1-1-1978

Accounting practices 1978: Airline industry, illustrative items of current interest from annual reports to the SEC;

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Haskins+Sells

USA

Accounting Practices 1978 – Airline Industry

Illustrative Items of Current Interest from Annual Reports to the SEC

Deloitte
Haskins+Sells

USA

Accounting Practices 1978 – Airline Industry

Illustrative Items of Current Interest from Annual Reports to the SEC

INTRODUCTION

This survey of the 1977 10-K reports of investor-owned air carriers is designed to assist our professional personnel in finding examples of accounting practices and disclosure techniques used by the airlines. It provides information of the airline industry similar to that for all industries published by the American Institute of Certified Public Accountants in Accounting Trends and Techniques and in our three-volume reference guide to illustrative items of current interest from published annual reports.

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, the American Institute of Certified Public Accountants, and the Civil Aeronautics Board 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 Deloitte Haskins & Sells, it may be made available to persons outside the Firm having an interest in reporting practices of the airline industry. The Firm welcomes any comments and suggestions regarding this publication for consideration in preparing future editions.

DELOITTE HASKINS & SELLS

TABLE OF CONTENTS

SECTION 1 - GENERAL

SECTION 2 - BALANCE SHEET

SECTION 2 - BALANCE SHEET (Continued)

SECTION 3 - INCOME STATEMENT

SECTION 4 - STATEMENT OF CHANGES IN FINANCIAL POSITION

AIRLINES SURVEYED

This survey includes both domestic and international U. S. airlines. The airlines selected are the major trunk-carriers and selected supplemental carriers. Pan American World Airways was also included even though it has no domestic routes. The survey results reflect the accounting and reporting practices found in the 1977 10K's of the following airlines:

Alaska Airlines (Alaska)
Allegheny Airlines (Allegheny)
Aloha Airlines (Aloha)
American Airlines (American)
Braniff International (Braniff)
Continental Air Lines (Continental)
Delta Air Lines (Delta)
Eastern Air Lines (Eastern)
Frontier Airlines (Frontier)
Hawaiian Airlines (Hawaiian)
National Airlines (National)
Northwest Airlines (Northwest)
North Central Airlines (North Central)
Ozark Air Lines (Ozark)
Pan American World Airways (Pan American)
Piedmont Aviation (Piedmont)
Southern Airways (Southern)
Texas International Airlines (Texas International)
Trans World Airlines (TWA)
United Airlines (United)
Western Air Lines (Western)

* * * * *

OTHER GENERAL INFORMATION

Reporting Periods - Nineteen of the airlines report on a calendar-year basis while Delta and National report on a June 30 fiscal-year basis.

Note References - All of the airlines surveyed except one included specific note references within the financial statements, while all had general references to the notes to the financial statements on each page of the statements.

Presentation of Dollar Amounts - Fifteen airlines presented the financial statements in thousands of dollars while six presented the actual dollar amounts.

Summary of Operations - Twenty of the airlines surveyed presented five-year summaries while only one presented a ten-year summary.

Where Shares Are Traded - The surveyed airlines are listed on the following exchanges:

American..................................	5
Boston....................................	1
Midwest...................................	5
Pacific...................................	11
Philadelphia..............................	1
New York..................................	12

"SECTION 1
GENERAL"

TABLE 1 - 1

AIRLINE INDUSTRY DATA

(000 Omitted except rank and EPS data)

	Assets		Revenues		Net Income		EPS 1976				EPS 1977				
	1976	1977	1976	1977	1976	1977	Primary	Other	Diluted	Other	Primary	Other	Diluted	Other	Independent Accountant
Alaska Airlines	$ 60,384	$ 66,099	$ 69,475	$ 76,518	$ 7,631	$ 3,414	$ 1.88	$ .85(3)	$ 1.70	$ .75(3)	$ .84		$ .79		Price Waterhouse & Co.
Rank	20	20	19	20	14	18	7				17				
Allegheny Airlines	304,462	312,783	439,050	492,730	13,800	16,400	2.19	1.52(3)	1.86	1.18(3)	2.62		1.77		Peat, Marwick, Mitchell & Co.
Rank	12	12	11	12	10	10	5				7				
Aloha Airlines	26,156	40,043	45,360	50,216	1,536	1,560	.72	.43(3)			.73				Peat, Marwick, Mitchell & Co.
Rank	21	21	21	21	19	20	14				18				
American Airlines	1,715,229	2,069,141	2,007,883	2,227,989	56,315	72,554	1.97		1.90		2.54		2.46		Arthur Young & Company
Rank	3	2	3	3	3	4	6				8				
Braniff Airways	572,238	655,029	673,529(4)	784,034(4)	26,369	36,427	(1)				(1)				Deloitte Haskins & Sells
Rank	9	9	8	8	7	7									
Continental Airlines	678,609	670,416	540,444(4)	646,857(4)	9,209	25,642	.64		.64		1.77		1.66		Peat, Marwick, Mitchell & Co.
Rank	8	8	10	10	12	9	16				10				
Delta Air Lines	1,467,494	1,491,819	1,528,942	1,719,645	70,207	92,380	3.53				4.65				Arthur Andersen & Co.
Rank	5	5	6	6	2	3	1				3				
Eastern Air Lines	1,300,668	1,243,496	1,825,475	2,035,893	45,239	34,737	2.32	.56(3)	2.27	.54(3)	1.73		1.63		Price Waterhouse & Co.
Rank	6	7	4	4	5	8	4				12				
Frontier Airlines	127,680	153,991	200,996	234,309	10,078	12,991	1.38		1.22		1.74		1.54		Ernst & Ernst
Rank	15	15	13	13	11	13	9				11				
Hawaiian Airlines	60,603	66,196	67,547	79,487	782	634	.49	(.85)(3)	.45	(.65)(3)	.40		.40		Deloitte Haskins & Sells
Rank	19	19	20	19	20	21	19				19				
National Airlines	494,200(5)	463,791	334,369	495,391	5,029	3,009	.59				.35				Deloitte Haskins & Sells
Rank	10	10	12	11	16	19	18				20				
Northwest Airlines	1,151,562	1,299,451	963,808	1,046,355	51,737	92,719	2.39				4.29				Ernst & Ernst
Rank	7	6	7	7	4	2	3				4				
North Central Airlines	181,430	214,451	191,148	229,123	7,679	13,696	.63				1.11				Alexander Grant & Company
Rank	13	13	14	14	13	12	17				15				
Ozark Air Lines	110,181	136,536	161,756	190,189	7,171	8,068	1.06		.88		1.19		.97		Touche Ross & Co.
Rank	16	16	15	15	15	15	11				14				
Pan American World Airways	1,771,808	1,896,636	1,661,832	1,907,453	99,927	45,004	1.06		.83		2.36	$ 2.67(3)	1.50	$ 1.39(3)	Coopers & Lybrand
Rank	4	3	5	5	1	6	11				9				
Piedmont Aviation	131,365	171,513	154,459	180,702	4,398	7,496	1.76		1.32		2.95		2.08		Ernst & Ernst
Rank	14	14	16	16	17	17	8				6				
Southern Airways	70,158	105,813	140,167	159,511	405	8,253	.22		.22		4.76		3.07		Ernst & Ernst
Rank	17	17	17	17	21	14	20				2				
Texas International Airlines	63,421	95,214	120,393	144,787	3,214	7,993	.66	.16(3)			1.48	.20(3)			Arthur Andersen & Co.
Rank	18	18	18	18	18	16	15				13				
Trans World Airlines	1,894,626	1,834,411	2,082,846(4)	2,374,201(4)	36,833	64,796	2.51		2.44		3.83		3.63		Deloitte Haskins & Sells
Rank	2	4	2	2	6	5	2				5				
UAL	2,865,217	3,000,600	2,585,402(4)	2,891,293(4)	19,042	138,258	.75				5.54	1.82(3)			Arthur Andersen & Co.
Rank	1	1	1	1	8	1	13				1				
Western Air Lines	431,133	462,644	605,205	691,464	14,965	14,362	1.10		.98		1.09		.95		Peat, Marwick, Mitchell & Co.
Rank	11	11	9	9	9	11	10				16				
Hughes Air West							Not Reported								Deloitte Haskins & Sells
Rank															

(1) A wholly-owned corporation.
(2) Cumulative effect of accounting change.
(3) Extraordinary item.
(4) Excludes nonairline revenues.
(5) Amounts reclassified.

- 7 -

TABLE 1 - 2

AIRLINE INDUSTRY RATIOS

	Current Ratio (1)	Receivable Turnover (2)	Days of Receivable (3)	Accumulated Depreciation to Property (4)	Times Interest Earned (5)	Common Stockholder Equity to Total Assets (6)	Debt to Equity (7)	Common Stock Yield (8)	Price of Stock as of Fiscal Year Ended	Dividends Paid During Fiscal Year End
Alaska Airlines	$ .71	$ 10.7	34	16%	2.4	30.1%	1.3	*	$ 3.50	
Rank	21	8		19	13	9	12			
Allegheny Airlines	1.24	9.8	37	45	2.4	24.9	2.7	*	3.75	
Rank	6	14		8	13	14	3			
Aloha Airlines	1.19	6.8	54	11	2.5	23.4	2.0	3.5%	2.81	.10
Rank	9	21		21	11	16	8	3		
American Airlines	1.46	7.0	52	52	4.3	33.7	.7	*	10.62	
Rank	3	20		3	4	5	9			
Braniff Airways	1.20	11.2	33	29	2.6	33.6	1.2	2.8%	9.62	.27
Rank	8	7		17	9	6	13	7		
Continental Air Lines	.72	9.9	37	31	2.0	26.7	1.5	2.6%	9.50	.25
Rank	20	13		16	16	12	11	8		
Delta Air Lines	.80	12.7	29	37	4.5	41.6	.4	2.0%	35.75	.70
Rank	19	4		13	3	3	18	11		
Eastern Air Lines	.84	12.8	29	45	1.9	27.0	1.2	*	6.25	
Rank	18	3		8	17	10	7			
Frontier Airlines	1.67	12.5	29	49	8.1	34.6	.2	**	10.00	
Rank	1	5		4	2	4	19			
Hawaiian Airlines	1.10	10.0	36	12	1.2	18.2	2.6	*	3.87	
Rank	10	12		20	21	18	4			
National Airlines	1.10	12.5	29	40	1.4	41.8	.5	4.3%	11.62	.50
Rank	10	5		11	20	2	17	2		
Northwest Airlines	1.44	13.2	28	36	15.2	57.5	.1	2.1%	23.62	.50
Rank	4	1		14	1	1	20	10		
North Central Airlines	.92	10.2	36	32	2.8	32.3	1.2	2.4%	5.00	.12
Rank	15	11		15	8	7	13	9		
Ozark Air Lines	.91	10.6	34	38	3.2	26.2	1.6	3.2%	3.125	.10
Rank	16	10		12	7	13	10	4		
Pan American World Airways	1.30	7.8	47	46	1.5	17.8	2.3	*	5.00	
Rank	5	19		7	19	20	6			
Piedmont Aviation	1.21	9.1	40	49	2.6	18.0	2.8	3.2%	6.25	.20
Rank	7	15		4	9	19	2	4		
Southern Airways	1.00	10.7	34	29	3.8	20.0	2.3	*	5.19	
Rank	14	8		17	5	17	1			
Texas International Airlines	.91	8.3	44	43	3.5	(1.3)	(30.3)	*	8.19	
Rank	16	16		10	6	21	-			
Trans World Airlines	1.09	7.9	46	54	2.3	24.3	1.5	*	10.37	
Rank	12	18		2	15	15	5			
UAL	1.49	8.3	44	55	1.8	30.4	.9	2.9%	20.87	.60
Rank	2	16		1	18	8	15	6		
Western Air Lines	1.03	13.0	28	48	2.5	26.8	.8	5.3%	7.62	.40
Rank	13	2		6	11	11	16	1		
Hughes Air West			Not Reported							
Rank										

(1) Current assets/current liabilities.
(2) Revenues/average net receivables.
(3) 365/(2)
(4) Accumulated depreciation/property (flight equipment).
(5) Income before tax and interest expense/interest expense.
(6) Common stockholders' equity/total assets.
(7) Long-term debt/common stockholders' equity.
(8) Dividends per share/market value per share at year end.

(*) No common dividends paid.
(**) 3% stock dividend.

- 8 -

FOOTNOTE DISCLOSURES

Table 1-3 summarizes the nature of information frequently disclosed in financial statements and the number of survey companies disclosing such information.

Table 1-3

Types of Disclosure	No.	Types of Disclosure	No.
Accounting policies	21	Quarterly results	13
Lease commitments	21	Supplementary income statement information	10
Contingencies	21	Earnings per share	8
Long-term debt	21	Business segments	5
Income taxes	19	Property and equipment	4
Stock options	19	Mail revenue	4
Capital stock	18	Federal subsidy	3
Pension plans	17	Accounting change	3
Replacement cost	14		

* Footnotes found in two or fewer reports are listed in Table 1-23.

Examples of some of the above footnote disclosures follow:

ACCOUNTING POLICIES - UNITED

Summary of Significant Accounting Policies

Consolidation - UAL, Inc. ("UAL") is a holding company. Its operating subsidiaries are United Air Lines, Inc. ("United"), Western International Hotels Company ("Western International") and GAB Business Services, Inc. ("GAB"), all of which are wholly-owned. The consolidated financial statements include the accounts of UAL and all of its significant subsidiaries. All significant intercompany transactions have been eliminated.

Airline Revenues - Airline passenger fares are recorded as operating revenues when the transportation is furnished. The value of unused tickets is carried in the financial statements under current liabilities. Other services, such as cargo, are not normally paid for in advance.

Foreign Currency Translation - Assets and liabilities on foreign subsidiaries' financial statements denominated in foreign currencies are translated at period-end exchange rates, except that operating property and equipment are translated at historical exchange rates. Income and expense accounts are translated at average exchange rates in effect during the period (except for depreciation and amortization, which is at historical rates). Foreign balance sheet translation adjustments are included in earnings currently.

Temporary Investments - Temporary investments are stated at cost, which approximates market.

Parts and Supplies - Flight equipment expendable parts are stated at average cost less obsolescence allowance. Maintenance and operating supplies are stated at average cost.

Operating Property and Equipment - Operating property and equipment are capitalized at cost. Cost includes interest capitalized on non-interest-bearing funds advanced to manufacturers and contractors during construction, based on the weighted average interest rate of debt outstanding (airline) or the current interest cost for borrowed funds for specific projects (hotels).

Assuming interest capitalized had been charged to expense as incurred in current and prior years, net earnings would have been increased by approximately $3,500,000 in 1977 and $3,000,000 in 1976.

Depreciation and Retirements - For financial reporting purposes, depreciation and amortization of property and equipment are based on the straight-line method over the estimated service lives of depreciable assets. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less.

Aircraft are depreciated to a nominal salvage value over lives averaging 14 years. Buildings are depreciated over lives of 25 to 45 years.

Gains or losses on retirements of individual units of property are reflected in earnings.

Maintenance - Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense accounts. Costs of additions to and renewals of units of property are charged to property and equipment accounts.

Income Taxes - Deferred income taxes are provided to recognize the effects of timing differences, i. e., those items of income and expense which affect income for tax purposes in a period different from that in which they affect income for accounting and reporting purposes. As a result, income tax expense recorded for any period represents the total taxes applicable to the income reported in the financial statements for that period, regardless of when such taxes are actually paid.

Investment tax credit benefits are included in earnings using the "flow-through" method as a reduction of Federal income tax expense. UAL's policy is to recognize such benefits only to the extent they are considered to be realizable. The Tax Reform Act of 1976 substantially enhanced prospects that in the future UAL will realize investment tax credits through actual reductions of income taxes payable before the investment credits expire. Under the new law, older credits are to be used first and, in the case of air carriers, credits are to be applied against 100% of Federal income tax liability in 1977 and 1978, decreasing 10 percentage points annually to 50% in 1983 and thereafter. As a consequence of these changes in the law, UAL's net earnings include investment tax credit benefits relating to the difference between financial statement income and taxable income ("timing differences"), even though such benefits may not be realized in a particular year's tax return, since UAL believes that the full amount of such benefits will be realized on taxable earnings in future years' tax returns.

Preopening Expenses - Preopening expenses for hotels are amortized generally over a five-year period.

Intangibles - Goodwill, representing the excess of cost over values assigned to net assets acquired in the purchase of a business, is being amortized over a 40-year period.

Treasury Stock - Treasury stock is stated at cost.

Retirement Plan Costs - Current service costs are accrued and funded on a current basis. Prior service costs are being amortized and funded over 30-year and 40-year periods.

Cash Basis Accounts - GAB and its affiliates maintain their accounts and determine their taxable income using the cash basis of accounting. However, for financial reporting purposes, their financial statements are adjusted to the accrual basis of accounting, in accordance with generally accepted accounting principles.

ACCOUNTING POLICIES - DELTA

Summary of Accounting Policies

Passenger Revenue - Passenger ticket sales are recorded as revenue when the transportation is used. The value of unused tickets is included in current liabilities in the financial statements.

Depreciation - Substantially all of the Company's flight equipment is being depreciated on a straight-line basis to residual values (10% of cost) over a 10-year period from dates placed in service. Ground property and equipment is depreciated on a straight-line basis over its estimated service life (various lives ranging from 3 to 30 years).

Maintenance and Repairs - All maintenance and repair costs, including engine and airframe overhauls, are charged to maintenance expense when incurred. Major replacements and betterments are capitalized.

Interest Capitalized - Interest on advances for new equipment is capitalized based on the Company's current interest rate on long-term debt in order to properly reflect the total cost of acquiring such equipment. Capitalization of interest ceases when the equipment is placed in service. Assuming all interest had been charged to expense as incurred, net income would have been higher by approximately $1,118,000 in 1977 and $88,000 in 1976.

Foreign Currency Transactions - Realized and unrealized foreign exchange adjustments are included in income on a current basis.

Retirement Plans - All of the Company's permanent employees are covered under its non-contributory trusteed plans providing for retirement, disability, and survivor benefits. The total expense under these plans amounted to approximately $52,324,000 in 1977 and $44,291,000 in 1976. The Company's policy is to fund each year's accrued costs under the plans, which costs include amortization of prior service costs ($41,153,000 at June 30, 1976) over a thirty-year period to 1991. As of June 30, 1976 (date of most recent actuarial study), the assets of the plans exceeded the actuarially computed present value of vested benefits under the plans.

Income Taxes - Total income taxes are provided by applying the applicable tax rates to book income before income taxes. Deferred income taxes are provided for all significant items (principally depreciation) where there is a timing difference in recording such items for financial reporting purposes and for income tax purposes. Investment tax credits are amortized (as a reduction of the provision for income taxes) over seven years (see Note 3).

