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ACCOUNTING PRACTICES 1977 -Forest Products Industry

Illustrative Items of Current Interest From Published Annual Reports

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ACCOUNTING PRACTICES 1977 -Forest Products Industry

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INTRODUCTION

This survey of the 1976 annual reports to shareholders and the replacement cost disclosures included in the 1976 Annual Reports to the Securities and Exchange Commission on Form 10-K for twenty-seven companies in the forest products industry is designed to assist our professional personnel in finding examples of accounting practices and disclosure techniques used by forest product companies.

The twenty-seven companies included in this survey were selected based on a composite evaluation of several general business and industry rankings of domestic companies in the forest products industry. Certain of the selected companies have significant operations not only in the forest products industry but in other lines of business as well.

The illustrations shown herein do not necessarily represent authoritative support for the underlying accounting procedures or reporting practices, and their status must be considered in view of recent pronouncements and interpretations of the Financial Accounting Standards Board, the Securities and Exchange Commission, and the American Institute of Certified Public Accountants which could affect the manner in which certain items are reflected or disclosed.

Although this survey is intended principally for internal reference purposes by personnel of Haskins & Sells, it may be made available to persons outside the Firm having an interest in the accounting practices and reporting techniques of companies in the forest products industry.

HASKINS & SELLS

August 1977

FOREST PRODUCTS INDUSTRY

SURVEY OF ACCOUNTING PRACTICES AND REPORTING TECHNIQUES

INDEX

COMPANIES INCLUDED IN SURVEY

	1976			Rank within survey (27 companies)			Rank in Fortune 1,000		
	NET SALES	TOTAL ASSETS	INCOME	NET SALES	TOTAL ASSETS	INCOME	NET SALES	TOTAL ASSETS	INCOME
	(In millions of dollars)								
Boise Cascade Corporation	$1,931.5	$1,731.2	$100.8	7	6	8	116	101	114
Champion International Corporation	2,910.5	2,180.5	103.1	4	5	7	74	70	109
Chesapeake Corporation of Virginia	149.0	146.3	11.6	27	27	25	787	644	575
Consolidated Papers, Inc	293.2	214.6	21.7	24	25	23	535	512	393
The Continental Group, Inc	3,458.2	2,189.2	118.3	2	4	6	56	68	92
Crown Zellerbach Corporation	2,126.0	1,629.5	97.6	6	7	9	104	108	117
Diamond International Corporation	887.1	594.3	49.9	14	16	15	252	266	218
Federal Paper Board Company, Inc	393.6	320.4	22.6	22	23	22	437	396	382
Fibreboard Corporation	306.1*	198.9	(34.1)	25	26	27	521	535	997
Georgia-Pacific Corporation	3,038.0	2,584.0	215.3	3	3	3	68	56	42
Great Northern Nekoosa Corporation	844.6	754.0	58.3	15	14	13	259	226	194
Hammermill Paper Company	689.9	490.3	22.8	16	18	21	293	292	380
Hoerner Waldorf Corporation	511.3	365.7	32.9	21	21	20	366	361	302
International Paper Company	3,540.6	3,639.6	253.6	1	2	2	52	38	37
Kimberly-Clark Corporation	1,585.3	1,452.4	121.3	10	9	4	143	127	89
Louisiana-Pacific Corporation	562.3	656.0	40.4	18	15	18	338	253	263
The Mead Corporation	1,599.3	1,226.7	88.8	9	11	11	141	149	132
Olinkraft, Inc	341.9	358.9	33.6	23	22	19	484	364	295
Potlatch Corporation	624.1	571.1	47.7	17	17	16	308	270	231
St. Regis Paper Company	1,642.1	1,489.2	91.3	8	8	10	135	121	125
Scott Paper Company	1,373.8	1,447.4	73.2	11	10	12	166	128	154
Southland Paper Mills, Inc	184.3	296.6	18.3	26	24	24	703	419	442
Southwest Forest Industries, Inc	549.5	411.3	8.5	19	20	26	344	341	663
Union Camp Corporation	1,003.0	1,035.6	118.6	12	12	5	225	175	91
Westvaco Corporation	922.4	772.4	56.8	13	13	14	245	220	196
Weyerhaeuser Company	2,868.4	3,681.7	306.0	5	1	1	75	37	30
Willamette Industries, Inc	546.1	437.9	41.7	20	19	17	345	324	255

*Includes sales from discontinued operations of $112.9 million.

SUMMARY OF ACCOUNTING POLICY DISCLOSURES

ACCOUNTING PRINCIPLES BOARD OPINION NO. 22

Accounting Principles Board Opinion No. 22 recommends that a section entitled "Summary of Significant Accounting Policies", or similar terminology, be included as an integral part of the financial statements. The Board suggested disclosing this section preceding the notes to the financial statements or as the initial note.

DISCLOSURE FORMAT

The following summarizes the presentations shown in the annual reports of the companies included in the survey:

	Number of Companies
Summary precedes the notes........................	7
Summary is the initial note.......................	20

ACCOUNTING POLICIES DISCLOSED

The determination as to what accounting policies are to be disclosed will depend primarily on the individual significance of such policy as it relates to the financial position of the company.

The following accounting policies were disclosed by the twenty-seven companies who presented a "Summary of Significant Accounting Policies":

	Number of Companies	
Accounting Policy	Specific Title Used	Policy Disclosed
Acquisitions and dispositions of property.......	1	18
Advertising and promotion.......................	1	1
Amortization of leasehold improvements..........	-	5
Audit Committee.................................	1	1
Capital gains...................................	1	2
Capitalized interest on funds borrowed for major asset construction............................	3	11
Consolidation...................................	24	27
Deferred charges................................	2	4

ACCOUNTING POLICIES DISCLOSED - (Continued)

	Number of Companies: Specific Title Used	Number of Companies: Policy Disclosed
Depreciation, depletion, amortization, cost of timber harvested and/or stumpage	12	23
Earnings per share	16	16
Foreign currency translation	7	9
Gain and loss on forward exchange contracts	-	1
Goodwill or intangibles	5	10
Income taxes	20	21
Income taxes on undistributed earnings of jointly-owned companies, subsidiaries, and affiliates	-	8
Inventories	22	23
Investments	4	15
Investment credit	3	22
Leases	-	3
Pensions, retirement and/or profit sharing plans	13	14
Property, plant and equipment	19	22
Replacement cost	1	(See Below)
Research and development	8	9
Start-up and/or pre-operating expenses	5	9
Stock options and warrants	1	2
Timber and timberlands	9	17

Boise Cascade Corporation included the following section on REPLACEMENT COST in its summary of significant accounting policies.

REPLACEMENT COST. The Financial Review section of this Annual Report includes a summary discussion of the unaudited replacement cost data as required by the Securities and Exchange Commission. A detailed discussion of the unaudited replacement cost data is included in the Company's annual report on Form 10-K to the Securities and Exchange Commission, which is available on request.

* * * * *

SCOTT PAPER COMPANY

Except for its principles of consolidation, Scott Paper Company did not present its accounting policies together as a group but rather included its policies throughout the financial review section of its Annual Report. The following disclosure was made by Scott under the heading of "Accounting Policies":

PRINCIPLES OF CONSOLIDATION - the consolidated financial statements include the accounts of all wholly-owned domestic and Canadian subsidiaries and Scott's share of the earnings of affiliates. These companies, including Scott's percentage of ownership, are listed on page 36 of this report. Scott uses the equity method of accounting for its investments in affiliates. Under this method, as investments are made in affiliates, they are recorded at cost and subsequently adjusted each period to recognize Scott's share of the earnings of each affiliate. Scott's investment in affiliates is shown as a separate item on the balance sheet.

OTHER ACCOUNTING POLICIES - other significant accounting policies are included in the section of the Financial Review to which they apply. These include Scott's accounting policies for taxes on income, pension plans, inventories, capital expenditures, depreciation, cost of timber harvested and amortization.

* * * * *

Excerpts of other accounting policy disclosures are given in other sections of this survey.

CONSOLIDATION

DISCLOSURE OF CONSOLIDATION POLICY

All of the companies in the survey described their consolidation policy in the "Summary of Significant Accounting Policies" section.

OPERATIONS NOT CONSOLIDATED

Generally the companies consolidated all of their significant, majority-owned subsidiaries except that certain companies did not consolidate:

(a) Certain foreign operations

Union Camp Corporation

(b) Construction operations

Weyerhaeuser Company

(c) Financial operations

The Continental Group, Inc.
International Paper Company
Weyerhaeuser Company

(d) Real estate or land development operations

Champion International Corporation
Fibreboard Corporation
International Paper Company
Potlatch Corporation
Union Camp Corporation
Weyerhaeuser Company

(e) Short line railroads

Olinkraft, Inc.

Three companies stated that foreign subsidiaries' financial statements are consolidated or foreign investments are accounted for by the equity method as of a date other than the parent company's year-end:

- One-month lag for international affiliates
  . Scott Paper Company
- One-month lag for certain subsidiaries
  . Champion International Corporation
  . Olinkraft, Inc.

The following are excerpts of consolidation policies made by selected companies in their Notes to Financial Statements:

OLINKRAFT, INC.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include all domestic and foreign subsidiaries except two short line railroads carried at equity. The accounts of subsidiaries outside the United States have been consolidated based on fiscal years ending in November.

LOUISIANA-PACIFIC CORPORATION

The consolidated financial statements include the accounts of Louisiana-Pacific and all subsidiaries in which it owns more than 50% of the voting stock, after elimination of intercompany balances and transactions.

Investments in Ketchikan Pulp Company (Ketchikan) and Ketchikan International Sales Co. (KISC), a domestic international sales corporation, are referred to as the Ketchikan Operations in the financial statements. Louisiana-Pacific purchased the remaining 50% of the stock of Ketchikan on November 1, 1976 and later sold its 50% holding in KISC. While 50% owned, the investment in the Ketchikan Operations was reflected in the financial statements using the equity method of accounting and Louisiana-Pacific received management fees and sales commissions from the Ketchikan Operations for management and lumber marketing services.

KIMBERLY-CLARK CORPORATION

BASIS OF PRESENTATION. The consolidated financial statements include the accounts of Kimberly-Clark Corporation (Parent Company) and all significant subsidiaries more than 50 percent owned and controlled by Kimberly-Clark Corporation. These subsidiaries are referred to as consolidated subsidiaries.

Kimberly-Clark Corporation uses the equity method of accounting with respect to significant companies whose operating and financial policies are significantly influenced by Kimberly-Clark Corporation, but only if such companies are at least 20 percent owned and are not consolidated subsidiaries. These companies are referred to as equity companies. The consolidated financial statements include Kimberly-Clark Corporation's share of net income of equity companies. Investments in such companies are stated on the equity basis.

Kimberly-Clark Corporation's investments in companies which are neither consolidated subsidiaries nor equity companies are stated at cost and included in other assets. Income from these companies is included in consolidated net income only as dividends are received.

INTERNATIONAL PAPER COMPANY

CONSOLIDATION. The consolidated financial statements include the accounts of the Company and its subsidiaries, except for a wholly-owned financial services subsidiary and, in 1976, a real estate subsidiary in process of liquidation which are accounted for by the equity method.

THE CONTINENTAL GROUP, INC.

STATEMENT OF ACCOUNTING POLICIES. The financial statements include the accounts of all subsidiaries except a wholly-owned leasing subsidiary whose financial operations are dissimilar to the manufacturing operations of the consolidated group. The leasing subsidiary is accounted for by the equity method.

CONSOLIDATED PAPERS, INC.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of all majority owned subsidiaries.

The company accounts for its investment of 22% of the common stock of Thiele Kaolin Company at cost, since management does not have the ability to exercise significant influence over the operating and financial policies of that company. Thiele Kaolin is a supplier of clay to the company. Investments of 20% to 50% in other companies are accounted for on the equity basis.

FOREIGN CURRENCY TRANSLATION

FASB STATEMENT NO. 8

In October 1975, the Financial Accounting Standards Board issued Statement No. 8 entitled "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements". Early application of this pronouncement was encouraged however the Statement became effective for fiscal years beginning on or after January 1, 1976.

TRANSLATION POLICY DISCLOSURE

Seven of the twenty-seven companies included in the survey continued to disclose their foreign currency translation policies even though FASB No. 8 established uniform standards for translation of foreign currency transactions and foreign currency financial statements.

EXCHANGE RATES USED

The exchange rates used to translate revenue and expense accounts by the seven companies that disclosed their foreign currency translation policy are as follows:

	Number of Companies
Average of rates in effect during the year......	4
Rates in effect during each month..............	2
Weighted average rates in effect during the year	1

The following companies disclosed that in addition to depreciation, certain income statement items were translated at historical rates:

(a) Amortization

Boise Cascade Corporation
Crown Zellerbach Corporation

(b) Cost of timber harvested

Champion International Corporation
Crown Zellerbach Corporation

DISCLOSURE OF EXCHANGE GAINS AND LOSSES INCLUDED IN DETERMINING INCOME

Statement No. 8 requires that exchange gains and losses "be included in determining net income for the period in which the rate changes."

Foreign exchange gains and losses included in net earnings were disclosed by eleven companies in the following sections of the financial statements:

Summary of Significant Accounting Policies

Boise Cascade Corporation

Footnote (other than "Summary of Significant Accounting Policies")

Champion International Corporation
Crown Zellerbach Corporation
International Paper Company
Kimberly-Clark Corporation
St. Regis Paper Company
Scott Paper Company
Westvaco Corporation
Weyerhaeuser Company

Statement of Consolidated Earnings

The Continental Group, Inc.

Financial Review - Foreign Currency Translation

The Mead Corporation

In addition four companies disclosed the amount of foreign exchange gain or loss included in current earnings which was attributable to joint ventures and/or equity investments.

* * * * *

Excerpts of policies disclosed relating to the translation of foreign currency financial statements follow:

BOISE CASCADE CORPORATION

Accounting Policy

The accounts of foreign operations are translated to U.S. dollars at market rates of exchange as follows: cash and short-term investments, accounts receivable, receivables due beyond one year, current liabilities and long-term debt are translated at rates of exchange in effect at the balance sheet dates; income and expense accounts are translated at average exchange rates for the year, except for depreciation and amortization; and all other accounts are translated at historical exchange rates.

Foreign exchange gains during 1976 totaled $292,000. In addition, the Company's share of the joint ventures' earnings included $46,000 of foreign exchange gains. Net income from foreign sources was $8,652,000 for 1976, and the Company's net investment in foreign countries was $147,983,000 at December 31, 1976.

CROWN ZELLERBACH CORPORATION

Accounting Policy

FOREIGN CURRENCY TRANSLATION. Assets and liabilities whose value is fixed in terms of foreign currency units are translated into U.S. dollars based on the exchange rates existing at the balance sheet date. All other assets, liabilities and capital accounts are translated at the rates of exchange in effect when acquired. Income and expense accounts are translated at a weighted average of exchange rates in effect during the year, except for depreciation, amortization and cost of timber harvested, which are translated at the rates of exchange in effect when the related assets were acquired. Translation adjustments are charged or credited to income.

Foreign Currency Translation Footnote

Translation losses were $3,075,000 in 1976 and $1,989,000 in 1975 and are included in other income - miscellaneous, net.

KIMBERLY-CLARK CORPORATION

Accounting Policy

CURRENCY TRANSLATION. Marketable equity securities; property, plant and equipment; other assets and deferred income taxes of operations outside the U.S. are translated into U.S. dollars at rates of exchange in effect when acquired. Inventories are translated and valued so as to reflect the lower of cost or market in U.S. dollars. All other assets and liabilities are translated at rates of exchange in effect at the close of the period. Income and expense accounts are translated at rates of exchange in effect each month, except that income and expense accounts which relate to assets and liabilities translated at historical rates are translated on the same basis as the related assets and liabilities.

Gains or losses on forward exchange contracts used as hedges against purchase or sale commitments are deferred until the contracts are completed. Other exchange gains and losses are included in the determination of income for the period in which the translation rates changed.

Currency Translation Footnote

In 1975 the company changed its accounting policy with respect to foreign currency translation and restated its prior year financial statements in accordance with Financial Accounting Standards Board Statement 8.

The impact of changes in currency translation rates on the translation of balance sheets of consolidated subsidiaries and equity companies was a loss of $1.5 million in 1976 and $.4 million in 1975. These losses, combined with the impact of translating income and expenses at currency rates other than those in effect at the beginning of each year and other factors related to translating foreign currency financial statements to U.S. dollars, reduced consolidated net income by $2.1 million in 1976 and increased it by $.2 million in 1975.

The total measured effect of changes in currency translation rates was a reduction of $1.8 million and $1.0 million in consolidated net income in 1976 and 1975, respectively. This effect included the impact discussed in the above paragraph and the impact of currency rate changes on the settlement of commitments and receivables which are denominated in currencies other than that of the country in which an operation is located.

THE MEAD CORPORATION

Financial Review

Mead adopted the Financial Accounting Standards Board's policy on foreign currency translation in 1975. Net earnings per share include gains (losses) from translation as follows:

Quarter	1976	1975
First	$(.07)	$.03
Second	(.02)	.05
Third	.03	.02
Fourth	.09	(.02)
	$ .03	$.08

The principal currency translation exposure relates to Mead's investment in its Canadian affiliates. At year end, Mead's share of the net liability position of these affiliates was approximately $70 million Canadian. The exchange rate at December 31, 1976, was $.9916 U.S. to $1.00 Canadian.

