128,813)	(251,328)	(251,586)
Financing Activities:			
Proceeds from sale of common stock	1,155	1,111	14,164
Proceeds from sale of long-term notes and bonds	94,877	133,311	114,126
Redemption of long-term notes and bonds	(54,788)	(167,202)	(83,359)
Redemption premiums		(9,693)	
Proceeds of short-term borrowings	865,399	584,857	29,225
Repayment of short-term borrowings	(823,030)	(435,750)	(30,250)
Redemption of preferred stock	(17,654)	(12,576)	
Dividends on common stock	(104,827)	(104,698)	(102,963)
Dividends on preferred stock	(13,339)	(15,883)	(16,609)
Net Cash Used in Financing Activities	(52,207)	(46,523)	(75,666)
Net Decrease in Cash and Temporary			
Cash Investments	(14,181)	(45,608)	(46,738)
Cash and Temporary Cash Investments			
at Beginning of Year	47,013	92,621	139,359
Cash and Temporary Cash Investments			
at End of Year	\$ 32,832	\$ 47,013	\$ 92,621

See accompanying notes.

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1. Summary of Significant Accounting Policies

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*Statement of cash flows.* Accounting policy: For purposes of the statement of cash flows, the Company considers all temporary cash investments to be cash equivalents. These temporary cash investments are securities held for cash management purposes, having maturities of three months or less or having longer maturities and put dates of three months or less.

Income taxes and interest (excluding capitalized interest) paid:

<i>(thousands of dollars)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Income taxes	\$71,360*	\$ 67,216	\$77,942
Interest	\$88,194	\$111,057	\$81,619

\*Includes \$20,521,000 for settlement of prior years' income taxes.



Non-cash transactions: No material non-cash investing or financing transactions were recorded during 1987, 1986 or 1985 which should be reported in accordance with Statement of Financial Accounting Standards No. 95.

QUESTAR CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

	<u>Year Ended December 31,</u>		
	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(in thousands)</i>		
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 25,930	\$ 43,164	\$ 61,686
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	71,232	59,070	56,573
Deferred federal income taxes	10,850	13,501	20,776
Deferred investment tax credits	(194)	(754)	355
Write-down of oil and gas properties	15,000	18,077	
Restructuring of brick manufacturing operations	18,200		
Cash provided from operating activities before change in assets and liabilities	141,018	133,058	139,390
Change in operating assets and liabilities:			
Accounts receivable	9,651	14,163	16,863
Federal income taxes	(3,909)	2,788	(4,426)
Inventories	5,291	8,260	(2,441)
Prepaid expenses and deposits	(2,442)	(1,411)	(3,383)
Purchased gas adjustments	860	(9,427)	2,083
Accounts payable and accrued expenses	(20,264)	(21,042)	(4,610)
Other	1,325	(19,040)	5,571
<b>CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>131,530</b>	<b>107,349</b>	<b>149,047</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(97,861)	(70,660)	(103,700)
Purchase of Universal, net of cash acquired— Note J	(23,721)		
Proceeds from retirement of property, plant and equipment	1,983	4,647	3,724
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(119,599)</b>	<b>(66,013)</b>	<b>(99,976)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of common stock	67,314	1,822	7,669
Purchase of treasury stock		(13,216)	(14,328)
Redemption of preferred stock	(626)	(853)	(37,406)
Issuance of long-term debt	76,800	101,760	50,214
Repayment of long-term debt	(88,974)	(165,231)	(41,656)
Change in short-term loans	(32,750)	57,000	
Dividends paid	(34,825)	(31,874)	(33,414)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(13,061)</b>	<b>(50,592)</b>	<b>(68,921)</b>
<b>DECREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>(1,130)</b>	<b>(9,256)</b>	<b>(19,850)</b>
<b>CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR</b>	<b>21,663</b>	<b>30,919</b>	<b>50,769</b>
<b>CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR</b>	<b>\$ 20,533</b>	<b>\$ 21,663</b>	<b>\$ 30,919</b>

See notes to consolidated financial statements.

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Note A. Summary of Accounting Policies

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Reclassifications: The company adopted the provisions of FASB Statement No. 95, "Statement of Cash Flows," in its 1987 financial statements and restated previously reported statements of changes in financial position for 1986 and 1985. Other reclassifications were made to the 1986 and 1985 financial statements to conform with the 1987 presentation.

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Note D. Long Term Debt

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Cash paid for interest on short-term and long-term debt was \$28,222,000 in 1987, \$29,550,000 in 1986 and \$28,553,000 in 1985.

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Note G. Federal Income Taxes

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Cash paid for federal income taxes was \$13,500,000 in 1987, \$22,002,000 in 1986 and \$29,500,000 in 1985.

SAVANNAH ELECTRIC AND POWER COMPANY  
Statements of Cash Flows

	<i>(thousands of dollars)</i>		
<i>Years Ended December 31,</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Operating Activities:			
Net income	\$23,421	\$21,853	\$16,747
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,186	17,445	16,642
Deferred fuel	1,385	738	85
Deferred income taxes and investment tax credits, net	(474)	3,930	5,196
Allowance for funds used during construction	(971)	(100)	(1,371)
Provision for 1987 customer refund	2,000		
Provision for losses on accounts receivable	361	597	146
Gain on sale of property			(379)
Amortization of debt expense, net	237	234	302
(Increase) decrease in accounts receivable	(387)	122	(1,352)
(Increase) decrease in material & supplies	(503)	663	5,562
(Increase) decrease in prepayments	27	(337)	(266)
Increase (decrease) in accounts payable	(902)	(2,255)	2,627
Increase (decrease) in taxes accrued	(1,121)	2,007	66
Increase (decrease) in interest accrued	(307)	(78)	(269)
Increase (decrease) in other current liabilities	102	307	79
Other	(541)	265	(1,388)
Total adjustments	18,092	23,538	25,680
Net cash provided by operating activities	41,513	45,391	42,427
Investing Activities:			
Proceeds from sale of property			1,145
Plant and property additions, net	(31,452)	(26,950)	(27,643)
Net cash used in investing activities	(31,452)	(26,950)	(26,498)
Financing Activities:			
(Increase) decrease in CCR fund	(482)	7	(809)
Increase in customer deposits	326	147	410
Net repayment of short-term debt		(4,500)	(4,500)
Proceeds from issuance of long-term debt		24,564	19,617
Retirement of long-term debt	(14,106)	(13,533)	(23,431)

Statements of Cash Flows (continued)

Years Ended December 31,	(thousands of dollars)		
	1987	1986	1985
Issuance of common stock—DRIP	1,693	1,691	1,777
Dividends paid	(11,734)	(10,532)	(9,832)
Retirement of preference and preferred stocks	(591)	(592)	(598)
Net cash used in financing activities	(24,894)	(2,748)	(17,366)
Net increase (decrease)	(14,833)	15,693	(1,437)
Cash and temporary cash investments as of January 1,	16,658	965	2,402
Cash and temporary cash investments as of December 31,	\$ 1,825	\$16,658	\$ 965

Supplemental disclosures of cash flow information:

Cash paid during the year for:			
Interest	\$17,606	\$18,636	\$19,047
Income taxes	\$16,310	\$16,043	\$ 9,668

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

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1. Significant Accounting Policies

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*Cash Flows.* During 1987, the Company adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows. Accordingly, information for prior years has been restated to conform to the current reporting format.

## MINING

COCA MINES INC.  
Consolidated Statements of Cash Flows

	For The Years Ended December 31		
	1987	1986	1985
Cash flows from operating activities:			
Income (loss)	\$2,238	\$(1,379)	\$ (186)
Adjustments to reconcile net income to net cash provided by operating activities:			
Operating depreciation and depletion	3,603	1,234	
Other depreciation and amortization	242	316	95
Minority interest income	1,571	888	
Write-off of investments in partnership, mineral properties, building and equipment		1,360	53
Gain on sale of securities	(3,645)	(905)	
Loss or (gain) on sale of other assets	(3)	(21)	4
Increase (decrease) in deferred credits		(266)	66
Increase (decrease) in deferred taxes	96	(760)	(149)
Increase (decrease) in other liabilities	81		
Change in current assets and liabilities:			
Decrease (increase) in accounts receivable	(57)	(104)	115
Decrease (increase) in refundable income taxes	8		(250)
Decrease (increase) in prepaid expenses	(36)	(76)	5
Decrease (increase) in inventories, excluding depletion and depreciation	(760)	(1,325)	28

Consolidated Statements of Cash Flows (continued)

	For The Years Ended December 31		
	1987	1986	1985
Increase (decrease) in accounts payable and accrued liabilities	354	717	(283)
Increase in income taxes payable	79		
Net cash provided by (used in) operations	3,772	(324)	(502)
Cash flow provided by (used in) investing activities:			
Additions to mineral properties	(993)	(2,989)	(1,644)
Additions to buildings and equipment	(1,560)	(3,569)	(381)
Proceeds from the sale of marketable securities	3,966	1,029	
Other	(63)	93	74
Net cash flow provided by (used in) investing activities	1,349	(5,436)	(1,951)
Cash flow provided by (used in) financing activities:			
Minority interest contribution (distribution), net	(2,743)	2,259	1,000
Issuance of common stock	1,647		1,050
Payment of preferred stock dividends	(960)		
Payment on notes payable	(321)	(247)	(91)
Net borrowings under line of credit (principal payments)	(1,400)	1,400	
Purchase of treasury stock	(35)		
Other			(49)
Net cash flow provided by (used in) financing activities	(3,812)	3,411	1,909
Net increase (decrease) in cash and cash equivalents	1,308	(2,349)	(544)
Cash and cash equivalents at beginning of year	286	2,635	3,180
Cash and cash equivalents at end of year	\$1,595	\$ 286	\$2,635
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest (net of amount capitalized)	\$65,400		

*Supplemental schedule of non-cash investing and financing activities.* Effective October 26, 1987, the Company acquired certain limited partner interests in exchange for 200,000 shares of CoCa common stock recorded at a value of \$731,200 (See note 4).