Earnings Per Share - Net income per common share is computed based on the weighted average number of outstanding shares during the year (19,880,577 shares in 1977 and 1976). Outstanding stock options and warrants (see Note 6) have no material dilutive effect on net income per common share in 1977 and 1976.

SUMMARY OF DISCLOSURES:

The nature of information disclosed in summaries of accounting policies and the number of survey companies disclosing such information follows:

Table 1-4

Property and equipment	18
Capitalized interest	14
Pension plan	14
Income taxes	13
Passenger revenue recognition	12
Principles of consolidation	9
Earnings per share	8
Inventories	7
Depreciation	7
Deferred charges	6
Spare parts and supplies	6
Foreign currency transactions	5
Leases	5
Investment tax credit	4
Segment information	3
Maintenance and repairs	3
Preoperating and debt expenses	3

There are numerous items which are not included in the above listing which appeared in two or less reports. For such items see the Examples of Accounting Policies Disclosure.

LEASE COMMITMENTS - EASTERN

COMMITMENTS:

The Company's minimum rental commitments (of which approximately 98 per cent represent non-capitalized financing leases) and non-cancelable sublease rentals for future periods are as follows (in millions):

(See following page.)

At December 31, 1977	Municipal Leases	Other Offices	Ground Equipment	Aircraft	Total	Sub-leases	Total Commitments
1978	$ 34.2	$ 5.1	$17.0	$ 68.1	$ 124.4	$ (6.8)	$ 117.6
1979	33.2	5.1	15.6	66.7	120.6	(5.6)	115.0
1980	31.0	4.7	13.6	65.3	114.6	(2.4)	112.2
1981	37.9	4.5	9.4	64.0	115.8	(1.6)	114.2
1982	42.7	3.3	7.0	63.7	116.7	(1.6)	115.1
1983 - 1987	214.6	15.3	19.4	233.0	482.3	(8.0)	474.3
1988 - 1992	209.2	14.7	.1	109.8	333.8	(4.7)	329.1
1993 - 1997	187.2	13.3	-	.6	201.1	(4.0)	197.1
1998 and beyond	323.7	8.3	-	-	332.0	(.8)	331.2
Total	$1,113.7	$74.3	$82.1	$671.2	$1,941.3	$(35.5)	$1,905.8

During the first quarter of 1977, Eastern, along with the other airlines servicing Atlanta, entered into an agreement with the City to lease facilities in the new Central Passenger Terminal Complex at the Hartsfield International Airport. Rental is expected to commence in 1981 and will continue through mid-2011. The Company's rental commitment is estimated to be approximately $496 million and has been included in the above table at December 31, 1977.

The present value of the aggregate commitments for all non-capitalized financing leases net of sublease rentals at December 31 is as follows (in millions):

	Present Value of Non-capitalized Financing Leases	
	1977	1976
Municipal leases	$305.0	$316.3
Other offices	26.7	42.8
Ground equipment	42.7	54.1
Aircraft	406.6	376.8
Less sublease rentals	(27.3)	(28.9)
Total	$753.7	$761.1

Present values have been calculated by applying actual interest rates in effect at the date of the lease. Such interest rates ranged from 1.8 per cent to 12.3 per cent.

The effect on net income (loss) for 1977 and 1976, if all leases identified as non-capitalized financing leases had been capitalized, would be as follows (in millions):

	1977	1976
Expense increase (decrease):		
Amortization	$ 57.2	$ 53.3
Interest	54.3	48.1
Lease rental	(100.9)	(91.0)
Increase in expense	10.6	10.4
Less income tax effect	-	2.5
Additional charge to income - net	$ 10.6	$ 7.9

One Boeing 727-225 aircraft acquired under a financing lease was capitalized in 1977 under prospective application of Financial Accounting Standards Board Statement No. 13. The following is a schedule by years of future minimum lease payments under that capital lease together with the present value as of December 31, 1977:

	(In Millions)							
	1978	1979	1980	1981	1982	1983-1987	1988-1992	Total
	$1.0	$1.1	$1.0	$1.1	$1.0	$5.3	$5.3	$15.8
Less:								
Amount representing interest..............................								5.9
Present value of lease payments..........................								$ 9.9

The Company has outstanding commitments totaling approximately $161.9 million for the purchase of ten aircrafts. Of such commitments, $78.0 million is for the purchase of three Lockheed L-1011 aircrafts and $83.9 million is for the purchase of seven Boeing B-727-225 aircrafts. The following table shows the amounts deposited with the manufacturers as of December 31, 1977 as well as the years in which the balance of the commitments become due (in millions):

Aircraft Type	Number	Prior Deposits	1978
Lockheed L-1011.........................	3	$29.7*	$ 48.3
Boeing B-727-225.........................	7	16.1	67.8
Total.....................	10	$45.8	$116.1

*$0.7 million with Rolls-Royce, the engine manufacturer.

In addition, the Company has purchase orders for 13 additional L-1011 aircrafts, with cancellation options. The Company also has the option to purchase up to 10 additional Boeing B-727-225 aircrafts during the period 1979-1980.

The Company currently leases 89 jet aircrafts, which leases expire between 1978 and 1991. All leased aircraft, except nine DC-9-14, one DC-9-31, and four A-300B aircrafts may be purchased under certain conditions. The A-300B aircrafts are being leased on a short-term basis under a Commercial Demonstration and Sublease Agreement which expires on June 1, 1978. Such sublease agreement does not require the payment of rent by the Company. In addition, two L-1011 aircrafts are leased on a seasonal basis and may be purchased under certain conditions.

The Company's total annual rental expense (reduced by rentals from subleases) for 1977 and 1976, categorized in accordance with definitions of the Securities and Exchange Commission follows (in millions):

	1977	1976
Non-capitalized financing leases:		
Municipal leases	$ 33.1	$ 31.7
Other	67.8	59.3
Subtotal non-capitalized financing leases	100.9	91.0
Non-financing leases	16.3	13.4
Total minimum payments	117.2	104.4
Contingent rentals (landing fees)	44.5	42.1
Subtotal	161.7	146.5
Less sublease rentals	5.6	5.2
Total	$156.1	$141.3

Financial Accounting Standards Board Statement No. 13, "Accounting for Leases," requires capitalization of financing leases entered into after January 1, 1977 and retroactive capitalization, no later than January 1, 1981, for financing leases entered into prior to 1977. Statement No. 13 excludes from its capitalization requirement municipal leases for terminals and airport facilities. Accordingly, such leases which represent $1,113.7 million or 58 per cent of the Company's minimum commitments as designated in the above data, would not be capitalized upon adoption of the provisions of Statement No. 13.

In September 1977, the Securities and Exchange Commission (SEC) issued Accounting Series Release No. 225 requiring that financial statements filed with the SEC for fiscal years ending after December 24, 1978 reflect early application of the accounting requirements of Statement No. 13 unless a violation or probable future violation of a restrictive clause in an existing loan indenture or other agreement would result. The Company believes such early application of the accounting requirements of Statement No. 13 could possibly result in non-compliance with certain covenants in its debt instruments if internally forecasted financial results for the three years are not achieved. The Company has requested from its lenders a modification of certain definitions which will permit the continued exclusion of Statement No. 13.

If the Company retroactively adopted the provisions of Statement No. 13 at January 1, 1977, the expense impact on the year 1977 would be an additional $6.9 million and the effect on retained earnings for years prior to 1977 would be a reduction of $45.3 million.

CURRENT DEVELOPMENTS RE: LEASES

Amendment No. 28 to Part 241 of Regulation ER-1013 by the Civil Aeronautics Board adopted July 14, 1977, establishes disclosure standards for lease transactions which will require air carriers to record, in appropriate balance sheet accounts, capital leases and their respective obligations. The Amendment also incorporates detail accounting and reporting standards for capital leases and other types of leases. Also in the Amendment are disclosure requirements for both quarterly and year-end financial statements for leases which meet the criteria for capitalization but have not been capitalized. These disclosure requirements are in compliance with FASB 13. The CAB has encouraged immediate implementation of the new requirements, including retroactive application to leases entered into before January 1, 1977.

Accounting Series Release No. 225 was developed to conform SEC lease accounting and disclosure requirements to that of FASB No. 13. Requirements of ASR 225 differ from those of FASB 13 in that the SEC will require (with some exceptions) registrants to adopt the accounting provisions of the statements for fiscal years ending after December 24, 1978 (as opposed to fiscal years beginning after December 31, 1980).

Another recent development has been the proposal by the Financial Accounting Standards Board of an interpretation of FASB Statement No. 13. The interpretation is concerned particularly with Paragraph 28 regarding leases of property owned by a governmental unit or authority. The interpretation provides additional requirements which must be met before such leases can be categorized as operating leases. The Board believes a lessee's classification of leased government owned property should be determined by the same criteria as those applied to leases in general. The Board Members are of the opinion that termination provisions in such leases or the right of a government unit or authority to close or take possession of a facility should be assessed as to the likelihood of occurrence and should not be viewed as providing an automatic exemption from the application of the classification criteria of Paragraph 7.

SUMMARY OF DISCLOSURES

Companies reporting items relating to FASB Statement No. 13 and ASR 225 (Disclosure of Lease Commitments by Lessee):

Table 1-5

Disclosed	21
Not disclosed	-
Statement that leases are either not material or not significant	-
Total	21

Total rent expense entering into determination of net income:

Table 1-6

Disclosed	20
Not disclosed	1
Total	21

Rental from subleases:

Table 1-7

Disclosed	7
Not disclosed	14
Total	21

Landing fees:

Table 1-8

Disclosed	3
Not disclosed	18
Total	21

Disclosure of minimum rental commitments under all non-cancelable leases as of the date of the latest balance sheet are as follows:

(See following page.)

Table 1-9

Each of the five succeeding years and the remainder as a single amount	18
Each of the five succeeding years, three five-year periods and the remainder as a single amount	3
Total	21

Basis for calculating rental payments if dependent upon factors other than lapse of time:

Table 1-10

Disclosed	-
Not disclosed	21
Total	21

Existence and terms of renewal or purchase options, escalation clauses, etc.:

Table 1-11

Disclosed	9
Not disclosed	12
Total	21

Nature and amount of guarantees or obligations assumed:

Table 1-12

Disclosed	10
Not disclosed	11
Total	21

Restriction on paying debt, additional leasing, etc.:

Table 1-13

Disclosed	1
Not disclosed	20
Total	21

Any other information necessary to assess the effect of lease commitments on future operations:

Table 1-14

Disclosed	2
Not disclosed	19
Total	21

Present value of lease commitments by major category at balance sheet date:

Table 1-15

Disclosed	15
Not disclosed	6
Total	21

Rate used in computation of present value:

Table 1-16

Disclosed	8
Not disclosed	13
Total	21

Present value of all sub-rentals which will reduce rental expense:

Table 1-17

Disclosed	1
Not disclosed	20
Total	21

Impact on net income of capitalizing all non-capitalized financing leases:

Table 1-18

Disclosed	11
Not disclosed	7
Statement that the impact was either not material or not significant	2
Statement that the impact on net income was less than 3% of average net income for the two most recent years	1
Total	21

Amount of amortization and interest cost for all non-capitalized financing leases:

Table 1-19

Disclosed	7
Not disclosed	14
Total	21

CONTINGENCIES - TWA

CONTINGENCIES

(a) Reference is made to Notes 3 and 6 for contingencies concerning income taxes and airline commitments, respectively.

(b) Actions are pending in various courts by landowners and others, including owners of property located in areas adjacent to airports used by TWA, seeking to enjoin certain aircraft operations at such airports or to recover damages from the airport operators or the various air carrier defendants, based, among other things, upon alleged excessive noise resulting from such operations. TWA is a defendant or a cross-defendant in a number of these actions and is a lessee at the airports involved in a number of other actions. The relative rights and liabilities as among the various persons concerned, including the air carriers, are not entirely clear. Even in those cases in which the air carriers are not defendants, any liability of airport operators could result in higher airport costs to air carriers, including TWA, using the airports involved.

(c) A class action was brought against TWA in 1970 by approximately 440 former hostesses alleging their discharge by TWA for pregnancy violated Title VII of the Civil Rights Act of 1964. They seek reinstatement, back pay, and attorneys' fees. TWA believes it has substantial defenses to this action. In October 1976, the trial court granted the plaintiff's motion for summary judgment on the issue of liability. TWA has appealed such determination. In the event plaintiffs prevail, the amount of monetary recovery will depend on various factors affecting each plaintiff's claim and cannot be predicted. It is, however, the opinion of TWA's General Counsel that, in the aggregate, any such recoveries will not materially affect TWA's financial condition.

Also, the Equal Employment Opportunity Commission brought suits in 1975 and 1976 alleging that TWA violated Title VII of the Civil Rights Act of 1964 by refusing to treat pregnancy and pregnancy related disabilities in the same manner as other temporary disabilities for sick and disability pay purposes, and by requiring flight attendants to go on mandatory maternity leave. Injunctive relief and monetary damages are being sought. A similar suit had been brought by the New York State Human Rights Commission alleging that TWA's policy violates New York law. In 1976 private actions were commenced against TWA on behalf of female employees as a class and by certain females individually alleging the same wrongful conduct and seeking substantially the same relief. The U. S. Supreme Court has ruled that Title VII does not require that pregnancy be treated as a disability or that employers provide sick pay during pregnancy. The New York Court of Appeals has held that the New York Human Rights law requires that pregnancy be treated the same as any other disability. Under Title VII, the New York Human Rights law and other applicable state laws, certain legal issues remain unsettled and the outcome of the cases involving TWA cannot be predicted. It is the opinion of TWA's General Counsel, however, that in the event there are any monetary recoveries by the plaintiffs in these cases, the amount of such recoveries will not materially affect TWA's financial condition.

Class action suits, in which injunctive relief and monetary damages are being sought, were brought in 1976 and 1977 alleging that TWA violated the Civil Rights Act of 1964 by engaging in employment practices which unjustly discriminate on the basis of sex, or race, or both. The outcome of these cases cannot be predicted. It is, however, the opinion of TWA's General Counsel that the final resolution of these cases will not materially affect TWA's financial condition.

(d) TWA is a party to various labor arbitration proceedings in which employees are claiming that they are entitled to backpay, including a proceeding brought by Flight Attendants who have been assigned on short notice as additional crew members to flights with heavy passenger loads. While the final outcome of these proceedings cannot be predicted, it is the opinion of TWA's General Counsel that the final resolution of these proceedings will not materially affect TWA's financial condition.

(e) There exist certain other contingent liabilities resulting from actual and threatened litigations, but in the opinion of TWA's General Counsel none will result in liability which, over and above any insurance coverage in respect thereof, would materially affect TWA's financial condition or interfere with its operations.

INCOME TAXES - WESTERN

TAXES ON INCOME

The provision for taxes on income is summarized as follows:

	1977	1976
Current income taxes:		
Federal	$(1,025)	$ 4,405
State	1,150	1,075
Deferred Federal income taxes	(550)	2,350
Deferred investment credits	11,900	4,145
	11,475	11,975
Amortization of investment credits	(2,825)	(2,925)
Total	$ 8,650	$ 9,050

Deferred income taxes arise from timing differences between financial and tax reporting. The tax effects of these differences follow:

	1977	1976
Depreciation	$(1,623)	$ 464
Interest capitalized	679	(164)
Preoperating expense	(668)	1,668
Employee benefits	792	146
Other	270	236
Total	$ (550)	$ 2,350

Investment credits unapplied on tax returns amounted to $9,596 at December 31, 1977 ($17,705 - 1976) with $3,808 expiring in 1982, $1,903 in 1983, and $3,885 in 1984.

Of the $18,610 unamortized investment credit balance at December 31, 1977 ($17,644 - 1976), $10,548 ($4,170 - 1976) remains from investment credits utilized by reduction of taxes paid and $8,062 ($13,474 - 1976) is related to investment credits not yet utilized for reduction of taxes paid.

The Tax Reform Act of 1976 provides for 100% application of unapplied investment credits against Federal income tax liabilities for 1977 and 1978. This 100% application is reduced 10% annually thereafter to a 50% application against Federal income taxes in 1983.

A reconciliation between the amount of reported taxes on income and the amount computed by multiplying earnings before provision for taxes on income by the Federal statutory tax rate of 40% follows:

	1977	1976
Taxes on income at 48%......................	$11,046	$11,527
Increases (reductions) in taxes resulting from:		
Amortization of deferred investment credits..................................	(2,825)	(2,925)
State income taxes, net of Federal income tax benefit......................	598	559
Other......................................	(169)	(111)
Taxes on income.........	$ 8,650	$ 9,050

The Federal income tax returns for 1973 and 1974 are being examined by the Internal Revenue Service.

SUMMARY OF DISCLOSURES:

All reports surveyed included Federal income taxes on their income statement. The following table summarizes the method of income tax disclosure:

Table 1-20

Current and deferred on the income statement..................................	3
Income taxes shown as one number on the income statement with footnote disclosure of the components..................	18
Total..............................	21

The following table summarizes the method used to disclose the amount of the investment tax credit utilized:

Table 1-21

Disclosed in a footnote.......................	19
Shown on the income statement................	1
Not disclosed.................................	1
Total..............................	21

The method of accounting for the investment tax credit used by the airlines surveyed is summarized as follows:

Table 1-22

Deferred method	6
Flow-through method	15
Total	21

REPLACEMENT COST - NATIONAL

REPLACEMENT COST DATA (unaudited)

In compliance with requirements of the Securities and Exchange Commission (SEC), National has estimated hypothetical replacement cost of flight and ground equipment at June 30, 1977 and the approximate effect that such estimated replacement cost would have had on depreciation expense for the year then ended.

The data provided below is based on the hypothetical assumption that National would replace all of its productive capacity assets on June 30, 1977, whether or not such action would be desirable, practical or even physically possible or whether the funds to do so were available. Presentation of these data does not mean that National has any such plans to immediately replace all of its productive capacity assets nor that actual replacement could or would take place in the manner assumed in estimating the data. National normally replaces its productive capacity assets over extended periods of time and replacement decisions are made based on economic, regulatory and competitive conditions existing on the dates such determinations are made and will differ radically from the assumptions on which the data included herein are based.

The replacement cost information has been estimated by management using methodology established for this purpose for the airline industry by the Air Transport Association. Such replacement cost method for flight equipment calculation was based on a factor for the unit per seat in new aircraft times the number of seats in the present fleet of similar type aircraft. This replacement cost of spare engines and rotable parts included in flight equipment was based on National's historic ratio of costs for aircraft related to such spares. Expendable spare parts included in current assets are not reflected in the replacement cost data because they are not inventory held for sale and are immaterial in amount. Various indices prepared by the Bureau of Labor Statistics, Department of Labor have been applied to the historical cost of ground property by year of acquisition to determine estimated current replacement cost.