SCOTT PAPER COMPANY

International Affiliates Footnote

Scott's share of the earnings of its international affiliates for 1976 was $4,835,000, a decline of $11,290,000 from the previous year. Most of this decline resulted from adjustments to income caused by changes in foreign currency relationships which had a negative impact of $3,004,000 in 1976 compared with a positive impact of $5,058,000 in 1975. The 1976 amount consisted of an exchange gain of $5,921,000 resulting from the translation of foreign currency financial statements and a loss of $8,925,000 caused by consuming higher valued inventories translated at prior exchange rates. In 1975, the exchange gain was $9,891,000 while the effect of inventories was a $4,833,000 loss.

* * * * *

IN ADDITION, SCOTT PAPER COMPANY ALSO PRESENTED A 2 PAGE EXPLANATION OF THE ACCOUNTING FOR FOREIGN CURRENCY CHANGES AND THEIR MEANING.

* * * * *

ST. REGIS PAPER COMPANY

Foreign Activities Footnote

Foreign-exchange losses resulting from translation of foreign-currency transactions and foreign-currency financial statements into U.S. dollar equivalents amounted to $3,400,000 in 1976 and $2,000,000 in 1975, including foreign-exchange losses (gains) of $(800,000) in 1976 and $800,000 in 1975 related to non-consolidated affiliates carried at equity.

INVENTORIES

Accounting Research Study No. 13, "The Accounting Basis of Inventories", and Accounting Principles Board Opinion No. 22, "Disclosure of Accounting Policies", set forth recommended disclosures for the reporting of inventories. Such recommendations include the accounting basis for inventories, the inventory costing method used, and disclosure of the effect of using LIFO (if used).

INVENTORY VALUATION AND COSTING METHOD DISCLOSURES

All companies included in the survey valued their inventories at the lower of cost or market.

Three companies disclosed a liquidation of a portion of their LIFO inventories which resulted in an increase in net income.

Twenty-two companies disclosed the use of the last-in, first-out (LIFO) method of costing inventories for at least a part of their inventories.

The principal inventory costing methods used and disclosed by companies included in the survey are summarized as follows:

COSTING METHOD	RAW MATERIALS	WORK IN PROCESS	FINISHED GOODS	PULP & PULPWOOD
	(Number of companies)			
First-in, first-out (FIFO).....	1	1	1	-
Last-in, first-out (LIFO)......	10	9	9	11
Average........................	4	3	3	3
Average or FIFO................	1	2	2	-
Cost...........................	-	-	-	1
Estimated cost.................	-	1	1	-
Combination of two or more of the above....................	11	11	11	11
Not disclosed..................	-	-	-	1

DISCLOSURE OF THE EFFECT OF APPLYING ALTERNATIVE METHODS OF INVENTORY COSTING TO LIFO INVENTORIES

The effect of applying an alternative method of inventory costing to the LIFO portion of inventories was disclosed by twenty-two companies which are summarized below:

ALTERNATIVE METHOD	LIFO PORTION OF INVENTORY	YEAR END INVENTORY WOULD INCREASE BY AMOUNT (000's omitted)	YEAR END INVENTORY WOULD INCREASE BY PERCENTAGE
FIFO Alternative			
International Paper Company.....	Raw materials, paper and pulp products, lumber and certain operating supplies	$108,000	31.1%
Olinkraft, Inc..................	57% of total inventories	6,221	14.0
The Mead Corporation............	Finished and semi-finished products, and raw materials	80,681	53.6
Weyerhaeuser Company............	Substantially all domestic raw materials, work in process and finished goods inventories	84,081	21.2
Union Camp Corporation..........	Finished goods and raw materials	25,960	22.4
Replacement Cost Alternative			
Diamond International Corporation.....................	Approximately 40% of the cost valuation of domestic inventories	25,617	20.2

ALTERNATIVE METHOD Replacement Cost Alternative - (Continued)	LIFO PORTION OF INVENTORY	YEAR END INVENTORY WOULD INCREASE BY AMOUNT (000's omitted)	 PERCENTAGE
Crown Zellerbach................	Domestic distribution inventories	$ 11,966	4.1%
The Continental Group, Inc......	All inventories	239,000	61.5
Potlatch Corporation............	Most solid wood products (approximately 29%)	19,279	23.3
Scott Paper Company.............	Substantially all inventories	47,942	29.1
Kimberly-Clark Corporation......	Nearly all U.S. inventories which qualify to be valued at cost (approximately 35%)	53,000	21.4
Chesapeake Corporation..........	All significant product and manufacturing materials (approximately 52%)	1,589	10.3
Westvaco Corporation............	Raw materials, finished goods and certain production materials	32,515	27.8
Great Northern Nekoosa Corporation......................	Substantially all eligible inventories	24,900	25.7
Hoerner Waldorf Corporation.....	Approximately 73% of total inventories	23,000	40.5
Hammermill Paper Company........	Approximately 60% of total inventories	28,094	30.1

ALTERNATIVE METHOD	LIFO PORTION OF INVENTORY	YEAR END INVENTORY WOULD INCREASE BY AMOUNT (000's omitted)	PERCENTAGE
Average Cost Alternative			
Champion International..........	14% at LIFO	$ 33,690	8.0%
St. Regis Paper Company.........	Domestic pulp, paper and paper-board inventories	12,000	5.9
Willamette Industries, Inc......	All major classes of inventory (approximately 86%)	19,805	40.6
Georgia-Pacific Corporation.....	Majority of inventories at manufacturing facilities (approximately 36%)	33,500	7.9
Consolidated Papers, Inc........	Pulpwood (approximately 9%)	1,849	4.7
Louisiana-Pacific Corporation...	All inventories	32,360	26.3

The following are excerpts of inventory disclosures made by certain of the companies included in the survey:

FEDERAL PAPER BOARD COMPANY, INC.

Accounting Policy

INVENTORIES. Finished goods and work in process are valued at the lower of estimated cost or market; raw materials and supplies are valued at the lower of average cost or market.

CONSOLIDATED PAPERS, INC.

Accounting Policy

INVENTORIES. Inventories are priced at the lower of cost or market. Pulpwood accounted for on the last-in, first-out (LIFO) basis is $3,540,000 in 1976 and $3,423,000 in 1975. Stores supplies and certain manufacturing supplies are accounted for on a moving average basis and the remaining inventories are on a first-in, first-out basis.

THE CONTINENTAL GROUP, INC.

Inventories Footnote

Inventory valuations at December 31 were:

(in millions of dollars)	1976	1975
Raw materials	$127.2	$117.5
Work in process and finished goods	225.8	196.5
Supplies	35.5	34.6
Total	$388.5	$348.6

In 1976 and 1975 the Company reduced the level of certain inventories resulting in liquidation of LIFO quantities that had a lower value as compared with costs prevailing during 1976 and 1975. The use of lower cost inventories had the effect of increasing net earnings by approximately $13.3 million or $.45 per share in 1975; the effect on 1976 was not significant.

CROWN ZELLERBACH CORPORATION

Accounting Policy

INVENTORIES. Inventories are valued at the lower of cost or market. Cost has generally been determined by the moving average method for all items except the cost of domestic distribution inventories, which has been determined by the last-in, first-out method.

DIAMOND INTERNATIONAL CORPORATION

Inventories Footnote

INVENTORIES. Inventories, classified by lines of business, consisted of the following (in thousands of dollars):

	December 31, 1976	December 31, 1975
Lumber and Retail Operations	$ 37,293	$ 29,153
Packaging Products	29,325	26,451
Pulp, Paper and Paperboard	17,758	14,336
Consumer Products	23,777	20,164
Other Lines of Business and Foreign Operations	18,671	18,522
Total	$126,824	$108,626

Since a significant portion of the inventory valuation is determined under LIFO using the dollar value method for natural business unit pools, it is impracticable to separate inventories into the finished goods, work in process and raw materials components.

GREAT NORTHERN NEKOOSA CORPORATION

Accounting Policy

INVENTORIES. Substantially all eligible inventories are valued on the last-in, first-out (LIFO) basis.

For Federal income tax purposes, LIFO inventories at December 31, 1976 have a tax basis which is $1.5 million lower than book basis due to purchase accounting requirements.

KIMBERLY-CLARK CORPORATION

Inventories Footnote

INVENTORIES. During 1976, inventory quantities declined, resulting in a liquidation of LIFO inventory quantities carried at prior years' costs which were lower than 1976 costs. The effect of this liquidation increased net income by approximately $1.8 million or 8 cents per share.

PROPERTY AND RELATED DEPRECIATION

REPORTING FORMAT

Plant, property, and equipment, as extracted from the annual reports to shareholders of the twenty-seven companies surveyed, was presented as a single balance sheet item by seven of the companies. All of the companies surveyed presented timber and timberlands in the balance sheet, with eighteen of such companies grouping timber and timberlands with plant, property, and equipment.

DEPRECIATION METHODS

The straight-line method for depreciation of property, plant, and equipment is used by twenty-one companies. The six remaining companies disclosed the use of both the straight-line and unit-of-production methods for computing depreciation.

DEPRECIATION RATE COMPARISONS

Company	Percentage of depreciation, depletion and amortization expense to gross fixed assets	Rank within survey	Accumulated depreciation as a percentage of gross fixed assets	Rank within survey
Boise Cascade Corporation.........	5.39%	9	37.43%	23
Champion International Corporation	4.84	19	42.25	14
Chesapeake Corporation of Virginia	6.59	2	44.27	12
Consolidated Papers, Inc..........	4.15	22	52.14	4
The Continental Group, Inc........	6.15	5	53.81	1
Crown Zellerbach Corporation......	6.10	6	48.83	6
Diamond International Corporation.	5.04	14	49.18	5
Federal Paper Board Company, Inc..	5.08	13	36.57	25
Fibreboard Corporation...........	6.16	4	47.52	7
Georgia-Pacific Corporation.......	5.72	7	36.58	24
Great Northern Nekoosa Corporation	5.25	11	43.65	13
Hammermill Paper Company..........	4.08	23	41.37	15
Hoerner Waldorf Corporation.......	5.20	12	46.16	9
International Paper Company.......	5.31	10	45.48	10
Kimberly-Clark Corporation........	3.37	27	40.70	18
Louisiana-Pacific Corporation.....	9.94	1	33.44	26
The Mead Corporation.............	4.72	20	44.94	11
Olinkraft, Inc....................	4.92	18	40.16	19
Potlatch Corporation.............	6.43	3	37.59	22
St. Regis Paper Company..........	4.06	24	52.25	3
Scott Paper Company..............	4.22	21	40.86	17
Southland Paper Mills, Inc........	3.78	26	40.05	20
Southwest Forest Industries, Inc..	4.97	17	27.23	27

Company	Percentage of depreciation, depletion and amortization expense to gross fixed assets	Rank within survey	Accumulated depreciation as a percentage of gross fixed assets	Rank within survey
Union Camp Corporation.......	3.99%	25	46.99%	8
Westvaco Corporation.........	5.03	15	52.81	2
Weyerhaeuser Company.........	5.68	8	39.93	21
Willamette Industries, Inc...	4.99	16	41.14	16
Survey Weighted Average......	5.11		43.57	

CAPITALIZATION AND RETIREMENT POLICIES

Twenty-two companies specifically stated that normal maintenance and repairs were expensed and that betterments and renewals were capitalized.

Twenty-two companies indicated the accounting treatment used for reporting gains and losses realized on retirements of property, plant, and equipment:

(a) All gains and losses included in income currently

Boise Cascade Corporation
Champion International Corporation
Chesapeake Corporation of Virginia
Consolidated Papers, Inc.
Diamond International Corporation
Federal Paper Board Company, Inc.
Fibreboard Corporation
Great Northern Nekoosa Corporation
Hammermill Paper Company
Hoerner Waldorf Corporation
Kimberly-Clark Corporation
Olinkraft, Inc.
Potlatch Corporation
Southwest Forest Industries, Inc.
Union Camp Corporation
Westvaco Corporation
Willamette Industries, Inc.

(b) Gains and losses on retirement of complete units included in income and on normal retirements applied to accumulated depreciation

Georgia-Pacific Corporation
St. Regis Paper Company
Weyerhaeuser Company

(c) Gains and losses from routine retirements or sales of plant assets are applied to reserve account

Scott Paper Company
Louisiana-Pacific Corporation

CAPITALIZATION OF INTEREST

Ten companies of the twenty-seven companies surveyed disclosed a policy of capitalizing interest incurred to finance construction projects during the construction period. Six of the ten companies disclosed the amount of interest capitalized during 1976, as follows:

Name of Company	Interest Capitalized During 1976	Ratio of Capitalized Interest to Income Before Income Taxes
	(in thousands)	
Georgia-Pacific Corporation........	$12,800	3.59%
Louisiana-Pacific Corporation......	1,100	2.72
Olinkraft, Inc.....................	96	.18
Southwest Forest Industries, Inc...	54	.48
Union Camp Corporation.............	3,785	1.87
Weyerhaeuser Company...............	13,119	3.18

Boise Cascade Corporation and The Continental Group, Inc. both stated that they capitalize interest during construction but that the dollar amounts for 1976 were insignificant.

* * * * *

Following are excerpts of policies relating to property and depreciation of several of the companies surveyed.

INTERNATIONAL PAPER COMPANY

Accounting Policy

Plants and properties are stated at cost. With regard to the Company's oil and gas properties, the Company follows the "full-cost" method of accounting under which all direct costs incurred in the acquisition, exploration, and development of oil and gas properties are capitalized and amortized on a company-wide composite method over the productive life of the producing properties.

Depreciation is computed principally on a straight-line method for financial reporting purposes and on accelerated methods for tax purposes, based upon estimated useful lives. Depreciation rates, for financial reporting purposes, are as follows: buildings 2-1/2%; machinery and equipment 5% to 25%; woods equipment 10% to 16%.

Depletion of oil and gas properties is determined on the basis of the percentage of the oil and gas revenues during the period to the total estimated future gross revenues from proven reserves.

THE MEAD CORPORATION

Property, Plant and Equipment Footnote

Mead's major classes of property, plant and equipment at cost are:

December 31	1976	1975
All dollar amounts in thousands		
Buildings (net of accumulated depreciation of $68,648 in 1976 and $65,211 in 1975)............	$107,095	$105,689
Machinery and equipment (net of accumulated depreciation of $321,799 in 1976 and $292,981 in 1975)..	301,916	279,193
Construction-in-progress and construction funds....	69,381	57,008
	478,392	441,890
Land, including timberlands and mineral reserves - net of cost of timber harvested................	78,650	74,616
	$557,042	$516,506

The above timberlands are a source of supply for the mills at Escanaba, Michigan; Chillicothe, Ohio; Stevenson, Alabama; and the Brunswick, Georgia, affiliate.

POTLATCH CORPORATION

Accounting Policy

DEPRECIATION, AMORTIZATION, AND COST OF FEE TIMBER HARVESTED. Depreciation of buildings, equipment, and other depreciable assets is provided on the straight-line method at rates based on the estimated useful lives of the assets being depreciated.

Logging roads and related facilities are depreciated over their useful lives or amortized as related timber is removed. Amortization expense is determined by multiplying the volume of timber removed by a rate calculated by dividing the cost of logging roads and related facilities by the estimated total timber volumes to be transported over such assets.

Cost of fee timber harvested is similarly provided when fee timber is harvested or otherwise disposed of. The applicable rate is calculated by dividing the cost of timber by the estimated existing recoverable volume.

Amortization rates and rates for cost of fee timber harvested are recalculated annually.

SOUTHLAND PAPER MILLS, INC.

Accounting Policy

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment are stated at cost. Major renewals and betterments are capitalized and repairs and maintenance costs are expensed.

In connection with major construction and expansion projects, interest and sales taxes have been capitalized with the related assets and depreciated over their useful lives for financial reporting purposes, but expensed for tax purposes. The interest capitalized on borrowings related to the Houston mill expansion was based upon project expenditures and the effect was to increase net income $1,267,000 in 1974 and $181,000 in 1973. There were no such borrowings in 1975 and 1976 for the paper machine replacement.

Depreciation for financial reporting purposes has been provided using straight-line composite rates based on the estimated service lives (principally 20 years) of the various units of property. Accelerated methods over guideline lives (principally 16 years) are used for tax purposes.

Depletion is provided on the basis of the percentage of timber removed from company holdings to the total estimated timber on such holdings.

WEYERHAEUSER COMPANY

Accounting Policy

PROPERTIES. The cost of properties includes interest on funds borrowed to finance the acquisition or construction of major facilities. Construction financing is part of the cost of acquiring economic resources which provide benefits beyond the period in which acquired; therefore, deferred expense recognition through association of all property acquisition costs with future revenues through allocation to future periods in a systematic and rational manner is appropriate. A borrowed capital pool rate is applied to construction in progress project balances to compute the amount of interest to be capitalized. Capitalization of interest ceases when a facility commences operations.

TIMBER AND TIMBERLANDS

BALANCE SHEET PRESENTATION

The results of our survey showed that seventeen companies disclosed timberlands under the major caption "Property, Plant and Equipment" on the balance sheet in the annual report to shareholders. Ten companies set out timberlands separately on the balance sheet.

Of the twenty-seven companies surveyed, twenty-four showed timberlands net of accumulated depletion in the balance sheet. Of these companies, two gave parenthetical disclosure of the dollar amount of accumulated depletion.

Three of the surveyed companies included timber and timberlands at gross cost and included the related depletion with accumulated depreciation and/or amortization.