Effective November 19, 1986, 316,063 shares of CoCa common stock, recorded at a value of \$992,500, were issued for conversion of certain promissory notes payable. Also effective that date, 150,332 shares of CoCa common stock, recorded at a value of \$472,000, were issued for conversion of a director's note payable.

*Disclosure of accounting policy.* For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these consolidated financial statements.

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1. Operating and Summary of Significant Accounting Policies

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*Statement of Cash Flows.* In October 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 95 ("SFAS No. 95"), which requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. Although SFAS No. 95 is effective for annual financial statements for fiscal years ending after July 15, 1988, the Company has elected to apply its provisions in 1987, and additionally, restate its statements of changes in financial position to statements of cash flow for the years ended December 31, 1986 and 1985. Accordingly, the consolidated financial statements for each of the three years in the period ended December 31, 1987 include a consolidated statement of cash flows.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES  
*Statements of Consolidated Cash Flows*  
For the years ended December 31, 1987, 1986 and 1985

<i>(in thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash Flows from Operations:			
Net income	\$146,407	\$ 22,576	\$ 23,296
Reconciliation of net income to cash provided by operations:			
Increase (decrease) in deferred income	3,446	(8,079)	10,890
Undistributed mining venture earnings	(4,969)	(2,687)	333
Gain on sale of minority interest	(146,336)		
Loss (gain) on disposal of assets	(8,823)	5,202	10,576
Depreciation, depletion and amortization	56,662	59,379	61,884
Reclamation reserves	191	1,444	4,800
Other noncash items—net	3,124	(3,813)	6,690
Deferred income taxes	26,963	3,996	(15,647)
Undistributed minority interest	661		
Effect of changes in operating working capital items:			
Receivables	1,312	17,243	(9,515)
Inventories	1,001	15,463	17,019
Accounts payable	1,536	(5,567)	(663)
Accrued liabilities	35,085	(1,014)	2,472
Other—net	(3,416)	1,255	4,898
Net cash provided by operations	112,744	105,398	117,033
Investment Activities:			
Decrease (increase) in short-term investments	(190,841)	(3,456)	24,878
Additions to property, plant and equipment	(39,305)	(43,536)	(82,295)
Net proceeds from sale of minority interest	156,251		
Net proceeds from sale of assets	10,417	2,000	
Investment in mining ventures		(15,132)	
Net cash used in investment activities	(63,478)	(60,124)	(57,417)
Financing Activities:			
Dividends Paid	(12,144)	(9,716)	(9,875)
Common stock issued		3,225	1,950
Treasury stock issued (purchased)	7,363	(28,191)	
Net cash used in financing activities	(4,781)	(34,682)	(7,925)
Net Increase In Cash and Equivalents	44,485	10,592	51,691
Cash and Equivalents, January 1	94,843	84,251	32,560
Cash and Equivalents, December 31	\$139,328	\$ 94,843	\$ 84,251

See notes to consolidated financial statements.

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*Statements of Consolidated Cash Flows*

In 1987 the Company elected early adoption of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," which requires a statement of cash flows in place of a statement of changes in financial position. Prior years' statements of changes in financial position have been restated to conform to the 1987 presentation.

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Additional disclosures of cash flow information follow:

<i>(in thousands)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash paid during the year for:			
Interest, net of amount capitalized	\$1,952	\$1,938	\$1,000
Income taxes paid (refunded)	4,333	2,707	(809)

Additional disclosures of non-cash investing and financing activities follow:

The Company invested in The Doe Run Company in 1986 by contributing property, investments and working capital.

Property and investments	\$25,287
Working capital	14,634
Total	\$39,921

THE LOUISIANA LAND AND EXPLORATION COMPANY AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*  
*Years ended December 31, 1987, 1986 and 1985*

<i>(millions of dollars)</i>	1987	1986	1985
Net cash flows from operating activities:			
Net earnings (loss)	\$ 24.8	(20.6)	10.4
Noncash items included in net earnings (loss):			
Depletion, depreciation and amortization	175.2	188.1	190.6
Deferred income taxes	23.4	(12.3)	(46.9)
Dry holes and impairment charges	36.9	55.8	78.1
Special charges		91.2	
Loss on disposition of carried interest			171.5
Net decrease in receivables	8.1	63.4	18.2
Net (increase) decrease in inventories	.1	(8.8)	.6
Net decrease in payables	(18.5)	(103.8)	(9.2)
Other, net	26.0	(10.2)	5.6
	276.0	242.8	418.9
Cash flows from investing activities:			
Capital expenditures	(159.0)	(146.1)	(296.4)
Acquisition of Inexco Oil Company (note 2)		(6.1)	
Proceeds from disposition of carried interest			18.0
Other	(5.1)	(11.7)	(1.0)
	(164.1)	(163.9)	(279.4)
Cash flows from financing activities:			
Additions to long-term debt	10.2		103.5
Repayments of long-term debt	(107.4)	(36.3)	(189.4)
Dividends	(31.2)	(29.1)	(27.7)
Loan to ESOP	(10.2)		
Repayment of loan to ESOP	.1		
Sale of treasury stock to ESOP	10.2		
Purchase of treasury stock	(14.6)	(16.4)	(10.8)
Other	15.0		(3.2)
	(127.9)	(81.8)	(127.6)
Increase (decrease) in cash and cash equivalents	\$ (16.0)	(2.9)	11.9

See accompanying notes to consolidated financial statements.

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1. Summary of Significant Accounting Policies

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f. Cash Flows

Effective January 1, 1987, the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," and restated the comparative financial statements for earlier years presented herein. All of the Company's cash investments are highly liquid debt instruments, with maturities of less than three months, and are considered to be cash equivalents.

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9. Interest and Debt Expenses

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For the years ended December 31, 1987, 1986 and 1985, the Company's cash payments of interest totaled \$72.8 million, \$54.7 million and \$34.2 million, respectively.

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## 10. Income Taxes

For the years ended December 31, 1987, 1986 and 1985, the Company's net cash payments (receipts) of income taxes totaled \$ (13.7) million, \$ (9.1) million and \$38.8 million, respectively.

### UNIMAR COMPANY AND SUBSIDIARIES

#### *Consolidated Statement of Cash Flows*

*Years ended December 31, 1987, 1986 and 1985*

*(thousands of dollars)*

Net cash provided by operations	56,890	26,063	114,644
Investment activities:			
Capital expenditures	(26,896)	(36,974)	(84,166)
Proceeds received from—			
Property sales	11,269	5,510	1,298
Notes receivable	1,610	7,067	3,695
Insurance claims		1,869	
Deposits	587	(6,124)	
Notes issued	(707)	(2,365)	(586)
Other	(297)	1,077	71,421
Net cash used in investing activities	(14,434)	(29,940)	(8,338)
Financing activities:			
Capital contributions—net	14,383	82,526	16,324
Debt repaid	(48,751)	(86,745)	(38,338)
Stock redemption and acquisitions by subsidiaries	(57)		(78,127)
Net cash used in financing activities	(34,425)	(4,219)	(100,141)
Net increase (decrease) in cash	\$ 8,031	\$ (8,096)	\$ 6,165
IPU distributions paid	\$14,206	\$18,649	\$ 18,826
Interest paid	\$29,561	\$35,967	\$ 41,192
Income taxes paid	\$55,454	\$71,802	\$122,145

See accompanying notes to consolidated financial statements.

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Net Earnings (loss)	\$(40,035)	\$(24,602)	\$ 8,391
Adjustments to reconcile net earnings to net cash provided by operations:			
Depletion, depreciation and amortization	78,481	77,010	72,422
Deferred income taxes	8,965	(7,696)	21,627
Dry hole	700	2,965	14,496
Accretion	1,956	1,414	9,753
Loss (Gain) on sale of property	7,112	(15)	1,279
Price dispute refund	(9,617)	37,300	
(Increase) in receivables	5,597	(1,718)	36,530
(Increase) in inventories	1,561	(234)	1,916
(Decrease) in payables and accruals	5,756	(60,236)	(19,434)
(Decrease) in other operating assets & liabilities	(3,898)	6,319	(31,681)
Other	312	(4,444)	(655)

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## 2. Summary of Significant Accounting Policies

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### f. Statement of Cash Flows

The Company has adopted Statement of Financial Accounting Standards No. 95 for 1987 and has reclassified the 1986 and 1985 Statement of Changes in Financial Position for comparative purposes.

## OTHER

### APOGEE ENTERPRISES, INC. AND SUBSIDIARIES Consolidated Statements of Cash Flows

<i>(dollar amounts in thousands)</i>	Year Ended February 27, 1988	Year Ended February 28, 1987	Year Ended March 1, 1986
Operating Activities:			
Net earnings	\$11,615	\$ 8,523	\$ 8,233
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	6,586	4,339	3,601
Provision for losses on accounts receivable	1,436	1,868	972
Non-current deferred tax expense	752	891	751
Other, net	(464)	210	(61)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Receivables	(10,574)	(1,367)	(552)
Inventories	(3,454)	1,046	(3,995)
Other current assets and refundable income taxes	(30)	2,891	(3,131)
Accounts payable and accrued expenses	6,565	4,958	2,273
Billings in excess of costs and earnings on uncompleted contracts	5,579	680	929
Accrued and current deferred income taxes	(3,133)	1,476	1,476
Net cash provided by operating activities	14,878	25,515	10,496
Investing Activities:			
Capital expenditures	(11,311)	(14,901)	(7,442)
Acquisition of businesses, net of cash acquired	(7,312)	(4,272)	(591)
Investment in and advances to affiliated companies	190	(4,252)	(60)
Proceeds from sale of property, plant and equipment	440	311	679
Other, net	(383)	272	1,081
Net cash used in investing activities	(18,376)	(22,842)	(6,333)
Financing Activities:			
Payments on long-term debt	(1,365)	(4,317)	(3,308)
Proceeds from issuance of long-term debt	7,215	2,290	2,100
Proceeds from issuance of common stock	494	173	119
Repurchase and retirement of common stock	(801)		
Dividends paid	(1,807)	(1,516)	(1,342)
Net cash provided by (used in) financing activities	3,736	(3,370)	(2,431)
Increase (decrease) in cash	238	(697)	1,732
Cash at beginning of year	2,782	3,479	1,747
Cash at end of year	\$ 3,020	\$ 2,782	\$ 3,479

See accompanying notes to consolidated financial statements beginning on page 26.