Accumulated depreciation on a replacement cost basis at June 30, 1977 was calculated based upon the ratio of historical accumulated depreciation to historical cost of property and equipment times their estimated replacement cost. However, it should be noted that under realistic conditions should replacement of such productive capacity assets take place as of June 30, 1977 there would not be any accumulated depreciation as of that date but only subsequently. Nevertheless, as required by the SEC, depreciation expense on a replacement cost basis has been calculated on a straight-line basis using the same useful lives and salvage values utilized in preparing the historical cost financial statements.

Following is the estimated replacement cost information required by the SEC:

	Historical Cost	Replacement Cost
Flight equipment....................	$533,948	$914,176
Less accumulated depreciation........	210,750	362,599
	323,198	551,577
Ground property.....................	44,831	68,475
Less accumulated depreciation........	27,229	41,814
	17,602	26,661
Total.................	$340,800	$578,238
Fiscal 1977 depreciation and amortization expense..............	$ 28,713	$ 48,985

Historical cost amounts for which replacement cost data have been estimated are as follows:

	Flight Equipment	Ground Property
Assets for which replacement cost data are provided..................	$533,948	$ 44,831
Construction work in progress........	-	5,196
Leasehold improvements on operating leases............................	-	30,136
Amount reported on balance sheet.....	$533,948	$ 80,163

The foregoing replacement cost information was computed to comply with the requirements of the SEC.

In estimating replacement cost information, National has not estimated changes in operating expenses that would result from replacement. Among the more significant factors not considered are possible savings that might result in fuel, maintenance, and other expenses. In addition, no consideration has been given to the cost of financing the hypothetical replacements nor to the possible income tax effects including the substantial investment tax credit which would arise from replacing the fleet of aircraft at June 30, 1977. Moreover, since National is regulated and entitled to a fair rate of return on its investment, any increased costs could justify higher fares and rates to its customers. Accordingly, National does not believe that the estimated replacement cost information set forth above should be used to determine the effects of inflation on its net income.

Further, the replacement cost of flight equipment should not be interpreted to approximate the current market value of aircraft, nor should the difference between historical and replacement costs be interpreted to represent additional book value for National's stockholders.

STOCK OPTIONS - ALASKA

STOCK OPTIONS AND CONVERSION PRIVILEGES

Authorized but unissued shares of common stock reserved for stock options, conversion rights and contingencies are as follows:

	.....December 31....	
	1977	1976
Stock option plans for officers and key employees (see below)....................	$266,572	$254,110
Conversion on convertible notes and debentures (see Note 4) - 1977 - $6.85 to $7.95 per share; 1976 - $5.99 to $8.35 per share..........................	397,537	397,376
Warrants granted to holders of 8% junior subordinated notes - 1977 - $4.40 per share; 1976 - $4.20 per share............	125,000	125,000
Total..................	$789,109	$776,486

At December 31, 1977, the Company has reserved 101,197 shares of common stock for issuance in connection with the 1966 Stock Option Plan for Officers and Key Employees (see below). The Plan provides for five year options to purchase such shares at the market price on the date that the options were granted.

	....Options....			
	Price	Out-standing	Available For Granting	Average Market Price at Date of Exercise
Balance, December 31, 1975	\$3.125-\$6.250	\$ 37,230	\$ 54,780	
Granted..........	\$5.000-\$5.625	66,280	(66,280)	
Canceled.........	\$3.125-\$5.00	(18,504)	18,504	
Stock dividend adjustment.....		4,242	358	
Balance, December 31, 1976	\$2.976-\$5.952	89,248	7,362	
Canceled.........	\$5.102-\$5.669	(1,837)	1,837	
Exercised........	\$4.422	(255)		\$ 3.250
Stock dividend adjustment.....		4,379	463	
Balance, December 31, 1977	\$2.834-\$5.669	\$ 91,535	\$ 9,662	

Options under the plan which became exercisable during 1977 and 1976 are as follows:

Year Ended December 31	Number Of Options Which Became Exercisable	.....Option Price...... Per Share	In Total	Fair Value at Date Options First Became ......Exercisable...... Per Share	In Total
1976	6,966	\$4.762-\$5.357	\$ 36,000	\$5.250-\$5.625	\$ 38,000
1977	26,304	\$2.834-\$5.102	\$111,000	\$3.625-\$3.750	\$ 97,000

At December 31, 1977, the Company has reserved 165,375 shares of common stock for issuance in connection with the 1975 Stock Option Plan for Officers and Key Employees (see below). The Plan provides for up to ten year options to purchase such shares at the market price on the date that the options were granted. The

Plan includes stock appreciation rights which permit an optionee to surrender for cancellation up to 50% of his non-qualified stock options in return for credit by the Company in the amount by which the fair market value of the surrendered optioned shares exceeds the option price measured on the date of surrender of the option. For each optioned share surrendered in exercise of the stock appreciation rights, the optionee must concomitantly exercise one non-qualified optioned share and the Company shall apply the stock appreciation credit to that exercise.

	..............Options.................		
	Price	Out-standing	Available For Granting
Authorized..............			$150,000
Granted.................	$5.00-$5.625	$132,220	(132,220)
Canceled................	$5.00	(26,226)	26,226
Stock dividend adjustment		5,296	2,204
Balance, December 31, 1976..................	$4.762-$5.357	111,290	46,210
Cancelled.............	$5.357	(1,050)	1,050
Stock dividend adjustment...........		5,512	2,363
Balance, December 31, 1977..................	$4.535-$5.102	$115,752	$ 49,623

Options under the plan which became exercisable during 1977 and 1976 are as follows:

Year Ended December 31	Number Of Options Which Became Exercisable	.....Option Price...... Per Share	In Total	Fair Value At Date Options First Became ......Exercisable...... Per Share	In Total
1976	24,016	$4.762	$114,364	$5.25	$126,084
1977	30,139	$4.535-$5.102	$139,000	$3.625-$3.750	$110,000

The number of shares and the prices per share under the Stock Option Plans are subject to adjustments because of stock dividends, recapitalization, merger, consolidation, stock split or other events affecting shares of stock. To date, except for the adjustment of the number of shares and option prices for the 1977 and 1976 stock dividend, the option committee has not made any adjustments in the number of shares subject to option or in the prices at which the options can be exercised even though events within the terms of the adjustment clause have taken place.

CAPITAL STOCK - ALOHA

CAPITAL STOCK

Preferred Stock - As of December 31, 1977, 1,349,210 (1,344,811 shares in 1976) of the 1,397,400 shares of the Company's preferred stock issued have been converted (on a one-to-one ratio) common shares and are not subject to reissuance. Preferred stock conversion rights will continue until six months following notice of termination of the conversion privilege by the Board of Directors; 48,190 shares (52,589 shares in 1976) of common stock have been reserved for this purpose.

Stock Options - There were no shares of capital stock reserved for sale officers or employees at either December 31, 1977 or 1976.

Warrants - Warrants for the purchase of 45,076 shares outstanding December 31, 1975 expired January 1, 1976 without being exercised. Warrants for the purchase of 17,500 shares, expiring September 20, 1978, which were outstanding at both December 31, 1977 and 1976, are exercisable at a price of $4.30 per share with a $.30 annual increase after September 21, 1974 until expiration. No warrants were exercised in either 1977 or 1976.

Earnings Per Share - Earnings per share are based on the weighted average number of shares outstanding, including convertible preferred stock (2,126,773 shares in both 1977 and 1976). The shares issuable under the outstanding warrants described above are excluded, as their effect would be antidilutive.

QUARTERLY RESULTS - ALLEGHENY

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Selected financial data for the Company on a quarterly basis for 1977 and 1976 is shown in the following table:

(See following page.)

	First Quarter*	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands of dollars except for per share amounts)			
Operating revenues:				
1977..................	$103,386	$123,871	$130,551	$134,922
1976..................	$ 93,403	$114,331	$115,753	$115,563
Operating income (loss):				
1977..................	$ (7,540)	$ 9,204	$ 8,679	$ 8,370
1976..................	(5,918)	$ 11,892	$ 7,445	$ 4,716
Income (Loss) before extraordinary items:				
1977**................	$ (2,738)	$ 6,275	$ 5,763	$ 7,100
1976..................	$ (8,934)	$ 9,838	$ 2,887	$ 850
Extraordinary items:				
1977..................	$ -	$ -	$ -	$ -
1976***...............	$ -	$ 325	$ 870	$ 7,964
Net income (loss):				
1977..................	$ (2,738)	$ 6,275	$ 5,763	$ 7,100
1976..................	$ (8,934)	$ 10,163	$ 3,757	$ 8,814
1977 earnings (loss) per common share:				
Primary:				
Income (Loss) before extraordinary items	$ (.45)	$ .99	$ .93	$ 1.15
Extraordinary items..	-	-	-	-
Net income (loss)...	$ (.45)	$ .99	$ .93	$ 1.15
Fully diluted:				
Income (Loss) before extraordinary items		$ .65	$ .60	$ .73
Extraordinary items..		-	-	-
Net income (loss)...	N/A	$ .65	$ .60	$ .73

(See following page.)

	First Quarter*	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands of dollars except for per share amounts)			
1976 earnings (loss) per common share:				
Primary:				
Income (Loss) before extraordinary items	$ (1.48)	$ 1.55	$ .45	$ .15
Extraordinary items..	-	.06	.15	1.28
Net income (loss)...	$ (1.48)	$ 1.61	$ .60	$ 1.43
Fully diluted:				
Income (Loss) before extraordinary items		$ 1.34	$ .42	$ .14
Extraordinary items..		.06	.13	.76
Net income (loss)...	N/A	$ 1.40	$ .55	$ .90

* Historically, the Company's first quarter is seasonally the lowest period of the calendar year for air travel and revenue.

** Includes retroactive mail revenue. The first three quarters have been restated from amounts previously reported to reflect additional mail revenue including $7,423,000 in the first quarter applicable to the years 1973 through 1976. See note 8.

*** Includes utilization of net operating loss carryforwards and gain on exchange offer. See notes 5 and 6.

PENSION PLANS - CONTINENTAL

PENSION PLANS AND INCENTIVE COMPENSATION PLAN

The Company has pension plans for substantially all of its employees. Pension costs to the Company for 1977 and 1976 were approximately $18,577,000 and $14,430,000, respectively. The Company's policy is to fund pension costs accrued. Unfunded past service costs (which aggregated approximately $16,753,000 at the date of the latest actuarial report) are being funded over a 30-year period that began on January 1, 1960. The actuarially computed value of vested benefits for one plan exceeded the assets at market value by $3,010,000; however, in the aggregate, the assets for all plans exceeded vested benefits.

The Company has an Incentive Compensation Plan for officers and certain other key employees. The maximum amount which may be paid or accrued under the Plan with respect to any year is 10% of that year's pretax earnings, as defined in the Plan, after deducting from such earnings an amount equal to 10% of stockholders' equity as defined in the Plan. Amounts accrued under the Plan for 1977 were $1,215,000.

SUPPLEMENTARY INFORMATION - SOUTHERN

SUPPLEMENTARY INFORMATION

	.......Year Ended December 31.......		
	1977	1976	1975
Depreciation and amortization:			
Depreciation of property and equipment...........	$ 6,773,000	$ 4,878,000	$4,177,000
Amortization of deferred charges.................	370,000	396,000	388,000
Provision for inventory obsolescence............	240,000	233,000	203,000
	7,383,000	5,507,000	4,768,000
Deduct - amounts charged to other expense accounts................	111,000	126,000	134,000
Total.............	$ 7,272,000	$ 5,381,000	$4,634,000
Taxes, other than income taxes, charged to operating expenses:			
Payroll taxes.............	$ 2,498,000	$ 2,352,000	$1,874,000
Fuel and oil taxes........	1,036,000	881,000	723,000
Property taxes............	865,000	782,000	652,000
Sales and use taxes.......	473,000	431,000	360,000
Other.....................	178,000	175,000	154,000
Total.............	$ 5,050,000	$ 4,621,000	$3,763,000
Rents:			
Rental expenses under leases (Note F).........	$10,787,000	$11,299,000	$9,674,000
Rental expense charged to other expense accounts - net..........	(53,000)	(70,000)	(73,000)
Total.............	$10,734,000	$11,229,000	$9,601,000
Advertising costs...........	$ 1,676,000	$ 1,712,000	$ 918,000

There were no royalties or research and development costs.

SUMMARY OF DISCLOSURE

The following table summarizes some of the footnotes that appeared two or fewer times in the reports surveyed.

Table 1-23 - Miscellaneous Notes

Exchange offer	Public service revenue
Cash and short-term investment	50% owned consolidated company
Investment	Significant transactions affecting operations
Capitalized interest	Hijacking payment recovery
Extraordinary credits	Subsequent event
Depreciation	Long-term note receivable
Mutual aid	Deposits
Wage and salary freeze program	Net earnings
Reclassification	International route agreement
Export sales	Description of impact of inflation

Example of some of the above footnote disclosures follow:

EASTERN

WAGE AND SALARY FREEZE PROGRAM

On January 1, 1976, the Company implemented a program, agreed to by Eastern's employees, which provided for a freeze on direct salary and wage increases during 1976 for virtually all employees, and a continuation of the freeze through March 31, 1977 for certain employees. In return for participation in this program, the Company offered to its employees the option to participate in a five-year profit-sharing plan approved by the Company's stockholders, or alternatively, to elect to receive one warrant (described in Note G) for every $10 of wage or salary they were not paid during the period the freeze was applicable to them as a result of their participation in the freeze.

Based on employee elections: (1) approximately 20 percent of the Company's profits (before giving effect to profit-sharing expense) for each calendar year through December 31, 1980, is required to be paid to participants in profit-sharing; and (2) the Company has reserved 2.5 million shares of Common Stock for issuance upon exercise of the warrants issued under this program.

In January 1977, the Company implemented a Variable Earnings Program ("VEP") with respect to officers and in July 1977, with respect to other employee groups. Under VEP, a portion of the Company's wage and salary expense is contingent upon the Company achieving certain minimum levels of earnings. As a result of this program, the Company's wage and salary expense for the twelve months ended December 31, 1977 was approximately $6.0 million less than it would have been had VEP not been in effect.

NORTHWEST

EXPORT SALES

Northwest Airlines, Inc. is a scheduled air carrier engaged in commercial transportation of passengers, mail and cargo, and operates under certificates of public convenience and necessity issued by the Civil Aeronautics Board. Operating revenues include export sales of $183,349,000, principally associated with countries in Asia. Revenue from sales consummated in foreign countries is considered to be export sales.

NORTH CENTRAL

PUBLIC SERVICE REVENUES

As a local service carrier, the Company receives public service revenues for serving small and intermediate size communities which do not generate sufficient traffic to fully support profitable air service. The amount of such payments is determined by CAB on the basis of its evaluation of the amount of revenue needed to meet operating expenses and provide a reasonable return on investment with respect to eligible routes. The amount so determined is reduced by a portion of the Company's earnings on routes not eligible for public service revenue, when these earnings exceed the prescribed maximum return on investment as set by the CAB. The CAB adopted Class Rate VIII effective as of July 1, 1976. It provides for semiannual review of the Company's public service revenue rate and has no specified expiration date.

SOUTHERN

HIJACKING PAYMENT RECOVERY

In 1973, the Civil Aeronautics Board (CAB) implemented a subsidy formula which recognized the $2 million ransom payment retained by the Republic of Cuba following a 1972 hijacking. This formula resulted in increased subsidy revenue; however, the Company was required to return to the CAB a proportionate amount of the increased subsidy revenue when the ransom was returned. Following receipt of approximately $2 million from the Cuban Government in 1975, representing payment in full return of the ransom funds, the Company refunded to the CAB approximately $490,000 of the $600,000 which had been deferred at December 31, 1974. General and administrative expenses were reduced by approximately $110,000 for the final subsidy settlement related to the hijacking payment.

TWA

INTERNATIONAL ROUTE AGREEMENT

On January 30, 1975, the Civil Aeronautics Board (CAB) approved an agreement effective March 2, 1975, between TWA and Pan American World Airways, Inc. providing for, among other things, the replacement of Pan American by TWA in certain overseas markets and suspension of service by TWA in certain other overseas markets. Following remand to it by a Federal Court, the CAB, with Presidential approval, on January 5, 1977, reaffirmed its earlier decision except for a modification of the term to an approved period of three years ending March 2, 1978. The financial impact of the agreement, while not precisely quantifiable, is considered by management to have been favorable.

TWA has asked the CAB for authority upon the expiration of the agreement, to temporarily continue the suspension of its operations in the Pacific area and to be permitted to continue operations at certain of the cities in Europe and North Africa at which it temporarily replaced Pan American. TWA plans to resume service to certain other European cities at which service has been suspended under the agreement.

PIEDMONT

SIGNIFICANT TRANSACTIONS AFFECTING OPERATIONS

On December 29, 1977, the Civil Aeronautics Board established revised temporary mail rates retroactive to March 1973 for air carriers engaged in the transportation of mail. Accordingly, cargo revenues for 1977 have been increased by $1,998,000, of which $530,000 applied to 1976 and $902,000 applies to 1973 - 1975. Final mail rates are anticipated in 1978, and are not expected to materially effect those amounts provided under the temporary rate order.

On June 10, 1977, the Civil Aeronautics Board ordered the Company to refund $1,788,000 representing the public service revenue allowance for Federal income taxes in 1975. The Board contends that the Company was not in a tax position in 1975 and therefore is required to refund the tax allowance previously received. The Company has filed exceptions to the order, however the Board has denied the request and reaffirmed its original order. The Company has requested reconsideration of its position with respect to one item of tax allowance amounting to $540,000 to which it believes it is entitled. At December 31, 1977, the full amount of the claim has been accrued as a reduction of 1977 public service revenue in the event the current Board order should prevail.

Operating expenses in 1976 have been reduced by $485,000 for a refund of fuel costs paid in prior years.

TEXAS INTERNATIONAL

DEPOSITS ON AIRCRAFT AND OTHER DEPOSITS

Deposits on aircraft at December 31, 1977 include progress payments of $3,400,000 on two DC-9. Series 30 aircraft, scheduled for delivery in December 1978, and $150,000 in deposits on three DC-9, Series 30 aircraft, scheduled for delivery in 1979 (see Note 3).

The Company has deposits related to certain lease agreements of approximately $600,000. Furthermore, $1,300,000 in interest bearing securities serves as collateral on existing loans with a senior lender.

WESTERN

DESCRIPTION OF IMPACT OF INFLATION (Unaudited)

Inflation is reflected in operating expenses in the year in which the price increases occur except for the cost of replacing capital assets. Historically, because of the regulatory process, fare increases have lagged behind these price increases.

