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Chapter 13

Sources of Divergences between Book Profit and Statutory Net Income

THE DATA FOR THE ANALYSIS OF SOURCES OF DIVERGENCE between book profit and statutory net income were taken mainly from Sample I. Sample II data are used to supplement Sample I in discussing depreciation and depletion and bad debt expenses. Initially it was hoped to make much more extensive use of Sample II but, as explained in Chapter 10, the data were found to be inadequate for this purpose.

The various sources of divergence were grouped into 15 classes, the first five of which affect primarily the amount of gross income reported, the next eight the amount of deductions claimed, and the last two cover special items (Table 24).

Inasmuch as the findings of this chapter are summarized in Chapter 9, Section C2, it seems superfluous to repeat them. The reader who is interested only in the broad findings is invited to turn to the summary.

Most of the qualifications on the book profit-statutory net income comparison apply also to the component items affecting net income. For instance, whatever errors are in the Treasury book profit figure will be reflected in erroneous statements with respect to some components of net income. As some components presumably will be affected more than others, the relative importance of the various sources of divergence between book profit and statutory net income will be altered in some degree. However, since the errors in the Treasury book

Ratios Expresse	ed as Pe	rcenta	ges of	Indiv	dual	Sour	ces of	Diver	gence	to Ag	grega	te Di	vergei	uce			
INDUSTRIAL GROUP	No. of corp.	Dividends rec.	Capital gains or losses	Int. rec.	Inventories	Misc. income items	Depreciable & depletable assets	Intangible assets	Bad debt exp.	Int. paid	bisq $s_{2x}s_{T}$	royalties paid Kents &	vonallowable Vonallowable	Misc. deductions	Scope of ac- tinu gnitnuoz	Reorganizations, mergers, dissolu- tions	Total
dining & quarrying	58	0.	3.7	1.1	લ	22.4	54-9	10.5	4	ભ	1.2	1.0	3.6	6.	o.	o.	1 00.0
<i>Manufacturing</i> Pood & kindred products Tobacco products Jquors & beverages Textiles, clothing, & apparel	17 6 19	1. .0 .0 21.0	7.9 3.0 8.2 8.2	1.1 27.3 1.9 .6	0. 0. 1 0. 1	- o 4 r	52.2 8.1 32.8 32.8	60 si 9	22.1 0.3 0.3 0.3	이 각 이 드	6.5 3.4 6.2 2.9	7. 0. 0.	7.5 111.7 10.8 14.0	14.6 37.7 33.4 11.3	ġ ġ ġ ġ	0 0 0 0	100.0 100.0 100.0
"aper, printing, & publishing Themicals & allied products (tone, clay & glass ron, steel, & nonferrous metals ndust, agr, & other mach. & tool mfr.	13 10 22 81 81	00 ¹ 84	2.2 8.6 8.6 8.0 8.0	1 4 2 6 6 4 3 6 4	 .0 8.6 6.1	12.0 .0 1.1 1.1	67.2 22.4 18.1 37.2 21.3	 5.4 6.4 6.4	9.9 9.9 9.8 9.9	33 20 4 5 33 20 4 5	1.8 5.6 4.6 6.4 6 7.6	<u>ତ୍ତ୍ର୍</u> ତ୍ର	2.7 1.0 39.2 9.2 17.8	11.4 1.6 1.5 14.5	8.0.0 8.0.0	68.1 0 0 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	100.0 100.0 100.0 100.0
Autos, aircraft, & shipbuilding Miscellaneous	45 25	 7.8	6.8 1.3	4.3 7.2	5.1 8.8	6.6 0	18.9 15.9	13.4 31.0	5.6 3.7	2.7 .1	3.5 1.8	0.7	4.0 18.1	18.5 4.3	7.3 .0	ó ó	100.0
inance	53	1.2	48.6	1.2	o.	8.4	1.6	г.	1.6	4.8	9.5	o.	13.8	9.1	r.	o.	100.0
Frade	52	9.	ſ.	1.4	÷	24.7	3.8	8.0	10.1	2.3	2.0	બં	12.1	30.4	2.0	6.1	100.0
discellaneous companies	16	o.	Ŀ	4.6	Ŀ	2 4.8	13.3	3.8	4.4	24.3	6.1	o,	6.0	16.1	o,	o,	100.0
iervice Dublic utilities	11 20	o q	2.5 1.6	9.0 V	• •		5.7	30.4	0.0 7.4	.1 K2.0	2.7	, 0, 0,	10.4 2.7	35.1 4.6	o, u	0	100.0
	ומ	?	}	ŗ	!				2	2		2			?	?	2007

TABLE 24 Differences in Tax and Book Accounting, Sample I Corporations, 1936

CHAPTER 13

profit figure appear to be relatively minor, the alterations are likely to be small.

Through auditing adjustments, especially during the years covered, the relationships of some components might be shifted significantly. For instance, as discussed in detail in Section E, substantial amounts of depreciation were disallowed by the Treasury during 1935-40. Comparisons of audited tax returns with book charges would therefore show tax depreciation charges to be somewhat smaller than those shown by the unaudited data. No information is available concerning the nature or size of auditing adjustments with respect to other components of income.

A CLASS 1: DIVIDENDS RECEIVED

As statutory net income is defined before the credit for dividends received is deducted, divergences reported in Class 1 exclude those due to this credit. There are few other sources of divergence.

With two or three isolated exceptions, divergences resulting from dividends received items are both few and small (Table 25). One divergence of over \$100,000 tends to cause book profit to exceed statutory net income: a leather manufacturing company reported "dividends deductible under Section 23 (p) of the Revenue Act of 1934" (see below). Two divergences of more than \$100,000 tend to cause statutory net income to exceed book profit: a clothing manufacturer reported "dividends from X Corporation" (name omitted to conceal identity) of more than \$400,000. Since the names of the companies paying and receiving the dividends are closely similar, they are probably affiliated in some manner. A machine tool manufacturer reported "dividends received from subsidiaries" of more than \$140,000.

In general, divergences in Class 1 cannot easily be divided into subclasses. Nevertheless, several examples are interesting. The following tended to cause book profit to exceed statutory net income: (a) Dividends in liquidation may have been

. TABLE 25 Differences in Tax and Book Accounting, Basic Data, Sample I Corporations, 1936

INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERGENCE (\$) Negative*	ANALYSI Positive*	s y ratto (%) Negative•	NUMBER OF D Positive [®]	orvergences Negative®
		D I U	IDENDS	RECEIVED		
Mining & quarrying	00	8	<u>8</u> .	00.	0	0
Manufacturing						
Food & kindred products	280	8	11.	00.	I	0
Tobacco products	8	8	0.	00.	0	0
Liquors & beverages	8	8	0.	00 .	0	0
Textiles, clothing, & apparel	1,809	423,517	6o [.]	20.94	I	61
Paper, printing, & publishing	300	8	.02	0.	-	0
Chemicals & allied products	290	8	.03	00.	-	0
Stone, clay & glass	8	25,246	00	1.48	0	-
Iron, steel, & nonferrous metals	15,066	3,150 -	.64	13	<i>6</i> 0	-
Indust., agr., & other mach. & tool mfr.	867	143,344	10.	2.35	4	-
Autos, aircraft, & shipbuilding	8	8	00	00	0	0
Miscellaneous	115,506	8	61-1	00.	3	0
Finance	86,273	27,048	. <u>9</u> 2	-29	7	4
Trade	63,296	8	÷58	00	9	0
Miscellaneous companies	8	8	00	00'	0	0
Service	8	8	0	, 00 [.]	0	0
Public utilities	8	8	00.	00.	0	0