One company, St. Regis Paper Company, set out timberlands and cutting rights at gross cost and gave the accumulated depletion and amortization as a separate line item.

DEPLETION METHODS DISCLOSED

Depletion methods disclosed by the companies included in the survey varied with respect to the terminology used but appeared to be similar in the types of methods applied:

- Twenty-two companies disclosed that they amortized timber costs over the estimated volume of recoverable timber.
- Three companies (Consolidated Papers, Inc., The Continental Group, Inc. and Fibreboard Corporation) stated that the provision for depletion of timberlands is computed on the "unit-of-production" basis.
- One company (Diamond International Corporation) disclosed that "Depletion of timber is computed based upon total estimated footages, at average rates, by area and species."
- One company did not disclose the method utilized.

TIMBER CUTTING RIGHTS/TIMBER PURCHASE CONTRACT DISCLOSURES

Eight companies specifically disclosed that they had capitalized timber cutting rights. Union Camp Corporation disclosed that obligations related to timber cutting contracts were stated at present value and included in the balance sheet as a contra account. Champion International Corporation disclosed in its Long-Term Debt footnote the long term obligations recorded for timber cutting contracts as follows:

	1976	1975
	(In thousands)	
Long-Term Timber Cutting Obligations(e):		
Effective rate 8.061%, payable through 1997..................................	$96,000	$98,000
Effective rate 7.125%, payable through 1988..................................	20,549	21,597

(e) Under timber cutting contracts, with current minimum annual payments of $12,521,000, the Company has the right to cut the timber and all future growth until the termination date of the applicable contract at which time the Company has the right to purchase the remaining timber for a nominal amount.

* * * * *

Several of the twenty-seven companies surveyed made disclosures relating to commitments for uncapitalized timber purchase contracts and timber cutting rights. These disclosures are summarized as follows:

	Number of Companies
Total dollar amount of future commitments......	2
Expiration date of commitments.................	2
Number of acres covered by the commitments.....	1
Dollar amount Company is obligated to pay in 1977 under such commitments..................	1

TIMBERLAND OPTIONS DISCLOSURE

Champion International Corporation disclosed the acquisition of options to acquire timberlands as follows:

On August 31, 1976, the Company purchased from Kimberly-Clark Corporation for $11,400,000 options to acquire approximately 388,000 acres of timberlands in the upper peninsula of Michigan and northern Wisconsin. The total option price is $46,900,000 against which the $11,400,000 already paid and included in other assets on the Company's balance sheet will be credited if all such options are exercised. These options are exercisable in series and expire from 1978 to 1982. The purchase price is subject to reduction in the event of early exercise of the options.

DISCLOSURE OF THE AMOUNTS OF WOOD CONSUMED FROM COMPANY-OWNED LANDS

The percentage of wood consumed from company owned or controlled lands was disclosed by the following companies:

	Percentage of Wood Consumed from Owned Lands
Boise Cascade Corporation.................	21-62%(1)
Consolidated Papers, Inc..................	24
Crown Zellerbach..........................	59
Federal Paper Board Company, Inc..........	10
Georgia-Pacific Corporation...............	50
Kimberly-Clark Corporation................	57
Louisiana-Pacific Corporation.............	50-60
Olinkraft, Inc............................	50
St. Regis Paper Company...................	34
Southland Paper Mills, Inc................	34
Union Camp Corporation....................	28
Willamette Industries, Inc................	50

(1) Percentages given by area of the country.

Other disclosures included in certain company's annual reports concerning the source of wood supplies used in company operations are as follows:

BOISE CASCADE CORPORATION

The company continued its program of accelerated silvicultural activities to assure improved yields from its own timberland. Boise Cascade increased its owned timberland by 15% in 1976, including joint ventures.

INTERNATIONAL PAPER COMPANY

IP owns 8.5 million acres of forestland outright. It has additional harvest rights primarily in Canada on 12.4 million acres plus additional harvesting rights measured in wood volume. Mineral rights cover 9.9 million acres, half on land owned in fee. For each of those acres, the company is seeking the best single or combination of uses to enhance its productivity.

* * * * *

Other excerpts of timber and timberland disclosures made by companies are as follows:

CONSOLIDATED PAPERS, INC.

Accounting Policy

Timber and timberlands are recorded at cost, less amortization for cost of timber harvested. Amortization is computed on the unit-of-production method. Timber carrying costs are expensed as incurred.

GEORGIA-PACIFIC CORPORATION

Accounting Policy

The corporation amortizes its timber costs over the total fiber that will be available during the estimated growth cycle. Timber carrying costs are expensed as incurred.

HAMMERMILL PAPER COMPANY

Accounting Policy

Depletion costs are recorded as timber is cut, at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

HOERNER WALDORF CORPORATION

Accounting Policy

Timber and timberlands are stated at cost. When timber is harvested, depletion is provided at rates computed annually by dividing unrecovered cost by estimated recoverable quantities.

OLINKRAFT, INC.

Accounting Policy

Cost of timber harvested is computed at the unit cost rates calculated annually, based on the estimated volume of recoverable timber and the related unamortized costs.

POTLATCH CORPORATION

Timber, Timberlands, and Related Logging Facilities Footnote

Timber, timberlands, and related logging facilities are stated at cost less amortization or depreciation and cost of fee timber harvested.

SOUTHWEST FOREST INDUSTRIES, INC.

Accounting Policy

TIMBER AND LOGGING ROADS. Fee timber is depleted as it is harvested based upon a rate calculated by dividing the cost of timber by the estimated existing recoverable volume. Logging roads are amortized over their useful lives as timber is harvested.

INTANGIBLES

AMORTIZATION POLICIES FOR EXCESS COST

The excess of the cost of investment over a Company's equity in the related net assets (or the excess of equity in net assets over cost) was disclosed by the companies included in the survey as being treated principally as follows:

	Number of Companies
Amortized over a period not exceeding 40 years (three companies stated that the excess arising prior to October 31, 1970 is not amortized).....	6
Amortized over a period less than 40 years........	3
Amortized over the remaining life of the assets to which such excess has been allocated............	2
Amortization period not disclosed.................	2
Not amortized because assets considered to have continuing value..................................	1
Not disclosed.....................................	13

PREOPERATING AND START-UP COSTS

Preoperating and start-up costs were disclosed by companies included in the survey as being treated principally as follows:

Amortized over various periods up to 15 years.....	1
Amortized over a period of 7 years................	2
Amortized over a period of 5 years or less........	3
Amortization period not disclosed.................	1
Expensed as incurred..............................	5
Not disclosed.....................................	15

One company which disclosed that such costs are expensed as incurred noted that in certain cases these costs are amortized over a twelve month period following commencement of operations and for some operations outside the U.S. longer amortization periods are employed.

* * * * *

Some excerpts relating to the treatment of excess cost and preoperating and start-up costs are stated below:

KIMBERLY-CLARK CORPORATION

Accounting Policy

INTANGIBLE ASSETS. Patents which are the result of internal development and trademarks are stated at the nominal amount of $1,000. Purchased patents and processes, goodwill and other intangibles are included in other assets and are amortized over appropriate periods of time.

SOUTHWEST FOREST INDUSTRIES, INC.

Accounting Policy

PREOPERATING AND START-UP COSTS. Preoperating and start-up costs incurred in connection with major new manufacturing facilities are deferred and recorded as other assets. These costs are amortized on a straight-line basis over periods of five years or less. The amount of cost deferred in 1976 and 1975 was $2,862,000 and $2,540,000, respectively.

DEFERRED CHARGES. Deferred charges, both tangible and intangible, are amortized over periods not exceeding the estimated period of benefit. The excess cost of businesses acquired over the related net assets shown by the acquired company's books at date of acquisition, not assigned to specific assets, is carried as a deferred charge and amortized over a thirty year period. At December 31, 1976, the unamortized portion of such excess cost is $6,057,000.

UNION CAMP CORPORATION

Accounting Policy

The excess at December 31, 1976, of the Company's investment over the related equity in the underlying net assets of these subsidiaries and affiliates, amounting to $4,015,000, is not being amortized since, in the opinion of management, there has been no diminution in value of the subsidiary to which the excess applies.

THE CONTINENTAL GROUP, INC.

Accounting Policy

The excess of investment cost over the Company's equity in net assets of businesses acquired prior to November, 1970 ($43 million) is not being amortized because, in the Company's opinion, there has been no decrease in the value of the related investments. The Company amortizes, over a period of not more than forty years, the excess costs related to acquisitions subsequent to October, 1970.

GREAT NORTHERN NEKOOSA CORPORATION

Accounting Policy

EXPENSES RELATING TO PLANT EXPANSION. Certain costs incurred on expansion projects are expensed during the period of construction rather than capitalized. These costs, generally referred to as pre-start-up costs, include demolition, relocation, rework, sales/use taxes and training labor.

RESEARCH AND DEVELOPMENT EXPENDITURES

FASB STATEMENT NO. 2

Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs", which became effective for fiscal years beginning on or after January 1, 1975, requires that research and development costs be expensed when incurred and such amount be disclosed in the financial statements.

EXPENDITURE DISCLOSURES

Ten of the twenty-seven companies surveyed disclosed the dollar amount of research and development expenditures in their published annual reports. Seven of the ten companies disclosed the dollar amount in the notes to the financial statements. Two of the ten companies (The Continental Group, Inc. and Kimberly-Clark Corporation) included research and development expense as a separate line item on their income statements, while one firm (Scott Paper Company) made the disclosure in the summary review of 1976 operations.

POLICY DISCLOSURES

Since the adoption of FASB No. 2, accounting policy disclosures concerning research and development expenditures are no longer required. Eleven of the twenty-seven companies surveyed, including all but three (The Continental Group, Inc., St. Regis Paper Company & Scott Paper Company) of the companies that disclosed the dollar amount of research and development expenditures, stated that all research and development expenditures were expensed as incurred.

* * * * *

Examples of some research and development expenditure disclosures are as follows:

BOISE CASCADE CORPORATION

Accounting Policy

RESEARCH AND DEVELOPMENT COSTS. Research and development costs are expensed as incurred. During 1976 and 1975, research and development expenses were approximately $3,296,000 and $2,284,000, respectively.

INTERNATIONAL PAPER COMPANY

Accounting Policy

RESEARCH AND DEVELOPMENT COSTS. The Company is committed to an on-going research program which is primarily conducted at its four research centers in the U.S. and Canada. Such costs amounted to $20.1 million and $16.5 million in the years 1976 and 1975, respectively, and have been charged to operations as incurred.

OLINKRAFT, INC.

Accounting Policy

(G) RESEARCH AND DEVELOPMENT. Expenditures relating to the development of new products are charged to current operations as incurred.

WESTVACO CORPORATION

Research and Development Footnote

Expenditures of $8,536,000 (1975 - $7,927,000) were expensed as incurred.

RETIREMENT AND PENSION PLANS

Every company included in the survey disclosed that they had pension or retirement plans.

PLAN FUNDING DISCLOSURES

Twenty-four companies indicated that pension costs were currently funded. Twenty-six companies disclosed the status of vested benefits as compared with the value of pension fund assets:

- Two companies stated that fund assets exceeded vested benefits.
- Twenty-three companies stated that vested benefits exceeded the value of pension fund assets.
- One company stated that the fund assets are approximately equal to the vested benefits.

The amounts of vested benefits which exceeded the value of pension fund assets are summarized as follows:

	..................Number of Companies..................						
Number of Employees (In thousands)	.........Unfunded Vested Benefits (in Millions).........						
	$0 to 25	$25 to 50	$50 to 100	$100 to 150	$150 to 200	Over $200	Not disclosed
1 - 10........	6						2
10 - 20........	1	1	1				2
20 - 30........	1	2	1				
30 - 40........	1		1	1			
40 or more.....		1	2			1	
Not disclosed..	3						

Fifteen companies disclosed the date of the actuarial computation of vested benefits used in their annual report to shareholders.

ACTUARIAL GAINS AND LOSSES

Champion International Corporation was the only company to disclose its policy as to actuarial gains and losses - "actuarial gains and losses are generally amortized over a ten year period".

PENSION COST DISCLOSURE

Although pension costs did vary from company to company, generally the costs followed a pattern based on the number of employees as summarized below:

Number of Employees (In thousands)	Number of Companies — Pension Costs (in Millions): $1 to 6	$6 to 10	$10 to 15	$15 to 20	Over $20
1 - 10	7	1			
10 - 20		3	1	1	
20 - 30				2	2
30 - 40					3
40 or more					4
Not disclosed	3				

Twenty-six of the companies surveyed disclosed that past and/or prior service costs were being amortized, but only seventeen companies disclosed the dollar amounts of these costs. The amounts of unfunded past and/or prior service costs are summarized as follows:

Number of Employees (In thousands)	Number of Companies — Unfunded Past and/or Prior Service Costs (in Millions): $1 to 25	$25 to 50	$50 to 75	$75 to 100	$100 to 150	Over $150	Not disclosed
1 - 10	5	1					2
10 - 20		3	1				1
20 - 30				1	1		2
30 - 40						1	2
40 or more						3	1
Not disclosed		1					2

ERISA DISCLOSURES

Eleven of the twenty-seven companies surveyed disclosed certain information relating to the Employee Retirement Income Security Act of 1974 (ERISA):

- Eleven companies disclosed that their pension or retirement plans were amended for ERISA.
- Nine companies disclosed the effect of adopting the ERISA amendments.
- Six companies stated that ERISA did not significantly affect pension costs.

OTHER DISCLOSURES

Eight of the twenty-seven companies surveyed disclosed investment savings plans, stock bonus plans, or profit sharing plans in the pension note.

* * * * *

The following are excerpts of the pension and retirement plan disclosures made by certain companies included in the survey:

UNION CAMP CORPORATION

Pension Plans Footnote

During 1976 the Company charged a total of $11,465,000 (1975 - $10,190,000) to income for expense of retirement plans for salaried and hourly employees of the Company and its consolidated subsidiaries. At December 31, 1976, the amount of unfunded past service retirement benefits, based on the most recent report of the Company's actuaries, is estimated to be $57,400,000 (1975 - $51,552,000). The major portion of this amount is being funded over thirty years as allowed by the Internal Revenue Code.

CHAMPION INTERNATIONAL CORPORATION

Accounting Policy

The Company and its subsidiaries have contributory and non-contributory employee pension and retirement plans covering salaried and hourly-paid employees. Pension costs are computed on the basis of accepted actuarial methods and include current service costs of all pension plans and the amortization of past service costs over periods up to 40 years. Actuarial gains and losses are generally amortized over a ten-year period. Accrued pension costs are generally funded currently. (See Note 10).

Pension and Retirement Plans Footnote

The pension expense, for contributory and noncontributory employee pension and retirement plans, was $24,915,000 in 1976 and $20,156,000 in 1975.

As of the latest actuarial valuation date, January 1, 1976, unfunded past service liabilities amounted to $96,928,000 which includes unfunded vested benefits aggregating $76,576,000.

HOERNER WALDORF CORPORATION

Accounting Policy

The Company and its subsidiaries have retirement plans covering substantially all employees. Pension plan provisions include normal cost plus amortization of, or interest on, unfunded prior service cost. The Company's policy is to fund pension costs accrued. The contributions to the profit sharing trust are determined by the Board of Directors but cannot exceed the maximum amount deductible for income tax purposes.

Pension and Profit Sharing Plans Footnote

Pension and profit sharing provisions for 1976 totaled $7,433,000 ($6,790,000 for 1975), including an amount calculated to amortize unfunded prior service costs over 15 to 40 years. Unfunded prior service costs approximate $10,100,000. The Company periodically reviews and amends its various retirement plans to provide increased benefits. Changes adopted during the two years ended October 31, 1976 did not materially affect net income.

The actuarially computed value of vested benefits in several plans exceeds the related pension fund assets and balance sheet accruals by approximately $7,450,000. Pension fund assets and balance sheet accruals exceed vested benefits in all other plans. The Pension Reform Act of 1974 will not materially affect the future annual pension provisions or funding requirements of existing plans.

INCOME TAXES

INCOME STATEMENT PRESENTATION

Twenty-two of the twenty-seven companies surveyed showed the provision for income taxes as a one line item on the income statement; whereas, five companies disclosed the current and deferred provisions on the face of the income statement. Certain of these companies repeated the same information in the notes to the financial statements.

FOOTNOTE DISCLOSURE

The following table indicates the number of companies disclosing the various components of their tax provisions in the notes to the financial statements:

Notes to financial statements detailed:	Number of Companies
Current	23
Deferred	25
State and/or local	21
Foreign	13
Current and Deferred portion shown individually for:	
Federal	18
State and/or local	8
Foreign	11

COMPONENTS OF DEFERRED TAXES

All companies provided for deferred taxes. In addition to the use of accelerated depreciation for tax return purposes, other deferred items disclosed as comprising deferred taxes were as follows:

Deferred Tax Item	Number of Companies
Capitalized interest	6
Cost of timber harvested	1
Deferred charges	2
Discontinued operations	1
Drilling and exploration costs	1
Facility realignment expenses	2
Foreign exchange adjustments	2

Deferred Tax Item - (Continued)	Number of Companies
Income from Domestic International Sales Corporation.......	7
Installment sales....................................	3
Inventory adjustments................................	4
Inventory valuation..................................	2
Investment credits...................................	4
Pensions and other compensation......................	4
Preoperating and start-up costs......................	5
Research and development.............................	1
Undistributed earnings...............................	3
Miscellaneous and other charges......................	16

EFFECTIVE TAX RATES

All but one of the companies reported Federal income tax rates of less than the 48% statutory rate in 1976 primarily because of the utilization of investment tax credits and capital gains rates.