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1. Summary of Significant Accounting Policies and Related Data

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Statement of Cash Flows: In November, 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 95, "Statement of Cash Flows." SFAS No. 95 requires companies to present for years ending after July 15, 1988, a Statement of Cash Flows, which replaces the Statement of Changes in Financial Position. The company has elected early adoption of SFAS No. 95, and, accordingly, fiscal 1987 and 1986 amounts have been restated to comply with SFAS No. 95.

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8. Interest Expense, Net

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Interest payments amounted to \$1,342, \$1,149 and \$1,234 in 1988, 1987 and 1986, respectively.

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9. Income Taxes

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The company made income tax payments, net of refunds, of \$8,238, \$1,236 and \$10,453 in 1988, 1987 and 1986, respectively.

CONTEL CORPORATION  
Consolidated Statements of Cash Flows

(thousands) for the Years Ended  
December 31,

	1987	1986	1985
Cash Flows from Operating Activities:			
Net income	\$ 43,002	\$234,202	\$228,666
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation	446,355	400,816	337,490
Restructuring of operations	204,305		
(Gain) loss on disposition of subsidiaries, net	18,406	74	(102,736)
Deferred income taxes and investment credits, net	1,259	52,562	85,967
Provision for losses on accounts receivable	28,047	21,852	30,404
Issuance of long-term receivables	(12,095)	(32,564)	(7,500)
Net book value of transponders sold		24,570	2,425
Other, net	4,129	2,111	12,596
Change in current assets and current liabilities excluding the effects of acquisitions and dispositions:			
Increase in accounts receivable	(17,592)	(54,425)	(84,075)
Decrease in other current assets	9,401	4,990	1,754
Increase (decrease) in accrued taxes and interest	(101,617)	122,077	21,714
Increase in other current liabilities	98,736	73,898	89,242
Net Cash Provided by Operating Activities	722,336	850,163	615,947
Cash Flows from Investing Activities:			
Capital expenditures	(646,563)	(635,784)	(513,690)
Proceeds from disposal of property, plant and equipment	11,143	18,428	21,399
Investment in and advances to unconsolidated entities	(68,529)	(77,148)	35,938
Acquisitions, net of cash acquired	(61,698)	(167,500)	(103,563)
Sale of subsidiaries, net of cash sold	35,624	168,832	100,367

Consolidated Statements of Cash Flows (continued)

(thousands) for the Years Ended

December 31,	1987	1986	1985
Purchase of other long-term assets	(25,369)	(32,860)	(17,909)
Sale of other long-term assets	11,928	11,202	1,887
Other, net	15,584	13,260	(14,761)
Net Cash Used by Investing Activities	(727,880)	(701,570)	(490,332)
Cash Flows from Financing Activities:			
Proceeds from interim borrowings	168,595	9,608	38,992
Repayments of interim borrowings	(18,921)	(49,853)	(43,495)
Issuances of long-term debt and common stock	405,264	353,238	262,870
Repayments of long-term debt and preferred stock	(396,038)	(284,966)	(336,555)
Dividends paid to stockholders	(151,744)	(141,901)	(132,194)
Purchase of treasury stock		(25,557)	(15,720)
Proceeds from sale and leaseback of transponders			123,910
Other, net	8,012	(14,149)	5,005
Net Cash Provided (Used) by Financing Activities	15,168	(153,580)	(97,187)
Net Increase (Decrease) in Cash and Temporary Cash Investments	9,624	(4,987)	28,428
Cash and Temporary Cash Investments at Beginning of Year	68,453	73,440	45,012
Cash and Temporary Cash Investments at End of Year	\$ 78,077	\$ 68,453	\$ 73,440

The accompanying notes to financial statements are an integral part of these statements.

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8. Supplemental Disclosures to the Statements of Cash Flows

The Company adopted FAS No. 95 "Statement of Cash Flows" in 1987. The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of an entity during the period presented. The following tables provide information about noncash investing and financing activities and interest and income taxes paid during the respective periods.

Noncash Investing and Financing Activities:

(thousands) For the Years Ended

December 31,	1987	1986	1985
In connection with acquisitions during the year, liabilities assumed were as follows:			
Fair value of assets acquired	\$183,589	\$173,888	\$463,157
Cash paid	(61,698)	(167,500)	(103,563)
Liabilities assumed	\$121,891	\$ 6,388	\$359,594
In connection with dispositions during the year, receivables issued were as follows:			
Net book value of assets sold	\$123,258	\$ 26,643	\$110,181
Gain (loss) on sale	(32,215)		102,589
Cash received	(13,508)	(12,643)	(92,770)
Receivables issued	\$ 77,535	\$ 14,000	\$120,000
Capital lease obligations incurred during the year	\$ 19,212	\$ 907	\$ 7,027

Interest and Income Taxes:

(thousands) For the Years Ended December 31,

	1987	1986	1985
Cash paid during the year for:			
Interest (net of amount capitalized)	\$168,338	\$176,543	\$150,973
Income taxes	159,311	55,798	35,587

TEJON RANCH CO. AND SUBSIDIARIES  
*Consolidated Statements of Cash Flow*

	Year Ended December 31		
	1987	1986	1985
<b>CASH FLOW FROM OPERATIONS</b>			
Net income	\$2,032	\$1,225	\$2,161
Items not affecting cash:			
Depreciation and amortization	901	965	1,088
Write-down of vineyards—Note D			3,617
Deferred income taxes	506	480	(839)
Recognition of deferred gains on assets sold	(207)	(299)	(87)
Reduction of investment in farming venture	107	70	449
Changes in certain current assets and current liabilities—Note 1	1,581	3,725	(8,555)
<b>CASH PROVIDED FROM (USED BY) OPERATIONS</b>	<b>4,920</b>	<b>6,166</b>	<b>(2,166)</b>
<b>INVESTING ACTIVITIES</b>			
Property and equipment expenditures	(790)	(678)	(3,613)
Net change in cattle breeding herd	(424)	(126)	(127)
Net book value of property and equipment disposals	527	37	184
Net change in long-term notes receivable	37	201	(20)
<b>CASH USED BY INVESTING ACTIVITIES</b>	<b>(650)</b>	<b>(566)</b>	<b>(3,576)</b>
<b>FINANCING ACTIVITIES</b>			
Long-term borrowings			325
Repayments of long-term debt	(218)	(216)	(214)
Increase (decrease) in note payable to bank	550	(4,060)	2,110
Sale of Common Stock under stock option plan	52	39	66
Cash dividends paid	(634)	(633)	(1,264)
<b>CASH (USED BY) PROVIDED FROM FINANCING ACTIVITIES</b>	<b>(250)</b>	<b>(4,870)</b>	<b>1,023</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,020</b>	<b>730</b>	<b>(4,719)</b>
Cash and cash equivalents at beginning of year	4,575	3,845	8,564
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$8,595</b>	<b>\$4,575</b>	<b>\$3,845</b>

Note 1. Cash flow provided from (used by) changes in certain current assets and liabilities:

Accounts receivable	\$ 421	\$(1,438)	\$ (245)
Inventories	810	2,514	(467)
Refundable income taxes		1,653	(1,450)
Prepaid expenses and other current assets	352	(188)	(94)
Trade accounts payable and accrued expenses	193	813	(6,299)
Income taxes payable	(195)	371	
	\$1,581	\$3,725	\$(8,555)

See notes to consolidated financial statements.

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Note A. Summary of Significant Accounting Policies

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*Cash equivalents.* The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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*Statements of Cash Flow.* In November 1987, the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows." The Company adopted the provisions of the Statement in its 1987 financial statements and presented information for 1986 and 1985 in accordance with those provisions.

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Note E. Note Payable to Bank and Long-Term Debt

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Interest paid approximated interest expense incurred for each of the three years in the period ended December 31, 1987.

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Note F. Income Taxes (Benefit)

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The Company made net payments (received net refunds) of income taxes of \$1,352,000, \$(1,266,000) and \$(50,000) during 1987, 1986 and 1985, respectively.