Mining ϕ quarying $35,5031$ $33,231$ $3,27$ 43 Nanufacturing 500.11 $4,299$ $7,28$ 52 59 Food & kindred products 500.11 $4,399$ 52 599 500 Food & kindred products 10,890 $19,199$ 512 239 599 Tobaccoproducts 11,894 $19,199$ 512 239 239 Excutiss, continues & products $11,894$ $19,199$ $21,99$ $11,99$ $11,79$ Excutiss, continues R publishing $2,799$ $19,199$ 799 $11,99$ 799 Chemicus R allied products $12,899$ $13,4702$ $71,99$ 799 Chemicus R allied products $12,9709$ $11,99779$ $11,997,999$ $11,99779$ $11,99779$ $11,99779$ Chemicus R allied products $11,99779$ $19,9579$ $11,99779$ $11,99769$ $11,79769$ Chemicus R subbuilding $11,917976$ $11,91766$ $11,917666$ $11,9176666666666666666666666666666666666$	Mining & quarrying			,,	C K L C 0 0 1	ŝ
Manufacturing Food skindred products 90011 4.399 7.28 52 Food skindred Food skindred Tokacco product10,800 000 2.990 000 Liquons & beverages Liquons & coluting, & appared11,804 9.595 1.47 Textiles, clothing, & appared $1.9,596$ $1.9,596$ 1.26 Liquons & beverages Liquons & clothing, & appared $1.9,596$ 1.26 2.390 Paper, pinting 2.796 $1.9,199$ 2.1 2.95 Paper, pinting 2.796 $1.9,199$ 2.1 2.96 Chemicial & allie a polucistic from, steel, & nonferrous metals from, steel, & anoternos metals 1.7739 $1.90,597$ 1.97 None, clay & glass from, steel, & anoternos metals 1.7739 1.7390 1.17 2.955 2.211 Musculance $2.498.048$ $2.085_{11}93$ 2.65_{22} 2.211 2.7730 Musculance $2.498.048$ $2.085_{11}93$ 2.65_{22} 2.211 Miscellaneous 1.1811 1.996 1.17 0.0 Trade 1.120 78 0.026_{22} 2.211 Trade 1.120 78 0.026_{22} 0.026_{22} Miscellaneous companies 1.120 78 0.026_{22} 0.026_{22} Public utilities 9.766 0.026_{22} 0.026_{22} 0.026_{22} Public utilities $9.766_{27}6$ $1.996_{26}6_{27}6$ $0.026_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{22}6_{$		255,051	33,221	3.27	-43	
Totaccoproduct 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360 0.360	M anufacturing Rood & kindred products		006 7	80 5	Ŀ	
Liquors & beverages 1.364 $19,598$ 1.26 1.47 Textiles, clothing, & apparel 12.0396 $49,490$ 5.95 2.90 Textiles, clothing, & apparel $120,396$ $12,399$ 2.1 2.96 Chemicals & alified products $12,939$ 2.93 7.90 Stone, clay & glass $19,4708$ $19,4708$ 7.90 Stone, clay & glass $17,9778$ $397,691$ 7.90 Stone, clay & glass $17,9778$ $397,691$ 7.97 Inon, steel, & nontermach. $7,737$ $397,691$ 7.97 Inon, steel, & supbuilding $16,194$ 5.87 7.90 Inot, agr., & other mach. & tool mft. $7,978$ $997,691$ 1.769 Nucos, aircraft, & shipbuilding $16,194$ 5.87 1.17 Miscellaneous $2.498.048$ $2.089,193$ $265,2$ 22.11 Trade 1.120 78 1.130 78 0.117 Miscellaneous companies 1.120 78 0.122 0.02 Miscellaneous companies 1.120 78 0.02 2.47 0.02 Miscellaneous companies 1.120 78 0.02 2.47 0.02 Public utilities 5.956 $16,287$ 1.59 0.05	Tobacco products	10,840	49-49 00	2.00	8	
Textifles, clothing, & apparel 120.298 46.490 5.95 2.30 Paper, printing, & publishing $2,798$ $13,199$ 2.1 98 Paper, printing, & publishing $2,798$ $13,199$ 2.1 98 Storm, clay & glass $12,489$ $33,1792$ 739 7.90 Iron, steel, & nonferrous metals $179,778$ $397,633$ $7,139$ $7,87$ Iron, steel, & nonferrous metals $179,778$ $397,633$ $7,139$ $7,87$ Iron, steel, & nonferrous metals $179,778$ $397,633$ $7,137$ $7,89$ Indust, agr., & other mach, & tool mft. $7,737$ $480,538$ $1,7390$ 1.6 5.73 Muscellaneous $2,990,488$ $2,083,193$ $2.695,228,111$ 1.17 01 Miscellaneous $0,12,81$ $1,936$ $.11$ 01 01 Miscellaneous $0,789,193$ $2,695,76$ $15,96$ $.11$ 01 Miscellaneous $0,784$ 0.0 2.47 0.0 Miscellaneous $0,784$ 0.0 2.47 0.0	Liquors & beverages	11,894	13,598	1.28	1.47	
Paper, printing, & publishing $2,98$ $13,199$ $.21$ $.96$ Chemicals & lied products $1,249$ $34,702$ $.79$ $.795$ Stone, clay & gals: $179,718$ $397,631$ $7,99$ $.790$ Stone, clay & gals: $179,778$ $397,631$ $7,99$ $7,99$ Iron, steel, & nonferrous metals $179,778$ $397,632$ 1.13 $7,97$ Iron, steel, & nonferrous metals $179,778$ $397,632$ 1.19 $7,97$ Autos, aircraft, & shipbuilding $16,134$ $61,857$ 1.400 $5,87$ Autos, aircraft, & shipbuilding $16,134$ $61,857$ 1.400 $5,87$ Autos, aircraft, & shipbuilding $16,134$ $61,857$ 1.17 $2.983,193$ $265,22$ 22.11 Miscellaneous $2,4980,48$ $2,083,193$ $265,22$ 22.11 01 Trade $1,120$ 787 1.120 787 01 Miscellaneous companies $1,120$ 787 1.12 02 Public utilities $546,576$ $16,287$ 1.59 $.05$	Textiles, clothing, & apparel	120,298	46,490	5-95	2.30	
Chémičals & allied products 00 12483 194792 79 Ston, caly & glass 192483 194792 79 79 Ston, stel, & nonferrous metals 19778 394792 79 790 Inon, stel, & nonferrous metals 19778 480.538 $17,00$ 797 Autos, aircraft, & shipbuilding $16,134$ $61,857$ 140 553 Autos, aircraft, & shipbuilding $16,134$ $61,857$ 140 553 Miscellaneous $2,498.048$ $2,083.193$ 2652 22.11 Trade $11,181$ $1,996$ $.12$ $.00$ Trade $1,120$ 78 $.01$ $.01$ $.01$ Service $9,784$ 00 2.47 $.00$ Vade $1,120$ 78 $.11$ $.01$ $.01$ Fublic utilities $546,576$ $16,287$ 1.59 $.05$ Public utilities $546,576$ $16,287$ $.02$ $.02$	Paper, printing, & publishing	2,708	13,199	.21	86.	
Stone, Gay & glas 12483 134.702 7.90 Fon, steel, & nonferrous metals 179.778 397.633 17.90 Indus, agr., & other mach. & tool mfr. 7.737 480.538 1.40 5.97 Autos, aircraft, & shipbuilding 16.134 61.857 1.40 5.97 Miscellaneous 2.383 17.390 1.140 5.97 Finance $2.383_{-1}193$ $2.583_{-1}193$ 2.652 22.11 Trade 11.811 1.936 $.12$ $.02$ Miscellaneous 1.1811 1.936 $.12$ $.02$ Miscellaneous 1.1811 1.936 $.12$ $.02$ Miscellaneous 0.784 00 2.47 $.00$ Vade 1.1811 1.936 $.11$ $.01$ Miscellaneous companies 1.120 78 $.02$ Miscellaneous combanies 1.120 78 $.02$ Miscellaneous cultities 546.576 16.287 1.59 $.05$	Chemicals & allied products	8	12,839	00.	1.26	
Iron. steel & nonferrous metals $1'9,778$ $397,631$ $7,69$ $1',00$ Indust, agr, & other mach. & tool mft. $7,773$ $480,538$ $1,7,390$ $1,9$ $7,87$ Miscellaneous $1,6,134$ $61,857$ $1,40$ $5,37$ Finance $2,383$ $1,7,390$ $1,16$ $1,17$ Finance $2,498,048$ $2,083,193$ $26,52$ 22.11 Trade $11,811$ $1,936$ $.12$ $.02$ Miscellaneous companies $1,120$ 78 $.01$ $.01$ Service $9,784$ $.00$ $2,47$ $.00$ Public utilities $546,576$ $16,287$ 1.59 $.05$	Stone, clay & glass	12,483	134,702	-73	1.90	
Indust., agr., & other mach. & tool mft. 7.737 480.538 $\cdot 13$ 7.87 Autos, aircraft, & shipbuilding $16,134$ $61,857$ 1.40 5.87 Miscellaneous 2.383 17.330 1.6 5.37 Finance $2.498,0.48$ $2.083,193$ 26.52 22.11 Trade $11,811$ 1.936 $.12$ $.02$ Miscellaneous companies $1,120$ 78 $.11$ $.01$ Service 9.784 $.00$ 2.47 $.00$ Public utilities $546,576$ $16,287$ 1.59 $.05$	Iron, steel, & nonferrous metals	179,778	397,631	69.4	00.71	
Autos, aircraft, & shipbuilding $16, 134$ $01, 857$ 1.40 5.97 Miscellaneous 2.383 $17, 330$ 1.6 1.17 Finance $2.498, 048$ $2.083, 193$ 26.52 22.11 Trade $11, 811$ $1, 936$ $.12$ $.02$ Trade $1,120$ 78 $.11$ 01 $.01$ Miscellaneous companies $1,120$ 78 $.11$ $.01$ Miscellaneous companies $0,784$ $.00$ $24,7$ $.00$ Public utilities $546,576$ $16,287$ 1.59 $.05$	Indust., agr., & other mach. & tool mfr.	7.737	480,538	•13	7.87	
Miscellaneous $2,3\hat{8}\bar{3}$ $1,7,3\dot{3}^{0}$ $.16$ 1.17 Finance $2,4\hat{9}\hat{8}_{0}4\hat{8}$ $2,0\hat{8}_{3},13\hat{3}$ 26.52 22.11 Trade $11,811$ $1,93\hat{6}$ $.12$ $.02$ Miscellaneous companies $1,130$ 78 $.11$ $.01$ Miscellaneous companies $0,1120$ 78 $.11$ $.01$ Public utilities $5_46,576$ $16,287$ 1.59 $.05$	Autos, aircraft, & shipbuilding	16,134	61,857	1.40	5-37	
Finance $2,496,048$ $2,083,193$ 26.52 22.11 Trade $1,1,811$ $1,936$ $.12$ $.02$ Miscellaneous companies $1,120$ 78 $.11$ $.01$ Miscellaneous companies $9,784$ $.00$ 2.47 $.00$ Public utilities $546,576$ $16,287$ 1.59 $.05$	Miscellaneous	2,383	17,330	.16	1.17	
Trade $11,811$ $1,936$ $.12$ $.02$ Miscellaneous companies $1,120$ 78 $.11$ $.01$ Service $9,784$ $.00$ 2.47 $.00$ Public utilities $546,576$ $16,287$ 1.59 $.05$	Finance	2,498,048	2,083,193	26.52	22.11	
Miscellaneous companies $1,120$ 78 $.11$ $.01$ Service $9,784$ ∞ 2.47 $.00$ Public utilities 546.576 $16,287$ 1.59 $.05$	Trade	11,811	1,936	.12	.02	
Service 9,784 00 2.47 00 Public utilities 546,576 16,287 1.59 05	Miscellaneous companies	1,120	78	11.	10'	
Public utilities 546.576 16.287 1.59 05	Service	9.784	8	2.47	00'	
	Public utilities	546,576	16,287	1.59	.05	
					•	
		•				
· ·						