The effective tax rates of the companies based on the reported tax provision (including Federal, foreign, state and local taxes) as a percentage of income before taxes, as defined by each Company, are:

Company	Effective ...Tax Rate... 1976	1975	Rank Within ...Survey... 1976	1975
Boise Cascade Corporation.............	36.0%	35.5%	18	21
Champion International Corporation....	40.7	27.9	13	23
Chesapeake Corporation of Virginia....	42.3	45.8	10	2
Consolidated Papers, Inc..............	45.2	48.3	4	1
The Continental Group, Inc............	43.5	38.5	5	15
Crown Zellerbach Corporation..........	33.9	40.9	20	11
Diamond International Corporation.....	40.8	45.1	12	3
Federal Paper Board Company, Inc......	40.4	43.5	14	7
Fibreboard Corporation................	(10.3)	(49.0)	27	26
Georgia-Pacific Corporation...........	40.0	36.0	15	20
Great Northern Nekoosa Corporation....	47.0	42.5	2	8
Hammermill Paper Company..............	33.6	39.5	21	14
Hoerner Waldorf Corporation...........	48.6	38.4	1	16
International Paper Company...........	33.2	41.3	22	9
Kimberly-Clark Corporation............	43.0	43.6	7	5
Louisiana-Pacific Corporation.........	37.0	24.0	17	25
The Mead Corporation..................	46.9	32.7	3	22
Olinkraft, Inc........................	35.5	40.3	19	13
Potlatch Corporation..................	29.3	27.7	24	24
St. Regis Paper Company...............	32.5	37.4	23	17
Scott Paper Company...................	38.0	41.0	16	10
Southland Paper Mills, Inc............	42.9	43.7	9	4
Southwest Forest Industries, Inc......	24.0	(128.0)	26	27
Union Camp Corporation................	41.5	43.5	11	6
Westvaco Corporation..................	43.0	40.6	8	12
Weyerhaeuser Company..................	26.0	37.0	25	18
Willamette Industries, Inc............	43.3	36.6	6	19

INVESTMENT TAX CREDIT

The investment tax credit was applied by twenty-two companies utilizing the flow-through method and five companies using the deferral method.

TAXES AND UNDISTRIBUTED EARNINGS OF SUBSIDIARIES

Accounting Principles Board Opinion No. 23, "Accounting for Income Taxes - Special Areas", which was effective for all fiscal periods beginning after December 31, 1971, mandated the recognition of income taxes by the investor for unremitted earnings of subsidiaries unless it is management's intention to reinvest such unremitted earnings.

Thirteen companies stated that no taxes were provided on undistributed earnings of certain subsidiaries because these funds were considered to be permanently reinvested:

Boise Cascade Corporation
Champion International Corporation
The Continental Group, Inc.
Crown Zellerbach Corporation
International Paper Company
Kimberly-Clark Corporation
The Mead Corporation
Olinkraft, Inc.
St. Regis Paper Company
Scott Paper Company
Union Camp Corporation
Westvaco Corporation
Willamette Industries, Inc.

- Eleven of the thirteen companies disclosed the amount of undistributed earnings on which no taxes were provided.

- Two of the thirteen companies disclosed that foreign income tax credits would be available to substantially offset any U.S. taxes on undistributed earnings.

TAXES AND UNDISTRIBUTED DISC EARNINGS

Thirteen of the twenty-seven companies disclosed having Domestic International Sales Corporation (DISC). Deferred taxes on undistributed DISC earnings were provided for by eight of the thirteen companies, three of which disclosed the amount of taxes provided. Five companies disclosed that taxes were not provided on undistributed DISC earnings and three of the five companies disclosed the amount of the tax benefit (taxes not provided).

* * * * *

Examples of income tax disclosures made by certain companies included in the survey are as follows:

OLINKRAFT, INC.

Accounting Policy

The current provision for Federal income taxes gives recognition to investment tax credits recorded on the flow-through method.

Deferred income taxes are provided for timing differences.

It is the Company's policy to accrue appropriate Federal and foreign income taxes on earnings of foreign subsidiaries and the Company's wholly owned Domestic International Sales Corporation (DISC) which are intended to be remitted to the parent company. No provision has been made for income taxes on undistributed earnings of the foreign subsidiaries through December 31, 1976, and on the undistributed earnings of the DISC subsidiary at December 31, 1975, as the Company intends to continue reinvesting these earnings. During 1976 the Company began accruing income taxes on earnings of the DISC subsidiary and intends to accrue income taxes on all future DISC subsidiary earnings.

HOERNER WALDORF CORPORATION

Financial Discussion and Analysis Section

The effective income tax rate for fiscal 1976 was 48.6% as compared to 38.4% in 1975 and 47.1% in 1974. The composition of the tax rate for 1976 and 1975 is explained in Note 7 to the consolidated financial statements. The significant tax rate increase in 1976 and decrease in 1975 result primarily from investment tax credits of $1,266,000 for 1976, $5,470,000 for 1975 and $1,368,000 for 1974.

Income Tax Footnote

Taxes on income for the years ended October 31 were provided as follows:

	1976	1975
Current tax expense:		
Federal	$23,314,000	$11,916,000
State	3,434,000	2,296,000
	26,748,000	14,212,000
Deferred tax expense:		
Federal	3,853,000	2,941,000
State	571,000	472,000
	4,424,000	3,413,000
Provision for income taxes	$31,172,000	$17,625,000

Income Tax Footnote - (Continued)

Components of deferred tax expense are as follows:

	1976	1975
Excess of tax depreciation over that taken for financial statement purposes........	$3,355,000	$4,120,000
Miscellaneous items......................	1,069,000	(707,000)
	$4,424,000	$3,413,000

A reconciliation of the Company's effective tax rate to the Federal statutory rate follows:

	1976		1975	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed "expected" tax expense	$30,763,000	48.0%	$22,017,000	48.0%
Increase (reductions) in taxes resulting from:				
Investment tax credits.......	(1,266,000)	(2.0)	(5,470,000)	(11.9)
Capital gains on timber (18% reduction in Federal rate).	(175,000)	(.3)	(255,000)	(.6)
State income taxes, net of Federal income tax benefit.	2,083,000	3.3	1,439,000	3.1
Miscellaneous items..........	(233,000)	(.4)	(106,000)	(.2)
Provision for income taxes.....	$31,172,000	48.6%	$17,625,000	38.4%

BOISE CASCADE CORPORATION

Income Tax Footnote

The Company provides income taxes for all items included in the Statements of Income, regardless of when such items are reported for tax purposes and when the taxes are actually paid. The investment tax credit is recognized currently as a reduction of income tax expense.

Income tax expense includes the following:

	Year Ended December 31				
	1976				1975
	Federal	State	Foreign	Total	Total
	(expressed in thousands)				
Current income taxes........	$50,136	$4,499	$1,841	$56,476	$30,205
Deferred income taxes.......	7,750	725	3,967	12,442	12,033
Investment tax credit.......	(14,168)	-	-	(14,168)	(7,058)
Total income tax expense....	$43,718	$5,224	$5,808	$54,750	$35,180

A reconciliation of the theoretical tax expense, assuming all United States and foreign income were taxed at the statutory U.S. Federal income tax rate, and the Company's actual tax expense is as follows:

	Year Ended December 31			
	1976		1975	
	Amount	Percentage of Pre-tax Income	Amount	Percentage of Pre-tax Income
	(expressed in thousands, except percentages)			
Theoretical tax expense..........	$ 73,000	48.00%	$47,554	48.00%
Increases (decreases) in taxes resulting from:				
Income taxed at the capital gains rate.................	(6,373)	(4.19)	(7,261)	(7.33)
Investment tax credit........	(14,168)	(9.32)	(7,058)	(7.12)
Other.......................	2,291	1.51	1,945	1.96
Actual tax expense..............	$ 54,750	36.00%	$35,180	35.51%

Deferred income taxes result from timing differences in recognition of revenue and expense for tax and financial reporting purposes. The nature of these differences and the tax effect of each were as follows:

	Year Ended December 31	
	1976	1975
	(expressed in thousands)	
Book depreciation under tax depreciation..........	$ 6,417	$ 2,414
Deferred income amortization......................	(725)	(1,325)
Interest income reported in prior tax returns......	797	2,400
Decrease in tax basis of inventories resulting from timber capital gains............................	4,709	7,456
Taxes deferred on sale of land....................	2,059	1,421
Other..	(815)	(333)
Total deferred income taxes......................	$12,442	$12,033

The deferred tax liability of $1,063,000 on the Company's balance sheet at December 31, 1976, is composed of $41,078,000 of future tax benefits which are expected to be realized during the Company's withdrawal from the realty business, offset by a deferred tax liability of $42,141,000 relating to the Company's ongoing businesses. Receivables on the Balance Sheet at December 31, 1976, include tax claims for refunds of $23,154,000.

As part of prior years' extraordinary charges applicable to the Company's discontinued realty business, estimated future tax benefits applicable to the losses were recorded. However, these benefits are not realized for tax purposes until the losses are actually incurred. For the years ended December 31, 1976 and 1975, the Company realized $24,747,000 and $10,109,000, respectively, of such benefits from the realty business.

It was the policy of the Company to record the income tax benefits or costs on the disposition of foreign government notes and other Latin American investments when such benefits or costs were realized. These benefits or costs were credited or charged to the investment reserve and were not reflected in the Statements of Income. The Company realized $23,694,000 in 1976 and $3,050,000 in 1975 of such benefits.

The Company has undistributed earnings of approximately $89,138,000 from certain of its foreign subsidiaries. U.S. income taxes, net of allowable foreign income tax credits, have been provided on $15,779,000 of the undistributed earnings. The Company has not provided U.S. income taxes on $73,359,000 of the undistributed earnings of its Canadian subsidiaries because of its plans to reinvest these earnings in Canada.

The Company's Federal income tax returns have been examined through 1973, and certain deficiencies have been proposed. The amount of deficiencies, if any, which may result upon settlement of these years cannot be determined at this time, but the Company believes that it has sufficient reserves to cover any such deficiencies.

FEDERAL PAPER BOARD COMPANY, INC.

Accounting Policy

Provisions are made for deferred income taxes resulting from differences between the time transactions affect taxable income and the time they are recorded for financial statement purposes.

The company accounts for the investment tax credit and the company's Domestic International Sales Corporation (DISC) tax benefit as reductions in the provision for Federal income taxes in the year such credit and benefit arise.

The provisions for taxes on income in 1976 and 1975 differ from amounts computed by applying the U.S. Federal income tax rate of 48% to income before taxes, due to the following (in thousands):

48% of income before taxes	$18,180	$14,124
Investment tax credit	(4,140)	(2,600)
State income taxes less Federal income tax effect	1,292	1,060
Depreciation and cost of timber harvested applicable to excess of cost over tax basis of certain assets	724	680
Other (includes DISC tax benefits, 1976 - $308,000; 1975 - $537,000).	(771)	(469)
Provision for taxes on income	$15,285	$12,795
Effective rate	40.4%	43.5%

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and tax effects were as follows:

	(in thousands)	
Depreciation deducted for income tax purposes in excess of amounts charged to operations	$ 3,891	$ 2,991
Increase (decrease) in income of subsidiary taxable in succeeding year.	145	(295)
All other timing differences	(134)	(11)
Provision for deferred taxes on income	$ 3,902	$ 2,685

EXTRAORDINARY ITEMS

ACCOUNTING PRINCIPLES BOARD OPINION NO. 30

Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations", sets out definitive criteria for determining and reporting extraordinary items. For an event or transaction to be extraordinary it must be both unusual in nature and infrequent in occurrence, taking into account the environment in which the entity operates.

1976 DISCLOSURES

One company in the survey reported an extraordinary item as shown below:

BOISE CASCADE CORPORATION

Extraordinary Gain Footnote

The Company has had an investment reserve to absorb losses related to its investments in foreign government notes and certain other Latin American investments unrelated to its forest products operations. In late 1976, the Company sold the last of its Latin American investments and determined that the remaining balance in the investment reserve was no longer required. The balance of the reserve was returned to income in the form of an extraordinary credit of $3,500,000, or $.12 per share. In mid-1972, the Company recorded an extraordinary charge of $50,000,000 to increase its existing Latin American investment reserve.

DISCLOSURE OF LEASE COMMITMENTS BY LESSEES

COMPLIANCE WITH ACCOUNTING PRINCIPLES BOARD OPINION NO. 31 AND SEC ACCOUNTING SERIES RELEASE NO. 147

Until it was superceded by Statement of Financial Accounting Standards No. 13, "Accounting for Leases" issued in November 1976 and effective for leasing transactions and lease agreement revisions entered into on or after January 1, 1977, Accounting Principles Board Opinion No. 31 enumerated the required disclosures for lessees. The information required by this opinion closely resembles that required by the Securities and Exchange Commission Accounting Series Release No. 147. The disclosure requirements as of December 31, 1976 and related compliance of the companies included in the survey are as follows:

(A) Total rental expense (reduced by rentals from subleases, with disclosure of such amounts) entering into the results of operations for each period presented is required to be disclosed in the annual reports.

There were six companies that disclosed the dollar amounts of both rental expense and sublease income.

Two other companies disclosed the dollar amount of rental expense and stated that sublease income is not significant.

Eighteen companies, including the eight mentioned above, disclosed the total expense for the periods presented. One additional company noted that the total expense for the periods presented was not significant.

(B) The minimum rental commitments under all non-cancelable leases should be disclosed for: a) each of the five succeeding fiscal years, b) each of the next three five-year periods and, c) the remainder as a single amount. The total of the amounts included in a), b), and c) should be shown by major property category and the amounts so determined should be reduced by rentals of existing non-cancelable subleases (with disclosure of the amounts of such rentals).

Fourteen of the companies surveyed complied with this section by presentation of a table with separate columns for each major classification of property.

One additional company complied in tabular form for (a), but then was limited in its presentation of (b) and (c).

Two other companies gave limited disclosure in narrative form.

The remaining ten companies gave no information regarding minimum rental commitments under non-cancelable leases.

(C) Additional disclosure, as required under the Opinion, varied by company.

Fifteen companies indicated that if the non-capitalized financing leases were capitalized at the beginning of their initial terms, the impact on net income for the years presented would not be material. Regulation S-X of the SEC requires disclosure of such impact on operations if it equals three percent or more of the average net income for the last three years.

Five companies disclosed that payments were being made for incidents of ownership, such as, property taxes, insurance, maintenance, etc.

(D) Disclosure of the present value of lease commitments in the annual reports to stockholders is encouraged by Opinion No. 31 but not required. Information relating to the present value of minimum lease commitments for non-capitalized financing leases is required in filings with the SEC if such present value exceeds five percent of the sum of long-term debt, stockholders' equity and the present value of the minimum lease commitments or if the impact on operations disclosure described in (C) above is required.

Seven companies included such present value data in their annual reports as follows:

	Number of Companies
Format of data:	
Tabular....................................	4
Narrative..................................	3
Data given for:	
Asset categories...........................	5
Subleases..................................	2
Interest rates of lease commitments.......	(see following page)

Company	Range	Weighted Average
Crown Zellerbach Corporation................	4.0% to 12.75%	6.75%
Federal Paper Board Company, Inc............	Not disclosed	8.50%
Fibreboard Corporation......................	5.0% to 15.0%	7.0%
Hammermill Paper Company....................	4.5% to 20.9%	7.6%
Southwest Forest Industries, Inc............	4.0% to 16.0%	9.0%

CAPITALIZED LEASE OBLIGATIONS

Eleven of the twenty-seven companies surveyed included, as a part of their annual report long-term debt disclosure, the extent to which leases are capitalized. Excerpts of certain disclosures are as follows:

BOISE CASCADE CORPORATION - LONG-TERM DEBT AND NOTES PAYABLE FOOTNOTE

Long-term debt (including realty debt) consists of the following:

	December 31 1976	December 31 1975
	(expressed in thousands)	
Notes payable to various U.S. banks...............	$ -*	$ 53,834
Notes payable to insurance companies and other financial institutions, with interest rates averaging 8.61% and 7.42% (interest rates on insurance companies debt range from 5.25% to 10.00%)..	283,040	159,298
American & Foreign Power Company Inc.		
4.80% Debentures, subordinated to other long-term debt..................................	38,757	38,757
5.00% Debentures................................	43,440	43,370
5.88% Debentures................................	-	4,277
Revenue bonds, with interest rates averaging 7.73% and 7.90%......................................	53,188	34,847
Subordinated notes, convertible to common stock at an average of $28.45 per share through 1980, with interest rates averaging 6.40%............	8,800	8,800
Other long-term debt, with interest rates averaging 7.52% and 6.96%..........................	20,146	14,909
Lease-purchase obligations, with interest rates averaging 6.08% and 6.20%.....................	4,921	9,256
	452,292	367,348
Less current portion............................	23,853	46,733
	428,439	320,615
Realty debt, with interest rates averaging 6.09% and 7.63%......................................	11,037*	65,467
	$439,476	$386,082

*During 1976, the Company elected to prepay $99,834,000 of loans from various U.S. banks.