USAIR GROUP, INC.  
*Consolidated Statements of Cash Flows*  
*Years Ended December 31,*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(dollars in thousands)</i>		
Cash and Cash Equivalents at Beginning of Year	\$336,158	\$349,667	\$275,905
Cash Flows From Operating Activities:			
Net income	194,649	98,352	117,088
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	127,630	93,191	77,174
Deferred income taxes	57,294	65,020	67,582
Equity in net income of Piedmont, net of dividends	(37,508)		
Gain on sale of property	(6,184)	(7,213)	(3,971)
Other	9,339	609	530
Changes in certain assets and liabilities net of effects of purchase of subsidiaries:			
Decrease (increase) in receivables	64,512	10,597	(15,769)
Decrease (increase) in materials, supplies and prepaid expenses	(7,028)	(23,532)	(5,238)
Increase (decrease) in traffic balances payable and unused tickets	(37,530)	27,485	4,269
Increase (decrease) in accounts payable and accrued expenses	(8,915)	18,290	(4,999)
Net cash provided by operating activities	356,259	282,799	236,666
Cash Flows from Investing Activities:			
Payment for purchase of subsidiaries, net of cash acquired:			
Piedmont	(1,476,705)		
PSA	(313,291)		
Suburban Airlines		(8,432)	
Pennsylvania Airlines			(10,379)
Additions to property and equipment	(503,251)	(266,614)	(311,728)
Decrease (increase) in purchase deposits	27,805	(25,054)	14,011
Proceeds from disposition of property	274,257	24,076	10,593
Other	19,052	5,715	1,149
Net cash used in investing activities	(1,972,133)	(270,309)	(296,354)

Consolidated Statements of Cash Flows (continued)  
Years Ended December 31,

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(dollars in thousands)</i>		
Cash Flows from Financing Activities:			
Issuance of debt	1,905,450	5,799	149,421
Repayment of debt	(965,085)	(35,507)	(16,726)
Deferred gains on sale and leaseback transactions	79,350		
Issuance of common stock	517,268	7,048	4,100
Treasury stock and preferred stock	(20,043)		
Dividends	(4,647)	(3,339)	(3,345)
Net cash provided by (used for) financing activities	1,512,293	(25,999)	133,450
Net increase (decrease) in cash and cash equivalents	(103,581)	(13,509)	73,762
Cash and Cash Equivalents at End of Year	\$232,577	\$336,158	\$349,667

See accompanying Notes to Consolidated Financial Statements.

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1. Summary of Significant Accounting Policies

a. Basis of Presentation

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In November 1987 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." The Company adopted Statement No. 95 for its 1987 consolidated financial statements and restated previously reported consolidated statements of changes in financial position for 1986 and 1985.

b. Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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9. Supplemental Information to Statements of Cash Flows

Additional information to the statements of cash flows with regard to certain cash payments and noncash investing and financing activities is as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<i>(in thousands)</i>		
Cash paid (refund received) during year for:			
Interest, net of amounts capitalized	\$89,935	\$41,377	\$31,289
Income taxes	44,873	(8,764)	15,046

In 1987 the Company acquired Piedmont and PSA; in 1986 the Company acquired Suburban Airlines and in 1985 the Company acquired Pennsylvania Airlines. All acquisitions were for cash. The fair value of assets acquired, cash paid for the subsidiaries' capital stock and liabilities assumed were as follows:

	<u>Piedmont</u>	<u>PSA</u>	<u>Suburban Airlines</u>	<u>Pennsyl- vania Airlines</u>
	<i>(in thousands)</i>			
Assets acquired	\$2,587,262	\$828,734	\$21,807	\$28,065
Cash paid	1,637,508	342,753	9,742	12,991
Liabilities assumed	\$ 949,754	\$485,981	\$12,065	\$15,074

Additional Common Stock was issued upon the conversion of \$149.9 million, \$0.4 million and \$100 million of long-term debt in 1987, 1986 and 1985, respectively.

Additional Common Stock was issued upon the conversion of 18,400 shares, 12,200 shares and 17,600 shares of preferred stock in 1987, 1986 and 1985, respectively.



## DIRECT METHOD

Few enterprises in NAARS that have issued cash flow statements said to be prepared in conformity with SFAS No. 95 have used the direct method to calculate the net cash flow from operating activities. Ten examples of such statements, and the related information in the notes, are presented below. The examples are classified according to whether or not noncash information about investing or financing activities was presented.

## NONCASH INFORMATION PRESENTED

### CRAY RESEARCH, INC. AND SUBSIDIARIES *Consolidated Statements of Cash Flows*

<i>(in thousands)</i>	Year ended December 31		
	1987	1986	1985
Cash flows provided by (used in) operations:			
Receipts from customers	\$659,569	\$566,779	\$412,338
Payments to suppliers and employees	(436,097)	(400,614)	(284,313)
Income taxes paid	(78,749)	(88,672)	(58,276)
Interest received	21,286	14,841	12,307
Interest paid	(9,333)	(5,866)	(6,827)
Other, net	6,099	(6,899)	(2,873)
Cash flows provided by operations	162,775	79,569	72,356
Cash flows provided by (used in) investing:			
Purchase of long-term investments	(30,000)	(129,491)	(17,509)
Purchase of property, plant, and equipment	(40,162)	(60,052)	(44,082)
Proceeds from sale of property, plant, and equipment	800	9	102
Cash flows used in investing	(69,362)	(189,534)	(61,489)
Cash flows provided by (used in) financing:			
Proceeds from issuance of convertible subordinated debentures	115,000		
Proceeds from other borrowings	2,416	4,269	6,008
Proceeds from issuing common stock to employees	12,049	9,772	6,391
Payment of convertible subordinated debentures issuance costs		(1,647)	

Consolidated Statements of Cash Flows (continued)

(in thousands)	Year ended December 31		
	1987	1986	1985
Repayments of debt	(8,795)	(12,721)	(33,135)
Repurchase of common stock	(6,085)		
Cash flows provided by (used in) financing	(415)	114,673	(20,736)
Effects of exchange rate changes	1,723	47	1,199
Increase (decrease) in cash and short-term investments	94,721	4,755	(8,670)
Cash and short-term investments at beginning of year	79,992	75,237	83,907
Cash and short-term investments at end of year	\$174,713	\$ 79,992	\$ 75,237

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

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Note 14. Supplemental Cash Flow Information

(in thousands)	Years ended December 31		
	1987	1986	1985
Reconciliation of net earnings to cash flows provided by operations:			
Net earnings	\$147,076	\$124,815	\$72,610
Items which do not use (provide) cash flow:			
Depreciation and amortization	72,056	56,800	40,973
Loss on sale or retirement of fixed assets	5,134	3,365	821
Income tax benefit from stock options plans	3,946	3,114	2,015
(Increase) decrease in assets:			
Receivables	(48,184)	(21,993)	(263)
Inventories	(5,347)	(47,183)	(57,497)
Leased systems and spares additions	(71,951)	(58,852)	(40,282)
Net book value of leased systems sold or retired	17,414	9,997	3,334
Other	(101)	70	(3,464)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	11,341	16,572	19,546
Income taxes payable	4,532	6,701	3,144
Deferred income and customer advances	28,751	(15,750)	31,621
Deferred taxes	(1,892)	1,913	(3,202)
Cash flows provided by operations	\$162,775	\$ 79,569	\$72,356

Supplemental schedule of noncash investing and financing activities:

Conversion of long-term debt to common stock	\$ 9,865
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Note 16. Summary of Significant Accounting Policies

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*Cash Flow.* The accompanying consolidated financial statements present cash flows of the Company and its subsidiaries in accordance with the provisions of FASB Statement No. 95. This information replaces the Consolidated Statement of Changes in Financial Position information that was presented prior to December 31, 1987. FASB Statement No. 95 has been applied retroactively by presenting cash flows for prior periods.

For purposes of reporting cash flows, all cash and short-term investments are considered cash and cash equivalents, since they are readily convertible to cash and are within three months of their maturities.

FROZEN FOOD EXPRESS INDUSTRIES, INC.  
*Consolidated Statements of Cash Flows*  
*Increase (decrease) in cash and cash equivalents*  
*Years ended December 31, 1987, 1986 and 1985*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities:			
Cash received from customers	\$85,130	\$92,852	\$81,941
Cash paid to contractors, suppliers and employees	(76,867)	(86,012)	(81,319)
Cash received from revenue equipment rentals	521	424	307
Cash contributions paid to ESOP	(261)	(100)	
Refunds (payments) on insurance deposits	134	(77)	(374)
Interest received	70	116	94
Interest paid (net of amount capitalized)	(227)	(868)	(312)
Federal income taxes refunded (paid)	(1,140)	1,039	(102)
Other	(40)	24	(7)
Net cash provided by operating activities, before extraordinary item	7,320	7,398	228
Receipt from extraordinary item recognized as income in 1985, less federal income tax of \$984,000 (Note 7)		1,156	
Net cash provided by operating activities	7,320	8,554	228
Cash flows from investing activities:			
Payment for certain assets of acquired businesses and related acquisition costs		(59)	(6,038)
Expenditures for property and equipment	(4,299)	(4,593)	(4,476)
Proceeds from sale of property and equipment	845	2,261	1,417
Payments (advances) on notes receivable	(35)	137	40
Notes receivable advances to ESOP	(1,162)		
Cash paid for marketable securities	(126)		
Other	(111)	(56)	
Net cash used in investing activities	(4,888)	(2,310)	(9,057)
Cash flows from financing activities:			
Borrowings under revolving credit agreement	4,800	2,100	12,725
Payments against revolving credit agreement	(6,400)	(8,530)	(3,432)
Dividends paid	(395)	(93)	(333)
Proceeds from sale of treasury stock	138		127
Purchases of treasury stock	(199)		
Net cash provided by (used in) financing activities	(2,056)	(6,523)	9,087
Net increase (decrease) in cash and cash equivalents	376	(279)	258
Cash and cash equivalents at beginning of year	204	483	225
Cash and cash equivalents at end of year	\$ 580	\$ 204	\$ 483

Reconciliation of net income to net cash provided by operating activities Years ended December 31, 1987, 1986 and 1985

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Net income	\$2,373	\$1,055	\$1,157
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,374	4,917	4,083
Provision for losses on accounts receivable	470	461	963
Provision for deferred federal income tax and investment credits	(86)	(104)	466
Gain on sale of property and equipment	(110)	(288)	(213)



*Consolidated Statement of Cash Flows (continued)*

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Decrease (increase) in assets, net of effects from acquired businesses:			
Accounts receivable	535	1,657	(4,975)
Receivable from pension plans		2,140	(2,140)
Inventories	69	(49)	(67)
Prepaid tires	(335)		
Other prepaid expenses	362	(436)	(244)
Refundable federal income tax	22	391	(215)
Receivable from insurance carrier, included in other assets	(324)		
Insurance deposits, included in other assets	134	(77)	(374)
Increase (decrease) in liabilities, net of effects from acquired businesses:			
Trade accounts payable	(222)	(929)	396
Due truck contractors	(179)	86	389
Accrued claims liabilities	(21)	(130)	146
Accrued payroll	190	(162)	218
Other accrued liabilities	96	(255)	547
Other	(28)	277	91
Total adjustments	4,947	7,499	(929)
Net cash provided by operating activities	\$7,320	\$8,554	\$ 228

See accompanying notes.