INDUSTRIAL GROUP	AMOUNT OF Positive	DIVERGENCE (\$) Negative [•]	ANALYSIS Positive*	Y RATIO (%) Negative•	NUMBER OF Positive*	DIVERCENCES Negative*
		TOTAL	INTERES	T RECEI	VED	
Mining & quarrying	85,067	00	1.09	8	11	0
Manufacturing						
Food & kindred products	L01.1	8	1.12	00.	61	0
Tobacco products	99,551	8	27.33	8	I	0
Liquors & beverages	17,203	8	1.86	8	873	0
Textiles, clothing, & apparel	12,407	41	.61	8	3	1
Paper, printing, & publishing	19,498	8	1-45	8	9	0
Chemicals & allied products	2,536	8	1 <u>8</u> 1	8	1	0
Stone, clay & glass	62,147	8	3.64	00	æ	0
Iron, steel, & nonferrous metals	22,083	8	-9 6	8	л	o
Indust., agr., & other mach. & tool mfr.	205,423	5,160	3-37	.08	27	ŝ
Autos, aircraft, & shipbuilding	40,711	-1 - 6	4.32	8	9	1
Miscellaneous	106,207	485	7.16	.03	2	1
Finance	106,648	7,046	1.13	Lo	9	્ભ
Trade	155,522	00	1.42	00	21	0
Miscellaneous companies	47,541	8	4.58	8	60	•
Service	15,121	8	3.82	8	9	Ö
Public utilities	64,625	75.779	.19	.22	15	භ