Replacing capital assets, primarily aircraft and ground property, with assets having equivalent productive capacity has usually required a greater capital investment than was required to purchase the original productive capacity. These higher acquisition costs reflect the cumulative impact of inflation.

Western's annual report on Form 10-K (a copy of which is available upon request) contains information with respect to year-end 1977 replacement cost of productive capacity and the approximate effect which replacement cost would have had on the computation of depreciation expense for the year.

OPINIONS

The following is a summary of opinions issued on the financial statements of the Airlines surveyed:

Table 1-24

Unqualified opinions	17
Qualified:	
"Subject to"	2
"Except for"	1
"Consistency"	1
Total	21

Examples of the above opinions follow:

AMERICAN

The Board of Directors and Stockholders
American Airlines, Inc.

We have examined the accompanying consolidated balance sheets of American Airlines, Inc. and Consolidated Subsidiary at December 31, 1977 and 1976 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of American Airlines, Inc. and Consolidated Subsidiary at December 31, 1977 and 1976 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

277 Park Avenue
New York, New York 10017
February 6, 1978

HAWAIIAN

Hawaiian Airlines, Inc.:

We have examined the financial statements and schedules of Hawaiian Airlines, Inc., listed in Item 13(a)(1) of your Annual Report (Form 10-K) to the Securities and Exchange Commission for the year ended December 31, 1977. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 8 to the financial statements, in 1977 a class action was commenced charging the Company with discrimination against pregnant flight attendants in violation of the Civil Rights Act. Because the ultimate outcome of this matter cannot be determined no provision for any liability that may result has been made in the financial statements.

In our report dated March 2, 1978 our opinion on the 1977 and 1976 financial statements included in the Company's annual report to stockholders was qualified as being subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty mentioned in the preceding paragraph and a claim assessed against the Company in 1976 for work on leased aircraft upon their return to the lessor been known. As indicated in the parenthetical reference following the fourth paragraph of Note 8 to the financial statements, the claim was settled as of March 10, 1978 and the amount of the settlement will be charged to 1978 operations as required by generally accepted accounting principles. Accordingly, our opinion on the 1977 and 1976 financial statements, as expressed herein, is different than that expressed in our report dated March 2, 1978 included in the Company's 1977 annual report to stockholders.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the second preceding paragraph been known, such financial statements present fairly the financial position of Hawaiian Airlines, Inc. at December 31, 1977 and 1976 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of accounting for leases as described in Note 1 to the financial statements; and the schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

March 2, 1978 (March 23, 1978 as to
the matter mentioned in the third
paragraph above.)

<u>SOUTHERN</u>

Board of Directors
Southern Airways, Inc.
Atlanta, Georgia

We have examined the balance sheets of Southern Airways, Inc. as of December 31, 1977 and 1976, and the related statements of operations, stockholders' equity and changes in financial position for each of the five years in the period ended December 31, 1977. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Southern Airways, Inc. at December 31, 1977 and 1976, and the results of its operations and changes in its financial position for each of the five years in the period ended December 31, 1977, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of recording certain DC-9 engine maintenance costs as described in Note E of the Notes to Financial Statements.

ERNST & ERNST

Atlanta, Georgia
January 27, 1978, except as to Note J
as to which the date is March 16, 1978

PAN AMERICAN

To the Board of Directors and Shareholders,
Pan American World Airways, Inc.

We have examined the consolidated balance sheets of Pan American World Airways, Inc. and Consolidated Subsidiaries as of December 31, 1977 and 1976, the related consolidated statements of operations (included under Item 2, Summary of Operations), of retained earnings, of other paid-in capital and of changes in financial position for each of the five years in the period ended December 31, 1977 and the supporting schedules for each of the two years in the period ended December 31, 1977. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Pan American World Airways, Inc. and Consolidated Subsidiaries at December 31, 1977 and 1976 and the results of their operations and changes in their financial position for each of the five years in the period ended December 31, 1977, and the supporting schedules for each of the two years in the period ended December 31, 1977 present fairly the information required to be included therein, all in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for leases as described in Note A to Consolidated Statements of Operations.

COOPERS & LYBRAND

New York, New York
February 27, 1978.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

As required by Section 13 or 15(d) of the Securities Exchange Act of 1934 each airline filed a Form 10-K, including management's discussion and analysis of the summary of operations. Twenty of the airlines used five-year summaries while only one used a ten-year summary. Five airlines incorporated by reference the management discussion and analysis from the annual report. Examples of management's discussion and analysis follow:

(See following page.)

ALASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The Company's 1977 net income of $3,414,000 or $.84 per primary share is a decline of $4,217,000 from the Company's record high of $7,631,000 achieved in 1976. However, 1976 income included a gain of $2,131,000 from the disposition of property and equipment and $3,440,000 from income tax credits arising from the utilization of tax loss carryforward.

As shown in the Company's Five-Year Summary of Operations, operating revenues and expenses significantly increased during 1975 and moderately increased during 1976 and 1977. Operating statistics reflect the activity in this three-year period.

Operating Statistics

	.....Year Ended December 31.....		
	1977	1976	1975
Passenger information:			
Revenue passengers............	851,150	782,499	759,529
Revenue passenger miles (000).	672,292	632,712	610,780
Available seat miles (000)....	1,122,460	992,341	1,007,926
Revenue passenger load factor.	59.8%	63.7%	60.6%
Payload information:			
Revenue ton miles (000).......	78,774	74,465	76,868
Available ton miles (000).....	143,594	127,753	136,321
Payload factor................	54.8%	58.2%	56.3%
Scheduled flight hours flown....	24,119	23,597	24,610
Fleet composition at year-end:			
B727-100 (owned)..............	10	9	9
B727-100 (leased).............	0	1	1
*B727-200.....................	0	0	0
DHC-6 (owned).................	0	0	2
Average number of employees.....	1,264	1,313	1,258

*Alaska Airlines participates in an interchange agreement with Braniff Airways whereby Alaska leases, on the basis of hours flown, a B727-200 aircraft for approximately six months of the year.

Generally the years 1977 and 1976 can be described as a stabilization following the Alaska pipeline buildup years of 1974 and 1975. 1977 airline operating revenues and expenses would have varied little from 1976 had it not been for the Company's first major strike, which began September 26, 1976 and lasted 26 days, which resulted in reduced traffic and flying for the balance of 1976.

During 1977, the Civil Aeronautics Board (CAB) continued its review, initiated on March 23, 1976, of the Company's Federal subsidy rates. In April 1977, the Company executed an agreement to purchase two B727-200's and spare parts from the Boeing Company for approximately $27,000,000. These events are further described in Notes 2 and 8, respectively, of the Notes to Consolidated Financial Statements.

Operating Revenues

Total airline operating revenues were $76,518,000 in 1977 and $69,475,000 in 1976, up 10% and 4%, respectively, over the prior years. Two-thirds of the $7,043,000 increase in 1977, occurred in the fourth quarter and reflect the 1976 strike mentioned earlier. Passenger revenues for 1977 increased $6,178,000 over the prior year, accounting for 88% of the total increase as the Company carried 69,000 more revenue passengers in 1977. Moreover, the CAB granted a system fare increase of three per cent in October 1976 and another three per cent increase, excluding the Seattle-Anchorage market, in the second half of 1977.

The 1977 cargo and mail revenue increases were mainly attributable to rate increases granted during 1976 and 1977 and to 1977's fourth quarter normal operations. Other Airline Operating Revenue - Net include income from the lease of an aircraft to an oil company in Alaska and income from airline related areas such as inflight sales, interchange aircraft rent, and subservice contracts.

Operating Expenses

Total airline operating expenses were $68,454,000 in 1977 and $62,027,000 in 1976, up 10% and 3%, respectively, over those of the prior years. The following table illustrates the Company's major expenses and the fluctuation between years. Approximately 50% of 1977's $6,427,000 increase is a reflection of the strike-impacted fourth quarter of 1976:

(See following page.)

Operating Expenses ($ in 000)

	1977 Total	1977 Increase (Decrease) From Prior Year	1976 Total	1976 Increase (Decrease) From Prior Year
Wages and related expense	$30,900	$ 3,600	$27,300	$ 3,300
Fuel	14,000	1,800	12,200	(2,000)
Aircraft rent and insurance	1,400	-	1,400	(400)
Flight equipment maintenance	3,600	100	3,500	(100)
Passenger food	3,000	700	2,300	100
Passenger insurance	600	100	500	(100)
Landing fees	2,000	300	1,700	(600)
Facilities and other rent	1,100	-	1,100	200
Commissions	2,500	(100)	2,600	300
Advertising and promotion	1,400	(200)	1,600	100
Depreciation and amortization	3,100	200	2,900	700
Other	4,854	(73)	4,927	335
Total	$68,454	$ 6,427	$62,027	$ 1,835

Wages and related payroll expenses and benefits amounted to 45% and 44% of the total airline operating expenses in 1977 and 1976, respectively. The $3,600,000 increase in 1977 can be ascribed to wages ($2,600,000) and related payroll costs ($1,000,000), primarily pensions and workmens' compensation insurance.

Fuel costs increased $1,800,000 or 14.8% in 1977 following 1976's decline of $2,000,000 from 1975. The savings achieved in 1976 resulted from replacement of four B720's with five B727-100's which are more fuel efficient, a 7% reduction in flight hours flown, and an improved fuel management program. The higher expense recorded in 1977 was caused by scheduled jet flight hours increasing 8.1% and the cost of fuel increasing 10.7% in 1977 following a 6.0% increase in the average cost per gallon of jet fuel in 1976. The Company's fuel management program continued to improve fuel efficiency in 1977.

The Company's new service package, Alaskafest, highlighted new passenger meals which cost an additional $700,000 in 1977. In conjunction with Alaskafest, the Company changed its advertising and promotion policies, which resulted in a $200,000 cost decrease in 1977 as compared with 1976.

The Company's hotel and resort operations reported a loss of $232,000 in 1977 versus a gain of $751,000 in 1976, due to very poor snow conditions at the ski resort in 1977, the winding down of the pipeline activity, and the loss of tourist trade in Nome, Alaska caused by the Wien Air Alaska strike. Other income in 1976 included $2,131,000 in gain from the disposition of property and equipment, including the accidental destruction of an aircraft and the sale of the Company's two Twin Otters.

OZARK

MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

1977 vs. 1976

Operating revenues increased 18% over 1976. Fare increases totalling 7% were allowed by the CAB at various dates during the year to cover higher operating costs, and, when applied to a gain of 11% in revenue passenger miles, resulted in increased passenger revenues. Yield per revenue passenger mile flown increased 4%. Public service revenues were up 6% reflecting a change in the rate paid to the Company during the last half of the year as a result of updated data furnished under the current class rate. Continued promotion of charter operations increased charter revenues 75%. Cargo revenues were up 22% on 11% higher volume. Other revenues increased $642,000 primarily due to increases in outside maintenance services and in-flight beverage sales. There were no mutual aid payments as there were no member airline strike days in 1977.

Mail revenues include an additional $1,228,000 representing a retroactive payment by the Post Office Department applicable to the years 1973 through 1976 and $659,000 due to the increased rates applicable to 1977.

Operating expenses were up 18% in 1977, primarily due to a 10% increase in miles flown and the increase in passengers carried. Unit fuel costs increased 15% over the prior year. Wages and employee benefits, services, and materials continued to increase with inflation and the growth in operations.

Non-operating expenses: Interest and debt expense increased primarily due to the increase in debt outstanding throughout the year. During 1977, five FH-227B aircraft were sold resulting in a gain on disposal of aircrafts in the amount of

$568,000; gain on sale of related aircraft parts was $291,000. No aircrafts were sold in 1976. The increase in interest income reflected participation in short-term investments during the year. Other income includes a gain of $113,000 on purchase of the Company's 6-3/4% convertible debentures. Federal and state taxes on income were up based on the increase in before tax earnings and less available investment tax credit.

The 1977 increase in net earnings over 1976 resulted from continuing traffic growth; increased fares; additional mail pay; and gain on sale of aircrafts and related parts.

<u>1976 vs. 1975</u>

Operating revenues increased 22% over 1975. Fare increases of 1% on February 1, and 2% on April 1, May 1, and September 15, 1976, were allowed by the CAB to cover higher operating costs, and, when applied to a gain of 18% in revenue passenger miles, resulted in increased passenger revenues. Public service revenues were up 16% reflecting a change in the rate paid to the Company during the last half of the year as a result of a revised class rate instituted by the CAB. Continued promotion of charter operations increased charter revenues 35%. Cargo revenues were up 22% reflecting rate adjustments and higher volume which reversed the downward trend of 1975. Mutual aid payments were down substantially to $76,605 as there were less member airline strike days in 1976.

Operating expenses were up 15% in 1976, primarily due to increased traffic and operations. Fuel costs were 16% higher than last year; however, the per cent of increase was substantially less than 1975 and part of the increase was attributable to a 6% increase in miles flown. Wages and related benefits, services, and materials were higher as a result of higher prices and the increased operations.

Non-operating expenses: The slight interest and debt expense decrease reflected a decreasing prime interest rate and reduction in debt throughout the year. The decrease in interest income reflected an elimination in short-term investments during the major portion of the year. Federal and state taxes on income rose substantially with the increased taxable earnings.

The 1976 increase in net earnings over 1975 resulted from strong traffic growth with the increased fares generating revenues substantially higher than the corresponding increase in expenses.

TEXAS INTERNATIONAL

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The following discussion summarizes, in the opinion of the Company's management, the reasons for certain changes reflected in the foregoing Summary of Operations:

1976 - 1977

A. Operating revenues for 1977 reached a record level of \$144,787,000, up \$24,394,000, or 20.3%, over the \$120,393,000 level of 1976. Major components of this revenue level include:

1. Passenger revenue, which increased by \$19,987,000, or 19.6%, reflecting a record 3 million passengers carried, up 25.3% over 1976. The strong revenue levels for 1977 reflect the economic strength of the Company's "Sunbelt" region and the stimulative impact of the Company's reduced rate "Peanuts Fares", which have attracted passengers who, the Company believes, otherwise would have used other modes of transportation.

2. Cargo, mail and other revenues, which increased by \$5,510,000, or 51.1%. This increase is primarily attributable to an increased emphasis on charter operations, the revenue from which increased by 86.5%, and freight operations and to the receipt of retroactive mail rate adjustments relating to 1973 - 1976.

3. Federal subsidy, which declined in 1977 by \$1,103,000, or 14.6%, due to the suspension of operations at certain subsidized stations, as well as a reduction of service frequency in certain unprofitable subsidy markets.

B. Operating expenses increased by \$18,098,000, or 15.6%, in 1977 over 1976 levels. Factors contributing to this expense level were:

1. Volume increases, as available seat miles increased by 14.5% and passengers carried by 25.3%.

2. Productivity improvements, which kept the cost per available seat mile constant at 6¢.

3. Flight operations expenses which increased by 22.8%, due to the addition of five DC-9 jets to the Company's fleet in order to accommodate the increase in the number of passengers.

4. Fuel costs which increased by 32.6% to $25,200,000, reflecting a 12.8% increase in cost per gallon and a 15.9% increase in consumption.

5. An increase in aircraft and traffic servicing expenses, amounting to 18.5%, primarily due to a 16.1% increase in wages and related costs of station personnel and a 16.7% increase in landing fees.

6. Passenger services expenses which increased 22.6%, due to the increase in passenger loads as well as a 12.3% increase in food costs and a 14.1% increase in wages and related expenses in this area.

7. Promotional costs which increased by 28.8%, due to the extensive advertising campaign associated with the introduction of "Peanuts Fares".

8. Depreciation declined in 1977 by 22.6%, due to the fact that Convair depreciation ended during 1977, whereas 1976 contained a special depreciation charge of approximately $860,000 related to the Convair fleet.

C. Interest expense increased by $939,000, or 41.5%, due primarily to the additional debt associated with the acquisition of five additional DC-9 jets and certain computer equipment. Increases were offset, to some degree, by a $7,516,000 decrease in long-term debt obligations during 1977. Interest income increased 118.7%, due to a 36% increase in cash flow, which provided more cash for investment purposes in 1977. This incremental cash was invested at higher rates of interest than were available in 1976. Other expense (net) decreased in 1977 because of miscellaneous non-recurring items included in 1976 but not in 1977. Also, included in other income in 1976, but not in 1977, is a gain of $1,050,000 from the disposal of an aircraft.

The charge equivalent to income taxes is based upon the Federal tax rate of 48% and increased in 1977 due to the substantially higher taxable earnings in 1977 compared to 1976. The assumed utilization of investment tax credit increased in 1977 because of a change in the law which removed certain limitations which were in effect in 1976.

<u>1975 - 1976</u>

A. Operating revenues for 1976 were $120,393,000, up $41,270,000, or 52%, over the $79,123,000 level of 1975. The 1976 results reflected a full year of normal operations compared with 1975, a year which included a three-month strike and the lower than normal traffic levels experienced during the post-strike recovery period. All operating results must be reviewed with this awareness. Major components of this increase include:

1. Passenger revenue, which increased by $41,457,000, or 68%, reflecting 2.4 million passengers carried, up 58% over 1975, and the cumulative effect of several fare increases.

2. Cargo, mail and other revenues (excluding mutual aid of $8,218,000 in 1975), which increased by $5,375,000, or 99%, partially the result of heavier emphasis on charter operations, which produced $3,764,000 in revenues, almost three times the previous record level, and higher freight revenues resulting primarily from higher rates.

3. Federal subsidy, which rose by $2,656,000, or 54%, partially due to the implementation of a new Class Rate formula which provided approximately $1 million of additional revenue.

B. Operating expenses for 1976 increased by $34,396,000, or 42%, over 1975 levels. Factors contributing to this rise were:

1. A full year of operations during 1976 compared to only nine months of operation in 1975 due to a strike through April 3, 1975.

2. Increased fuel costs resulting from a 30% increase in the average price per gallon despite the implementation of a fuel conservation program which reduced usage by approximately 4 million gallons.

3. Inflationary pressures on wages and costs generally.

4. Depreciation and amortization expense, which increased by $1,135,000, or 23%, due to the acquisition of aircraft in late 1975 and in 1976 and the special charge of approximately $860,000 related to the Convair fleet.

C. Interest expense increased by $275,000, or 14%, primarily due to the additional debt associated with the acquisition of the new aircraft. These increases were largely offset by reductions resulting from payments on outstanding debt totaling $5,000,000 during 1976.

In 1975 no charge equivalent to income taxes was provided because of the loss reported.