**Financing and Investing Activities Not Affecting Cash:**

At December 31, 1985, trade accounts payable included \$1,926,000 for property and equipment purchased during 1985. At December 31, 1987 and 1986, property and equipment purchases included in accounts payable were not significant.

During 1986, the Company realized, in connection with the sale of property, a \$300,000 reduction of long term debt.

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**1. Summary of Significant Accounting Policies**

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Statement of Cash Flows—The accompanying consolidated statements of cash flows are presented in accordance with Statement of Financial Accounting Standards No. 95—Statement of Cash Flows (FAS No. 95)—issued by the Financial Accounting Standards Board in November 1987. The 1986 and 1985 statements of changes in financial position have been restated to comply with FAS No. 95. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**PATTEN CORPORATION**  
*Consolidated Statement of Cash Flows*

	<u>Years ended</u>		
	<u>April 3, 1988</u>	<u>March 31, 1987</u>	<u>March 31, 1986</u>
Cash provided (cash used):			
Cash flow from operating activities:			
Cash received from customers	\$ 53,484	\$ 30,775	\$ 13,526
Interest received	8,361	4,436	1,582
Cash paid for land acquisitions and real estate development	(72,224)	(62,117)	(19,147)
Cash paid to suppliers, employees and sales representatives	(39,373)	(19,815)	(9,389)
Interest paid	(2,213)	(2,100)	(986)

Consolidated Statement of Cash Flows (continued)

	Years ended		
	April 3, 1988	March 31, 1987	March 31, 1986
Income taxes paid	(347)	(439)	36
Proceeds from sales of notes receivable	57,702	20,000	5,751
Other	(796)	(309)	(638)
Net cash flow from operating activities	4,592	(29,572)	(9,263)
Cash flow from investing activities:			
Purchase of property and equipment, net	(6,551)	(3,491)	(1,875)
Investments in finance subsidiaries	(13,708)	(4,796)	
Investments in joint ventures	(9,279)		
Additions to other long-term assets	(2,012)		9
Loans made for investments	(1,601)		
Payments received from officers and other related parties		1,016	482
Net cash flow from investing activities	(33,153)	(7,271)	(1,383)
Cash flow from financing activities:			
Net borrowings under line-of-credit agreements	(1,289)	(5,487)	1,767
Proceeds from issuance of Convertible Subordinated Debentures	44,110	32,783	
Purchase and retirement of Convertible Subordinated Debentures	(5,322)		
Proceeds from issuance of long-term debt	7,467	22,843	4,209
Payments on long-term debt	(1,870)	(9,379)	(1,593)
Issuance of common stock	15,746	156	7,184
Purchase and retirement of common stock	(7,400)		
Payment of common stock cash dividend	(679)		
Payment in lieu of stock dividend for fractional shares		(3)	
Proceeds from exercise of employee stock options	200	84	
Costs paid for conversion of \$23,072,000 principal amount of 7.25% Convertible Subordinated Debentures	(356)		
Net cash flow from financing activities	50,604	40,996	11,567
Net cash flow	22,044	4,152	920
Cash and cash equivalents at beginning of year	5,731	1,578	658
Cash and cash equivalents at end of year	\$ 27,775	\$ 5,731	\$ 1,578
Reconciliation of net income to net cash flow from operating activities:			
Income before extraordinary items	\$13,567	\$ 9,355	\$ 3,950
Extraordinary item: Extinguishment of debt	1,499		
Net income	15,066	9,355	3,950
Adjustments to reconcile net income to net cash flow from operating activities:			
Depreciation and amortization	1,224	652	246
Equity in (earnings) losses of joint ventures	151		
Provision for possible loan losses	100	100	
Tax benefits relating to employee stock options	5	22	
Minority interests in earnings of subsidiaries			674
(Increase) decrease in assets net of effects from acquisition of subsidiary:			
Contracts receivable	(330)	(4,646)	(1,860)
Inventory	(21,319)	(25,791)	(4,250)
Other assets, excluding due from officers and other related parties and loans made for investment	(1,889)	(2,128)	(1,018)

Consolidated Statement of Cash Flows (continued)

	Years ended		
	April 3, 1988	March 31, 1987	March 31, 1986
Notes receivable	3,220	(21,527)	(12,123)
Increase (decrease) in liabilities net of effects from acquisition of subsidiary:			
Accounts payable and accrued liabilities	(566)	5,557	896
Interest accrual reduction from Debenture conversion	676	199	
Increase in income taxes payable	2,798	(7)	242
Increase in deferred income taxes payable	8,086	8,642	3,977
Gain on extinguishment of debt	(2,630)		
Net cash flow from operating activities	\$ 4,592	\$(29,572)	\$ (9,263)
Supplemental schedule of non-cash investing and financing activities:			
Issuance of common stock for acquisition of subsidiary:			
Non-current assets	\$ (3,373)		
Non-current liabilities	3,763		
Working capital including cash	(1,043)		
	\$ (654)		
Acquisition of equity interests of minority shareholders in subsidiaries			\$ (1,422)
Conversion of 7.25% Convertible Subordinated Debentures, net of unamortized bond issuance costs	\$ 21,775	\$ 11,627	

See accompanying notes.

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1. Significant Accounting Policies

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Prior Period Reclassifications

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The Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" (SFAS 95), in fiscal 1988. The Consolidated Statement of Changes in Financial Position for prior periods has been restated to conform with the new pronouncement.

THE PEP BOYS—MANNY, MOE & JACK AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

	<i>(in thousands)</i>		
	Year ended January 30, 1988	Year ended January 31, 1987	Year ended February 1, 1986
Cash Flows from Operating Activities:			
Cash received from customers	\$554,599	\$484,850	\$391,470
Cash paid to suppliers and employees	(497,521)	(415,331)	(351,567)
Income taxes paid	(21,685)	(25,880)	(14,728)

Consolidated Statements of Cash Flows (continued)

	<i>(in thousands)</i>		
	Year ended January 30, 1988	Year ended January 31, 1987	Year ended February 1, 1986
Interest paid	(5,892)	(3,181)	(3,161)
Interest and other income	5,921	2,216	3,157
Net Cash Provided by Operating Activities	35,422	42,674	25,171
Cash Flows from Investing Activities:			
Capital expenditures	(98,301)	(59,341)	(61,465)
Sales and maturities of marketable securities	17,867	3,462	
Proceeds from sales of property and equipment	1,199	2,182	804
Purchase of marketable securities		(65,578)	(3,516)
Net Cash Used in Investing Activities	(79,235)	(119,275)	(64,177)
Cash Flows from Financing Activities:			
Net borrowings (payments) under line-of-credit agreements	47,000	7,500	(5,500)
Dividends paid	(4,261)	(3,730)	(3,061)
Proceeds from exercise of stock options	1,504	1,817	246
Reduction of long-term debt	(1,234)	(3,240)	(1,435)
Acquisition of Treasury Stock	(898)		
Other payments received	172	317	891
Proceeds from issuance of Convertible Subordinated Debentures		75,000	50,000
Net Cash Provided by Financing Activities	42,283	77,664	41,141
Net Increase (Decrease) in Cash	(1,530)	1,063	2,135
Cash at Beginning of Year	4,295	3,232	1,097
Cash at End of Year	2,765	4,295	3,232
Reconciliation of Net Earnings to Net Cash Provided by Operating Activities:			
Net earnings	\$34,342	\$28,148	\$21,100
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation and amortization	13,233	10,478	8,141
Gain on sales of property and equipment	(1,862)	(1,698)	(485)
Increase in merchandise inventories	(22,888)	(14,854)	(6,203)
Increase (decrease) in payable to banks, accounts payable and accrued expenses	9,777	15,128	(754)
Increase (decrease) in income taxes payable	(644)	1,244	622
Increase in deferred income taxes	4,443	140	2,478
Increase (decrease) in accounts receivable and other	(979)	(3,412)	272
Decrease in prepaid employee benefits		7,500	
Total adjustments	1,080	14,526	4,071
Net Cash Provided by Operating Activities	\$35,422	\$42,674	\$25,171

Consolidated Statements of Cash Flows (continued)

	(in thousands)		
	Year ended January 30, 1988	Year ended January 31, 1987	Year ended February 1, 1986
Supplemental Schedule of Noncash			
Investing and Financing Activities:			
Reclassification of current marketable securities to non-current	\$31,170		
Conversion of 8¼% Convertible Subordinated Debentures into Common Stock		\$49,923	

See notes to consolidated financial statements.

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Note A. Summary of Significant Accounting Policies

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*Financial Statement Reclassification and Presentation.* Certain reclassifications have been made to prior years' financial statements to conform to the 1987 presentation. In 1987, the Company is presenting Consolidated Statements of Cash Flows in accordance with Statement of Financial Accounting Standards No. 95. In prior years, the Company had presented Consolidated Statements of Changes in Financial Position. Prior years' statements have been restated to conform to the 1987 presentation.