	INTEREST	RECEIVED	F R O M	TAX·EXEMPT	SECU	RITIES
Mining & quarrying	85,067	00	1.09	00	11	0
Manufacturing						
Food & kindred products	7,707	8	1.12	00.	61	0
Tobacco products	95,551	8	27.33	00'	I	.0
Liquors & beverages	17,203	8	1.86	00	ŝ	0
Textiles, clothing, & apparel	9,822	41	.48	00	4	. 1
Paper, printing, & publishing	18,450	8	1.37	00.	'n	0
Chemicals & allied products	2,536	00	22.	00	1	0
Stone, clay & glass	62,147	8	3.64	00	œ	0
Iron, steel, & nonferrous metals	22,083	8	-94	00	J.	0
Indust., agr., & other mach. & tool mfr.	205,423	8	3.37	8	27	0
Autos, aircraft, & shipbuilding	49,711	16	4.32	00	9	1
Miscellaneous	106,207	8	7.16	00	7	0
Finance	106,648	00	1.13	00	9	0
Trade	104,276	8	<u>-95</u>	00	20	0
Miscellaneous companies	47,541	00	4.58	0.	ŝ	0
Service	15,121	00	3.82	00.	9	0
Public utilities	24,123	8	Lo.	8	, 1 3	0

INDUSTRIAL GROUP	amount of Positive*	DIVERGENCE (\$) Negative*	ANALYSIS Positive [®]	y ratio (%) Negative•	NUMBER OF Positive*	bivergences Negative*
		OTHER	INTERES	1 RECEI	VED	
Mining & quarrying	. 00	00	00.	00	0	0
Manufacturing Tood 8. bindred moduces	ŝ	ŝ	;	;		·
	00	00	8	8	0	0
I obacco products	8	8	8	8	•	0
Liquors & beverages	8	8	00	8	0	0
Textiles, clothing, & apparel	2,585	8	.13	8	I	0
Paper, printing, & publishing	1,048	8	80.	8	I	0
Chemicals & allied products	8	8	00.	00.	0	0
Stone, clay & glass	8	8	00	00.	0	0
Iron, steel, & nonferrous metals	00	00	00.	00.	0	0
Indust., agr., & other mach. & tool mfr.	8	5,160	0.	80.	0	60
Autos, aircraft, & shipbuilding	8	8	00.	00	o	0
Miscellaneous	8	485	00:	.03	0	-
Finance	8	7,046	00.	Lo.	0	01
Trade	51,246	8	-47	00.	Π	°
Miscellaneous companies	8	8	00	00.	0	•
Service	8	8	<u>0</u> .	0	0	0
Public utilities	40,504	75.779	.12	22	61	ŝ

		•	INVENTOI	RIES				
Mining & quarrying	12,912	8	41.	00'	I	0		
Manufacturing								
rood & kindred products	8	8	8	8	0	0		
I obacco producis	8 8	8	8	0	0	0		
Luquois & beverages Tevrilor clothine @ annerol	00	9,210	0	66 .	0	-		
t extues, ciotning, & apparei	26,377	8	1.40	8	61	0		
Paper, printing, & publishing	8	748	8	90.	0	I		
Chemicals & allied products	8	8	00.	8	0	0		
Stone, clay & glass	7,292	67,357	:43	3.95	I	61		
Iron, steel, & nonterrous metals Indust are & other much & fool mfr	107,427	93,595 22 55 5	4.59	4.00	01	ri i		
unuust., agt., « otner macn. « toot mir.	350,972	22,304	5.75	-37	ъ	د ه.		
Autos, aircraft, & shipbuilding	58,851	8	5.11	00	er;	0	,	
Miscellaneous	1 30,079	8	<u>8</u> .77	00	I	0		
Finance	8	8	0	8	Ģ	0		
Trade	8	33,000	00.	.30	0	64		
Miscellaneous companies	640'4	8	.68	00	61	0		
Service	8	8	00	0	0	0		
Public utilities	15,071	14.075	. 90	70	61	μ		
	- 1 - 10 -	CIC/L-	H	F .	r	r,		
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INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERGENCE (\$) Negative*	ANALYSI Positive®	s y ratio (%) Negative•	NUMBER OF Positive*	DIVERCENCES Negative*
		MISCELL	ANEOUS	INCOME	ITEMS	
Mining & quarrying	1,745,930	00	22.41	00.	œ	0
Manufacturing			•			• .
Food & kindred products	445	8	90	8 <mark>.</mark>	1	0
Tobacco products	8	8	8	8	0	•
Liquors & beverages	8	3,467	8	-37	•	1
Textiles, clothing, & apparel	14,300	541	14:	.0 3	ŗ	1
Paper, printing, & publishing	160,487	8	26.11	8	1	0
Chemicals & allied products	8	00	00	00.	0	0
Stone, clay & glass	7,268	8	-43	8	¢Ç	0
Iron, steel, & nonferrous metals	404	24,660	0.	1.05	I	1
Indust., agr., & other mach. & tool mfr.	270,372	1.1,798	4.43	61.	13	8
Autos, aircraft, & shipbuilding	36,363	77,968	3.16	6.77	1	د ې
Miscellaneous	8	8	0	00	•	0
Finance	789,752	101	8.39	10.	61	64
Trade .	2,647,718	44,902	24.26	41	, 12	61
Miscellaneous companies	4,286	253,200	-41	24.38	C1	4
Ŝervice	2,208	00	·56	00 [.]	1	o
Public utilities	209,254	34,017	19	.10	80	භ

	9		6	o -	16	9	<i>.</i> 0		œ	ភូរ	1.4	13	ġ	œ	11	0	ß	9						
	A 5 5 E T 5 24		г	- 0	6 0	10	JJ ,	61	4	13	i S N	ø	٢	00	14	ъ	0	8 9			•			
	LETABLE 3.10	5		8.12	32.10	11.23	21.55	.65	13.06	12.19	10.90	6.56	2.30	-44	1.68	0	5.69	01.1						
,	AND DEP 51.78		10 89	40.03 .00	-64	21.55	45.61	21.76	5.08	25.06	10.41	12.33	13-58	1.13	2.13	13.30	00.	32.89						
:	P R E C I A B L E 241,744		080	70,309 20.589	297,228	227,158	288,688	6,500	222,971	284,973	005,452	75,548	33,957	40,976	182,946	00	22,513	399,016					•	
	D E 4,035,007	Innificat	080.612	200,015 00	r,887	436,042	611,313	220,934	86,587	585,815	030,030	141,939	201,172	100,001	232,511	137,933	00	11,321,253						
	Mining & quarrying	Surfrank Summer	Manufacturing	rooa & kinarea proaucis Tobacco producis	Liquors & beverages	Textiles, clothing, & apparel	Paper, printing, & publishing	Chemicals & allied products	Stone, clay & glass	Iron, steel, & nonferrous metals	Indust., agr., & other mach. & tool mir.	Autos, aircraft, & shipbuilding	Miscellaneous	Finance	Trade	Miscellaneous companies	Service	Public utilities		,				