Scheduled payments of long-term debt are as follows:

	1977	1978	1979	1980	1981	Remainder Payable There-after	Final Pay-ment Date
		(expressed in thousands)					
Notes payable to insurance companies and other financial institutions.........	$20,680	$21,886	$24,478	$20,936	$18,970	$176,090	1997
American & Foreign Power Company Inc.							
4.80% Debentures*......	-	-	-	-	-	38,757	1987
5.00% Debentures.......	-	-	-	-	-	43,440	2030
Revenue bonds...	170	177	194	2,332	339	49,976	2001
Subordinated notes.........	-	-	2,160	2,160	960	3,520	1985
Other long-term debt..........	2,492	2,479	3,393	2,161	2,092	7,529	1996
Lease-purchase obligations...	511	429	421	1,667	206	1,687	1989
	23,853	24,971	30,646	29,256	22,567	320,999	
Realty debt.....	2,250	1,032	1,280	1,137	1,192	4,146	2002
	$26,103	$26,003	$31,926	$30,393	$23,759	$325,145	

*The Company holds $13,727,000 of American & Foreign Power Company Inc. 4.80% debentures. This amount is adequate to satisfy the remaining sinking fund requirements of the indenture. The amount of debentures shown above is net of the debentures held by the Company.

CHAMPION INTERNATIONAL CORPORATION - LONG-TERM DEBT FOOTNOTE

Long-term debt, lease and timber cutting obligations (exclusive of current installments) consist of the following:

December 31 (in thousands of dollars)	1976	1975
Long-Term Debt: Not Reproduced herein		
Long-Term Lease and Other Contractual Obligations (d):		
Facilities financed through municipal industrial revenue bonds, effective rate 5.71%, payable through 1997	$105,500	$108,700
Facilities financed through pollution control revenue bonds:		
Effective rate 5.55%, payable 1984 through 1998	19,198	19,198
Effective rate 7.47%, payable 1978 through 1999	7,400	7,400
Other (effective rates ranging from 4.89% to 6%)	23,034	24,648
Long-Term Timber Cutting Obligations (e):		
Effective rate 8.061%, payable through 1997	96,000	98,000
Effective rate 7.125%, payable through 1988	20,549	21,597
Total(f)	653,094	698,198
Less unamortized discount	401	442
	$652,693	$697,756

(d)Under certain leases, the Company has the right upon performance of its obligations to purchase the leased property for a nominal sum. These lease obligations have been capitalized for both accounting and tax purposes. Current annual payments, including interest, are $12,233,000.

CONSOLIDATED PAPERS, INC. - LONG-TERM DEBT FOOTNOTE

Long-term debt at December 31, 1976 and 1975 consisted of the following:

	1976	1975
Industrial Revenue bonds, 5-1/2%	$6,500,000	$7,600,000
Second mortgage loan, 4-3/4%	1,384,899	1,479,458
Other	627,187	391,563
Less current maturities	(1,238,266)	(1,010,882)
	$7,273,820	$8,460,139

A pollution abatement facility constructed with the proceeds of industrial revenue bonds totaling $7,600,000 is being leased for ten years. The company has an option to acquire the facility at the end of the lease term for a nominal charge and, accordingly, the transaction has been accounted for as a purchase. Principal payments of $275,000 quarterly commenced April, 1976, and continue through 1982. Under the agreement, the company is required, among other things, to limit the amount of long-term debt to no more than 50% of shareholders' investment and to maintain defined consolidated working capital of $20,000,000.

* * * * *

The following are excerpts of the lease commitment disclosures by lessees discussed above:

CROWN ZELLERBACH CORPORATION

Lease Commitments Footnote

Premises and equipment are leased under agreements which provide in some instances for renewal privileges at reduced annual rentals or for purchase at option prices established in the lease agreements. Certain of these agreements are financing leases, none of which are capitalized.

Rental expense under lease agreements was as follows (in thousands of dollars):

	1976	1975
Financing leases	$14,686	$12,615
Other leases	6,890	5,664
	21,576	18,279
Less subleases	742	876
	$20,834	$17,403

At December 31, 1976, minimum rental commitments, net of subleases, for the periods indicated are as follows (in thousands of dollars):

	Financing leases	Other leases
Year ending December 31,		
1977	$12,483	$ 6,453
1978	10,491	5,460
1979	9,630	4,680
1980	8,892	3,635
1981	8,064	2,931
Five years ending December 31,		
1986	22,086	10,656
1991	16,040	3,825
1996	11,244	1,988
Remainder		
1997-2004	3,275	629

Aggregate annual rentals under sale and leaseback agreements are restricted by certain long-term debt agreements.

The present value of commitments at December 31, 1976, under financing leases, net of subleases, discounted at interest rates ranging from 4% to 12-3/4% and averaging 6.75%, is as follows (in thousands of dollars):

Buildings	$34,080
Machinery and equipment	35,575
Land	1,389
	71,044
Less building subleases	953
	$70,091

The difference in net income between capitalizing all financing leases, with resulting amortization and interest expense, and expensing lease rentals was not material.

HAMMERMILL PAPER COMPANY

Lease Commitments Footnote

The Company and its subsidiaries have long-term cancellable and noncancellable leases covering real estate, transportation equipment and other equipment expiring on various dates through 2011 with, in some instances, renewal privileges. Annual rental expense under all leases aggregated $7,127,000 in 1976 and $6,271,000 in 1975. Rental expense under "financing leases" (as defined by the Securities and Exchange Commission) was $4,088,000 and $3,727,000 in 1976 and 1975, respectively.

Minimum rental commitments under all noncancellable leases for major categories of property are as follows:

(Thousands of dollars)	Real estate	Transportation equipment	Other equipment	Total: Noncapitalized financing leases	Total: All other leases
1977	$2,668	$1,147	$1,210	$ 4,275	$750
1978	2,610	1,067	997	4,019	655
1979	2,527	818	732	3,550	527
1980	2,356	584	651	3,174	417
1981	2,288	227	593	2,781	327
1982-1986	9,018	396	2,258	10,844	828
1987-1991	6,200	—	1,685	7,833	52
1992-1996	4,676	—	—	4,676	—
1997 and subsequent	6,961	—	—	6,961	—

The present value of commitments under "financing leases" at January 2, 1977 discounted at interest rates generally ranging from 4.5% to 20.9% and averaging 7.6% was as follows:

Real estate..........................	$17,936,000
Transportation equipment.............	3,339,000
Other equipment......................	4,964,000
	$26,239,000

The effect on net income if all noncapitalized "financing leases" were capitalized is not significant.

HOERNER WALDORF CORPORATION

Commitments Footnote

At October 31, 1976, the Company was committed under noncancelable leases (other than those accounted for as purchases - see Note 3) expiring on various dates to 2023. Most leases require payment of property taxes and insurance. Minimum rentals under such leases are as follows:

Years Ending October 31,	Land	Buildings	Machinery and Equipment	Transportation Equipment	Total
			(000 omitted)		
1977...............	$ 32	$1,429	$658	$1,657	$3,776
1978...............	32	1,340	629	1,411	3,412
1979...............	32	983	503	1,063	2,581
1980...............	32	718	351	584	1,685
1981...............	31	294	173	80	578
1982-1986..........	154	699	31		884
1987-1991..........	69	105			174
1992 and beyond....	26				26

Total rental expense, including both cancelable and noncancelable leases, amounted to approximately $5,524,000 and $5,183,000 for the years ended October 31, 1976 and 1975, respectively.

If all noncapitalized financing leases were capitalized, related assets amortized on a straight-line basis and interest accrued on the basis of the outstanding lease liability, the impact upon net income for 1976 would not be material.

SOUTHWEST FOREST INDUSTRIES, INC.

Leases and Contingencies Footnote

The Company leases certain land, buildings, machinery and equipment resulting in total rentals being charged to income in the amount of $9,042,000 in 1976 and $9,063,000 in 1975. Future rental commitments are as follows:

	Land and Buildings	Machinery and Equipment	Total
	(in thousands)		
1977	$ 2,293	$ 6,411	$ 8,704
1978	2,154	5,204	7,358
1979	2,025	3,692	5,717
1980	1,979	2,619	4,598
1981	1,894	1,971	3,865
1982 - 1986	7,846	4,782	12,628
1987 - 1991	4,801	3,300	8,101
1992 - 1996	3,357	1,413	4,770
Remainder to 2002	3,070	1,372	4,442
	$29,419	$30,764	$60,183

Renewal and/or purchase options exist for a substantial portion of the leased properties. Under most leasing arrangements, the Company pays the taxes, insurance and maintenance expenses related to the leased property.

Certain of the Company's leases meet the criteria of a financing lease and the present value of aggregate minimum rental commitments of these financing leases was as follows at December 31:

	1976	1975
	(in thousands)	
Land and buildings	$12,123	$12,336
Machinery and equipment	15,143	16,752
	$27,266	$29,088

Interest rates implicit in the terms of these leases ranged from 4% to 16% and the weighted average interest rate was 9%. If these financing leases had been capitalized, the impact on net income would have been immaterial. During 1976 the Financial Accounting Standards Board issued a statement on accounting for leases that will eventually require capitalization of the majority of these financing leases.

1976 ACCOUNTING CHANGES

Four companies included in the survey disclosed 1976 accounting changes as follows:

CHANGE IN ACCOUNTING PRINCIPLE - ADOPTION OF FASB #8

- Diamond International Corporation (prior years not restated).
- Weyerhaeuser Company (prior years restated).

CHANGE IN REPORTING ENTITY - CONSOLIDATION OF OPERATIONS PREVIOUSLY ACCOUNTED FOR ON THE EQUITY BASIS

- The Mead Corporation

CHANGE IN INCOME TAX ACCOUNTING POLICY - TAXES NOW PROVIDED ON THE UNDISTRIBUTED EARNINGS OF DISC SUBSIDIARY

- Olinkraft, Inc.

* * * * *

Excerpts of such disclosures are as follows:

DIAMOND INTERNATIONAL CORPORATION

Accounting Policy

In accordance with Statement No. 8 of the Financial Accounting Standards Board accounts of foreign subsidiaries, for 1976, have been translated into U.S. dollars at approximate year-end exchange rates for current assets (excluding inventories), current liabilities and long-term debt; at historical exchange rates for inventories, depreciation and noncurrent assets; and at average exchange rates during the year for income and expenses (excluding inventories and depreciation). Translation gains and losses (which have not been material) are charged or credited to income currently. Prior year's financial statements have not been restated since the effect of such restatement would not be material.

WEYERHAEUSER COMPANY

Summary of Accounting and Reporting Standards (in thousands except per share amounts)

The accounts of foreign subsidiaries are translated to appropriate U.S. dollar equivalents. In 1976 the Company implemented Financial Accounting Standards Board Statement No. 8 relating to the translation of foreign currency transactions and foreign currency financial statements and restated prior years' results. The restatement reduced 1975 net earnings by $3,037,000 or $.03 a share.

General Footnote (in thousands except per share amounts)

Data, where appropriate, have been restated for the implementation during the first quarter of 1976 of Financial Accounting Standards Board Statement No. 8, relating to translation of foreign currencies. The effect on net earnings and earnings per common share previously reported is as follows:

	1975		1974		1973	
	Net Earnings	Earnings Per Share	Net Earnings	Earnings Per Share	Net Earnings	Earnings Per Share
Previously reported	$191,886	$1.51	$276,197	$2.17	$349,640	$2.73
Effect of Financial Accounting Standard No. 8........	(3,037)	(.03)	796	-	(1,280)	(.01)
Restated.....	$188,849	$1.48	$276,993	$2.17	$348,360	$2.72

Foreign currency translation losses (after implementation of Financial Accounting Standards Board Statement No. 8) amounted to $12,747, $8,670 and $3,508 for the years 1975, 1974 and 1973 respectively and are included in "Other income - net". The Company had foreign currency translation gains of $1,932 in 1976. Foreign currency translation gains and losses prior to 1973 were insignificant.

THE MEAD CORPORATION

Accounting Policy

CONSOLIDATION POLICY. The accompanying statements include the accounts of all significant domestic subsidiaries, all of which are wholly-owned. In addition, these statements include for 1976 the accounts of certain wholly-owned overseas packaging subsidiaries whose operations have become more significant, which have previously been reported using the equity method. The change has not been retroactively applied since it had no effect on net earnings and no significant effect on revenues or costs and expenses. Joint ventures, affiliated companies, and the remaining foreign affiliates are stated at cost plus the Corporation's equity in their undistributed net earnings since acquisition. All significant intercompany transactions are eliminated.

OLINKRAFT, INC.

Accounting Policy

No provision has been made for income taxes on undistributed earnings of the foreign subsidiaries through December 31, 1976, and on the undistributed earnings of the DISC subsidiary at December 31, 1975, as the Company intends to continue reinvesting these earnings. During 1976 the Company began accruing income taxes on earnings of the DISC subsidiary and intends to accrue income taxes on all future DISC subsidiary earnings.

DISCLOSURE OF SELECTED QUARTERLY FINANCIAL DATA

Effective for fiscal years beginning after December 25, 1975, the Securities and Exchange Commission is requiring the disclosure of selected quarterly financial data in Annual Reports filed by companies on Form 10-K. Such disclosures include net sales, gross profit, income before extraordinary items and cumulative effect of a change in accounting, per share data based upon such income and net income for each full quarter of the year and any subsequent interim period for which income statements are presented. Differences between information included in the annual report and the quarterly reports are to be reconciled with an explanation or a reason for the difference. Disclosure is also to be made of the effect of any disposals of segments of a business, and extraordinary, unusual or infrequently occurring items recognized in each full quarter within the two most recent fiscal years and any subsequent interim period for which income statements are presented, as well as the aggregate effect and the nature of year-end or other adjustments which are material to the results of that quarter. In addition, the Commission also expressed the belief that this disclosure should also be included in the published annual reports furnished to stockholders.

All of the companies included in the survey disclosed some quarterly financial data. The disclosures made by nine companies included comparative information for 1975 which was not required by the S.E.C.

QUARTERLY DATA DISCLOSED

The specific disclosures made by the companies surveyed included the following:

Disclosed Quarterly Data	Number of Companies
Net sales	23
Net sales and other revenues	4
Total costs and expenses	5
Cost of sales	3
Interest expense	2
Selling, general and administrative expenses	3
Operating profit	9
Taxes	5
Gross profit	12
Net earnings	27
Primary earnings per share	27
Earnings per share for discontinued operations	1
Fully diluted earnings per share	9
Income from discontinued operations	1
Costs of new plant	1
Nonrecurring gains or losses	1
Equity income	1
Materials, labor and depreciation	1

EXPLANATION OF QUARTERLY FLUCTUATIONS

Six companies specifically noted that fluctuations in their quarterly data were caused by changes made to the estimated effective tax rates which were used in previous quarters.

EXPLANATION OF RESTATED QUARTERLY DATA

Nine companies disclosed that a portion of the quarterly financial data presented had been restated:

- seven companies noted that the restatement was due to a stock split
- two companies noted that the restatement was due to an acquisition.

MANNER OF DISCLOSURE

Twenty-three of the companies disclosed the required quarterly financial data in the notes to financial statements.

Two companies made references in their notes to the quarterly financial data which was included elsewhere in the report. For example:

> GEORGIA-PACIFIC CORPORATION
>
> Selected Quarterly Financial Data (Unaudited)
>
> For unaudited data relating to 1976 quarterly sales, costs and expenses, net income and related per share amounts, see "Selected Quarterly Financial Data" on page 18, which is incorporated herein by reference.

The two remaining companies were not required to present this data in their notes to the financial statements since their 1976 fiscal years began before December 25, 1975.

All twenty-five of the companies presenting the quarterly financial data either as part of their notes to financial statements or referenced in the notes to other sections of the report labeled such data as "unaudited" as permitted by the Securities and Exchange Commission.

The following are some examples of quarterly financial data disclosure:

KIMBERLY-CLARK CORPORATION

Unaudited Quarterly Consolidated Sales and Income

(Millions except per share amounts)	1976 Fourth	1976 Third	1976 Second	1976 First	1975 Fourth	1975 Third	1975 Second	1975 First
Net sales......	$377.5	$392.0	$401.4	$414.4	$356.2	$370.4	$379.5	$377.6
Gross profit...	105.7	103.4	114.5	114.8	87.6	97.4	101.1	109.4
Operating profit.......	45.0	44.6	52.1	53.6	35.4	43.3	42.0	51.2
Net income.....	27.8	29.6	31.6	32.3	22.9	28.1	24.9	26.6
Net income per share of common stock.	$ 1.20	$ 1.27	$ 1.35	$ 1.39	$ .98	$ 1.21	$ 1.07	$ 1.15

See Note 2 regarding liquidation of LIFO inventory quantities which occurred in the fourth quarter.