REPCO INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	1987	1986	1985
Cash flows from operating activities:			
Cash received from customers	\$20,321	\$15,701	\$17,291
Cash paid to suppliers and employees	(19,653)	(14,343)	(17,366)
Interest paid	(391)	(452)	(551)
Miscellaneous cash received	39	317	40
Deferred compensation		(94)	(173)
Net cash provided by (used in) operating activities	316	1,129	(758)
Cash flows from investing activities:			
Payments for purchase of equipment	(376)	(27)	(400)
Proceeds from sale of equipment	13		1
Net cash used in investing activities	(363)	(27)	(398)
Cash flows from financing activities:			
Net borrowings (repayments) under line-of-credit agreement	(56)	(1,137)	1,500
Principal payments under capital lease obligations	(28)	(35)	(51)
Net cash provided by (used in) financing activities	(84)	(1,172)	1,448
Net change in cash and cash equivalents	(132)	(70)	290
Cash and cash equivalents at beginning of year	291	362	71
Cash and cash equivalents at end of year	\$ 158	\$ 291	\$ 362
Reconciliation of net income to net cash provided by operating activities:			
Net income (loss)	\$ (497)	\$ 136	\$ (1,918)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	459	517	523

Consolidated Statements of Cash Flows (continued)

	Years Ended December 31,		
	1987	1986	1985
Payment of employee bonus by issuance of stock		10	
Payment of employee profit-sharing plan contribution by issuance of stock			51
Loss (gain) on sale of equipment	(8)	6	6
Decrease (increase) in accounts receivable	728	(581)	61
Decrease (increase) in inventory	(424)	1,315	1,091
Decrease (increase) in prepaid expenses	(167)	5	55
Increase in accounts payable and bank overdraft	261	113	105
Decrease in accrued salaries	(28)	(76)	(266)
Increase (decrease) in accrued other	57	(289)	(45)
Increase (decrease) in accrued commissions	(64)	64	(250)
Decrease in deferred compensation		(94)	(173)
Net cash provided by (used in) operating activities	\$ 316	\$ 1,129	\$ (758)

See notes to consolidated financial statements.

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1. Significant Accounting Policies

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*Statement of Cash Flows.* In 1987 the Company adopted the provisions of Statement of Financial Accounting Standards Number 95 (SFAS 95), Statement of Cash Flows. The provisions of SFAS 95 have been adopted retroactively, resulting in the restatement of financial statements of earlier years presented.

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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12. Supplementary Statement of Cash Flows Information

	Years Ended December 31,	
	1986	1985
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired under capital leases		\$ 99,509
Stock issued to employee	\$10,000	
Stock issued to employee profit-sharing plan		51,962
Noncash investing and financing activities	\$10,000	\$151,471

RESORTS INTERNATIONAL, INC.  
Consolidated Statements of Cash Flows  
(in thousands of dollars)

	For the Year		
	1987	1986	1985
Cash flows from operating activities:			
Cash received from customers	\$446,033	\$426,359	\$422,663
Cash paid to suppliers and employees	(384,414)	(359,692)	(365,329)
Cash flow from operations before interest, dividends and taxes	61,619	66,667	57,334
Interest and dividends received	7,002	23,418	38,154
Interest paid	(80,310)	(85,227)	(89,644)

*Consolidated Statements of Cash Flows (continued)*  
*(in thousands of dollars)*

	For the Year		
	1987	1986	1985
Add-capitalized interest	41,331	23,117	9,834
Income taxes paid	(1,580)	(433)	(4,146)
Income tax refunds received			7,818
Net cash provided by operating activities	28,062	27,542	19,350
Cash flows from investing activities:			
Proceeds from sales of marketable securities and metals	114,989	170,819	15,157
Purchase of marketable securities			(146,664)
Proceeds from sale of undeveloped land	5,893		
Payments for property and equipment including capitalized interest	(215,561)	(178,032)	(88,507)
Proceeds from sale of property and equipment	1,429	3,454	917
Collection of receivable from property sale			11,000
CRDA deposits and bond purchases	(4,068)	(4,772)	(7,577)
Net cash used in investing activities	(97,318)	(8,531)	(215,674)
Cash flows from financing activities:			
Borrowings under broker loans	25,791	28,744	
Repayments of broker loans	(54,061)	(474)	
Borrowings under lines of credit	46,135		
Repayments of lines of credit	(46,135)		
Borrowings from bank	75,000		
Borrowings under repurchase agreements		33,328	24,458
Repayments of repurchase agreements		(172,747)	
Repayments of other debt	(3,903)	(2,685)	(1,644)
Proceeds from issuance of shares from treasury		600	940
Payments for purchases of shares for treasury			(16,312)
Net cash provided by (used in) financing activities	42,827	(113,234)	7,442
Net decrease in cash	(26,429)	(94,223)	(188,882)
Cash (including short-term money market securities) at beginning of year	63,313	157,536	346,418
Cash (including short-term money market securities) at end of year	\$ 36,884	\$ 63,313	\$ 157,536

See Notes to Consolidated Financial Statements.

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Note 13. Statements of Cash Flows

The Company adopted the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" ("SFAS 95") at year end 1987. For comparative purposes, Consolidated Statements of Cash Flows are presented herein for 1986 and 1985, rather than the previously issued Statements of Changes in Financial Position for those same periods. Supplemental disclosures required by SFAS 95 are presented below.

<i>(in thousands of dollars)</i>	1987	1986	1985
Reconciliation of earnings (loss)			
before extraordinary credit to net cash provided by operating activities:			
Earnings (loss) before extraordinary credit	\$ 3,206	\$(30,644)	\$ 4,893
Adjustments to reconcile earnings (loss) before extraordinary credit to net cash provided by operating activities:			
Depreciation	23,589	23,914	24,264
Amortization	4,800	5,253	4,291

<i>(in thousands of dollars)</i>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Provision for doubtful receivables	3,430	5,765	3,981
Deferred tax provision (benefit) and tax provision to be offset by loss carryforwards	8,875	(14,200)	(13,900)
Net (gain) loss from securities transactions	(6,649)	2,458	(3,609)
Net gain on sale of property	(5,318)		
Provision for discount on CRDA obligations	5,048	819	927
Write-down of amphibious aircraft		23,724	
Net (increase) decrease in accounts receivable	(915)	1,897	(716)
Net increase in inventories and prepaids	(5,694)	(2,718)	(2,705)
Net increase in deferred charges	(844)	(430)	(727)
Net increase (decrease) in accounts payable and accrued liabilities	(1,466)	11,704	3,915
Net decrease in current income tax liability			(1,264)
Net cash provided by operating activities	<b>\$28,062</b>	<b>\$ 27,542</b>	<b>\$19,350</b>
Non-cash investing and financing transactions:			
Net increase in accounts payable and accrued liabilities for additions to property and equipment and other assets	<b>\$ 7,719</b>	<b>\$ 5,137</b>	<b>\$12,565</b>
Reclassification of deposits and other assets to property and equipment	<b>\$ 753</b>	<b>\$ 190</b>	<b>\$ 2,059</b>
Stock issued for other than cash			<b>\$ 1,401</b>

UNITED STATES SURGICAL CORPORATION AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*

<i>(in thousands)</i>	<u>Year Ended December 31,</u>		
	<u>1987</u>	<u>1986</u>	<u>1985</u>
Cash flows from operating activities:			
Cash received from customers	\$238,204	\$206,645	\$177,974
Cash paid to vendors, suppliers and employees	(183,100)	(157,859)	(139,586)
Interest paid (net of capitalized interest)	(7,904)	(5,947)	(5,519)
Income taxes paid	(6,945)	(2,536)	(1,543)
Cash paid for litigation settlement		(3,500)	(197)
Net cash provided by operating activities	40,255	36,803	31,129
Cash flows from investing activities:			
Additions to property, plant, and equipment	(26,652)	(26,254)	(28,266)
Sale of undeveloped land		1,750	
Helistat (registered) license and loan	(3,000)		
Acquisition of distributor in Spain	(1,479)		
HTR TM patents and related assets		(4,588)	
Endoscopic license and related assets		(1,280)	
Other assets	(2,015)	(1,443)	(1,652)
Net cash used in investing activities	(33,146)	(31,815)	(29,918)
Cash flows from financing activities:			
Borrowings under credit agreements	445,300	182,300	175,500
Repayments under credit agreements	(429,100)	(178,000)	(173,000)
Common stock issued	6,702	2,063	831
Purchase of common stock for treasury	(24,919)	(7,584)	
Dividends paid	(5,488)	(4,937)	(4,864)
Net cash used by financing activities	(7,505)	(6,158)	(1,533)
Effect of exchange rate changes on cash and cash equivalents	840	1,889	(27)
Net increase (decrease) in cash and cash equivalents	444	719	(349)
Cash and cash equivalents, beginning of year	1,278	559	908
Cash and cash equivalents, end of year	<b>\$ 1,722</b>	<b>\$ 1,278</b>	<b>\$ 559</b>



Consolidated Statements of Cash Flows (continued)

(in thousands)	Year Ended December 31,		
	1987	1986	1985
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 20,126	\$ 18,741	\$ 10,019
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,044	19,208	17,572
Amortization and adjustment of restricted stock awards	2,168	2,139	309
Adjustment to property, plant and equipment reserves	3,557	1,364	157
Loss on sale of investment			5,098
Receivables—(increase)/decrease	(13,712)	329	(6,095)
Inventories—(increase)/decrease	(3,018)	(900)	1,038
Accounts payable and accrued expenses— increase/(decrease)	6,738	(1,724)	4,600
Income taxes—increase/(decrease)	(361)	1,860	560
Litigation settlement obligation—(decrease)		(3,500)	
Other adjustments—net	1,713	(714)	(2,129)
Total adjustments	20,129	18,062	21,110
Net cash provided by operating activities	\$ 40,255	\$ 36,803	\$ 31,129

See Notes to Consolidated Financial Statements.



Note B. Statements of Cash Flows

In November 1987, the Financial Accounting Standards Board adopted SFAS No. 95—Statement of Cash Flows. The Company has adopted the new FASB standard and has presented Statements of Cash Flows as part of its consolidated financial statements, in place of the previously reported Statements of Changes in Financial Position. The Statements of Cash Flows classify changes in cash and cash equivalents according to operating, investing or financing activities. The Company does not consider any of its assets to meet the definition of cash equivalent.