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LAL GROUP	AMOUNT OF Positive*	DIVERGENCE (\$) Negative	analysis Positive*	Y RATIO (%) Negative	NUMBER OF] Positive	DIVERCENCES Negative®
			DEPRECIA	L T I O N		
	71,662	28,599	-92	-37	3	61
		·				
	101,843	13,796	14.82	2.01	ъ	I
	8	29,583	0 .	8.12	0	I
	5,887	252,004	-64	27.22	3	13
F	116,921	174,876	5-77	8.64	5	ŝ
ц	600,393	288,688	44-80	21.55	er.	er.
)	2,990	6,500	-29	.65	, .	-
	86,587	182,972	5.08	10.71	4	4
etals	426,763	231,762	18.26	16-91	8	1
. & tool mfr.	579,431	514,644	9-47	8.43	61	20
ling	141,939	70,239	12.33	6.10	80	11
)	166,440	13,411	11.24	16-	9	റ
	73,415	6,002	.78	90.	ŝ	I
	232,511	166,946	2.13	1.53	14	0
	72,684	00	7.00	00	ന	0
	8	20,486	00.	5.18	0	4
	7,588,535	12,483	22.05	•o-	23	. T

			DEPLEII	N O		
Mining & quarrying	3,860,059	201,850	49.53	2.58	61	4
Manufacturing Food & kindred products	8	00	0.	00	O	0
Tobacco products	8	00	00.	00	0	0
Liquors & beverages Textiles clothing & annarel	88	00 6 # 8	0.0	00.	00	0 1
I CAULOS, COURTING, & AP PARCE	8	~/ 6%	2	CC.		
Paper, printing, & publishing	6,089	00	45	00	- '	0 0
Chemicals & allied products	217,944	00	21.47 00	.00 201	- 0	0 01
Stolic, ciay & glass Tron steel & nonferrous metals	8 8	33,400 98.965	8 8	1.64	0 0	·
Indust, agr., & other mach. & tool mfr.	17,647	264	-29	10.	I	I
Autos, aircraft, & shipbuilding	00	8	00.	00	0	0
Miscellaneous	00	4,009	00	-27	0	I
Finance	208	00	00	00.	I	0
Trade	00	00	8	00.	0.	0
Miscellaneous companies	65,249	8	6.30	00	61	0
Service	00	00	00	00.	0	0
Public utilities	13,996	. 6,495	40.	.02	Q	I
			:			
<i>,</i>		•				
	•					

	DIVERGENCES Negative	I T A L S	0	0	0	o -	4	0	• •		4	0	1	7	0	0	0	
	NUMBER OF Positive	AS CAP XPENSE	-	0	o	00	þ	0	0 (- c	1	0	I	¢ۍ `	0	0	0	61
	r ratio (%) Negative•	EGARDED RRENT E	11.	0.	00	00.	52.2	00.	8	0, %	2.42	00'	-40	8 ⁶ .	00'	00	00	00.
	ANALYSIS 1 Positive	IVELY RI ES OR CU	8	8	0 ;	8 8	8	00,	8	3 2	6o [.]	00.	2.34	.22	00;	00'	, 00	2.62
t 25 (cont.)	ercence (\$) Negative®	L T E R N A T E N D I T U R J	8,286	8	8	00 90, 1	45,120	00	8	, nfa	147,440	00	5,914	34,974	00	00	8	1,660
Table	amount of divi Positive*	ITEMS / EXP	00	00	8	00	3	8	00	8 8	5,292	8	34,732	20,673	00	00	00	901,134
				-	2	-	oarel	shing	ucts		s metals tch. & tool mfr.	ilding	0			Sa		
	INDUSTRIAL GROUP		ining & quarrying	anufacturing od & kindred product	bacco products	quors & beverages	extiles, clothing, & app	per, printing, & publi	iemicals & allied prod	one, clay & glass	dust., agr., & nomerrous dust., agr., & other ma	itos aircraft & shinhi	iscellaneous	nance	rade	iscellaneous compani	rvice	ublic utilities