FORM 10-K VERSUS ANNUAL REPORT DISCLOSURES

This survey is made from the airlines Form 10-K annual reports. As such the disclosures indicated herein are more extensive than those appearing in the stockholders' annual reports. A tabulation of the footnote disclosures in the stockholders' annual reports indicated a total of 243 items, whereas the Form 10-K annual reports included a total of 283 items. Thirty-three of the additional items consisted of further disclosures of items which had been disclosed in the stockholders' annual report. The following summarizes those items which had additional disclosures in the Form 10-K annual report.

Table 1-25

Replacement cost	14
Stock option plans	8
Income taxes	3
Pension plans	2
Unsecured debt	2
Interest capitalized	1
Subsidiary companies	1
Property and equipment	1
Business segment	1
Total	33

Examples of the stockholders' annual report disclosures and the additional disclosures made in the Form 10-K annual report are as follows:

BRANIFF - REPLACEMENT COST

STOCKHOLDERS' ANNUAL REPORT

Note 12 - Current Replacement Cost Information (Unaudited)

Pursuant to a rule of the SEC, the Company has calculated and included in its Annual Report on Form 10-K (a copy of which is available upon request) the estimated cost of replacing (new) its productive capacity represented by amounts, with certain exceptions, included under the caption property and equipment in the balance sheets and by property and equipment held under capital leases as described in Note 4. Reflecting inflationary and other economic forces the calculated replacement costs and their effect on operating expenses are generally higher than the historical costs inasmuch as the Company does not intend to completely replace its existing productive capacity at this time, or even within any determinable future period, the developed information could be misleading.

FORM 10-K ANNUAL REPORT

Current Replacement Cost Information (Unaudited)

Pursuant to Rule 3-17 the Company has calculated, with certain exceptions, the estimated cost of replacing (new) its productive capacity, including assets held under capital leases, together with, the related accumulated depreciation as follows:

	Replacement Cost Basis		Historical Cost Basis	
	December 31			
	1977	1976	1977	1976
	(In Thousands)			
Flight equipment	$1,186,596	$960,669	$696,814	$630,396
Less accumulated depreciation	469,198	358,733	247,252	208,476
Flight equipment - net	$ 717,398	$601,936	$449,562	$421,920
Other property and equipment	$ 128,018	$125,734	$ 86,489	$ 89,543
Less accumulated depreciation	67,191	69,885	45,664	50,412
Other property and equipment - net	$ 60,827	$ 55,849	$ 40,825	$ 39,131

The estimated depreciation expense related to replacement cost (including replacement cost of assets held under capital leases) calculated in accordance with the Company's regular depreciation policy would have been $83,066,000 in 1977 and $74,227,000 in 1976 compared to $54,233,000 in 1977 and $50,829,000 in 1976 on the historical basis, which includes $11,351,000 and $12,949,000 for leased assets in 1977 and 1976, respectively, the estimated cost (initial present value) and accumulated depreciation of which are included in the above amounts.

In calculating these estimated replacement costs, the measure of productive capacity with respect to flight equipment has been determined to be the aircraft seat, and in accordance with a formula designed by an industry group under the auspices of the Air Transport Association of America ("ATA"), the replacement cost of aircraft has been determined on the basis of replacing the Company's existing seat capacity in new aircraft of available types considered suitable for use on Braniff's routes. Replacement cost for spare engines and other spare flight equipment has been determined proportionate to the replacement cost of the aircraft. The various classifications of other property and equipment have been revalued to current replacement cost by the application of suitable price indices which, for the most past, followed the recommendation of the ATA formula. Inventories of spare parts, materials and supplies are not inventories utilized in the manufacture of goods for sale, and accordingly have not been included in the calculation of replacement cost.

The determination of this replacement cost information is a hypothetical determination designed to show in part the effect of inflation on the operation of the business, and in compliance with the rule the Company has made its calculations on what it believes to be reasonable bases and in good faith. It must be recognized, however, that the Company does not intend to completely replace its existing productive capacity at this time with new property and equipment, nor does it intend to do so within any determinable future period. Accordingly, the excess amount of replacement cost over historical cost cannot, and should not, be construed as a requirement for additional financing. Also, the additional depreciation expense related to replacement cost cannot be considered as a valid adjustment to reported operating expenses as it does not take into consideration whatever operating economies might be realized from new and advanced equipment. Furthermore, the same inflationary forces which have dictated that the replacement cost determination be made would also increase other operating costs and revenues as well. Therefore, while this information is interesting, the Company believes that it is of limited usefulness and could even be misleading.

The following is a reconciliation between the amounts indicated in the consolidated balance sheets under property and equipment with the historical cost amounts shown above for which replacement cost has been calculated:

(See following page.)

	December 31			
	1977		1976	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	(In Thousands)			
Amounts reflected on balance sheets:				
Flight equipment...	$567,064	$162,008	$501,427	$133,717
Other property and equipment........	86,111	44,342	77,566	37,855
	653,175	206,350	578,993	171,572
Less:				
Land...............	294	-	403	-
Construction work in progress......	2,320	-	3,494	-
	650,561	206,350	575,096	171,572
Add - Cost (initial present value) of property and equipment held under capital leases.....	132,742	86,566	144,843	87,316
Historical cost amounts for which replacement cost has been calculated	$783,303	$292,916	$719,939	$258,888

UAL - STOCK OPTIONS

STOCKHOLDERS' ANNUAL REPORT

Stock Options

Under UAL's qualified stock option plan, options for 134,425 shares of common stock were outstanding at December 31, 1976. During 1977, options for 162,000 shares were granted, at prices ranging from $18.50 to $20.38 per share, and options for 43,575 shares expired. At December 31, 1977, options for 252,850 shares at prices from $18.50 to $23.63 per share were outstanding (90,100 of which were exercisable), and 44,125 shares were available until March 5, 1979 for granting additional options.

FORM 10-K ANNUAL REPORT

Note 6 - Stock Options

Options under UAL's qualified stock option plan are granted at 100% of market value on the dates of grant. The options become exercisable in 25% annual increments beginning one year from the dates of grant, and they expire five years from the dates of grant. Expired options increase shares available for option. No options may be granted under the plan after March 5, 1979. Upon exercise, the excess of proceeds over the par value of shares issued is credited to additional capital invested.

Options were granted for 162,000 shares during 1977 and 1,000 shares during 1976. The number of shares reserved for future grants was 44,125 at December 31, 1977 and 162,550 at December 31, 1976.

Other option data as of December 31, 1977 and for the two years then ended are as follows:

(See following page.)

	Number Of Shares	..Option Price... Per Share	Total	..Market Value... Per Share (1)	Total
		(Total Dollars in Thousands)			
Shares under option at December 31, 1977	252,850(2)	$18.50-23.63	$5,420	$18.50-23.63	$5,420
Options which became exercisable during:					
1977	24,113	23.00-23.63	570	17.88-20.25	485
1976	33,526	23.63-34.25	886	24.00-27.00	831
Options exercised during:					
1977	None				
1976	600	23.63	14	27.00-27.75	16

(1) At the dates options were granted, became exercisable or were exercised, respectively.

(2) At December 31, 1977, 90,100 of the optioned shares were exercisable.

TITLE

The titles used to describe the statement of assets, liabilities and stockholders' equity follow:

Table 2-1

Balance Sheet(s)	12
Statement(s) of Financial Position	1
Consolidated Balance Sheet(s)	7
Statement of Consolidated Financial Position	1
Total	21

* * * * *

PRINCIPAL CAPTIONS

The following summarizes the principal captions used to describe the asset and liability sides of the statement of assets, liabilities and stockholders' equity:

Table 2-2

Assets	21
Liabilities and Shareholders' Equity	5
Liabilities	2
Liabilities and Stockholders' Equity	14
Total	21

* * * * *

CASH

Captions used to designate cash are shown below:

Table 2-3

Cash	13
Cash and short-term investments	4
Cash and demand deposits	2
Cash and temporary investments	2
Total	21

In addition to the above captions, twelve airlines in 1977 presented at least one additional cash-related caption. These captions are:

Table 2-4

Short-term investments	2
Certificates of deposit	2
Commercial paper at cost and accrued interest	1
Temporary investments	5
U. S. Government securities	1
Marketable securities	1
Cash in escrow	1
Total	13

On the twelve airlines giving additional cash-related captions, the following information was given as to the method of valuation:

Table 2-5

Cost which approximates market	7
Cost	3
No method disclosed	2
Total	12

Examples of the cash section of the balance sheet are as follows:

ALASKA (000 OMITTED)	1977	1976
Cash	$ 3,572	$ 1,945
Marketable securities, at cost which approximates market	115	3,626

NATIONAL (000 OMITTED)	1977	1976
Cash on hand and demand deposits........	$ 21,257	$ 38,929
PIEDMONT		
Cash and short-term cash investments....	13,185,062	14,368,111

RECEIVABLES

Captions used to designate receivables and the related provision for doubtful accounts are as follows:

Table 2-6

Accounts receivable............................	11
Receivables....................................	8
Receivables, principally traffic...............	2
Total..........................	21

Table 2-7

Less allowance(s) for doubtful accounts........	9
Net of allowance for doubtful accounts.........	3
Less allowance(s) for uncollectible accounts...	1
After allowance for accounts...................	1
Less reserve...................................	2
Less allowance(s)..............................	3
Net..	1
No allowance for doubtful accounts required....	1
Total..........................	21

Examples of the receivable section of the balance sheet are as follows:

CONTINENTAL (000 OMITTED)	1977	1976
Receivables, principally traffic, less allowance for doubtful receivables ($1,045 in 1977 and $2,428 in 1976)..	$ 77,924	$ 53,168
EASTERN (000 OMITTED)		
Accounts receivable, after allowance for doubtful accounts of $1,100 and $1,100.........................	170,978	145,958

TEXAS INTERNATIONAL	1977	1976
RECEIVABLES:		
Airline passenger and cargo..........	$18,538,740	$13,085,629
Federal subsidy (Note 7).............	613,558	1,481,826
Other................................	1,171,620	2,566,073
Allowance for doubtful accounts......	(295,798)	(304,126)

INVENTORIES

Captions used to designate inventories (3 with multiple captions) and the related provision for obsolescence are as follows:

Table 2-8

Inventory of spare parts and supplies.........	2
Inventory of spare parts, materials and supplies....................................	1
Spare parts and supplies......................	2
Spare parts...................................	2
Flight equipment expendable parts.............	2
Flight equipment spare parts..................	1
Maintenance and operating supplies............	3
Inventories...................................	2
Airline inventories...........................	1
Materials and supplies........................	2
Expendable parts and supplies.................	2
Flight equipment parts and supplies...........	1
Inventories of aircraft, parts and supplies...	1
Inventories of flight equipment and supplies..	1
Merchandise and supplies inventories..........	1
Total.........................	24

Table 2-9

Allowance for obsolescence..................	11
Obsolescence allowance......................	1
Reserve.....................................	1
Obsolescence reserve........................	1
Valuation reserve...........................	1
Allowance for depreciation..................	1
Net of allowance for obsolescence...........	3
No caption..................................	2
Total........................	21

All airlines valued expendable parts, materials and supplies at average cost. Only one airline valued merchandise and supplies relating to vending, food and hotel services at the lower of average cost or market. Disclosure on the face of the statement was made by twelve airlines while all others except one disclose the valuation methods in the notes.

Examples of the inventory section of the balance sheet are as follows:

	1977	1976
ALLEGHENY (000 OMITTED)		
Spare parts and supplies, at average cost, net of allowance for obsolescence of $3,000,000 in 1977 and $2,460,000 in 1976 (Note 1)	$ 9,909	$ 8,189
HAWAIIAN		
INVENTORIES - Less allowance for obsolescence: 1977, $132,000; 1976, $108,000 (Note 1) (Schedule XII)	1,158,879	1,093,339
UNITED (000 OMITTED)		
Flight equipment, expendable parts less obsolescence allowance (1977 - $18,686,000; 1976 - $19,688,000)	128,673	124,329
Maintenance and operating supplies	28,855	27,167

INVESTMENTS

The principal captions used by airlines to designate the investment section of the statement are as follows:

Table 2-10

*Investments and advances	2
Investments and other assets	2
Investments and special funds	1
No investment caption	16
Total	21

*Of the airlines surveyed in 1977 indicating Investments and Advances, only one distinguished investments at equity from those at cost.

Of the airlines indicating investments and other assets, one indicated investments at equity, while the others did not indicate the valuation method.

Of the four airlines indicating investments in subsidiaries on the statement, all four airlines gave no reason in the notes for not consolidating the subsidiaries.

Examples of the investment section (000 omitted) of the balance sheet are as follows:

AMERICAN	1977	1976
INVESTMENTS AND OTHER ASSETS:		
Investment in and advances to unconsolidated subsidiaries (Note 10)	$ 74,336	$ 61,523
Non-current receivables, less allowances and deferred income (1977 - $7,418; 1976 - $12,392)	14,473	28,704
Route acquisition costs	43,700	43,700
Other assets and deferred charges	10,165	9,501
Total investments and other assets	$142,674	$143,428

EASTERN		
Investments and advances	$ 21,885	$ 12,856

PAN AMERICAN		
INVESTMENTS AND ADVANCES:		
Investments in:		
Unconsolidated subsidiaries and associated companies, on the equity basis (Notes 2 and 3)	$ 91,760	$ 82,479
Associated companies, at cost; approximate underlying equity: 1976 - $5,123; 1977 - $5,438	4,124	4,129
Advances to associated companies and long-term receivables, less reserve (1976 - $585; 1977 - $2,172)	17,271	26,276
Secured Equipment Certificates proceeds deposited with trustee (Note 3)	53,000	-
Advances on aircraft purchase contracts	38,487	-
Total	$204,642	$112,884

PREPAID ITEMS OR OTHER CURRENT ASSETS

Various captions used to designate prepaid items or other current assets follows:

Table 2-11

Prepaid expenses and other	1
Prepaid expenses and other current assets	3
Prepaid expenses	11
Prepaid expenses, etc	1
Other current assets	1
Other	3
Prepayments and other current assets	1
Prepayments, deposits, and other	1
Total	22

It was noted that one airline broke out prepaid items and other current assets into two separate line items.

Examples of captions used to designate prepaid items or other current assets (000 omitted) follow:

BRANIFF	1977	1976
Other current assets	$4,705	$6,040
DELTA		
Prepaid expenses, etc	7,269	8,510
NORTH CENTRAL		
Prepaid expenses and other (Note A)	7,570	7,275

PROPERTY

The principal captions of the property section of the statement and the subcaptions included under the principal captions, and the number of airlines using such captions, are set forth below:

(See following page.)

Table 2-12 Principal Captions

Property and equipment, at cost	3
Property and equipment	13
Operating property and equipment	3
Property	1
Property, plant and equipment	1
Leased property under capital leases	1
Total	22

One Airline used two principal captions to differentiate leased property from non-leased property.

Table 2-13 Subcaptions

Flight equipment	19
Other property equipment	8
Advance payments for new equipment	5
Deposits on aircraft purchase contracts	3
Other	3
Ground property and equipment	3
Leased property under capital leases	2
Land, buildings and other equipment	2
Facilities and ground equipment	1
Advances on flight equipment purchase contracts	1
Purchases deposits with manufacturers of flight equipment	1
Merchandising equipment	1
Flight equipment including purchase deposits	1
Aircraft modification and other work in progress	1
Improvements to leased property	1
Ground equipment, buildings, and leasehold improvements	1
Ground equipment and other	1
Property under capital leases, net	1
Nonoperating flight equipment	1
Nonoperating	1
Operating	1

The following tables summarize the method of valuing property indicated by each airline and the terms used to describe depreciation deducted from property:

Table 2-14

At cost	20
No disclosure	1
Total	21

Table 2-15

Accumulated	14
Reserve	2
Allowance	5
Total	21

Examples of the property section of the balance sheet are as follows:

OZARK	1977	1976
OPERATING PROPERTY AND EQUIPMENT -		
At cost:		
Flight equipment (Note B)	$130,880,600	$109,105,177
Other property and equipment	14,630,054	9,499,051
Aircraft modification and other work in progress	825,640	2,083,444
Advance payments on aircraft purchase	-	1,513,377
	146,336,294	122,201,049
Less accumulated depreciation and amortization	49,040,844	48,799,661
	97,295,450	73,401,388
Equipment under capital lease, less accumulated amortization of $42,000	665,048	-
	97,960,498	73,401,388

DELTA (000 OMITTED)	Flight Equipment	Other	1977	1976
PROPERTY AND EQUIPMENT (Notes 2 and 5):				
Cost -				
1977	$1,720,843	$256,949	$1,977,792	
1976	1,658,359	239,108		$1,897,467
Accumulated depreciation -				
1977	630,260	133,470	763,730	
1976	592,092	116,023		708,115
			1,214,062	1,189,352
Advance payments for new equipment (Note 2)			45,084	41,302
			1,259,146	1,230,654

TWA (000 OMITTED)	1977	1976
PROPERTY:		
Flight equipment......................	$1,614,135	$1,609,985
Merchandising equipment................	146,693	135,464
Land, buildings and improvements.......	233,956	223,176
Other property and equipment...........	198,513	183,798
Prepayments on flight equipment (Note 6)...........................	14,345	5,368
Total property - at cost.......	2,207,642	2,157,791
Less accumulated depreciation..........	1,128,684	1,025,303
Property - net.................	1,078,958	1,132,488

DEFERRED CHARGES AND OTHER NON-CURRENT ASSETS

Various captions used by airlines under deferred charges and other non-current assets are as follows:

Table 2-16

Deferred charges..............................	4
Deferred charges and other assets.............	6
Other assets..................................	10
Deferred charges, net of amortization.........	1
No caption....................................	1
Total.........................	22

Examples of the deferred charge or other asset sections (000 omitted) of the balance sheet are as follows:

ALASKA	1977	1976
OTHER ASSETS:		
Land held for future sale or development - Note 4.................	$ 2,458	$ 2,723
Instalment notes and contracts - Note 4.	617	624
Other deposits and miscellaneous assets.	86	330
Deferred charges......................	497	520
	3,658	4,197

ALLEGHENY	1977	1976
OTHER ASSETS (Note 1):		
Noncurrent portion of prepaid expenses......	$ 20,503	$ 20,121
Route acquisition costs, net of amortization of $2,113,000 in 1977 and $1,871,000 in 1976 (Note 5)............................	8,303	8,545
Deferred Federal income tax charge (Note 5).	6,109	6,109
Restricted funds and aircraft deposits (Note 4)..................................	4,617	5,179
Preoperating costs and debt issue expense, net of amortization of $6,104,000 in 1977 and $7,630,000 in 1976...............	2,301	2,378
Total other assets.............	41,833	42,332

EASTERN	1977	1976
DEFERRED CHARGES, NET OF AMORTIZATION (Note A):		
Preoperating costs.........................	$ 6,379	$ 7,210
Route acquisition and development costs......	4,612	5,470
Other..	11,122	12,151
	22,113	24,831

MISCELLANEOUS LINE ITEMS - ASSETS

Line items not previously categorized (000 omitted) are noted as follows:

BRANIFF	1977	1976
EQUIPMENT PURCHASE DEPOSITS....................	$46,781	$17,349
NATIONAL		
LEASE PREPAYMENTS (Note A)....................	15,271	12,920
PAN AMERICAN		
AIRCRAFT HELD FOR RESALE AND LONG-TERM RECEIVABLES FROM SALES OF AIRCRAFT, less valuation reserve (1976 - $419; 1977 - None)...........	3,368	10,032

CURRENT LIABILITIES

Short-term Notes Payable and Current Portion Due

The following summarizes the different captions used by the airline industry to describe notes payable:

Table 2-17

Current maturities of long-term debt...........	9
Notes payable..................................	2
Current installations on long-term debt........	4
Long-term debt maturing in one year............	2
Current portion of debt........................	2
Notes payable and current maturities of long-term debt................................	1
Notes payable within one year..................	1
Total..........................	21

Examples of the notes payable section of the balance sheet are at Pages 70 and 71.