FIBREBOARD CORPORATION

Quarterly Financial Information - Unaudited

	(In thousands of dollars) 1976 Quarter Ended March 31	June 30	Sept. 30	Dec. 31	Year 1976
Net sales...............	$45,885	$51,412	$47,684	$ 48,226	$193,207
Cost of goods sold......	40,512	45,041	42,709	45,034	173,296
Selling, general and administrative expenses..............	3,972	4,084	3,752	4,244	16,052
Interest and debt expense...............	1,716	1,712	1,614	1,915	6,957
Costs of new plant......	317	-	-	-	317
Nonrecurring gains (losses), net.........	315	2,032	-	(771)	1,576
Income (loss) from continuing operations before Federal income taxes.................	(288)	2,593	(197)	(3,420)	(1,312)
Federal income tax charge (credit).......	300	1,003	55	(1,358)	-
Income (loss) from continuing operations....	(588)	1,590	(252)	(2,062)	(1,312)
Income (loss) from discontinued operations..	859	(53)	329	(33,879)	(32,744)
Net income (loss).......	$ 271	$ 1,537	$ 77	$(35,941)	$(34,056)

	(In thousands of dollars)				
	.........1976 Quarter Ended.........				Year
	March 31	June 30	Sept. 30	Dec. 31	1976
Income (loss) per common share:					
Continuing operations..	$(.20)	$.47	$(.10)	$ (.66)	$ (.49)
Discontinued operations...........	.26	(.02)	.10	(10.34)	(10.00)
	$ .06	$.45	$ -	$(11.00)	$(10.49)

For each of the first three quarters of 1976, the Company had estimated its expected annual effective tax rate for purposes of computing quarterly income tax expense. In the fourth quarter, the recognition of the estimated loss on disposal of the Carton Group substantially changed the facts underlying the determination of the cumulative income tax charge of $1,358,000 for the nine months ended September 30, 1976. Accordingly, the Federal income tax charge recognized in the first three quarters was eliminated in the fourth quarter, when the total annual benefit of $3,900,000 was recorded.

CONSOLIDATED PAPERS, INC.

Quarterly Financial Data (Unaudited)

The following is a summary of selected quarterly financial data for 1976:

	................Three Months Ended.................			
	March 31, 1976	June 30, 1976	September 30, 1976	December 31, 1976
Net sales..........	$74,034,020	$71,627,498	$73,568,908	$74,003,511
Gross profit.......	15,199,419	16,047,157	15,817,477	14,998,958
Net income.........	5,175,167	5,358,617	5,815,311	5,318,019
Net income per common share.....	1.01	1.04	1.13	1.03

Earnings per share are based upon the weighted average number of shares outstanding during the period and reflect the two-for-one stock split of May, 1976 with first quarter data restated.

REPLACEMENT COST DISCLOSURES IN THE ANNUAL REPORT TO SHAREHOLDERS

The Securities and Exchange Commission in its Accounting Series Release No. 190 added Rule 3-17 to Regulation S-X to require that certain companies disclose in their Annual Report to the Commission on Form 10-K specific unaudited replacement cost information for a company's productive capacity, inventories, cost of sales and depreciation charges. In addition, Staff Accounting Bulletion No. 7 presented the interpretation that while all of the information required by Rule 3-17 need not be included in a company's Annual Report to its Shareholders, the notes to the financial statements included in the report to shareholders should contain an unaudited generalized description (no specific quantitative data required) of the impact of changes in the prices of specific goods and services on a company and a reference to the detailed replacement cost data contained in the 10-K.

This Rule was effective for fiscal years ending on or after December 25, 1976. The requirements of this Rule did not apply to two of the companies included in the survey since the 1976 fiscal year of such companies ended before December 25, 1976.

Twenty-three of the companies in the survey used a separate footnote to generally discuss the subjects of replacement costs and/or the impact of inflation on the company. One company (Boise Cascade Corporation) used a Replacement Cost subheading in its Summary of Significant Accounting Principles to cross-reference to a summary discussion of the unaudited replacement cost data contained in the Financial Review section of the Annual Report to Shareholders. Another company (Williamette Industries, Inc.) included a discussion of replacement costs in its Managements' Discussion. All twenty-five companies included in their annual reports to shareholders only general information on replacement costs and an acknowledgement that the required detail disclosures were contained in the company's Form 10-K. None of the companies included in the survey disclosed any quantitative data concerning replacement costs in their annual reports to shareholders.

A section of the Annual Report to the Shareholders of Weyerhaeuser Company is entitled "Financial Report and 10-K". This section contains a copy of the Company's 10-K and includes the Company's audited financial statements and all of the other information required by the Securities and Exchange Commission except for the detailed replacement cost data. The footnote disclosure used by Weyerhaeuser in its annual report to shareholders is as follows:

REPLACEMENT COST DATA

The Company's annual report on Form 10-K, when filed with the Securities and Exchange Commission, will contain certain quantitative replacement cost data with respect to inventories, timber, plant and equipment at December 26, 1976, together with the related effect of such replacement costs on cost of sales, fee stumpage and depreciation for the year then ended. A copy of that section of Form 10-K containing the replacement cost disclosures will be available upon request after March 31, 1977.

Because the Company uses the last-in, first-out (LIFO) method of accounting for product inventories the impact of inflation upon variable production costs is now reasonably measured in cost of sales and therefore in the Company's reported operating results. Also, since the Company's normal method of replacing its timber resource is through regeneration and intensive management and since the greater portion of the management costs associated with these activities is incurred and charged to operating costs currently, the Company's reported operating results are expected to be not materially different as a consequence of giving effect to the replacement cost of fee timber harvested.

Replacement of existing plant and equipment with assets having an equivalent productive capacity would require a substantially greater capital investment than that originally required to acquire the existing assets. The higher capital investment results from a number of factors including the cumulative effect of inflation over a number of years, advancing technology and heightened concern for the environment which gives rise to significant increases in pollution control expenditures. In certain cases these capital investment increases can be partially offset by technological improvements, plant design and raw materials logistics improvements, and economies of scale which can result in reduced variable costs and increased productivity.

FOOTNOTE DISCLOSURES

The following are replacement cost footnote disclosures made in 1976 annual reports to shareholders by certain of the companies included in the survey.

THE CHESAPEAKE CORPORATION OF VIRGINIA

Current Replacement Cost Information (Unaudited) Footnote

Under new rules of the Securities and Exchange Commission (the "SEC"), current replacement cost information for certain assets and expenses will be disclosed in the Company's Form 10-K for 1976 to be filed with the SEC. The current replacement cost of the Companies' inventories, production facilities and timber and the related amounts of cost of sales, depreciation and cost of timber harvested are generally considerably higher than the corresponding historical cost amounts reported in the consolidated financial statements.

Copies of the Company's Form 10-K for the fiscal year ended January 2, 1977 may be obtained by stockholders without charge after March 31, 1977 on written request...

DIAMOND INTERNATIONAL CORPORATION

General Description of the Impact of Inflation (Unaudited) - Footnote

A substantial portion of the 1976 increase in consolidated net sales is attributable to higher selling prices; however, increased labor, material and energy costs in addition to some softening in demand in various segments of the Company's business have resulted in an inability to maintain profit margins at levels generally experienced in prior years. The Company generally establishes the sales prices of its products on the basis of competitive market conditions, rather than directly on costs incurred. Consequently, the impact on the Company's earnings of increased costs arising from inflation is not readily determinable. When net sales are matched with current replacement cost, reported margins are further reduced. It is, however, the Company's objective to maintain its historic gross profit margin on a long term basis.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a substantially greater capital investment than was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of buildings, machinery and equipment. Replacement of such plant and equipment would generally be made only if the increased depreciation expense could be recouped through higher selling prices sufficient to maintain the Company's historic gross profit margin.

The Company is required to include, in its Form 10-K to be filed with the Securities and Exchange Commission, certain information concerning the estimated replacement costs of its productive facilities and inventories and concerning depreciation and cost of sales computed on the basis of such replacement costs. A copy of the Company's Form 10-K is available upon request.

THE MEAD CORPORATION

Replacement Cost Data (Unaudited) - Footnote

As a result of inflationary pressures over the years, current replacement cost of inventories and of productive capacities owned and leased would exceed the historical costs as reflected in the accompanying statement of financial condition.

Since the company uses the LIFO method of inventory costing, current costs are matched against the company's sales, thereby approximating a replacement basis of cost of products sold. The additional depreciation which would result from the write off of replacement cost of productive capacity would increase cost of products sold from that in the accompanying statement of earnings.

Replacement cost of productive capacity would greatly exceed historical costs. To the extent productive capacity is improved by technological advancement, replacement costs are lowered. Technological improvements, however, are greatly overshadowed by inflation and the additional capital expenditures necessary to meet present requirements of various environmental regulations.

In the opinion of management the replacement cost data, which is subject to a number of interpretations, is of limited use to our share owners. Accordingly, the data as required by the SEC along with descriptions of the methods used in determining these estimates has been included with the company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

FEDERAL PAPER BOARD COMPANY, INC.

Replacement Cost Information (Unaudited) - Footnote

A Securities and Exchange Commission (SEC) rule requires that estimated replacement costs of the company's productive capacity and of its inventories, as of year end 1976, be determined together with the related estimated effects of such costs on cost of sales and depreciation. Accordingly, this information is being estimated and will be presented in the company's annual report Form 10-K, filed with the SEC. A copy of the company's Form 10-K is available upon request.

The general levels of prices paid by the company for its raw materials, energy, salaries and wages including fringe benefits, transportation, and other services, and the costs of installing new capital facilities, have in general, continued in an upward trend due principally to inflationary factors. The prices received for certain of the company's products, have had some upward adjustments as a result of such cost increases, when prevailing supply-demand conditions permitted. However, increased selling prices in general have not kept pace with cost increases.

SOUTHLAND PAPER MILLS, INC.

Impact of Inflation and Asset Replacement Costs (Unaudited) - Footnote

While sales prices of products have increased over the past few years and have accounted for a sizeable portion of the increase in net sales, inflationary pressures on raw material and energy costs have more than offset the increases in sales prices.

The cost of replacing equivalent productive plant and equipment and fee timber has required a much more substantial outlay of funds than was originally required to purchase those assets. The cumulative impact of inflation together with the effects of improved technology is even more pronounced when the additional capital investment that would be required to replace long-lived assets (approximately 18 years for machinery and 40 years for buildings) is considered.

Information concerning estimated replacement costs of plant, equipment, and fee timber and the related effect that these costs would have had on cost of goods sold and depreciation and depletion expense for the year ended December 31, 1976, is included in the company's annual report on Form 10-K to the Securities and Exchange Commission (a copy of which is available from the company without charge upon request).

OLINKRAFT, INC.

Asset Replacement Cost (Unaudited) - Footnote

In 1976 increases in selling prices of the Company's products produced in the United States contributed a significant portion of the dollar increase in net sales and generally equalled or exceeded production cost increases during the same period. As a result the Company was able to maintain a gross margin percentage in line with the levels generally experienced in prior years.

Replacement of plant and equipment with assets having equivalent productive capacity has usually required a substantially greater capital investment than was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation (approximately 16 years for machinery and up to 45 years for buildings) on the cost of such assets.

Replacement cost as a basis for plant and equipment accounting in financial statements is not a generally accepted accounting principle and is not the basis for any financial statement items reported herein. However, in accordance with Securities and Exchange Commission regulations, the Company's annual report on Form 10-K (a copy of which is available upon request) contains specific information with respect to year end 1976 replacement cost of inventories and productive capacity (generally timber, buildings, machinery and equipment) located in the United States, and the approximate effect which replacement cost would have had on the computation of domestic cost of sales and depreciation expense for the year.

BOISE CASCADE CORPORATION

Replacement Cost (Included in Summary of Significant Accounting Policies)

The Financial Review section of this Annual Report includes a summary discussion of the unaudited replacement cost data as required by the Securities and Exchange Commission. A detailed discussion of the unaudited replacement cost data is included in the Company's annual report on Form 10-K to the Securities and Exchange Commission, which is available on request.

ST. REGIS PAPER COMPANY

Replacement Cost Data (Unaudited) - Footnote

The company, along with other companies, operates in an inflationary economy having the general effect of increasing costs of operations.

When market conditions permit, the company adjusts the selling prices of its products upward to recover increased costs due to inflation in order to maintain desired profit margins. However, most of its products are sold in highly competitive markets and this is not always possible.

Data relating to the estimated replacement cost of inventories and productive capacity (including the estimated cost of sales and depreciation on a replacement cost basis) are included, as required, in the company's Form 10-K filed with the Securities and Exchange Commission, a copy of which is available upon request.

SELECTED FINANCIAL STATISTICS

Ratios	Survey Weighted Average 1977	Survey Weighted Average 1976	Survey Median 1977	Survey Median 1976
Current Ratio (current assets ÷ current liabilities)	2.0	2.1	2.1	2.0
Acid Test Ratio (quick assets (cash, accounts receivable and short-term investments) ÷ current liabilities)	1.1	1.1	1.1	1.1
Accounts Receivable Turnover Ratio (net sales ÷ average year-end accounts receivable)	11.1	10.0	11.3	10.4
Fixed Assets to Long-term Debt Ratio (fixed assets ÷ long-term debt)	2.46	2.3	2.48	2.4
Equity to Long-term Debt Ratio (equity ÷ long-term debt)	2.2	1.9	2.2	1.9
Price Earnings Ratio (average market price ÷ primary earnings per share)	9.0	8.4	8.8	7.4
Percentages				
Doubtful Accounts Receivable Percentage (average year-end allowance ÷ average year-end gross receivables)	3.6%	4.0%	2.8%	2.9%
Equity to Assets (owners' equity ÷ total assets)	52.2%	50.4%	54.6%	52.8%
Return on Invested Capital (income before extraordinary items and discontinued operations ÷ owners' equity)	13.4%	11.5%	13.2%	11.6%
Profit Margin (earnings before income taxes ÷ net sales)	9.9%	8.9%	10.8%	10.3%

SELECTED BALANCE SHEET ITEMS
AS A PERCENTAGE OF TOTAL ASSETS

Balance Sheet Items	Percent of Total Assets: Survey Weighted Average 1977	Survey Weighted Average 1976	Survey Median 1977	Survey Median 1976
Cash and Cash Items (including short-term investments)	6.4%	5.2%	4.6%	4.0%
Accounts Receivable, net of allowance for doubtful accounts	10.7%	10.6%	10.8%	10.1%
Inventories, stated at lower of cost or market	14.6	14.3%	15.5%	15.7%
Non-Current Investments in Non-consolidated Affiliates	4.5%	4.7%	2.8%	3.0%
Property, Plant and Equipment, including Timberlands, net of accumulated depreciation and depletion	60.1%	60.5%	63.5%	62.9%
Current Liabilities	16.1%	14.9%	14.1%	13.9%
Long-term Debt	24.2%	26.7%	25.5%	26.6%

ANNUAL REPORTS ON FORM 10-K

REPLACEMENT COST DISCLOSURES

INDEX

REPLACEMENT COST DISCLOSURES IN THE ANNUAL REPORT ON FORM 10-K

Accounting Series Release No. 190 amended Regulation S-X by establishing Rule 3-17 which requires the disclosure of replacement cost data for companies required to file with the Securities and Exchange Commission and whose inventories and gross property, plant and equipment exceed certain amounts. The data required to be disclosed includes:

- Current replacement cost of inventories;
- Cost of sales computed on the basis of the replacement cost of the goods or services at the time of sale;
- Gross (new) and depreciated replacement cost of productive capacity; and
- Depreciation, depletion and amortization expense on a replacement cost basis.

In addition, a description of the methods employed in computing the above disclosures is also required.

This Rule was effective for years ending on or after December 25, 1976 and therefor twenty-five of the twenty-seven companies included in the survey were required to provide this information in their 1976 10-K's.

FORMAT OF DISCLOSURES

Nineteen of the companies disclosed the unaudited replacement cost data as part of one of the notes to the financial statements while the remaining six companies disclosed this data in a separate section which usually followed the notes to the financial statements. In all cases, each of the disclosures was labelled as unaudited.

The various titles given to the replacement cost disclosures were as follows:

Title	Number of Companies
. Replacement Cost Information (Unaudited)...	11
. Replacement Cost (Unaudited)...............	2
. Replacement Cost Data (Unaudited)..........	2
. Asset Replacement Cost (Unaudited).........	2
. Estimated Replacement Cost Data (Unaudited)	2

FORMAT OF DISCLOSURE - (Continued)

Title	Number of Companies
. Asset Replacement Cost Information (Unaudited)	1
. Supplemental Information on Replacement Cost (Unaudited)	1
. Effect of Inflation - Replacement Costs (Unaudited)	1
. Data Describing Cost of Inventories, Productive Capacity, and Related Replacement Cost Information for Certain Costs and Expenses (Unaudited)	1
. Unaudited Replacement Cost Information	1
. Certain Replacement Cost Information - Unaudited	1
Total	25

Twenty-three companies disclosed the quantitative replacement cost data as specific dollar amounts while St. Regis Paper Company disclosed its replacement cost data for productive capacity and cost of sales in ranges and fee timber and inventories in specific dollar amounts. Federal Paper Board Company made all of its replacement cost disclosures in ranges.

REPLACEMENT COST ESTIMATION METHODS USED

Productive Capacity

Most companies included in the survey utilized a combination of several methods for estimating the replacement cost of their productive capacity. The use of these various methods can be summarized as follows:

Methods Used	Number of Companies
Combination of Engineering Estimates*, specific pricing and indexing	13
Combination of Engineering Estimates* and indexing	8
Combination of Engineering Estimates* and specific pricing	2
Indexing only	2

*Using functional pricing and/or specific price quotes based on equivalent units of output.

Cost of Sales

Many of the companies in the survey calculated their cost of sales (excluding depreciation and amortization) on a replacement cost basis utilizing LIFO either alone or in conjunction with a number of other methods to calculate total replacement cost of sales. These methods can be broadly summarized as follows:

Method(s)	Number of Companies
LIFO	10
LIFO, indexing and specific price quotes	2
LIFO and specific price quotes	2
Historical cost adjusted for the average time lag between when goods are produced and when they are sold	4
Historical cost - no change	4
Actual production cost	1
Indexing	1
Method not disclosed	1

Inventories

In estimating the current replacement cost of inventories, the twenty-five companies included in the survey that were required to present replacement cost information disclosed many various methods. Certain companies specifically stated that replacement cost depreciation was included in the computation of replacement cost inventories while other companies either specifically excluded such amounts or did not address the fact as to whether replacement cost depreciation was included or excluded.