Manufacturing Cool & Introducts $173/72$ 64.563 2601 940 2 Toback products 70 4.534 0.00 0.00 0.00 0.00 0.00 0.00 0.00 1.6373 0.00 1.6373 0.00 1.6373 0.00 1.6373 0.00 1.6373 0.00 1.6353 0.00 1.6353 0.00 1.63533 0.00 1.63533 0.00 1.63533 0.00 1.63533 0.00 1.63533 0.00 1.63533 0.00 1.635333 0.00 1.635333 0.00 1.635333 0.00 1.635333 0.00 1.6353333 0.00 1.63533333 0.00 1.6353333333 0.00 1.635333333333333 0.00 $1.17533333333333333333333333333333333333$	Manufacturing	LOSSES 103,286	0 N A B A N 3,009	D O N M E N T 1.33	OF FIXED .04	A S S E 1	T S
Found References $1^3 5/7^2$ 6_{4563} 2^{601} $9/10$ 2^{100} Tobal Schwerzes 7^{00} 7^{00} 7^{00} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 7^{00} 9^{10} 9^{10} 7^{00} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10} 9^{10}			, ' ,				
Liquors 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0<	Food & kindred products	178,772	64,593	26.01	9-40	01	-
Textules, according, & application $319,110$ 4734 $15,76$ 490 5 Paper, printing, & publishing 000 00 06 00 00 00 00 00 00 00 00 00 00 00 00 00 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 000 <td< td=""><td>I obacco products</td><td>88</td><td>00</td><td>88</td><td>00.88</td><td>0 0</td><td>5.0</td></td<>	I obacco products	88	00	88	00.88	0 0	5.0
Paper, printing & publishing $4,31$ 00 36 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 100 models 100 models 100 models 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 11000 11000 110000 1100000 $110000000000000000000000000000000$	Liquois & Develages Textiles, clothing, & apparel	310,121	45,244 578			о ла	
Taper: 1.00 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0		ò	5		2)	
Concreted solution 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 11 11 11 00 11 00 11 00 11 00 11 00 11 00 11 00 11 00 11 00 11 00 11 00 11 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00	Paper, printing, & publishing	4,8 3 1	8 8		0	- 0	0.
aonc. ady actasts $aood$ $aoodd$ $aoodd$ $aoodd$ $aoodd$ $aoodd$ $aoodddddddddddddddddddddddddddddddddd$	Citemicals & aired products	8 3	00 2	9	0 ,		
Trade $2,0/3$ $3,0/3$ $5,0/3$ $5,0/3$ $5,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$ $2,0/3$	otone, ciay & giass	00	0,013	00.	-40 80		
Autos, aircraft, & shipbuilding00 $5,300$ 00 46 0Miscellaneous11,781001300130Finance11,781001300150Trade0016,0000000150Miscellaneous companies00 $2,027$ 00150Miscellaneous companies00 $2,027$ 00100Miscellaneous companies00 $2,027$ 00100Miscellaneous companies00 $2,0378$ $378,378$ 8.18 1.102Public utilities $2,817,588$ $378,378$ 81.8 1.102	Indust, agr., & other mach. & tool mfr.	34,268	9,0/9 2,570	.56	6c.	0 94	
Miscellaneous Dispension Dispensio	Antos sizmaft & shinking	Ş		8	y,	c	Ŭ
Finance 11,781 00 .13 .00 1 Trade 00 16,000 .00 .15 0 Miscellaneous companies 00 2,027 .00 .00 0 Service 00 2,027 .00 .51 0 Public utilities 2,817,588 3,78,378 8,18 1.10 2	Miscellaneous	88	10,623	8	51: -	0	
Trade 00 16,000 .00 .15 0 Miscellaneous companies 00 00 .00 .00 0 Service 00 2,027 .00 .51 0 Public utilities 2,817,588 378,378 8.18 1.10 2	Finance	11.781	8	.15	00,	1	Ŭ
Miscellaneous companies 00 00 00 00 0 Service 00 2,027 .00 .51 0 Public utilities 2,817,588 378,378 8.18 1.10 2	Trade	8	16.000	, Q	31.	0	
Detrice 00 2.327 00 51 0 Public utilities $2.817.588$ 378.378 8.18 1.10 2	Missellaneous combanies	: 8	8	ξ	, e	c	
Public utilities 2.817,588 378,378 8.18 1.10 2 Public utilities 2.817,588 378,378 8.18 1.10 2		3	8			, ,	
Public utilities 2.817,588 378,378 8.18 1.10 2	Service	8	2,027	00.	-51	5	-
	Public utilities	2,817,588	378,378	8.18	1.10	61	.,
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INDUSTRIAL GROUP		AMOUNT OF Positive*	DIVERGENCE (\$) Negative*	ANALYSIS Positive	r ratio (%) Negative*	NUMBER OF Positive*	DIVERCENCES Negative*
			L N I	ANGIBLE	ASSETS		
Mining & quarrying		770;596	49,184	68.6	.63	. ۲	61
Manufacturing							
Food & kindred products		1,292	581	.19	.08		1 , , ,
Tobacco products		00	8	<u>8</u>	00.	0	0
Liquors & beverages	``	5,330	260'9	•58	.66	I	61
Textiles, clothing, & apparel	N -	00	816,11	0	-59	0	. 1
Paper, printing, & publishing		00	1,085	00.	.08	0	I
Chemicals & allied products	;	8	8	00	00.	0	0
Stone, clay & glass		8	91,560	00	5-37	0	4
Iron, steel, & nonferrous metals		14,793	8,800	.63	86.	67) 67)	• 61
Indust., agr., & other mach. & tool mfr.		259,493	133,587	4.25	2.19	61	16
Autos, aircraft, & shipbuilding		107,308	46,829	9.32	4.07	12	11
Miscellaneous		429,499	30,715	28.97	2.07	භ	ъ
Finance		8,164	747	60.	10.	I	I
Trade		864,386	13,094	7.92	.12	œ	ෆ
Miscellaneous companies		230	39,081	.02	3.76	. 1	61
Service		8	120,190	00	30.38	0	1
Public utilities	••	211,753 .	22,853	.62	Lo:	7	a .

	0 R G A N I Z A	uarrying 00	ing southers	ited products	everages 00	thing, & apparel	ring. & publishing	callied products 00	k glass 00	k nonferrous metals	., & other mach. & tool mfr. 00	aft, & shipbuilding	oo 00	8	L10'1	us companies 00		ties 00						•	
	TION AND	00	8	8	2,797	816,11	1,085	8	77,807	00	26,257	13,009	00	8	4,737	39,081	20,190	000'L			-		-		
	REORGA	0.	.10	6	6	00°	8	00.	00.	8	00	00.	8	8	.01	00	00,	0 ;							
ı	1 N I Z A T I O N	.00	00.	00.	63	-59	80,	00.	4.56	00	-43	1.13	0 .	.00	-04	3.76	30.38	.02	·						
	EXPENSES	0	1 0	0 0	0 1	0 1	1 0	0	0	0	к 0	0 2	0	0	1 2	0	- 0	0 1				I	:		

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INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERCENCE (\$) Negative•	ANALYSIS Positive	v ratio (%) Negative•	NUMBER OF D Positive*	Negative*
		P A	TENT EX	PENSES		
Mining & quarrying	8	00	00.	0.	0	0
Manufacturing Food & kindred products	8	581	8	. 80.	0	-
Tobacco products	8	, 8	8	8	Ö	0
Liquors & beverages	5,330	00	8 <u>.</u>	00	1	0
Textiles, clothing, & apparel	00	00 O	8	00.	0	0
Paper, printing, & publishing	00	00	00.	8	0	0
Chemicals & allied products	00	00	0 ;	00'	0	0
Stone, clay & glass	00	787	8	.05	0	1
Iron, steel, & nonferrous metals	229	16o'1	10.	.31	1	I
Indust., agr., & other mach. & tool mfr.	196,849	93.764	3.22	1.54	41	11
Autos, aircraft, & shipbuilding	41,139	12,849	3.57	1.12	10	e.3
Miscellaneous	LoL	645	.05	-04	I	01
Finance	00	00	00	0; 0;	0	0
Trade	8	90	8	<u>8</u>	0	0
Miscellaneous companies	230	8	.02	8	1	0
Service	00	8	00.	00	0	0
Public utilities	611	8	00	00.	1	0

		OTHER	INTANGI	B L E A S S E	T S		
Mining & quarrying	770,596	49,184	68.6	.63	7	61	
Manufacturing Food & kindred products	8	8	8	0.	0	0	
Tobacco products	8	8	8	8	0	0	
Liquors & beverages	8	300	00	60. 0	0 0	- (
Textiles, clothing, & apparel	8	8	00.	00	D	D	
Paper, printing, & publishing	8	8	0.	8	0	0	
Chemicals & allied products	8	8	0.	8,	0	0	
Stone, clay & glass	00	12,966	0.4	Ŗ	•		
iron, steel, & nonterrous metals Indust., agr., & other mach. & tool mfr.	14,504 62,644	1,712 13,566	1.03	.22	4 64	- 63	
Autos, aircraft, & shipbuilding Miscellaneous	66,169 428,742	20,971 30,070	5.75 28.92	1.82 2.03	01 01	നന	
Finance	8,164	747	. 60 [.]	10.	1	I	
Trade	863,369	8,357	16.7	80.	7	I	
Miscellaneous companies	8	8	00	00	0	0	
Service	8	8	00.	00.	0	ò	
Public utilities	21.1,636	15,853	.62	ço.	9	C1	
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INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERGENCE (\$) Negative*	ANALYSIS Positive [®]	Y RATIO (%) Negative•	NUMBER OF D Positive	ivercences Negative*	
		BAI	DEBTE	XPENSES			
Mining & quarrying	0/1/0	8	.13	-24	1	ഒ	
Manufacturing			L				
Food & kindred products	13,982	500	2.03	L0.	ñ	I	
Tobacco products	8	30,611	00.	8.40	•	F	
Liquors & beverages	48,750	37,724	5.26	4.07	ŝ		
Textiles, clothing, & apparel	4,221	123,353	.21	6.10	ŝ	4	
Paper, printing, & publishing	2,749	22,387	. 21	1.67	4	4	
Chemicals & allied products	236	19,057	.02	1.88	1		
Stone, clay & glass	62,857	96,603	3.68	5.66	5	2	
Iron, steel, & nonferrous metals	44,633	45,042	16.1	1.93	œ	4	
Indust., agr., & other mach. & tool mfr.	155,267	247,583	2.54	4.06	15	21	
Autos, aircraft, & shipbuilding	51,878	12,967	4.51	1.13	6	7	
Miscellaneous	664'or	43,573	-73	2-94	4	•00	
Finance	131,032	14,601	1.39	.16	6)	5	
Trade	230,533	875,063	2.11	8.02	13	6	
Miscellaneous companies	43,758	1,736	4.21	11.	61	I	
Service	33,805	00	8.55	00	I	0	
Public utilities	240	524,414	00	1.52	61	19	