Accounts Payable

The captions used to describe accounts payable are as follows:

Table 2-18

Accounts payable - general.....................	3
Accounts payable...............................	12
Accounts payable and accrued liabilities.......	3
Trade accounts payable.........................	2
Accounts payable and accrued expenses..........	1
Total..........................	21

Examples of the accounts payable section of the balance sheet are at Pages 70 and 71.

Accrued Liabilities

The following summarizes the types of other current liabilities shown by the airline industry:

Table 2-19

- Personal compensation
- Accrued salaries and wages
- Accrued salaries and vacations
- Accrued salaries, wages, and vacation pay
- Accrued interest and other
- Accrued interest
- Accrued property and other taxes
- Accrued income taxes
- Accrued taxes
- Income taxes payable
- Accrued and deferred income taxes
- Accrued liabilities
- Other accrued liabilities
- Accrued expenses
- Accrued expenses - Other
- Accrued compensation and retirement benefit
- Accrued vacation pay
- Employee compensation
- Collections as agent
- Other
- Payroll taxes
- Accrued pension plan contributions
- Dividends payable
- Current obligations under capital leases
- Insurance and other accrued expenses

Examples of the accrued liability section of the balance sheet are at Pages 70 and 71.

Advance Ticket Sales

The following summarizes the captions used to describe the ticket liability accounts:

(See following page.)

Table 2-20

Air traffic liability	7
Advance ticket sales	3
Advance ticket sales and customers' deposits	1
Unredeemed ticket liability	1
Unearned transportation revenue	3
Unearned transportation revenue and customers' deposits	1
Unused tickets held by passengers	1
Traffic balances and unused tickets	1
Air traffic liability and customers' deposits	1
Unearned revenue	1
Interline payables and tickets outstanding	1
Deposits and advance payments by customers	1
Total	22

Examples of the ticket liability section of the balance sheet are below and at Page 71.

Examples of the current liability section of the balance sheet showing various current liability captions are as follows:

NORTHWEST	1977	1976
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$122,060,666	$100,485,107
Employee compensation	27,029,098	21,934,578
Unredeemed ticket liability	22,041,670	17,887,086
Income taxes	3,302,315	11,388,481
Current maturities of long-term debt	4,000,000	3,000,000
Total current liabilities	178,433,749	154,695,252

PIEDMONT		
CURRENT LIABILITIES		
Notes payable	$ 2,454,015	$ 1,287,325
Accounts payable - general	16,392,332	11,408,914
Accounts payable - traffic	9,064,991	8,043,484
Accrued interest expense	1,609,914	1,633,328
Accrued salaries and wages	6,129,568	5,178,060
Accrued pension expense	3,946,754	3,070,925
Deposits and advance payments by customers	673,750	535,462
Federal and state income taxes	1,002,964	1,690,909
Current portion of long-term debt	7,666,196	8,886,630
Total current liabilities	48,940,484	41,735,037

WESTERN (000 OMITTED)	1977	1976
CURRENT LIABILITIES:		
Accounts payable	$ 31,405	$ 28,760
Salaries, wages and vacation benefits payable	27,783	23,345
Accrued liabilities (Note 5)	20,140	13,912
Income taxes payable (Note 6)	1,739	5,825
Advance ticket sales	32,704	29,563
Current portion of debt (Note 7)	8,300	27,800
Total current liabilities	122,071	129,205

LONG-TERM DEBT

The principal captions of the long-term debt section of the statement, the subcaptions included under the principal captions, and the number of airlines using such captions, are set forth below:

Table 2-21 Principal captions

Long-term debt	10
Long-term debt, less current maturities	5
Long-term debt, excluding current instalments	2
Long-term liabilities	1
Long-term debt, net of current maturities	2
Long-term obligations	1
Total	21

Table 2-22 Subcaptions

Senior debt	2
Subordinated convertible debentures	2
Long-term debt, less current maturities	2
Other noncurrent liabilities	1
Subordinated debt	1
Principal less current portion	1
Less unamortized discount	1
Notes payable and others	1
Total	11

Examples of the presentation of long-term debt including the detailed note or schedule follow:

AMERICAN (000 OMITTED)	1977	1976
LONG-TERM DEBT, less current maturities (Note 5):		
Senior debt	$306,771	$243,885
Subordinated convertible debentures	172,240	172,370
Total long-term debt	479,011	416,255

5. LONG-TERM DEBT

American's debt (excluding amounts maturing within one year) consisted of the following (in thousands):

	December 31, 1977	1976
SENIOR DEBT:		
4-1/4% promissory notes due 1979-1992......	$ 61,100	$ 66,500
4.55% promissory notes due 1979-1991.......	17,256	19,000
5% promissory notes due 1979-1993..........	17,532	19,000
5-1/8% promissory notes due 1979-1991......	70,853	77,000
5-3/4% promissory notes due 1979-1993......	49,394	53,833
5% equipment obligations due 1979..........	2,175	8,552
8.25% Equipment Trust Certificates due 1979-1982..............................	25,263	-
8.95% Equipment Trust Certificates due 1983-1992 (net of unamortized discount of $1,212)............................	63,198	-
Total....................	$306,771	$243,885
SUBORDINATED CONVERTIBLE DEBENTURES:		
4-1/4% subordinated (convertible to 1980) debentures due 1992......................	$167,335	$167,335
6% subordinated (convertible to 1984) debentures due 1982......................	1,602	1,602
6-1/8% subordinated (convertible 1984) debentures due 1984......................	3,303	3,433
Total....................	$172,240	$172,370

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 1978 - $29,209,000; 1979 - $25,354,000; 1980 - $30,293,000; 1981 - $30,293,000; 1982 - $30,293,000.

In connection with the acquisition of 12 Boeing 727 aircraft delivered during 1977, American sold to certain institutional lenders 8.25% Equipment Trust Certificates due August 1, 1982 and 8.95% Equipment Trust Certificates due August 1, 1992, aggregating $94,736,000 after discount of $1,252,000. The 8.25% and 8.95% Equipment Trust Certificates are payable in equal instalments in each of the years 1978 through 1982 and 1983 through 1992, respectively, and are secured by the 12 aircraft having a net book value of approximately $113,000,000 at December 31, 1977.

In connection with these financings, the approval of the holders of American's unsecured promissory notes was required.

Effective May 20, 1977, American entered into agreements with the holders of these notes which eliminated or modified certain restrictive covenants in the existing agreements. In consideration, American has agreed to prepay approximately $2,700,000 in each of the years 1977 through 1989 and lesser amounts through 1993, and has secured the notes with a pool of American's aircraft having a net book value equal to at least 120% of the aggregate principal amount of the notes at the time outstanding.

American's debt arrangements contain certain restrictive covenants, including limitations on indebtedness, and cash dividends to stockholders. Under the provisions of the most restrictive of these debt agreements, approximately $219,100,000 of American's retained earnings, before the effect of capitalizing leases as described in Note 4, was free of dividend restrictions at December 31, 1977.

(See following page.)

OZARK	1977	1976
LONG-TERM DEBT, less current maturities (Note B)............................	$56,974,964	$41,258,364

NOTE B - LONG-TERM DEBT:

Details of long-term debt are as follows:

	1977	1976
Mortgage notes under credit agreements:		
Banks, 3/5% to 3/4% above prime (7-3/4% at December 31, 1977 and 6% at December 31, 1976) payable in varying quarterly instalments to January 1984......	32,231,969	19,873,272
Banks, 90% guaranteed by the Federal Aviation Administration, interest principally at 8%, payable in quarterly instalments to December 1987...........	7,694,431	-
Insurance companies:		
6-1/2%, payable quarterly to October 1977.....................	-	3,142,857
8-1/8%, payable quarterly to May 1981........................	2,750,000	3,535,714
	42,676,400	26,551,843
Convertible subordinated debentures:		
5-1/4%, due 1986..................	6,139,000	6,139,000
6-3/4%, due 1988..................	14,384,000	14,854,000
Obligation under capital lease, 10-1/8%, payable $142,000 annually, including imputed interest of $257,000, through August 1984......................	678,616	-
	63,878,016	47,544,843
Less current maturities.............	6,903,052	6,286,479
	$56,974,964	$41,258,364

Substantially all flight equipment is subject to the liens of the mortgages.

The credit agreements contain restrictions with respect to additional borrowings, capital expenditures, lease obligations, mortgage liens and cash dividends, and requirements regarding working capital, net worth and debt/equity ratios. Under terms of the credit agreements, approximately $16,000,000 of retained earnings at December 31, 1977 were restricted as to the payment of cash dividends. Compensating balances are maintained under informal arrangements in connection with the bank loans but no restrictions are imposed on the withdrawal of these funds.

The debentures are convertible into common stock at $7.75 per share (5-1/4% series) and $8.66 (6-3/4% series). Required minimum annual sinking fund payments are $600,000 to 1986 on the 5-1/4% series and $750,000 for 1978 to 1987 on the 6-3/4% series. Open market purchases in anticipation of sinking fund requirements were $470,000 (at a gain of $113,000) in 1977. To December 31, 1977, $6,007,000 of debentures have been converted ($5,861,000 - 5-1/4% series and $146,000 - 6-3/4% series).

Long-term debt (including obligation under capital lease) maturing in the five years subsequent to December 31, 1977 (assuming application of debenture conversions and open market purchases against required sinking fund payments) is as follows:

Year Ending December 31,	Amount
1978	$6,903,000
1979	7,569,000
1980	7,623,000
1981	7,289,000
1982	6,961,000

FRONTIER (000 OMITTED)	1977	1976
LONG-TERM DEBT - Note C		
Principal, less current portion	$36,004,000	$31,111,000
Less unamortized discount, 5-1/2% debentures	412,000	517,000
	35,592,000	30,594,000

NOTE C - LONG-TERM DEBT

December 31	1977	1976
Bank loans.............................	$ 6,500,000	$ -
5-1/2% subordinated sinking fund debentures due 1979 to 1987...........	10,573,000	11,101,000
6% convertible subordinated sinking fund debentures due 1979 to 1992.........................	18,986,000	19,535,000
7.2% equipment loans..................	974,000	587,000
	37,033,000	31,223,000
Less debt maturing within one year.....	1,029,000	112,000
	$38,004,000	$31,111,000

In 1977, the Company entered into agreements with Chase Manhattan Bank and First National Bank of Chicago to borrow $15,000,000 from each bank, or a total of $30,000,000. As of December 31, 1977, the Company has borrowed $6,500,000 under these agreements and will borrow an additional $23,500,000 in 1978. The loan with Chase is payable over eight years at an interest rate equal to the prime rate for four years and prime rate plus 3/8% for four years. The First National loan is payable over nine years at an interest rate equal to prime rate for the first year and a fixed interest rate of 8-3/8% for the remaining eight years. Under these loan agreements approximately $16,500,000 of the Company's retained earnings at December 31, 1977 are free of restrictions as to payment of cash dividends.

The 5-1/2% subordinated debentures were issued with warrants, expiring March 1, 1987, to purchase 613,056 shares of common stock. The exercise price is $11.71 per share and is subject to adjustment under certain conditions.

The 6% convertible subordinated debentures are convertible into common stock of the Company at the option of the holder at $16.73 per share, subject to adjustment under certain conditions.

DEFERRED CREDITS

The principal captions of the deferred credit section of the statement, the subcaptions included under the principal captions, and the number of airlines using such captions, are set forth below:

(See following page.)

Table 2-23 Principal captions

Deferred credits	7
Deferred credits and other liabilities	5
Other liabilities	2
*Deferred income taxes	4
*Other deferred credits and noncurrent liabilities	1
Sundry deferred credits	1
Other liabilities and deferred credits	1
Long-term obligations	1
Total	22

Table 2-24 Subcaptions

Income taxes	1
Deferred Federal taxes on income	1
Deferred Federal income taxes	4
Unamortized investment credits	2
Deferred investment tax credits	1
Other liabilities and deferred credits	1
Other deferred credits	1
Other	8
Other liabilities and deferred taxes	1
Deferred income taxes	8
Deferred compensation and other liabilities	1
Unfunded pension costs accrued	1
Deferred gain from sale/leaseback transactions	1
Deferred credits - principally pension credits	1
Non-current portion of litigation settlement	1

*It was noted that two airlines chose to report each component of deferred credits as a line item on the statement, where one airline had no deferred credit disclosures.

Examples of the deferred credits section of the balance sheet are as follows:

(See following page.)

HAWAIIAN	1977	1976
OTHER LIABILITIES AND DEFERRED CREDITS:		
Non-current portion of accrued vacation liability (Note 1)........	$ 849,927	$ 804,984
Non-current portion of litigation settlement (Note 10)...............	-	650,000
Deferred credits - principally pension credits....................	223,830	279,458
Deferred gain from sale/leaseback transactions.......................	1,040,025	1,177,629
Deferred income taxes (Notes 1 and 4)	1,556,000	1,700,000
Total other liabilities and deferred credits................	3,669,782	4,612,071

NORTHWEST	1977	1976
DEFERRED CREDITS AND OTHER LIABILITIES:		
Income taxes - Note D................	$261,349,600	$201,791,600
Other.................................	11,995,782	7,331,456
	273,345,382	209,123,056

CONTINENTAL (000 OMITTED)	1977	1976
OTHER DEFERRED CREDITS AND NONCURRENT LIABILITIES...............	5,367	3,416

EQUITY STRUCTURE

The following table summarizes the capital structure of the airlines included in the survey:

Table 2-25

Common stock with no preferred stock............	10
Common stock with one class of preferred stock..	8
Common stock with more than one class of preferred stock...............................	3
Total...........................	21

As shown below, several different captions were used by the airlines to describe capital surplus and retained earnings:

(See following page.)

Table 2-26

Capital surplus	3
Capital in excess of par value	5
Additional paid-in capital	8
Other paid-in capital	2
Paid-in capital	1
Additional capital invested	1
Other capital	1
Total	21

Table 2-27

Retained earnings	20
Earnings (Deficit) retained for use in the business	1
Total	21

Examples of the equity section of the balance sheet are as follows:

OZARK	1977	1976
STOCKHOLDERS' EQUITY (Notes B and C):		
Common stock; par value $.50 a share:		
Authorized, 12,000,000 shares		
Issued and outstanding, 6,783,394 shares	$ 3,391,697	$ 3,391,697
Additional paid-in capital	13,534,512	13,534,512
Retained earnings	18,880,941	11,491,120
Total	35,807,150	28,417,329

UNITED (000 OMITTED)	1977	1976
SHAREHOLDERS' EQUITY:		
5-1/2% cumulative prior preferred stock, $100 par value; authorized and outstanding 71,702 shares..............	$ 7,170	$ 7,170
Preferred stock, no par value; authorized 16,000,000 shares; issued 713,974 shares in 1977 and 770,686 shares in 1976 of Series A $.40 cumulative (convertible); involuntary liquidation value $25 per share, aggregating $17,849,000 in 1977............	3,570	3,853
Common stock, $5 par value; authorized 50,000,000 shares; outstanding 24,640,036 shares in 1977 and 24,583,324 shares in 1976....................................	123,200	122,917
Additional capital invested..................	339,086	339,086
Retained earnings............................	451,517	328,539
Less - 454,261 shares of Series A $.40 cumulative preferred stock held in treasury..........................	(2,118)	(2,118)
	922,425	799,447

WESTERN (000 OMITTED)		
SHAREHOLDERS' EQUITY (Notes 7, 9, 10, and 11):		
Preferred stock - authorized 25,000,000 shares $2.00 Series A Cumulative Convertible $25.00 stated value per share issued issued 1,200,000 shares............	$ 30,000	$ -
Common stock - authorized 35,000,000 shares $1.00 par value per share issued 12,659,000 shares........................	12,659	12,659
Additional paid-in capital..................	27,227	28,937
Retained earnings...........................	84,236	75,504
	154,122	117,100

COMMITMENTS AND CONTINGENT LIABILITIES

The following table summarizes the captions used to describe commitments and contingent liabilities:

Table 2-28

Commitments and contingent liabilities..........	6
Commitments and contingencies..................	6
Commitments, long-term leases and contingencies................................	2
Contingencies................................	1
Commitments..................................	2
Commitments and guarantees.....................	1
Leases, commitments, and contingencies..........	1
Total..........................	19

Two airlines did not make reference to commitments and contingent liabilities on the face of the statement.

Examples of the commitments and contingent liabilities footnote disclosure are as follows:

NORTH CENTRAL

NOTE E - COMMITMENTS

The company has purchase commitments on nine new DC-9-50 aircraft for which it has advanced $11,981,000 and capitalized interest of $432,000. An additional $73,229,000 will be expended by the company in fulfilling these commitments. The purchase agreement calls for delivery of six aircraft during 1978 and three in 1979. The company has arrangements to sell $45,000,000 of 9% Equipment Trust Certificates collateralized by the aircraft to be delivered in 1978.

In January 1978, the company advanced $150,000 on a purchase commitment, which contains an option to cancel prior to September 1978 for three additional DC-9-50 aircraft. If the option to cancel is not exercised, an additional $30,890,000 would be expended prior to delivery of the three aircraft in the fourth quarter of 1979.

Under provisions of the Mutual Aid Agreement, the Company would pay struck carriers who are a party to this agreement. The company would receive such payments in the event of a strike by its employees.