Following is supplementary information relating to the Statements of Cash Flows:

(in thousands)	Year Ended December 31,		
	1987	1986	1985
HTR TM patents and related assets:			
Acquisition costs		\$5,388	
Noncash portion—Value of 200,000-share stock option issued in connection with acquisition		(800)	
Cash paid		\$4,588	
Common stock issued:			
Exercise of stock options	\$5,957	\$1,573	\$8,373
Payments on (increase in) installment receivables from exercise of stock options	1,964	18	(7,926)
Restricted stock awards	5,573	236	3,353
Deferred compensation arising from restricted stock awards	(5,573)	(236)	(3,353)
Stock purchases through Employee Stock Purchase Plan	742	472	384
Tax effect of disqualifying dispositions of stock	(1,961)		
Cash flow from common stock issued	\$6,702	\$2,063	\$ 831

## NO NONCASH INFORMATION PRESENTED

NORTHROP CORPORATION AND SUBSIDIARIES  
*Consolidated Statements of Cash Flows*  
 Year ended December 31

	<i>(\$ in millions)</i>		
	1987	1986	1985
<b>Cash Flows From Operating Activities</b>			
<b>Sources of Cash:</b>			
Cash received from customers	\$5,641.6	\$5,373.0	\$4,709.1
Interest received	1.7	2.0	2.0
Income tax refunds received	.2		46.8
Claim settlements			50.0
F-20 insurance recoveries			30.0
Other cash receipts	3.5	9.4	7.0
Cash provided by operating activities	5,647.0	5,384.4	4,844.9
<b>Uses of Cash:</b>			
Cash paid to suppliers and employees	5,635.2	5,250.1	4,463.5
Interest paid (net of capitalization)	40.7	28.1	15.1
Payment of accrued product support to U.S. Government	27.7		
Income taxes paid	9.7	23.7	42.1
Other cash payments	.9	1.7	4.8
Cash used in operating activities	5,714.2	5,303.6	4,525.5
Net cash provided by (used in) operating activities	(67.2)	80.8	319.4
<b>Investment Activities</b>			
Additions to property, plant and equipment	(294.4)	(364.2)	(384.0)
Proceeds from sales of property, plant and equipment	29.9	3.4	9.5
Investments in affiliates, net of dividends		(4.0)	(4.1)
Other investment activities	2.3	1.8	(1)
Net cash used in investment activities	(262.2)	(363.0)	(378.7)
<b>Financing Activities</b>			
Borrowings under lines of credit	954.6	335.9	120.6
Repayment of borrowings under lines of credit	(565.9)		
Proceeds from issuance of long-term debt	1.0		
Principal payments of long-term debt/capital leases	(2.8)	(.4)	(2.3)
Proceeds from issuance (repurchase) of stock	(1.1)	.2	
Dividends paid	(56.2)	(55.8)	(55.6)
Net cash provided by (used in) financing activities	329.6	279.9	62.7
Increase (decrease) in cash	.2	(2.3)	3.4
Cash balance at beginning of year	4.8	7.1	3.7
Cash balance at end of year	\$ 5.0	\$ 4.8	\$ 7.1
<b>Reconciliation of Net Income to Net Cash Provided by (Used in) Operating Activities</b>			
Net income	\$ 94.2	\$ 41.2	\$ 214.4
Adjustments to reconcile net income to net cash provided (used):			
Depreciation and amortization	246.8	225.6	193.4
Common stock issued to employees	5.3	3.7	4.7
Amortization of restricted award shares	4.1	4.0	4.8
Loss (gain) on fixed asset disposals	(11.2)	(.6)	.8
Undistributed income of affiliates	(3.8)	(4.5)	(4.4)

Consolidated Statements of Cash Flows (continued)  
Year ended December 31

	(\$ in millions)		
	1987	1986	1985
Decrease (increase) in:			
Accounts receivable	(50.4)	(252.6)	(220.1)
Inventoried costs	26.6	(49.3)	(48.7)
Prepaid expenses	(3.4)	(4.6)	(9.9)
Refundable federal income tax		1.9	18.4
Increase (decrease) in:			
Progress payments and advances	310.8	17.0	(127.5)
Accounts payable and accruals	28.1	11.3	87.0
Provisions for contract losses	(58.9)	100.5	54.3
Deferred income taxes	50.2	(10.4)	122.9
Income taxes payable	(8.4)	(11.6)	20.7
Other noncash transactions	2.8	9.2	8.6
Net cash provided by (used in) operating activities	\$ (67.2)	\$ 80.8	\$ 319.4

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

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Summary of Significant Accounting Policies

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*Accounting and Reporting Changes.* In 1987, the company adopted FASB Statements No. 87—Employers' Accounting for Pensions, and No. 95—Statement of Cash Flows.

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The company has included new Consolidated Statements of Cash Flows for the last years in place of the previously required Consolidated Statements of Changes in Financial Position. Since the company has been reporting substantially in conformity with the new standard since 1982, only minor reclassifications for prior years were necessary in adopting the new standard.

PATRICK INDUSTRIES, INC.  
*Statements of Cash Flows*

	Year Ended December 31		
	1987	1986	1985
Cash flows from operating activities:			
Cash received from customers	\$ 126,536	\$ 121,051	\$ 120,896
Cash paid to suppliers and employees	\$(123,057)	(116,818)	(117,302)
Interest received	350	260	318
Interest paid, net of amount capitalized	(1,028)	(1,297)	(663)
Income taxes paid	(684)	(785)	(748)
Net cash provided by operating activities	\$ 2,116	\$ 2,411	\$ 2,501
Cash flows from investing activities:			
Capital expenditures	\$ (7,418)	\$ (2,836)	\$ (4,575)
Proceeds from sale of equipment	70	364	86
Cash value of life insurance	(57)	(43)	(86)
Net cash (used in) investing activities	\$ (7,404)	\$ (2,514)	\$ (4,575)
Cash flows from financing activities:			
Net borrowings under debt agreements	\$ 5,500		\$ 11,957
Proceeds from cash escrows	923	76	1,963
Stock warrants exercised		2,220	
Reacquisition of common stock	(215)		(11,307)

Statements of Cash Flows (continued)

	Year Ended December 31		
	1987	1986	1985
Principal payments on debt	(1,142)	(2,160)	(3,193)
Net cash provided by (used in) financing activities	\$ 5,065	\$ 136	\$ (579)
Net increase (decrease) in cash and cash equivalents	\$ (222)	\$ 33	\$ (2,654)
Cash and cash equivalents, beginning	1,350	1,317	3,971
Cash and cash equivalents, ending	\$ 1,127	\$ 1,350	\$ 1,317
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 1,618	\$ 1,254	\$ 1,317
Adjustments:			
Depreciation and amortization	1,688	1,535	1,352
Gain on sale of equipment	(15)		(14)
Change in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(1,091)	278	(1,208)
Inventories	(1,645)	248	(1,412)
Prepaid expenses	116	(163)	5
Increase (decrease) in accounts payable and accrued expenses	967	(1,118)	2,281
Increase in income taxes payable and deferred taxes	448	259	81
Increase in deferred compensation	28	117	98
Net cash provided by operating activities	\$ 2,116	\$ 2,411	\$ 2,501

See Notes to Financial Statements.

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Note 1. Nature of Business and Significant Accounting Policies

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Significant Accounting Policies

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*Statement of cash flows.* The Company has adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, for the year ended December 31, 1987. Accordingly, the Company has restated the statements of changes in financial position to the statements of cash flows for the years ended December 31, 1986 and 1985.

RUSS TOGS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

	Year Ended		
	January 30, 1988	January 31, 1987	February 1, 1986
Cash flows from operating activities:			
Cash received from customers	\$272,026	\$275,474	\$283,613
Cash paid to suppliers and employees	(265,383)	(258,440)	(265,771)
Interest and other income received	2,327	2,977	3,195
Interest paid	(1,535)	(1,209)	(1,448)
Income taxes paid	(8,444)	(14,512)	(8,446)
Net cash provided by (used in) operating activities	(1,009)	4,290	11,143

Consolidated Statement of Cash Flows (continued)

	Year Ended		
	January 30, 1988	January 31, 1987	February 1, 1986
Cash flows from investing activities:			
Proceeds from sale of property and equipment		116	430
Capital expenditures	(1,701)	(2,190)	(1,503)
Reduction in investment in direct financing lease			675
Net cash used in investing activities	(1,701)	(2,074)	(398)
Cash flows from financing activities:			
Net borrowings (repayments) under line of credit agreement	3,810	2,480	(907)
Principal payments on long-term debt	(63)	(783)	(1,009)
Cost of shares of common stock acquired for treasury	(4,134)	(1,512)	(2,914)
Dividends paid	(4,585)	(4,152)	(4,290)
Proceeds from exercise of stock options	141		
Cash paid in lieu of fractional shares on three-for-two stock split	(11)		
Net cash used in financing activities	(4,842)	(3,967)	(9,120)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,552)	(1,751)	1,625
Cash and cash equivalents—beginning of year	16,547	18,298	16,673
CASH AND CASH EQUIVALENTS—END OF YEAR	\$ 8,995	\$ 16,547	\$ 18,298
Reconciliation of net earnings to net cash provided by operating activities:			
Net earnings	\$ 9,290	\$ 13,819	\$ 10,986
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,985	1,870	1,938
(Gain) loss on sale of property and equipment	19	(21)	78
Decrease (increase) in:			
Accounts receivable	1,506	1,142	6,798
Inventories	(10,227)	(6,303)	(7,446)
Income tax refunds receivable	(286)		
Prepaid expenses and other current assets	(1,617)	(4,029)	(93)
Other assets	253	(84)	1,166
Increase (decrease) in:			
Accounts payable	6,420	(1,860)	(5,358)
Accrued expenses and taxes	(4,948)	166	1,071
Income taxes	(3,187)	(468)	2,599
Deferred compensation	(393)	70	61
Deferred taxes	176	(12)	(657)
Total	(10,299)	(9,529)	157
Net cash provided by (used in) operating activities	\$ (1,009)	\$ 4,290	\$ 11,143

The notes to financial statements are made a part hereof.