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Manufacturing Todates600001002Food Narufacturing Todates products939405271Todates breact Todates breact1.9752.580.11.971Textules & horizing Textules and Textules and Textules & publishing Contract R and Store Ching R appart1.9752.690.11.971Textules & horizing China R appart1.9752.890952.10.121Paper, printing & publishing China R alles2.890952.33711211Paper, printing & publishing Store, chi g alles2.890952.337112211Store, chi g alles Store, chi g alles35,0190.04.6770.02.93222None, chi g alles Store, chi g alles19,79318,7932.892.9322222Nuts, stell Misellancous19,79318,7932.932.93222222Autos, aircraft, & shipbuilding Stellancous10,7934.4892.232222222Misellancous21,19302.0302.332.03022222Misellancous21,2132.3302.4302.4322222Misellancous21,2132.33002.434.95<	Mining & quarrying	15,304	00	.20	0 <mark>.</mark>	4	0
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Liquous & beverages1975 00 21 00 3 1 Paper, pinning & apparel190 $2,52$ 01 12 11Paper, pinning & publishing $2,80$ $9,7$ $2,23$ 01 12 1Paper, pinning & publishing $2,80$ $9,7$ $2,23$ 01 $2,23$ 01 2 Storn circals & allied products $3,90$ $19,704$ $18,709$ $2,23$ 01 2 2 Storn sterials $5,901$ $9,704$ $18,709$ $2,23$ 01 2 2 2 Indust., agr., & other mach. & tool mfr. $19,704$ $18,709$ $2,23$ 00 2 2 2 Musc., arcaft, & shipbuilding $1,125$ $4,499$ $2,23$ $2,00$ 2 2 2 2 Musc.lancus $1,125$ $4,950$ $4,9$ $4,9$ $4,9$ 2 2 2 2 Musc.lancus $2,53,56$ 0 $2,23$ 00 $14,9$ 2 2 2 2 Miscellancous companies $2,3,356$ 0 2 2 2 0 1 1 0 1 <i>Intance</i> $1,706,146$ $868,284$ $4,950$ $2,52$ 90 1 1 0 1 <i>Intance</i> $1,706,146$ $868,284$ $4,950$ $2,52$ 90 1 1 <i>Intance</i> $1,706,146$ $868,284$ $4,950$ $2,52$ 90 1 1	Tobacco products	298	984	80.	.27	1	I
Textiles. clothing. & apparel 1 $\bar{0}$ 2,5,8 01 12 1 1 Parer, printing & publishing 2,8 $\bar{0}$ 4 $\bar{5}$ 2.8 0 4 $\bar{5}$ 0 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1<	Liquors & beverages	1,975	8	.21	00	с.	0
Paper, printing, k publishing $^{2}3_{20}$ $^{2}5_{17}$ 2 2 1 2 1 2 1 Stone, disk g das $^{3}5_{01}$ $^{3}5_{01}$ $^{3}5_{01}$ $^{3}5_{01}$ $^{4}5_{01}$ $^{2}5_{01}$ $^{2}5_{01}$ Stone, steel k nonferrous metals $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{17}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{11}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ $^{3}5_{12}$ <td>Textiles, clothing, & apparel</td> <td>061</td> <td>2,528</td> <td>10.</td> <td>.12</td> <td></td> <td>1</td>	Textiles, clothing, & apparel	061	2,528	10.	.12		1
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Stone, clay \hat{g} glassTotol 200 200 200 200 10 10 10 Inus, steel, \hat{k} norther numen, \hat{k} tool mfr. $15/70^2$ 1640^2 2.34 711 2 2 Autos, aircaft, \hat{k} shipbuilding $55/70^2$ 1640^2 2.32 391 2 2 5 5 Autos, aircaft, \hat{k} shipbuilding $55/10^2$ 1670^2 200^2 200^2 200^2 200^2 200^2 200^2 200^2 Miscellancous $1,125$ 00 $2,050^2$ $2,060^2$ $2,09^2$ 200^2 200^2 200^2 200^2 200^2 Finance 45739^2 405699^2 49^2 49^2 49^2 49^2 99^2 29^2 Trade 24300^2 3601 2.23^2 20^2 00^2 21^2 0^2 0^2 Miscellaneous companies $253,356^2$ 00^2 $24,90^2$ 00^2 11^2 0^2 11^2 Public utilities $1,7,06,146^2$ $808,84^2$ 4950^2 2.52^2 30^2 11^2	Chemicals & allied products			5			
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Indust., agr., & other mach. & tool mfr. $197,004$ $187,003$ 3.23 3.11 8 5 Autos, aircraft, & shipbuilding $26,316$ $4,489$ 2.29 3.99 5 5 $Kitscellaneous1,1254,03694,492.2393.9042Finance45,739403,6994,94^{-2}2^{-2}2^{-2}2^{-2}Trade243,0063,6012.23003^{-2}2^{-2}2^{-2}2^{-2}Miscellaneous companies253,356002,430001401Miscellaneous companies253,356002,430001401Visellaneous companies253,356002,430001401Visellaneous companies253,356002,430001401Vublic utilities1,7,056,146868,28449,502,533012Public utilities1,7,056,146868,28449,502,533012$	Iron, steel, & nonterrous metals	54,787	16,495	2.34	14:	64	ŝ
Autos, aircraft, $\&$ shipbuilding $26,316$ $4,489$ 2.29 39 5 5 <i>Finance</i> $4,5739$ $403,699$ $4,9$ $4,29$ $4,29$ 4 <i>Finance</i> $45,739$ $403,699$ $4,9$ $4,29$ $4,29$ 2 <i>Tade</i> $24,3066$ $3,601$ 2.23 009 9 2 <i>Miscellaneous companies</i> $253,356$ 00 $24,39$ 00 3 0 <i>Miscellaneous companies</i> $253,356$ 00 $24,39$ 00 3 0 <i>Miscellaneous companies</i> $253,356$ 00 $24,39$ 00 3 0 <i>Miscellaneous companies</i> $253,356$ 00 0 $24,39$ 00 3 <i>Public utilities</i> $1,7,056,146$ $868,284$ $49,50$ $2,52$ 30 12	Indust., agr., & other mach. & tool mfr.	197,004	18,703	3.23	-31	æ	5
Miscellancous $1,12$ 00 08 00 9 0 Finance $45,739$ $49,699$ 49 49 4.29 4 2 Trade $243,006$ $3,601$ 2.23 0.98 0.9 9 2 Miscellaneous companies $253,356$ 00 538 $.00$ 14 0 1 Service 0 538 $.00$ $14,90$ 0 1 0 1 Public utilities $1,7,095,146$ $868,284$ $49,50$ 2.52 30 12	Autos, aircraft, & shipbuilding	26,316	4,489	2.20	68.	ĸ	ъ
Finance 45.739 403.699 $.49$ 4.29 4 2 Trade 243.006 $3,601$ 2.23 $.09$ 9 9 2 Miscellaneous companies 253.356 00 243.00 $.09$ 9 0 Service 00 538 00 $.14$ 0 1 Public utilities $1,7,036,146$ $868,284$ 49.50 2.52 30 12	Miscellaneous	1,125	00	.oš	00		0
Tade $243,006$ $3,601$ 2.23 0.9 0 Miscellaneous companies $252,356$ 00 $24,30$ $.00$ 3 Service 00 538 $.00$ $.14$ 0 1 Dublic utilities $17,096,146$ $863,284$ 49.50 2.52 30 12	Finance	45,739	403,699	-49	4:29	4	61
Miscellaneous companies 252,356 00 24,30 00 3 0 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 1 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Trade	243,006	3,601	2.23	.03	6	61
Service 00 538 .00 14 0 1 Public utilities $17.036.146$ 808.284 49.50 2.52 30 12	Miscellaneous companies	252,356	00	24.30	00	രാ	0
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INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERCENCE (\$) Negative*	ANALYSIS	r ratio (%) Negative•	NUMBER OF I Positive®	DIVERCENCES Negative®
•		FUNDED	DEBT	EXPENSE:	S	
Mining & quarrying	12,464	00	.16	00'	61	0
Manufacturing						
Food & kindred products	00	00	0.	00	0	0
Tobacco products	00	00	00	00.	0	0
Liquors & beverages	70	00	.01	8	1	0
Textiles, clothing, & apparel	8	00	00,	8	0	0
Paper, printing, & publishing	2,850	00	. 21	.00	61	0
Chemicals & allied products	8	00	00'	0.	0	0
Stone, clay & glass	35,019	00	2.05	8	1	0
Iron, steel, & nonferrous metals	54.357	16,495	2.32	12:	1	eC)
Indust., agr., & other mach. & tool mfr.	110,933	2,505	1.82	-04	4	-
Autos, aircraft, & shipbuilding	7,243	00	63.	0	64	0
Miscellaneous	195	00	10'	00'	ı	0
Finance	45,723	403,699	-49	4.29	ŝ	61
Trade	17,950	489	.16	00	4	-
Miscellaneous companies	252,066	00	24-27	00'	8	0
Service	00	8	00,	00	0	0
Public utilities	15,621,348	856,890	45-39	2.49	14	7