TEXAS INTERNATIONAL

(11) CONTINGENCIES

In March 1972, the Company sold the stock in InnTernational, Inc., a wholly owned subsidiary which owned all of the outstanding stock of Hotel Conquistador, Inc. ("Hotel"), doing business as Hotel Tropicana in Las Vegas, Nevada. The Internal Revenue Service ("IRS") is presently conducting an audit of the income tax returns of Hotel Tropicana Casino, Inc. ("Casino"), a Nevada corporation which operated the casino under a sublease arrangement with Hotel. Pursuant to negotiations with the IRS subsequent to receipt of a "30-day letter" relating only to Hotel, the IRS now proposes adjustments resulting in a proposed tax deficiency of $990,696 and $440,064 for the taxable periods ended September 30, 1968 and December 29, 1968, respectively, and the Company understands that the IRS agents conducting the investigation have also proposed an adjustment to Casino's taxable income for 1969 in an amount equal to $1,270,378, and for 1970 in an amount equal to $1,451,222. The Company and other entities intend to contest these adjustments vigorously. Any final adjustments, however, to Hotel and Casino would presumably be offset by net operating loss carryforwards of the Company. Because of the numerous unresolved factual and legal questions relating to this matter, including the contractual rights and obligations between and among the various taxable entities involved other than the Company, no accurate prediction can be made at this time as to the effect upon the Company of any adjustments to the taxable income of these entities which might eventually be finally asserted by the IRS and sustained. However, the Company does not believe, based on currently available information, that the ultimate resolution of this matter will have a material adverse effect on the Company.

The Company has been made a party to a number of lawsuits brought by the City of Los Angeles and other plaintiffs claiming damages arising from jet aircraft noise in the Los Angeles area. In the opinion of the Company's counsel, the Company has substantial defenses to the imposition of any liabilities in these cases.

Noise abatement regulations promulgated by the Secretary of Transportation and the Federal Aviation Administration require modification or replacement by December 31, 1982 of aircraft not meeting present noise control standards for new aircraft. Legislation has been introduced that would provide for financing of a portion of the cost of compliance with these regulations, but the Company cannot predict whether such legislation will be passed. The Company estimates that the cost of modifying its present DC-9 aircraft in order to comply with these noise standards will be approximately $5,000,000 at the current level of costs.

The Company and Braniff Airways, Inc. ("Braniff") were indicted in August 1977, for alleged violations of the Sherman Antitrust Act. A prior indictment against the Company containing the same material allegations found in the present indictment, was dismissed in February 1977, on grounds of government misconduct and abuse of the grand jury process. The indictment alleges that the defendants conspired to monopolize the airline business in markets between Dallas/Fort Worth, Houston, and San Antonio by attempting to exclude Southwest Airlines Co. from those markets. The maximum fine for the Company upon conviction would be $50,000 on each of two counts. The Company has entered a plea of not guilty and has moved to dismiss the indictment. While civil suits are often filed after such an indictment, at this time no such suit has been filed. The Company believes that no material liability will result from this matter.

The Company is the defendant in several suits, including one disputed class action claim, which alleges discriminatory practices in violation of the Civil Rights Act of 1964. Another lawsuit alleges violations of the Age Discrimination Act of 1967. The Company is of the opinion that no material liability will result from any of these suits.

In addition to the above, there are numerous lawsuits and claims handled by various insurance companies under policies insuring the Company against any liability from these claims. Also, there are numerous pending claims and lawsuits handled by Company counsel, none of which in the opinion of the Company will result in material liability to the Company or have a material effect on the Company's operations.

Under provisions of a Mutual Aid Agreement, the Company makes payments to participating carriers whose employees are on strike and receives payments in the event of a strike by its employees.

8. CONTINGENCIES

The Company is a defendant in certain legal actions relating to environmental problems (primarily noise), employee benefit plans, alleged employee discrimination and other matters. Given the unsettled status of the law in many of the areas involved, the outcome of these actions is difficult to predict. In the present opinion of management and its legal counsel, however, the disposition of these matters will not have a material adverse effect on the Company's financial condition or significantly interfere with its operations.

MISCELLANEOUS LINE ITEMS - LIABILITIES

The line items not previously categorized are noted as follows (000 omitted):

ALOHA	1977	1976
MAINTENANCE LIABILITY RESERVES FOR LEASED FLIGHT EQUIPMENT........................	$5,875	$335,589
FRONTIER		
RESERVE FOR OVERHAUL OF LEASED AIRCRAFT....	$2,087,000	$1,790,000
PAN AMERICAN		
LESS - Treasury stock, 179,786 shares, at cost................................	(654)	(654)
PIEDMONT		
LESS COST OF COMMON CAPITAL STOCK IN TREASURY (1977 - 598 shares; 1976 - 606 shares)......................	6,506	6,605

TITLE

The majority of the airlines reports surveyed use the word "income" in their descriptive title for their operating statement. The following table indicates the breakdown of operating statement titles:

Table 3-1

Operating Statement Titles

Income	6
Income and retained earnings	2
Operations	7
Earnings	4
Earnings and retained earnings	2
Total	21

Examples of the operating statement titles used are as follows:

Statement of Operations
Statement of Income
Statement of Earnings
Statement of Consolidated Earnings
Statement of Consolidated Income and Retained Earnings
Statement of Operations and Earnings Retained for Use in the Business
Consolidated Statement(s) of Operations
Consolidated Statement(s) of Operations and Retained Earnings
Consolidated Statement of Income

* * * * *

UNUSUAL FORMATS

TRANS WORLD AIRLINES - Operating revenues and expenses classified as air transport, transport related or nontransport. All other carriers report operating revenues by sources and expenses by functions. (000 omitted).

(See following page.)

	1977	1976
STATEMENTS OF CONSOLIDATED INCOME		
Operating Revenues:		
Airline:		
Air transport	$2,182,960	$1,935,628
Transport related	128,967	101,620
Nontransport	62,274	45,598
Total	2,374,201	2,082,846
Hotel operations	402,840	348,296
Vending and food service	616,432	539,311
Total	3,393,473	2,970,453
Operating Expenses:		
Cost of services and products sold:		
Airline:		
Air transport (Note 2)	1,795,494	1,562,247
Transport related	91,111	70,776
Nontransport	52,800	40,592
Total	1,939,405	1,673,615
Hotel operations	316,854	279,256
Vending and food service	568,271	496,719
Total	2,824,530	2,449,590
Selling, administrative and general expenses	455,065	417,802
Total	3,279,595	2,867,392
OPERATING INCOME	$ 113,878	$ 103,061

RESTATEMENT, EXTRAORDINARY ITEMS, ACCOUNTING CHANGES, AND PRIOR PERIOD ADJUSTMENTS

The number of airlines restating prior years' income in 1977 is as follows:

Table 3-2

Restated	1
Not restated	20
Total	21

An example of the footnote concerning a restatement follows Table 3-5.

The number of airlines showing an extraordinary item in 1977 or 1976 is as follows:

Table 3-3

	1977	1976
Extraordinary item	2	7
No extraordinary item	19	14
Total	21	21

The following illustrates an extraordinary item:

TEXAS INTERNATIONAL	1977	1976
Income before extraordinary credit	$7,059,144	$2,456,224
Extraordinary credit - tax benefit (Note 8)	934,000	758,000
Net income	$7,993,144	$3,214,224

The airlines reported accounting changes as follows:

Table 3-4

	1977
Prior period financial statements restated	2
Current period effect disclosed in notes	6

The accounting changes made were for the following reasons:

Table 3-5

	1977
Depreciation changes	3
Pension costs	3
Change in method of accounting for leases	2

An example of note disclosure for an accounting change follows:

NORTH CENTRAL

Note 8 - Change in Method of Accounting for Lease Agreements - The Financial Accounting Standards Board in Statement No. 13 has issued new criteria for accounting for lease agreements. During December 1977 the company has applied the new lease accounting criteria to their lease agreements and in accordance with Statement No. 13 restated the financial statements and data presented to reflect the prescribed accounting methods. The restatement results from capitalizing certain leases for financial reporting purposes which were previously accounted for under the operating method. The impact on earnings was immaterial for all years presented and therefore reconciliations of previously reported earnings are not presented (Note D).

OPERATING REVENUES

The principal operating revenue captions used by the airlines and the subcaptions and the number of times such captions appeared are as follows:

Table 3-6

Principal Captions

Airline operating revenues	1
Operating revenues	19
Revenues	1
Total	21

Table 3-7

Subcaptions

Passenger	19
Other	13
Mail	9
Cargo	8
Charter	7
Transport related	3
Mutual aid assistance	2
Freight	2
Nontransport	2
Public service revenues	4
Freight and express	3
Federal subsidy	3

Some of the remaining operating revenue subcaptions are listed below. They appeared only once.

Table 3-8

Charter, contract services and other.	Airline.
Air transport.	Hotel operations.
Hotels.	Business services.
Vending and food service.	Other operations.
Incidental and other revenues.	Travel club membership.
Express, freight, and mail.	Non-airline subsidiary
Charter and other transportation.	Retroactive mail settlement.

Examples of operating revenue presentation (000 omitted) by various airlines are as follows:

ALASKA	1977	1976
Airline operating revenues:		
Passenger	$63,537	$57,359
Cargo	5,087	4,330
Mail	1,592	1,399
Charter	518	357
Federal subsidy - Note 2	2,133	2,091
Other - net	3,651	3,939
Total airline operating revenues.	$76,518	$69,475

BRANIFF		
Operating revenues:		
Airline:		
Passenger	$678,177	$582,715
Express, freight, and mail - Note 10	61,430	50,443
Charter	15,955	12,808
Transport related	21,795	20,482
Other	6,677	7,081
Non-airline subsidiaries	7,123	6,190
Total	$791,157	$679,719

FRONTIER	1977	1976
Operating revenues:		
Passenger	$202,671	$173,518
Federal subsidy - Note B	11,456	11,108
Mail and property	15,269	11,448
Other	4,913	4,922
Total	$234,309	$200,996

OPERATING EXPENSES

The principal operating expense captions used by the airlines and the subcaptions and the number of times such captions appeared are as follows:

Table 3-9

Principal Captions

Operating expenses	18
Airline operating expenses	2
Expenses	1
Total	21

Table 3-10

Subcaptions

General and administrative	17
Maintenance	16
Passenger service	15
Flying operations	14
Aircraft and traffic servicing	13
Depreciation and amortization	12
Promotion and sales	10
Other	4
Transport related	3
Sales, advertising, and reservations	3
Depreciation	3
Sales and advertising	2
Aircraft fuel	2
Hotel operations	2

Some of the remaining operating expense subcaptions used are listed below. They appeared only once.

Table 3-11

Selling and advertising
Flight equipment rentals
Taxes other than income and payroll not included elsewhere
Depreciation not included elsewhere
Aircraft rent
Amortization and obsolescence
Direct maintenance
Maintenance burden
Aircraft servicing
Reservations and sales

Amortization of deferred charges and provision for inventory obsolescence not included elsewhere
Depreciation and obsolescence
Flying and ground operations
Non-airline subsidiaries
Depreciation and amortization, less amounts charged to other accounts
Maintenance and ground operations
Other operations
Salaries and related costs
Aircraft maintenance materials and repairs
Rentals and landing fees
Agency commissions
Advertising and publicity
Other transport related expenses
Depreciation, amortization, and obsolescence
Air transport
Non-transport
Vending and food service
Selling administrative and general expenses
Wages, salaries, and employee benefits
Fuel
Flying and ground operations
Business services
Fuel and oil

Examples of the operating expense presentation (000 omitted) by the various airlines are as follows:

ALLEGHENY	1977	1976
Operating expenses:		
Flying operations..........................	$156,500	$136,259
Maintenance................................	61,314	56,904
Passenger service..........................	32,205	27,339
Aircraft and traffic servicing............	112,283	100,517
Promotion and sales........................	46,484	40,849
General and administrative................	26,028	23,223
Flight equipment rentals (Note 4)........	14,593	14,052
Depreciation and amortization (Note 1)...	19,711	18,178
Transport related..........................	4,899	3,594
Total operating expenses.........	474,017	420,915

DELTA		
Operating expenses:		
Salaries and related costs.............	$ 706,770	$ 626,511
Aircraft fuel..........................	316,473	272,404
Aircraft maintenance materials and repairs..............................	30,813	36,043
Rentals and landing fees...............	72,076	70,165
Passenger service......................	68,276	60,228
Agency commissions.....................	52,846	45,320
Other cash costs.......................	165,160	151,765
Depreciation...........................	166,040	148,897
Total operating expenses.......	1,578,454	1,411,333

NORTH CENTRAL	1977	1976
Operating expenses:		
Flying operations	$ 68,348	$ 55,970
Maintenance	29,337	27,321
Aircraft and traffic servicing	50,978	43,603
Passenger service	14,605	10,979
Promotion and sales	20,999	16,428
General and administrative	10,801	9,562
Other transport-related expenses	930	961
Depreciation and amortization (Note A)	14,590	11,635
Total operating expenses	210,588	176,459

DEPRECIATION

All the airlines surveyed used straight-line depreciation. The following table is a list of the ranges used by the airlines surveyed for the "useful life" of their flight equipment:

Table 3-12

14 years	4
10-15 years	3
10 years	2
12-16 years	1
13-18 years	1
12 years	1
6-15 years	1
8-12 years	1
14-18 years	1
15 years	1
14-15 years	1
2-16 years	1
7-12 years	1
8-15 years	1
Total	20

National Airlines, instead of disclosing the useful life of their flight equipment disclosed the termination dates by type.

An example of a depreciation and useful life footnote is at Section 1, Summary of Accounting Policies, page 1- .

NON-OPERATING INCOME (EXPENSE)

The principal non-operating income (expense) captions used by the airlines and the subcaptions and the number of items such captions appeared are as follows:

Table 3-13

Principal Captions

Other Income (Expense).....................	6
Nonoperating Expenses (Income).............	3
Nonoperating Expenses (Credit).............	2
Nonoperating Income and (Expense)..........	2
Other Expenses (Income)....................	2
Other Deductions (Income)..................	2
Other Income (Deductions)..................	1
Nonoperating Income/Deductions from Income.	1
Nonoperating Expense - Net.................	1
Other Charges (Credits)....................	1
Total......................	21

Table 3-14

Subcaptions

Interest expense...........................	14
Other - Net................................	13
Gain from Disposition of Property and Equipment................................	10
Interest Income............................	10
Interest Capitalized.......................	9
Gain on Sale of Flight Equipment...........	6
Miscellaneous - Net........................	4
Interest Expense Net of Capitalized Interest.................................	3
Interest on Long-Term Debt.................	2
Realized and Unrealized Gains on Foreign Currency Translation.....................	2
Gain on Extinguishment of Debt.............	2
Interest and Related Debt Expense..........	2

The remainder of the non-operating income (expense) subcaptions are listed below. They appear only once.

Table 3-15

Hotel and Resort Revenue
Hotel and Resort Operation Expenses
Charges Related to Equipment Held for Sale
Retroactive Mail Revenue
Equipment Rental Income - Net of Depreciation
Sundry - Net
Net Loss of Unconsolidated Subsidiaries
Gain on Purchase of Convertible Debt
Mutual Aid Payments - Guaranteed
Other Expenses, Less Other Income
Temporary Investments Income
Foreign Exchange Gains, Losses

Examples of the non-operating income (expense) presentation by the various airlines are as follows:

TEXAS INTERNATIONAL	1977	1976
Other (income) expense:		
Interest expense	$3,202,106	$2,262,498
Interest income	(561,769)	(256,903)
Gain on disposal of aircraft	-	(1,050,000)
Other, net	182,589	349,973
Total	2,822,926	1,305,568

WESTERN	(000 Omitted)	
Other income (expenses):		
Interest, principally on long-term debt	(9,650)	(9,675)
Interest capitalized	2,592	786
Interest income	2,302	1,941
Gain on sale of equipment	4,549	1,809
Other - net	1,086	(704)
Total	879	(5,843)

ALOHA		
Nonoperating expenses (income):		
Gain on sale of flight equipment	(1,791,823)	-
Interest expense (primarily on long-term debt)	1,064,671	743,984
Equipment rental income, net of depreciation	(57,946)	(30,232)
Sundry, net	(145,096)	30,160
Total nonoperating expenses (income), net	(930,194)	743,912

TAX PROVISIONS

The degree of tax disclosure in the income statement varies among the airlines. The captions used to describe the provisions are summarized as follows:

Table 3-16

Provision for Income Taxes.................	10
Income Taxes................................	5
Provision (Credit) for Income Taxes........	1
Federal Income Tax..........................	1
Income Taxes Credit.........................	1
Income Tax (Expense) Credit.................	1
Provision for Federal and State Income Tax.	1
Provision for Taxes on Income...............	1
Total.......................	21

Additionally, the following subcaptions are used:

Table 3-17

Income taxes provided
Less amortization of investment tax credit
Deferred Federal income tax credit
State and foreign income taxes
Charge equivalent to income taxes
Assumed utilization of investment tax credit
  Current
  Deferred

In the footnote disclosure of the surveyed airlines, 20 included a schedule disclosing a breakdown of the provision. The other airline provided a footnote, but did not disclose the breakdown.

Examples of the income statement presentation (000 omitted) and the related footnote disclosure follows:

FRONTIER	1977	1976
Income before income taxes..............	$24,666	$17,647
Provision for income taxes - Note D.....	11,675	7,569
Net income...............	$12,991	$10,078

NOTE D - INCOME TAXES

Provisions for income taxes, reduced by investment tax credits of $336 and $1,002, under the flow-through method for the years 1977 and 1976, respectively, are as follows:

	1977	1976
Current	$10,983	$6,957
Deferred	692	612
	$11,675	$7,569

Deferred taxes have been provided to reflect the tax effect of accelerated depreciation taken for tax purposes, the non-recognition for tax purposes of the deferred portion of subsidy income, and other timing differences between book and tax.

NORTH CENTRAL	1977	1976
Income taxes (Notes A and J):		
Current	$ 745	$2,169
Deferred	259	871
	$1,004	$3,040

Income Taxes: The company uses the flow-through method of accounting for investment tax credit which reduces income tax expense when the related liability is reduced. Investment credits not applied on tax returns are offset against deferred income taxes to the extent they are applicable to deferred taxes becoming payable in the carryover periods. The company recognizes deferred income taxes resulting from differences in financial and income tax reporting (Note J).