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Note A. Summary of Significant Accounting Policies

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(7) In 1988, the Company adopted FASB No. 95 and, accordingly, has presented a statement of cash flows. Prior financial statements have been restated to present a comparative format.

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents for purposes of the consolidated statement of cash flows.

## **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 which 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 footnotes. If the annual report received at the AICPA was a form 10-K, we also include the supplementary schedules and the exhibit on earnings per share.

There are always five single year files of annual reports on-line, which may be searched individually or in a combined group. Each single year file contains approximately 4,200 reports. The combined group contains over 21,000 annual reports. The reports in each file may be searched by employing 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 of 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. . . ." This is an easy change to find. The search frame to transmit may be constructed as follows:

**CHANG! W/5 METHOD OR ACCOUNTING**

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

However, a report which discloses an accounting change without using the word "change" can be a difficult one to find. For example, the report might say "Since 1986 we account for. . ." or "prior to 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 AICPA staff index the footnotes to make it possible to find such cases. A CPA at the Institute reads each of the footnotes going into the data base. These professionals identify accounting concepts

contained within a footnote. The accounting concepts contained within the footnote 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 footnote. The acronyms are called *descriptors*. The descriptor which 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 computer is instructed to find examples of footnote disclosure, where the footnote includes the descriptor ACCTG and within the text of the footnote, the words PRIOR or SINCE or any form of the words CHANGE or ADOPT is found to appear within five words of METHOD or any form of the word ACCOUNT.

The descriptors may be employed with a key word or phrase to find specific examples as well. For example, the following would provide examples of accounting changes disclosed within a pension footnote which discuss Financial Accounting Standards Board Statement No. 87:

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

The search frame used to find the examples in this publication and a complete listing of NAARS descriptors are included on the following pages, with a brief description of the concept identified by each. You may use this search frame to find more recent examples since the NAARS data base is constantly expanded or you may modify the search logic for your specific circumstances.

While this search frame 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 self-study courses 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).

Also available at the AICPA are two courses published by MICROMASH. The first is titled, *Researching Corporate Accounting and Audit Problems on NAARS*. It is an eight-hour CPE course in which you learn basic search strategy using the various corporate annual report and accounting literature files of the NAARS library. The second course, *Tax Research Using LEXIS/NEXIS/NAARS*, is also an eight-hour CPE course in which you learn the basic search strategy necessary to perform tax research in the LEXIS/NEXIS services of Mead Data Central.

If you have questions about subscribing to the NAARS data base through AICPA TOTAL (Total On-line Tax and Accounting Library Service) call Hal G. Clark at 1-212-575-6393. To subscribe to TOTAL, call the Order Department number listed above.

The following search frame was used to find the examples included in this publication:

(FASB OR SFAS OR STATEMENT OR STANDARD W/8 95) AND C/F (CASH) AND  
(INTEREST OR INCOME TAX W/12 PAID OR PAYMENT OR EXPENDITURE) OR  
(NONCASH W/4 INVESTING OR FINANCING) OR (SUPPLEMENT! W/15 CASH  
FLOW) OR C/F (CASH)

This search frame can be used to instruct the computer to list the names of all companies in the file whose financial statements contain a cash flow statement and a paragraph containing the word "FASB" or "SFAS" or "statement" or "standard(s)" within eight words of the number 95. Virtually all such paragraphs in the 87/88 annual report file disclose the presentation of a cash flow statement in conformity with SFAS No. 95.



The search frame can also be used to instruct the computer to present the following information contained in the financial statements of any of the documents retrieved:

1. The cash flow statement
2. The note containing the word "FASB" or "SFAS" or "statement" or "standard(s)" within eight words of the number 95, if disclosure of conformity with SFAS No. 95 is made in a note instead of in the cash flow statement
3. The note containing the term "interest" or "income tax(es)" within 12 words of the word "paid" or "payment(s)" or "expenditure(s)," if the financial statements contain such a note. Virtually all such notes disclose the amounts of interest or income taxes paid
4. The note containing the word "noncash" within four words of the word "investing" or "financing," if the financial statements contain such a note. Virtually all such notes disclose noncash investing or financing activities
5. The note containing the term "cash flow" within 15 words of the word "supplemental" or "supplementary," if the financial statements contain such a note. Virtually all such notes disclose amounts of interest or taxes paid or noncash investing or financing activities

The term "OR C/F (CASH)" is included in the frame to prevent excluding from the list of companies those companies whose financial statements do not disclose amounts of interest or income taxes paid or noncash investing or financing activities. Such companies may have presented cash flow statements in conformity with SFAS No. 95. Searchers who want the list to exclude such companies can do so by omitting "OR C/F (CASH)" from the frame.

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

<b>Descriptor</b>	<b>Concept</b>
PRACT	Accounting policies or practices
ACCTG	Accounting changes; changes in estimate
ACQUIS	Business combinations and acquisitions
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 footnote and the discontinued operation is presented as a separate segment in the income statement
DISCOPNSG	Discontinued operations disclosed within a footnote and the discontinued operation is not presented as a separate segment in the income statement
EPS	Earnings per share
FORCST	Forecasting

<b>Descriptor</b>	<b>Concept</b>
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
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 footnote descriptors, the following are used to index or identify accounting concepts within the audit report

ADVER	Adverse opinion
CHGAUD	Change of auditor
CHGOP	Change prior year opinion

<b>Descriptor</b>	<b>Concept</b>
CONST	Consistency exception
CONTG	Contingency qualification
DISCL	Disclaimed opinion
GAAP	Departure from generally accepted accounting principles
INFDIS	Informative disclosure
OTHEX	Other reports, that is, 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 LIT file contains the full text of authoritative and semiauthoritative accounting literature, which includes the following:

APB Opinions, Statements and Interpretations; Accounting Research Bulletins; Terminology Bulletins; 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; International Accounting Standard Committee Pronouncements; International Federation of Accountants Committee Pronouncements (Auditing); FASB Statements, Concepts, Interpretations and Technical Bulletins; Emerging Issues Task Force of the FASB Issues Summaries and Minutes of Meetings; Cost Accounting Standards Board Pronouncements; S.E.C. Staff Accounting Bulletins, Accounting Series Releases, Financial Reporting Releases, and Accounting and Auditing Enforcement Releases; AICPA Ethics—Concepts, Rules of Conduct, Interpretations, and Ethics Rulings—Technical Information Services Technical Practice Aids; GASB Statements, Interpretations, Technical Bulletins and Concepts; Office of Management and Budget Circulars and Standards for Audit of Governmental Organizations & Functions; President's Council on Integrity and Efficiency: State Network Block Grants

Search frames can be used to obtain illustrations of specific kinds of accounting from the NAARS annual report file (as discussed in Appendix 1). Search frames can also be used to obtain currently effective authoritative guidance from any of the above sources in the NAARS literature file on specified kinds of accounting or auditing matters.

The following search frame was used to obtain currently effective authoritative guidance on presenting cash flow statements (the subject of this publication):

## STATEMENT W/8 CASH FLOW

The following items were obtained:

FASB Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*, November 1987. This is the principal authoritative pronouncement on presenting a statement of cash flows. It is summarized in Chapter 1 of this survey.

FASB Statement of Financial Accounting Standards No. 7, *Accounting and Reporting by Development Stage Enterprises*, footnote 6. It permits development stage enterprises to omit presenting statements of cash flows in certain circumstances.

FASB Statement of Financial Accounting Concepts No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, pars. 24, 52, 53, and 54. They discuss the uses of cash flow statements.

APB Opinion 22, *Disclosure of Accounting Policies*, par. 6. It states that the accounting policies of a reporting entity include those that apply to statements of cash flows.

AICPA Technical Practice Aids (TPA), Technical Information Service Inquiries and Replies (TIS) 1300.03. It discusses comparative statements of cash flows.

TPA, TIS 1300.05. It discusses presentation of a cash flow statement in an annual report that contains a balance sheet but not an income statement.

TPA, TIS 1300.07. It discusses presentation of cash flow statements by nonprofit organizations.

TPA, TIS 1300.08. It discusses the effect of changing the method of depreciation on the statement of cash flows.

TPA, TIS 1300.09. It discusses the presentation of property sold in a statement of cash flows.

TPA, TIS 1300.10. It discusses the presentation of a cash flow statement when an entity prepares its financial statements on a comprehensive basis of accounting other than under GAAP.

TPA, TIS 1300.11. It discusses the effect of a prior period adjustment on the statement of cash flows if single period statements are presented.

TPA, TIS 1300.12. It discusses presentation of a cash flow statement in the initial year of operations.

The same search frame can continue to be used to obtain additional items of guidance as they become available and are added to the NAARS literature file.

## **FINANCIAL REPORT SURVEYS\***

- 21 **Illustrations of Accounting for Joint Ventures (1980)**  
*A survey of the application of various methods of accounting for joint ventures in the financial statements of venturers*
- 22 **Illustrations and Analysis of Disclosures of Pension Information (1981)**  
*A survey of the application of the requirements of FASB Statement No. 36, an amendment of APB Opinion No. 8*
- 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**  
*A survey of • troubled enterprises • reorganized enterprises • liquidating enterprises*
- 29 **Updated Illustrations of Departures from the Auditor's Standard Report (1984)**  
*A survey of the application of Statement on Auditing Standards No. 2, as amended*
- 30 **Updated Illustrations of the Disclosure of Related Party Transactions (1985)**  
*A survey of the application of FASB Statement No. 57*
- 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*

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\*FRS Nos. 1-20 are no longer in print.

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