The various methods disclosed by the companies included in the survey can be outlined as follows:

Method(s)	Number of Companies
FIFO	2
FIFO and indexing	1
FIFO adjusted for next known quoted price	1
FIFO adjusted to reflect current costs and replacement cost depreciation	2
FIFO or average cost adjusted for significant cost changes between date of expenditure and December 31 based on the number of days sales in inventory:	
. replacement cost depreciation included	1
. replacement cost depreciation not mentioned	1

Method(s)	Number of Companies
Historical cost (FIFO) - no adjustments.......	1
Current year average costs and year end prices	2
Current average cost plus replacement cost depreciation................................	1
Current production costs and current purchase prices.....................................	1
Current production costs, vendor quotations, and contract prices for long-term contracts.	1
Specific current values and indexing..........	1
Average manufacturing costs and current list prices......................................	1
Standard costs revised for current costs and replacement cost depreciation, net of operating efficiencies.........................	1
Year end revised standard costs or actual average per unit costs (replacement cost depreciation specifically excluded).........	2
Year end costs and indexes:	
. replacement cost depreciation included....	2
. replacement cost depreciation excluded....	1
Year end cost levels..........................	1
Indexing based on year end cost increases of certain inventory items.....................	1
Method not disclosed..........................	1

Fee Timber

All but two of the twenty-five companies in the survey which gave replacement cost disclosure for fee timber noted that such disclosure was based on the sustained yield concept and included reforestation and forest management costs. The two companies (Diamond International Corporation and Southwest Forest Industries, Inc.) that did not present their fee timber replacement cost disclosure using this concept, instead used estimated current values, as follows:

DIAMOND INTERNATIONAL CORPORATION

Timberlands owned by Diamond are managed through selective harvesting and natural reforestation to insure a continuing supply. The estimated replacement cost of such timber was computed based on the estimated volume of standing timber on Company lands, at the fair market values currently being reported for federal income tax purposes, adjusted to present values for the timber to be harvested in future years. The estimated cost of replacing standing timber owned by the Company at December 31, 1976 is $330,000,000, assuming that such timber was available for purchase at December 31, 1976. The comparable historical cost of such standing timber is $22,333,000. The above amounts do not include advances for cutting rights since they do not represent the value of timber to be harvested.

SOUTHWEST FOREST INDUSTRIES, INC.

The estimated replacement cost of the Company's timber and timberlands is approximately $24,400,000 compared to the historical cost of $14,397,000. While modern silvicultural principles and environmental practices are followed in the operation of the Company's timber holdings, due to their nature and size the sustained yield concept is not employed. Accordingly, although the Company may not replace all of its timber and timberlands as timber is harvested, the replacement cost was computed based on the estimated current values.

* * * * *

One company (Fibreboard Corporation) did not disclose any dollar amounts for the replacement cost of its timber holdings since it states that such costs are believed to be not significant. Fibreboard's disclosure is as follows:

> The Company's fee timber holdings are managed by employing a "sustained yield" concept, whereby annual timber volume removals are planned not to exceed, on average, the timber volume expected to be grown annually. Therefore, the fiber potential of the Company's timberlands normally will not decrease from the existing level at any given time. Since the Company's normal approach to the reforestation of timberlands is by natural regeneration, the Company believes that no significant reforestation costs or forest management expenditures would be incurred in bringing a harvested area to a state of maturity equal to that of the Company's presently existing fee timber holdings.

* * * * *

In addition, four companies (Georgia-Pacific Corporation, Kimberly-Clark Corporation, The Mead Corporation and Union Camp Corporation) did not separately disclose the reforestation and forest management components of their timber replacement costs which were calculated on the basis of the sustained yield concept.

* * * * *

Depreciation Expense

Fifteen of the companies disclosed that replacement cost depreciation expense was calculated by determining the relationship of historical depreciation expense to the historical cost of assets and applying that relationship to the replacement cost of assets.

Six other companies disclosed that replacement cost depreciation expense was calculated on the straight-line basis over the current useful lives of the replacement cost assets.

One company noted that replacement cost depreciation expense was calculated using indexing.

The remaining three companies (Crown Zellerbach Corporation, Great Northern Nekoosa Corporation and Willamette Industries, Inc.) in the survey who presented replacement cost information did not disclose the basis of their calculations for replacement cost depreciation expense.

Accumulated Depreciation

Fourteen companies disclosed that their replacement cost accumulated depreciation was calculated by using the relationship between the historical cost of fixed assets and the replacement cost of productive capacity.

Four companies disclosed that replacement cost accumulated depreciation was calculated on the straight line basis using the expired service lives of the assets being replaced.

One company noted that replacement cost accumulated depreciation was calculated using indexing.

The remaining six companies did not disclose the basis of their calculations for replacement cost accumulated depreciation.

FULLY DEPRECIATED ASSETS

Staff Accounting Bulletin #7 set forth an interpretation as to what replacement cost disclosures should be made for fully depreciated assets. This interpretation specified that:

- since fully depreciated assets are still a part of productive capacity, their replacement cost (new) should be disclosed.
- the disclosure required by Rule 3-17(d) of "the amount of depreciation which would have been accrued if it were estimated on the basis of current replacement cost" would not be changed but if fully depreciated assets were significant in amount, the registrant presumably would conclude that supplemental information should be given in responding to the requirements of Rule 3-17(f). Such disclosure might include an estimate of the amount of depreciation which would have been accrued if fully depreciated assets were still being depreciated at a rate reflecting current estimates of their economic life.

Nine of the companies included in the survey made disclosures which related to fully depreciated assets:

- Four companies disclosed that no replacement cost depreciation expense was calculated for fully depreciated assets.
- One company included fully depreciated assets in the calculation of replacement cost depreciation expense but did not disclose the dollar amount of such expense.
- One company noted that replacement cost depreciation expense "would not differ materially" if fully depreciated assets were included in the calculation.
- Three companies did disclose the amount of replacement cost depreciation expense for fully depreciated assets.

Excerpts of these disclosures are as follows:

BOISE CASCADE CORPORATION

As is the practice for historical accounting purposes, no replacement cost depreciation expense was computed on fully depreciated assets. As of December 31, 1976, the Company was utilizing fully depreciated assets with an original cost of approximately $109,000,000, which was included in the determination of replacement cost of productive capacity.

CHAMPION INTERNATIONAL CORPORATION

Fully depreciated assets still in use are included in Replacement Cost (new) at the estimated current cost to replace such capacity...

No depreciation expense is reflected for facilities considered to be fully depreciated at the beginning of the year.

THE CHESAPEAKE CORPORATION OF VIRGINIA

Costs and accumulated depreciation with respect to assets which have been fully depreciated are generally removed from the accounts. Accordingly, in comparing replacement cost with comparable historical cost, it should be noted that the reported historical amount excludes approximately $16,000,000 of fully depreciated assets which are currently in service.

Depreciation for replacement cost assets was calculated on the straight-line basis over the useful lives of the assets. A useful life was determined for assets in each operating area or function, based on the average life of existing assets. Accumulated depreciation for replacement cost assets was calculated by relating the cost of assets currently in use, including fully depreciated items, to their accumulated depreciation.

SOUTHLAND PAPER MILLS, INC.

The difference between replacement and historical cost depreciation expense is partially attributable to including fully depreciated assets in the computation of replacement cost depreciation.

UNION CAMP CORPORATION

Replacement cost depreciation comparable to historical depreciation has been calculated on the straight-line method using historical useful lives. If fully-depreciated assets were included in this calculation and current estimates of useful lives were used, the result would not differ materially.

WILLIAMETTE INDUSTRIES, INC.

The replacement cost of fully depreciated assets still in use by the Company amounts to $36.2 million and no depreciation has been calculated...

THE CONTINENTAL GROUP, INC.

As supplemental information to the previous data, the depreciation expense that would be reflected on fully depreciated assets if they were still being depreciated is estimated at $103 million. Based on a review of historical cost records, the comparable historical cost basis depreciation on fully depreciated assets would have been approximately $44 million.

KIMBERLY-CLARK CORPORATION

The rules prescribed for determination of replacement cost depreciation do not recognize depreciation on the company's existing fully depreciated assets that are still in use. The replacement cost rules are predicated on the assumption that expired service potential of existing assets directly relates to the replacement assets. However, when fully depreciated assets are currently in use, service potential exists over that originally assumed. Accordingly, it is estimated that replacement cost depreciation on fully depreciated assets still in use would not exceed $28 million, assuming the remaining service potential of such assets will approximate their original estimated lives.

ST. REGIS PAPER COMPANY

If fully depreciated assets (representing approximately 30% of property, plant, and equipment on a replacement cost basis) were depreciated on the basis of historical lives, it is estimated that additional depreciation expense ranging from $36,000,000 to $44,000,000 would result.

* * * * *

ITEMS EXCLUDED FROM REPLACEMENT COST DISCLOSURES

All companies included in the survey indicated that land was excluded from their replacement cost disclosures. In addition, nine companies disclosed that no replacement cost information was given for certain assets which were not to be replaced. Two of the nine companies identified the operations that would not be replaced as follows:

POTLATCH CORPORATION

Also excluded is replacement cost information related to the productive capacity of our paper plate manufacturing facilities and equipment which would not be replaced at the end of their economic lives.

FEDERAL PAPER BOARD COMPANY, INC.

Less than the company's full present folding carton capacity was assumed replaced, because of the excess capacity existing in this industry, and within the company for this product line. Replacement facilities were assumed to be the optimum size within the constraints of the company's various market areas.

* * * * *

The Continental Group, Inc. noted in its replacement cost footnote that productive capacity for replacement cost disclosure purposes was "defined as existing capacity as adjusted to reflect management's estimate of over-capacity". No additional disclosure was given as to which of the company's operations was considered to have this over-capacity.

Sixteen companies specifically noted that replacement cost information was not provided for company assets classified as construction in progress while eight companies specifically noted that operations outside of North America and the European Economic Community were excluded.

Other items individually disclosed as being excluded from the replacement cost disclosures for productive capacity, cost of sales or depreciation and amortization by the companies included in the survey were as follows:

Item	Number of Companies
Oil and gas properties	2
Amortization of intangible assets and non-Company-owned timberlands	1
Deposits on timber purchases	1
Timber under long-term leases	1

MISCELLANEOUS ITEMS INCLUDED IN REPLACEMENT COST DISCLOSURES

Items individually disclosed as being added to the historical cost amounts for which replacement cost information was given included the following:

Item	Number of Companies
Present value of minimum lease rental commitments for non-capitalized financing leases.	6
Imputed depreciation expense on non-capitalized financing leases......................	6
Short-term timber leases.....................	1
Land development tracts held for resale......	1
Logging Roads................................	1

OPERATING EFFICIENCIES

Although most of the companies which presented replacement cost data noted that the use of new productive facilities and up to date technology would produce operating cost savings and production efficiencies only four companies quantified their estimates of such savings or efficiencies. In addition, two of these four companies netted these savings and efficiencies with the amounts disclosed for replacement cost of sales.

The disclosures made by these four companies were as follows:

GEORGIA-PACIFIC CORPORATION

Operating Cost Savings

Replacement of the Corporation's plants would result in increased productivity and certain other cost savings as a result of improved technology. Such savings (estimated to be $91,000,000 and included in estimated replacement cost as a reduction of cost of sales) were determined to be realizable primarily in the form of reduced manpower requirements, lower maintenance costs and reduced costs for energy.

KIMBERLY-CLARK CORPORATION

Operating Efficiencies

The manner in which the company has chosen to calculate the replacement cost of its existing productive capacity, as described above, would, if effected, alter its current level of operating costs. Accordingly, to avoid presenting materially misleading replacement cost data, the company's 1976 operating costs were adjusted, when appropriate, to the level currently experienced by the facilities after which the replacement estimates were modeled, including anticipated cost reductions which would be derived from technological improvements.

Exhibit I discloses cost of products sold calculated on the basis of replacement costs of $1,047.6 million. Included therein are increased depreciation charges resulting from replacement cost of productive capacity and price increases on purchased materials over that included in the historical cost basis financial statements which aggregate $51.7 million. Offsetting these increases are savings resulting from decreased labor, raw materials, maintenance and other direct and indirect costs which aggregate $49.8 million.

THE CONTINENTAL GROUP, INC.

The replacement cost data presented above does not reflect any operating cost savings that may result due to the replacement of existing assets with assets of improved technology. If Continental's productive capacity were replaced as it is assumed in this note, many costs other than depreciation expense would change. Costs for direct labor, repairs and maintenance, utilities and other indirect costs would change. Although these changes cannot be quantified with precision, management estimates that the reduction of operating costs would approximate $60 million.

INTERNATIONAL PAPER COMPANY

Cost of products sold, as estimated on a replacement cost basis, does not reflect the cost savings from the technologically advanced new facilities upon which the replacement cost of existing capacity has been based. Management estimates that such cost savings would be approximately $170 million compared with the estimated increase of $166 million in depreciation expense over the comparable historical amounts.

* * * * *

Excerpts of certain replacement cost disclosures are given below:

REPLACEMENT COSTS DISCLOSED IN RANGES

FEDERAL PAPER BOARD COMPANY, INC.

The required estimated replacement cost information is presented below in ranges which encompass management's opinion as to the most probable range for the data and to emphasize the imprecise nature of amounts reported. The ranges should not, however, be considered an expression of the minimum and maximum replacement costs.

	Historical Cost	Range of Replacement Cost
	(In millions)	
At January 1, 1977		
Inventory....................	$ 49.0	$ 50.6 - $ 52.2
Productive Capacity..........	$264.7	$795.0 - $855.0
Accumulated Depreciation.....	80.3	255.0 - 280.0
Net Productive Capacity......	$184.4	$540.0 - $575.0
For the fiscal year ended 1/1/77		
Cost of sales other than depreciation...............	$270.0	$270.0 - $271.0
Depreciation included in cost of sales....................	14.4	40.2 - 43.7
Other depreciation expense...	.3	.4

ST. REGIS PAPER COMPANY

It is the Company's view that although the replacement cost estimates given were developed using reasonable assumptions, they are nevertheless imprecise primarily due to the many subjective decisions made. As a result, management presents such data in estimated ranges of replacement costs. Accordingly, based on the assumptions previously outlined, the estimated range of replacement cost for the Company's property, plant, and equipment, at December 31, 1976, is from $2,300,000,000 to $2,900,000,000. Related accumulated depreciation is estimated to range from $1,500,000,000 to $1,900,000,000. An estimated 1976 replacement cost range for depreciation expense of $90,000,000 to $110,000,000 was calculated based on the average estimated replacement cost of productive capacity using the straight-line method, and the economic asset lives used to calculate historical cost depreciation.

PRODUCTIVE CAPACITY

THE MEAD CORPORATION

Plant and Equipment and Depreciation

The estimated replacement cost of the Company's productive capacity at December 31, 1976 was determined by applying published indices, which measure specific price changes affecting the pulp and paper industry, to costs on record at December 31, 1975 by year of acquisition. Since 1976 capital expenditures reflect current price levels, they were included in the estimate at 1976 cost. It was not considered necessary to adjust the results obtained through the use of indexing for the impact of technological change. Replacement cost accumulated depreciation at the end of the year and replacement cost depreciation expense for the year were calculated by the straight-line method using the same depreciation lives as were used for financial accounting purposes.

ST. REGIS PAPER COMPANY

Productive Capacity (Property, Plant, and Equipment)

The Company's approach to estimating the replacement cost of its productive capacity was to combine the use of engineering and operating management estimates with indexing the historical cost of property, plant, and equipment. Nationally published indices were used for this purpose.

In developing estimates as to the replacement cost of equivalent units of output, various assumptions were made as to the number and type of plants and equipment needed based on present technology and current operating capacity. When these estimates resulted in a greater than present capacity, it was necessary to make certain assumptions to estimate the cost of the additional capacity and to scale back the estimates to the capacity being replaced.

The estimated replacement cost of the Company's pulp, paper, and paperboard facilities (representing approximately 70% of the property, plant, and equipment for which replacement cost information is given) has been derived from engineering estimates of the cost of replacing such facilities (after they have been upgraded for technological improvements) using functional pricing assuming equivalent units of output.

The estimated replacement cost of the Company's packaging, consumer products, and certain construction products (lumber and plywood) facilities (representing approximately 23% of the property, plant, and equipment for which replacement cost information is given) was derived from operating management estimates as to the cost of replacing such facilities based on equivalent units of output.

The estimated replacement cost for the productive capacity of the remaining construction products facilities, foreign consolidated subsidiaries, and miscellaneous operations (representing approximately 7% of the property, plant, and equipment for which replacement cost information is given), was derived solely from applying published domestic and foreign indices to the historical cost of such assets.

The procedures described in the foregoing paragraphs for determining the estimated replacement cost of such facilities are based on the assumption that the geographical location of most facilities remain unchanged, however, with respect to certain of the facilities, geographical changes were assumed.