NOTE J - INCOME TAXES - Income tax expense for the years ended December 31, (1976 - as restated) consists of the following:

	1977	1976
Current income taxes:		
Federal	$6,065	$3,489
Investment tax credit used in current year	(6,065)	(1,757)
		1,732
State and local	745	437
	745	2,169
Deferred income taxes:		
Federal	1,046	1,631
Investment tax credit	(898)	(961)
	148	670
State and local	111	201
	259	871
	$1,004	$3,040

Income taxes of $1,040 in 1977 and $3,040 in 1976 (effective rates of 6.8% and 28.4%, respectively) are less than those expected to result by application of the Federal income tax rate of 48% to income before taxes. The reasons for these differences are:

	1977	1976
Computed expected tax expense...............	$7,056	$5,145
Increase (decrease) in income taxes:		
Investment tax credit utilized............	(6,963)	(2,718)
State and local income taxes net of Federal income tax benefit..............	856	485
Other....................................	55	128
	$1,004	$3,040

Deferred income taxes arise from timing differences between financial and tax reporting. The tax effects of these differences follow:

	1977	1976
Increase (decrease) in deferred income tax expense:		
Capitalized interest......................	$ 328	$ 324
Lessor leasing activities.................	278	473
Depreciation..............................	(80)	690
Capitalized leases........................	195	180
Training and development..................	237	70
Investment tax credit.....................	(898)	(961)
Other.....................................	199	95
	$ 259	$ 871

For Federal income tax reporting purposes, investment tax credits of $3,482 are available to offset future income taxes payable through 1984. Of this amount $2,792 has been recognized for financial reporting purposes as an offset to deferred income taxes payable through December 31, 1977.

During the fourth quarter of 1976, the Tax Reform Act of 1976 was enacted into law. The amount of investment credit that could previously be claimed was limited to approximately 50% of the company's tax liability through 1976. Beginning in 1977, a special provision under the new law permits the company to offset their federal tax liability by the following approximate percentages (subject to the availability of sufficient investment tax credits):

Year	Maximum Percentage
1977	100%
1978	100
1979	90
1980	80
1981	70
1982	60
1983 (and later years)	50

The Internal Revenue Service has examined and cleared the company's Federal tax returns through December 31, 1974.

INVESTMENT TAX CREDIT

Only one airline surveyed had an investment tax credit amount appear on the face of the income statement as a separate line item. The presentation of the provision is as follows:

DELTA	1977	1976
Provision for income taxes (Note 3):		
Income taxes provided	$76,362	$53,949
Less - amortization of investment tax credits	(13,695)	(14,613)
	62,667	39,336

NET INCOME

The principal captions used by the airlines to designate net income are summarized as follows:

Table 3-18

Net income	12
Net earnings	8
Net income (loss)	1
Total	21

EARNINGS PER SHARE

The principal captions used by the surveyed airlines to designate earnings per share for a simple capital structure are summarized in the following table:

Table 3-19

Earnings per share	4
Earnings per share of common stock	1
Net income per common share and common equivalent share	1
Net income per common share	1
Net earnings per share	1
Total	8

The principal captions used to designate a dual presentation of earnings per share are summarized as follows:

Table 3-20

Earnings per common share assuming full dilution
Earnings per common share and common equivalent share
Earnings per common share - Primary
Earnings per common share - Fully Diluted
Earnings per share of common stock - Primary
Earnings per share of common stock - Fully Diluted
Net earnings per common share - Primary
Net earnings per common share - Fully Diluted
Earnings per common share
Fully diluted earnings per common share
Net income per share - Primary
Net income per share - Assuming full dilution
Earnings per share - Primary
Earnings per share - Fully Diluted
Net earnings per share - Primary
Net earnings per share - Fully Diluted
Net income per common and common equivalent share - Primary
Net income per common and common equivalent share - Fully Diluted
Earnings per common share - On average outstanding shares

The following table shows whether the amount of common shares outstanding or equivalents is shown in the income statement or disclosed elsewhere.

Table 3-21

Shown on income statement	3
Shown on balance sheet	16
Disclosed in notes	2
None	-
Total	21

An example of an earnings per share presentation in the income statement and the related footnote disclosure follows:

CONTINENTAL	1977	1976
Net earnings per common share (Note 3):		
Primary	$ 1.77	$ .64
Fully diluted	1.66	.64

3. EARNINGS PER SHARE

In 1977, primary earnings per common share has been computed using 14,476,021 shares based on the weighted average number of shares outstanding plus additional shares issuable on exercise of certain stock options. The computation of fully diluted earnings per common share is as follows:

	1977
Net earnings	$25,642,000
Adjustments, net of tax, for assumed conversion of convertible debt:	
Interest on 3-1/2% debentures	1,096,000
Interest on "J" notes	919,000
Adjusted net earnings, assuming full dilution	$27,657,000
Weighted average number of common shares outstanding	14,304,942
Additional shares assuming:	
Conversion of 3-1/2% debentures	997,896
Conversion of "J" notes	1,068,222
Exercise of stock options	312,782
Weighted average number of common shares outstanding, assuming full dilution	$16,683,842

In 1976, earnings per share has been computed using 14,303,673 shares based on the weighted average number of shares outstanding. In 1976, the effect of assumed exercise of stock options and the effect of convertible debentures and notes was either immaterial or antidilutive.

EASTERN	1977	1976
Earnings per common share (Note B):		
Income before extraordinary item..............	$1.73	$1.76
Extraordinary item..........................	-	.56
Net income..................................	$1.73	$2.32
Fully diluted earnings per common share (Note B):		
Income before extraordinary item..............	$1.63	$1.73
Extraordinary item..........................	-	.54
Net income..................................	$1.63	$2.27

NOTE B - EARNINGS PER SHARE

Income and the number of shares used in the computation of earnings per share were determined as follows:

	1977		1976	
	Primary	Fully Diluted	Primary	Fully Diluted
Income (000)				
Net income..................	$34,737	$34,737	$45,239	$45,239
Deduct: Preferred dividends	478	478	677	677
Amortization of the excess of redemption value of $2.69 Preferred Stock over carrying value........	1	1	-	-
Add: Interest and debt amortization assuming conversion of Convertible Subordinated Debentures.......	-	6,172	-	2,408
Earnings for per share computation..............	$34,258	$40,430	$44,562	$46,970

	1977		1976	
	Primary	Fully Diluted	Primary	Fully Diluted
Number of Shares (000)				
Weighted average common shares outstanding.......	19,843	19,843	19,166	19,166
Stock options..............	14	14	31	37
Shares from assumed conversion of Convertible Subordinated Debentures..	-	4,906	-	1,471
Shares used in per share computation..............	19,857	24,763	19,197	20,674
Earnings per common share..	$1.73	$1.63	$2.32	$2.27

SECTION 4
STATEMENT OF CHANGES IN FINANCIAL POSITION

TITLE

The airlines included in the survey used several titles to describe their statement of changes in financial position. The following table indicates the breakdown of the statement titles:

Table 4-1

Statement(s) of Changes in Financial Position	13
Consolidated Statement(s) of Changes in Financial Position.........................	5
Statement of Changes in Consolidated Financial Position.........................	3
Total....................	21

* * * * *

FORMAT

The format of the statements used by the surveyed airlines is as follows:

Table 4-2

Balanced statement...........................	1
Unbalanced statement.........................	20
Total....................	21

The net totals shown on the unbalanced statements are:

Table 4-3

Changes in Working Capital...................	12
Cash and investments.........................	8
Total....................	20

The principal captions used by the airlines to designate sources, applications and net changes in financial position are as follows:

Table 4-4 - Sources

Funds Provided	6
Sources of Funds	4
Sources of Working Capital	3
Funds Provided By	3
Financial Resources Were Provided By	1
Funds Provided During the Year	1
Sources	1
Working Capital Was Provided By	1
Working Capital Provided	1
Total	21

Table 4-5 - Applications

Funds Used	4
Application of Funds	4
Uses of Working Capital	2
Funds Applied	2
Funds Used For	2
Financial Resources Were Used For	1
Funds Used During the Year	1
Working Capital Used	1
Funds Applied For	1
Applications	1
Working Capital Was Applied To	1
Application of Working Capital	1
Total	21

Table 4-6 - Net Change in Financial Position

Increase (Decrease) in Working Capital	11
Increase in Working Capital	3
Increase in Funds During Year	1
Increase (Decrease) in Cash	1
Decrease in Working Capital	1
Total Decrease	1
Not Disclosed	1
Increase (Decrease) in Cash and Temporary Cash Investments	1
Net (Decrease) Increase in Working Capital	1
Total	21

* * * * *

OPERATIONS

All of the airline companies surveyed included in their statement of changes a section indicating the funds provided internally or from operations. Those items included in such section are summarized as follows:

Table 4-7

Depreciation and Amortization	21
Deferred Income Taxes	18
Net Earnings	11
Other	8
Earnings Before Extraordinary Item	8
Gain on Sale of Equipment	4
Net Gain From Repurchase of Long-Term Debt	3
Translation of Foreign Indebtness	3
Deferred Investment Credits	2
Amortization of Investment Credits	2
Increase in Allowance for Maintenance	2
Amortization of Deferred Charges	2
Deferred Credits and Other Liabilities	1
Subsidy Adjustments	1
Extraordinary Tax Credit	1
Provision for Loss on Flight Equipment	1
Income (Loss) Before Equity in Income of Unconsolidated Subsidiaries and Associated Companies and Extraordinary Item	1
Earnings (Loss) Before Cumulative Effect of Change in Accounting Principal	1
Extraordinary Item	1
Warrant Expense	1
Provision for Income Taxes	1
Reduction in Equipment Purchase Deposits	1
Loss of Unconsolidated Subsidiaries	1
Tax Benefits Not Previously Recognized	1

ALASKA (000 OMITTED)	1977	1976
Financial Resources Were Provided By:		
Income for the period before extraordinary item	$ 3,414	$ 4,191
Add (deduct) income items not affecting working capital:		
Depreciation and amortization	5,942	4,621
Gain on disposition of property and equipment	(292)	(2,131)
Deferred income taxes	1,402	237
Other	296	-
Working capital provided by operations for the year	10,762	6,918
Working Capital Provided by Extraordinary Item - Income Tax Credits Arising from Utilization of Tax Loss Carryforwards	-	3,440
Proceeds Received on Disposition of Property and Equipment	880	5,238
Additional Long-term Debt	56	7,313
Decrease in Instalment Notes and Contracts	205	107
Decrease in Deposit Required Under Long-term Loan Agreements	-	1,600
Common stock Issued for Cash and Other Consideration	-	550
Other	254	167
	12,157	25,333

BRANIFF (000 OMITTED)	1977	1976
Source of Funds:		
Net income	$ 36,427	$ 26,369
Expense not requiring outlay of working capital:		
Depreciation and amortization, including amortization of long-term prepayments and deferred charges	47,776	43,271
Deferred Federal income taxes	12,214	6,901
Funds provided from operations	96,417	76,541
Book value of property and equipment sold and retired	6,427	18,440
Reduction in equipment purchase deposits	19,776	16,303
Long-term borrowings	106,200	139,513
Reduction in long-term receivables and investments	7,345	1,871
Proceeds from exercise of stock options	157	354
Other - net	-	347
Total	236,322	253,369

HAWAIIAN	1977	1976
Funds Provided:		
Operations:		
Income before extraordinary item.....	$ 633,586	$2,132,381
Charges to income not requiring working capital:		
Depreciation and amortization (Note 9)........................	3,106,335	2,213,706
Deferred income taxes..............	(144,000)	1,460,000
Working capital provided from operations, before extraordinary item...........	3,595,921	5,806,087
Extraordinary item...................	-	(1,350,000)
Non-current portion of extraordinary item not requiring working capital.	-	650,000
Working capital provided from operations..................	3,595,921	5,106,087

OTHER SOURCES

Captions used to described the other sources* of funds or working capital are summarized as follows:

Table 4-8

Proceeds from Issuance of Long-Term Debt....	19
Proceeds from Sale of Equipment and Property	18
Other......................................	9
Reclassification of Deposits on Leases to be Refunded.................................	4
Proceeds from Issuance of Preferred Stock...	4
Increase in Accounts Payable and Accrued Liabilities..............................	3
Sale of Common Stock to Employee Purchase Plan Trusts.............................	3
Extraordinary Credit........................	3
Conversions to Common Stock.................	3
Proceeds from Long-Term Receivable..........	3
Increase in Advance Ticket Sales and Customer Deposits..........................	2
Decrease in Deposits........................	2
Increase in Other Deferred Credit...........	2

*Captions that appeared only once are listed in the following table:

Table 4-9

Reimbursements of Deposits and Capital Expenditures Upon Leasing of Aircraft Facilities

Book Value of Hotel Sold

Net Book Value of Property Disposition

Recovery of Hijacking Payments

Reclassification of Equipment to Inventory

Reclassification and Other

Termination of Capital Leases

Increase in Long-Term Obligations Under Capital Leases

Dividends Received

Cumulative Effect of Change in Accounting for Vacation Pay

Decrease in Accounts Receivable

Increase in Accrued Income Taxes

Disposal of Property and Equipment

Reduction in Other Assets

Charge Against Gain Equivalent to Federal Income Tax

Write-off of Unamortized Debt Expense

Income Tax Credits Arising From Utilization of Tax Loss Carryforward

Decrease in Instalment Notes and Contingencies

Reduction in Rentals and Other

Decrease in Cash

Increase in Accounts Payable

Increase in Accrued Liabilities

Increase in Unused Tickets Held by Customers

Examples of the other sources section of the surveyed airlines statement of changes in financial position are as follows:

NATIONAL (000 OMITTED)	1977	1976
Decrease (increase) in cash..............	$17,672	$(20,498)
Increase (decrease) in accounts payable..	3,399	(1,439)
Increase (decrease) in accrued liabilities...........................	4,593	(3,258)
Disposal of property and equipment.......	1,331	33,001
Increase in deferred credits and other items................................	1,705	3,634
Increase in unused tickets held by passengers............................	5,970	1,022

NORTH CENTRAL (000 OMITTED)		
Proceeds in excess of gain from property and equipment dispositions.............	3,003	1,675
Increase in long-term debt...............	24,978	41,102
Reduction of rentals and other...........	578	447

PIEDMONT	1977	1976
Disposal of property and equipment less net gains included above...............	$ 2,658,654	$2,130,260
Proceeds from long-term debt.............	32,347,736	3,000,000
Reclassifications and other..............	471,394	955,629

OTHER USES

The various captions used to describe the uses of funds are summarized in the following table:

TABLE 4-10

Purchases of Property and Equipment............	21
Reduction and Long-Term Debt...................	21
Cash Dividends.................................	17
Other Net......................................	7

Increase in Receivables	7
Deposits	6
Increase in Deferred Charges	5
Increase in Other Assets	3
Advance on Aircraft Purchase Contracts	3
Preoperating Costs	2
Increase in Expendable Parts and Supplies	2
Decrease in Other Noncurrent Liabilities and Deferred Credits	2
Capitalized Overhauls	2
Purchase of Debenture	2

Captions that appeared only once are listed in the following table:

Table 4-11

Long-Term Debt Becoming Currently Payable
Repurchase of Common Stock
Additions to Long-Term Prepayments
Decrease in Accounts Payable
Deposits pledged as Security
Working Capital Components
Goodwill Arising in Acquisition
Reclassification of Note Receivable
Reduction of Long-Term Obligations Under Capital Leases
Payments on Short-Term Borrowings
Increase in Cash in Escrow
Litigation Settlement Payment
Additions to Land Held for Development
Increase in Instalment Notes
Cancellation of Common Stock
Capital Lease Additions
Retirement of Preferred Stock
Decrease in Accrued Income Taxes
Increase in Other Items - Net
Increase - Non-current Prepaid Expenses
Deferred Engine Overhaul Costs
Increase in Other Current Assets
Increase in Inventory
Conversion to Common Stock

Examples of the uses of funds section of the surveyed airlines statement of changes in financial position follow:

SOUTHERN (000 OMITTED)	1977	1976
Funds Used:		
Additions to property and equipment	$38,866	$10,517
Utilization of DC9 engine maintenance reserve	292	200
Reduction of long-term debt	12,154	6,815
Dividends on Preferred Stock	118	59
Conversions to Common Stock:		
Debentures	-	-
Preferred Stock	-	-
Increase in deferred charges and other assets	888	126

TEXAS INTERNATIONAL	1977	1976
Working Capital was Applied to:		
Reduction of long-term debt, net of current maturities..................	$ 7,516,050	$ 5,018,373
Acquisition of property and equipment:		
Aircraft............................	19,308,441	6,506,976
Other, net..........................	3,793,538	1,602,175
Reclassification of note receivable....	-	1,208,600
Deposits on aircraft and other deposits	2,913,711	1,889,572
Increase in other assets...............	574,700	164,582
Retirement of Series A preferred stock.	-	21,000
Dividends on Series A preferred stock..	803,200	-
Total working capital applied...	34,909,640	16,411,278

UNITED (000 OMITTED)		
Funds used:		
Capital expenditures, including advances on flight equipment.........	225,757	94,455
Reduction of long-term debt(1).........	68,661	71,888
Dividends to shareholders..............	15,280	15,263
Increase in receivables................	47,186	48,287
Increase in expendable parts and supplies............................	6,032	10,296
Other, net.............................	13,849	(6,817)

CHANGES IN COMPONENTS OF WORKING CAPITAL

The methods used by airlines to disclose the components of changes in working capital follow:

Table 4-12

Disclosure in separate summary or note to statement....................	17
Disclosure within the statement............	4
Total......................	21

Examples of the various types of disclosure of the change in components of working capital follow:

WESTERN (000 OMITTED)	1977	1976
Summary of Increases (Decreases) in Working Capital:		
Cash, certificates of deposit and commercial paper	$ 3,782	$ 7,751
Receivables	8,304	412
Expendable parts and prepaid expenses	(2,551)	688
Accounts payable, advance ticket sales, accrued and other liabilities	7,134	(23,605)
Net increase (decrease)	$16,669	$(14,754)

PAN AMERICAN (000 OMITTED)		
Summary of Changes in Working Capital:		
Increases (decreases) in current assets:		
Cash and cash investments	$ 15,955	$ 72,203
Receivables, inventories and other current assets	35,662	1,870
Equipment held for resale	-	-
Decreases (increases) in current liabilities:		
Notes payable-bank loans	-	30,000
Current maturities of long-term debt	(4,369)	7,244
Accounts payable and accrued liabilities	(60,502)	(20,252)
Air traffic liability	(11,762)	27,472
Increase (Decrease) in Working Capital	$(25,016)	$(118,537)

NORTHWEST		
Changes in working capital consist of:		
Increase (decrease) in current assets:		
Cash and short-term investments	$115,173,101	$(34,617,989)
Receivables	7,896,320	3,025,071
Recoverable income taxes	-0-	(6,040,800)
Inventories	6,747,644	(73,758)
Prepaid expenses	2,886,766	194,224
	132,703,831	(37,513,252)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	21,575,559	(359,316)
Other accrued liabilities	(2,991,646)	4,417,292
Unredeemed ticket liability	4,154,584	(337,609)
Current maturities of long-term debt	1,000,000	(22,900,000)
	23,738,497	(19,179,633)
Increase (decrease) in working capital	$108,965,334	$(18,333,619)

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