COST OF SALES

CHAMPION INTERNATIONAL CORPORATION

In order to reflect the impact of price changes on operations during the year, it is required that Cost of Products Sold be recomputed on the Replacement Cost basis by estimating the Replacement Cost of the products sold at the time when the sale was made. The principal method employed for this estimate was to observe changes in purchase prices for major raw materials and manufacturing cost components (such as, but not limited to, labor rates, utilities and fuel costs) for time spans during the year representative of inventory turn-over frequencies and applying such percentage changes to the Cost of Products Sold for the period based on inventory turnovers. In certain merchandising type operations internal indices developed from sampling techniques were employed.

DIAMOND INTERNATIONAL CORPORATION

The replacement cost for approximately 85% of the total cost of sales (excluding depreciation expense) was obtained by using the actual cost of production, by product, in the period of sale. The cost of sales of logs and log content of lumber included therein has been computed by substituting the average fair market value of timber harvested for historical costs. The remaining portion of cost of sales was reviewed and determined to be stated at an amount approximating replacement cost.

POTLATCH CORPORATION

The replacement costs of materials, labor, and other operating expenses (except depreciation, amortization, and cost of fee timber harvested) have been estimated at the average of costs actually incurred throughout the year and were determined to have remained the same as historical cost. These costs have not been adjusted to reflect benefits from technological changes which have been included in the replacement cost calculations for buildings and equipment.

ST. REGIS PAPER COMPANY

The cost of sales on an estimated replacement cost basis has been computed to reflect the estimated replacement cost of inventories at the time of sale. Such computation includes the estimated cost of manufacturing inventories as if produced by the replaced productive capacity by adjusting for the average lag period and for additional estimated replacement cost depreciation over historical depreciation. The effect on cost of sales is estimated to be an increase ranging from $40,000,000 to $48,000,000. This increase does not give effect to the reduction of operating costs mentioned under the productive capacity section.

SCOTT PAPER COMPANY

	For Year 1976 (Thousands of Dollars)	
	Replacement Cost Basis	As Reported
Costs excluding Depreciation, Cost of Timber Harvested and Amortization.........	$875,926	$874,368

Reported product costs (excluding depreciation, cost of timber harvested and amortization) were calculated by application of the last-in, first-out (LIFO) inventory valuation method. This method results in charging product costs with the current costs of production and material purchases. Replacement product costs include adjustments made to reflect the estimated effect of reductions in LIFO bases as well as the replacement cost for certain slow turnover inventory materials. Any reduction of operating costs through efficiencies gained from the replacement of assets has been excluded from the amount reported due to the imprecision inherent in their estimation. It should be noted, however, that the replacement of existing productive capacity with equipment which is more technologically current would result in significant savings as a result of reduced direct labor, energy and other direct and indirect costs.

SOUTHLAND PAPER MILLS, INC.

The replacement cost of goods sold was estimated by adjusting the historical cost of goods sold for the difference between replacement and historical cost depreciation and depletion expense.

INVENTORIES

CROWN ZELLERBACH CORPORATION

Inventories

For purposes of calculating replacement cost for inventories, the first-in, first-out or average method was used, adjusted for cost changes, if significant, between the date of expenditure and December 31, as determined by the number of days sales in inventories.

DIAMOND INTERNATIONAL CORPORATION

Inventories

The replacement cost for approximately 90% of all inventories was computed by means of the calculations described below. The remaining portion of inventories were considered to be stated at an amount approximating replacement cost.

Quotes were obtained from vendors either immediately before or immediately after December 31, 1976 for approximately fifty percent of the dollar value of raw materials in inventory. A percentage increase was computed by comparing actual cost to the estimated replacement cost for these items and then this percentage increase was applied to the remaining portion of raw materials in inventory. Labor and other manufacturing costs (including depreciation expense) included in inventory were recomputed as necessary.

Logs and the log content of lumber in inventory at December 31, 1976 were valued for replacement cost purposes by substituting the fair market value of timber harvested for historical values; such replacement cost was approximately $19,000,000 more than the historical values.

SOUTHLAND PAPER MILLS, INC.

Inventories

The replacement cost of inventories is estimated to be approximately the same as historical cost. Management believes this to be a reasonable assumption as substantially all pulpwood inventories are purchased at current market value, supply inventories are indicative of their replacement costs due to their high inventory turnover rate, and finished goods and work-in-process inventories are stated at actual December, 1976, cost. The replacement cost of inventories would not change materially with the inclusion of a pro rata portion of the difference between replacement and historical cost depreciation and depletion expense.

WEYERHAEUSER COMPANY

Inventories

Inventories as of the end of the year were computed on a current replacement cost basis by using the first-in, first-out (FIFO) average cost method of accounting. The rate of inflation slowed appreciably during 1976 and that fact coupled with the Company's customary rate of inventory turn suggests that the FIFO cost method gives a result reasonably indicative of the current replacement cost of product inventories at the end of the year.

TIMBERLANDS

CHAMPION INTERNATIONAL CORPORATION

The Replacement Cost of fee timber has been excluded from the preceding tabular summaries in order to preclude potential misinterpretations. It is important to note that the expenditures relating to the Replacement Cost of fee timber relate to expenditures incurred in the replacement process, not to the accounting treatment of such expenditures. Capitalization practices with respect to reforestation and timber management vary within the industry, and the Company cautions that no inference should be drawn that these expenditures, when made, would necessarily be capitalized, nor that the replacement cost amounts are a measure of net realizable value or economic value of the Company's fee timber.

Timber, along with the supporting lands on which the timber is grown, managed and harvested is a uniquely different and vastly important sustainable resource. Timber possesses the quality of naturally regenerating itself if destroyed by casualty or if harvested by man. Additionally, if managed under modern silvicultural techniques, the wood fiber yield from almost any timberland can be increased dramatically in properly spaced, thinned and managed forests, especially when planted with genetically superior seedlings. Another method used to provide for superior forests is to selectively harvest mature trees, leaving the best specimens of seed trees and young growth to facilitate natural regeneration. When the amount of harvested timber does not exceed, over a span of years, the amount of fiber that is being continually produced by standing timber, such timber is considered to be growing on a sustained yield basis.

While the actual amount of timber harvested from the Company's fee timber base may vary from year-to-year, the Company has in the past and is presently managing its fee timber and timberlands to provide for a sustained yield of timber.

The Company's accounting policies for fee timber and the supporting timberlands have been established to appropriately reflect in the financial statements the uniqueness of timber in accordance with generally accepted accounting principles and in accordance with established tax practices. The application of the Company's accounting policies for fee timber and timberlands has resulted in the reflection of an asset in its consolidated balance sheet, captioned "Timber and Timberlands, at cost - less cost of timber harvested," amounting to $268,289,000 at December 31, 1976. The amount charged to the Company's consolidated income as the "Cost of Timber Harvested" during the year ended December 31, 1976 amounted to $17,797,000.

The Company's accounting policy for fee timber which is consistent with certain industry-wide accounting policies, consists principally of:

(1) Capitalizing an allocated purchase price of standing timber and timberlands on all tracts purchased from others.

(2) Capitalizing site preparation and replanting costs as incurred.

(3) Charging forestry management expenditures (principally pre-commercial and commercial thinning, fertilizing, pest control, property taxes and fire control) to expense as incurred.

(4) Charging the capitalized costs to expense as the timber is harvested. Such "Cost of Timber Harvested" is computed by multiplying the quantity of timber harvested times a per unit cost derived by dividing the total units estimated to be harvested during a growth cycle into the capitalized cost.

Thus, the amount shown on the Company's consolidated balance sheet for fee timber and timberlands does not represent the total expenditures made or required to bring the Company's existing stand of fee timber to its present state of maturity. Instead, it represents an aggregation of the unamortized amounts originally expended for timber purchases, site preparation and replanting costs plus the original purchase cost allocated to the land.

The Historical Cost amounts for which fee timber Replacement Costs have been estimated, consist of:

	Timber and Timber-lands, Net	Cost of Timber Harvested
	(in thousands of dollars)	
Historical Cost amounts as shown in the consolidated financial statements and schedules	$268,289	$17,797
Less:		
Timberlands	20,421	-
Amounts for locations outside North America and the European Economic Community	9,594	290
Capitalized roads and other	36,885	11,784
	66,900	12,074
Historical Cost amounts for which fee timber Replacement Cost estimates are provided	$201,389	$ 5,723

In complying with the Replacement Cost requirements of the SEC, and assuming that the Company would replant its entire timberland acreage at 1976 site preparation and replanting cost levels, it is estimated that a total initial expenditure of $225,152,000 would be required, which would be capitalized following the Company's accounting policy. However, site preparation and replanting costs represent only the initial or front-end costs of growing a tree. Expenditures for necessary forestry management expenses, previously described, would be incurred each year until the tree is harvested. The growth cycle to maturity varies for the Company from approximately 30 years in the South to 60 years or more in the Rocky Mountains because of specie and climatic differences. Assuming that the Company's timber-stand is one-half mature on the average, it is estimated that a total expenditure of $229,147,000 for forestry management expenses, including property taxes, at 1976 cost levels would be required over the growth years to bring the timber-stand to the assumed average state of current maturity.

On a Replacement Cost basis, the capitalized roads and other items reflected above would amount to:

	Estimated Replacement Cost (Unaudited)	Comparable Historical Cost
	(in thousands of dollars)	
Timber and Timberlands, net................	$42,596	$36,885
Cost of Timber Harvested..................	$12,969	$11,784

In computing the annual cost of fee timber harvested for 1976 on a Replacement Cost basis, the estimated Replacement Cost for site preparation and replanting was treated as the cost base. This cost was divided by the estimated total yield during the growth cycle to develop a per unit cost. The unit cost was multiplied by the units harvested in 1976 to arrive at the cost of timber harvested on a Replacement Cost basis. The cost of fee timber harvested amount so computed is based on the same accounting methods as the Company presently employs to compute the historical amount. The estimated Replacement Cost of annual forestry management expenses including property taxes was computed on the same basis as the estimated Replacement Cost of timber harvested. The resulting Replacement Cost amount is not based on the same accounting method the Company presently employs for forestry management expenses, including property taxes, which is to charge these expenditures to Cost of Products Sold as incurred. For the year ended December 31, 1976, the annual Historical Cost and estimated Replacement Cost amounted to:

	Estimated Replacement Cost (Unaudited)	Comparable Historical Cost
	(in thousands of dollars)	
Cost of Fee Timber Harvested...............	$5,043	$ 5,723
Forestry Management Expenses Including Property Taxes...........................	$9,188	$10,001

GEORGIA-PACIFIC CORPORATION

Timber

The Corporation manages its fee timberlands on a sustained yield basis whereby removals are replaced through regrowth rather than by purchase of mature stands. In contrast, the Corporation's balance sheet reflects past acquisition costs of timber-stands, net of depletion. Based on current growth levels and current annual reforestation costs and forest management expenses (most of which are charged to expense as incurred), management estimates that $360,000,000 would be required to bring the Corporation's timber-stands on fee lands to their present state of maturity. However, it should be noted that replacement through a sustained yield management program actually takes place over a growth period covering many years.

A portion of the Corporation's timber requirements is obtained through cutting rights. The replacement cost of such cutting rights and the related charge to cost of sales or depletion were determined using current average costs for comparable purchases of cutting rights during the year.

INTERNATIONAL PAPER CORPORATION

Timberlands

An interpretation of the Securities and Exchange Commission's Accounting Series Release No. 190 requires disclosure of the expenditures which would be required if the Company were to reforest today its entire 8,500,000 acres of fee timberlands and also the aggregate amount of forest management expenditures required over time to bring such newly forested timberlands to a state of growth equal to that existing at December 31, 1976. The Company estimates that these expenditures would be approximately $450 million for reforestation and $650 million for forest management.

These expenditures would be made, more or less ratably, over an extended period of years within the growth cycle of the timber. The growth cycle depends on several factors including geography, species and climate and, for the Company's timberlands, ranges from 25 years to over 70 years. Thus, the above-mentioned expenditures are equivalent to annual expenditures of approximately $11 million for reforestation and $25 million for forest management.

If timberlands and capitalized harvesting rights were carried in the Company's balance sheet on the basis of replacement cost, the carrying amount would be approximately $486 million, as shown in the table on the following page. Forest management expenses are excluded since they are expensed as incurred.

The replacement costs and historical amounts shown in the table for fee timber are not comparable because replacement cost represents only capitalized reforestation costs, while the historical amounts include both reforestation and initial acquisition costs assigned to standing timber.

It is important to note that neither the replacement nor historical costs for fee timber are indicative of the current economic value or possible selling price of these assets.

	(In millions)	
	Estimated Replacement Cost	Historical Amounts
Fee Timber......................	$450	$334
Capitalized Harvesting Rights....	36	36
	486	370
Land, at cost....................	*	64
	$486	$434
Cost of Timber Harvested.........	$ 38	$ 33

*Excluded from replacement cost requirement.

KIMBERLY-CLARK CORPORATION

Timberlands Owned in Fee

While the amount of timber removed from timberlands owned in fee may vary from year to year, the company manages its timberlands over the long run to provide a sustained yield (i.e., annual timber volume removals are planned to approximate the timber volume expected to be grown annually). The cost of managing owned timberlands is charged to income as incurred. The cost of reforestation (replanting harvested timber) is, to the extent required, capitalized in the historical cost basis financial statements. In addition, the original acquisition cost of timberlands, including the land component, is capitalized in the financial statements.

The rules of the Commission suggest that replacement cost for fee timber be calculated on the basis of reforestation costs and forest management expenditures that would be required to bring the company's current timber holdings to a state of maturity equal to that presently existing. No replacement cost is required to be given for the land component of timberlands. In addition, the effects on income on a replacement cost basis, using the annual cost of reforestation and forest management with appropriate adjustment for significant departures from the sustained yield concept, is required to be disclosed.

The replacement cost of the company's fee timber holdings, calculated on the basis of the above requirement, aggregates approximately $82 million. The replacement cost estimate is not directly comparable to the historical cost of such timberlands shown in the consolidated financial statements for the reasons previously stated nor does it in any way represent current market value for such timber holdings. The effect on income on a replacement cost basis is estimated to be immaterial.

WEYERHAEUSER COMPANY

Fee Timber

Although the Company expands its fee timber productive capability through purchase, its normal method of replacing harvested fee timber is through regeneration and intensive management of that resource. Costs associated with those replacement activities are incurred annually and, except for planting and other regeneration costs, are charged to cost of sales currently. Traditionally, past periods' regeneration costs, together with original acquisition costs, are aggregated and allocated to timber removals as a cost of timber harvested (fee stumpage). On a current replacement cost basis, the cost of timber harvested was computed by adding (1) annual regeneration costs, at current cost levels, and (2) original acquisition costs, as traditionally allocated, of that portion of the timber inventory which was removed and which the Company does not expect to replace.

For purposes of determining current replacement cost of the Company's fee timber holdings as of the end of the year, it was assumed that all acres were regenerated at one point in time at a capitalized regeneration cost based on current cost levels. To that sum was added an amount computed by multiplying annual aggregate timber management costs, including property taxes, at current cost levels, by that number of years reasonably approximating the number of years required to bring the Company's fee timber holdings from a theoretically harvested state to that state of maturity existing at the end of the current year. These computations resulted in an estimated current replacement cost of $4 billion, of which approximately $700 million is regeneration costs and approximately $3.3 billion is timber management costs. Interest or other costs of capital were not included. The Company cautions against equating estimated replacement cost of its fee timber holdings with the market value of that resource.

FOREST PRODUCTS INDUSTRY

SUMMARY OF CERTAIN REPLACEMENT COST DISCLOSURES EXPRESSED AS A PERCENTAGE INCREASE FROM THE RELATED HISTORICAL COST AMOUNTS DECEMBER 31, 1976

Company Name	Gross Productive Capacity (%)	Accumulated Depreciation (%)	Depreciation Expense (%)	Inventory (%)
Boise Cascade Corporation......	121	192	92	2
Champion International Corporation..................	112	132	95	12
Chesapeake Corporation of Virginia.....................	232	278	182	22
Consolidated Papers, Inc.......	194	194	194	10
The Continental Group, Inc.....	88	118	31	61
Crown Zellerbach Corporation...	155	200	93	9
Diamond International Corporation..................	99	144	71	32
Federal Paper Board Company, Inc..........................	212*	233*	188*	5*
Fibreboard Corporation.........	99	111	92	14
Georgia-Pacific Corporation....	112	144	63	8
Great Northern Nekoosa Corporation..................	142	214	129	26
Hammermill Paper Company.......	183	208	176	34
International Paper Company....	161	185	148	31
Kimberly-Clark Corporation.....	112	161	80	25
Louisiana-Pacific Corporation..	139	99	77	26
The Mead Corporation...........	96	123	106	56
Olinkraft, Inc.................	97	101	75	30
Potlatch Corporation...........	180	193	152	34
St. Regis Paper Company........	92*	140*	80*	7*
Scott Paper Company............	109	182	87	35
Southland Paper Mills, Inc.....	69	63	95	0
Southwest Forest Industries, Inc..........................	49	40	65	3
Union Camp Corporation.........	144	190	91	22
Weyerhaeuser Company...........	96	92	92	22
Willamette Industries, Inc.....	91	105	70	51

*Midpoint of Replacement Cost Range used.

See note on following page.

NOTE - The summary of replacement cost disclosures presented in Table I was compiled for informational purposes only and should not be used as a basis for comparing the effects of replacement cost among the various companies included in the survey since many different subjective judgments and assumptions were used in the calculation of the replacement cost disclosures made by each of these companies. For further information as to the basis used and the subjective judgments and assumptions made by any of the companies included in the survey, reference should be made to each companies 1976 Form 10-K.

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