INCOME TAXES

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3,843 6,531 .01 .02 2

INDUSTRIAL GROUP	AMOUNT OF Positive*	? DIVERCENCE (\$) Negative*	ANALYSIS Positive	y ratio (%) Negative•	NUMBER OF Positive*	DIVERCENCE: Negative
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Mining & quarrying	0 0	PURCHASE 00	ТАХ-ЕХЕ .00	M F T & E C L	0 0	o
Manufacturing Eood 8. Vindred products	G	u	00	00	0	o
Tobacco products	80	8 8	0	0	0	0
Liquors & beverages	00	00	0 [.]	00.	0	0
Textiles, clothing, & apparel	00	00	00.	00	0	•
Paner, printing, & publishing	8	_00 _	00	00.	0	0
Chemicals & allied products	00	00	00.	00	0	0
Stone, clay & glass	00	00	00.	00.	0	0
Iron, steel, & nonferrous metals	00	00	00'	0 [.]	0	0
Indust., agr., & other mach. & tool mfr.	00	11,945	00	.20	0	61 `.
Antos, aircraft, & shipbuilding	00	2,260	00.	.20	0	61
Miscellaneous	00	00	00	00	0	0
Finance	.00	00	0.	00'	•	o
Trade	00	00	00	00.	0	0
Miscellaneous companies	0	00	00'	00'	0	0
Service	00	00	00'	00 [.]	0	0
Public utilities	00	00	00.	00	0	° o

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INTEREST PAID	.04 00
OTHER	00

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1ce 00 00 00 00 00 00 00 e $223,377$ $3,112$ 2.05 03 1 $1llaneous companies$ 290 00 03 00 1 $2e$ 00 538 00 14 0 $2e$ 00 538 00 14 0 $2e$ 100 $1410,055$ $4,863$ $4,10$ 01 14 $2e$ $1,410,055$ $4,863$ $4,10$ 01 14 $1e$ $1,410,055$ $4,863$ $4,10$ 01 14	c = 00 00 co	00	00.	8	0	0
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		10,955 4,863	4.10	10.	14	ຄ
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INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERGENCE (\$) Negative*	analysis Positive*	Y RATIO (%) Negative*	NUMBER OF Positive®	DIVERGENCE Negative
	TAX	ES PAID (UNDISTRI	EXCL. FE BUTED P	DERAL I. Roeits 1	N C O M E .	Q N Q
Mining & quarrying	13,879	76,261	.18	86.	<u>م</u> (12
Manufacturing Food & kindred products	33,718	11,093	4.91	1.61	67	4
Tobacco products	9,775	2,680	2.68	-74	- 01	1
Liquors & beverages	47,869	9,844	5.17	1.06	7	8
Textiles, clothing, & apparel	43,773	14,932	2.16	-74	6	9
Paper, printing, & publishing	21,727	3,000	1.62	.22	80	I
Chemicals & allied products	2,467	6,407	-24	.63	ŝ	ŝ
Stone, clay & glass	31,362	64,781	1.84	3.80	ŝ	2
Iron, steel, & nonferrous metals	99,723	26,471	4.26	1.13	9	6
Indust., agr., & other mach. & tool mfr.	146,511.	100,774	2.40	1.65	33	24
Autos, aircraft, & shipbuilding	35,341	4,908	3.07	.43	61	9
Miscellaneous	3,254	23,200	22	1.57	ñ	7
Finance	102,578	794,492	60'1	8.44	13	20
Trade	119,319	661,76	1.10	.89	71	15
Miscellaneous companies	4,303	15,467	.41	1.49	61	9
Service	9,912	1,349	2.51	•34	ŝ	9
Public utilities	304,089	69,500	88.	.20	12	14

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		RENTS	AND	ROYA	LTIES	PAID		
Mining & quarrying	72,232	2,774		. 93	-04		-	~
Manufacturing Food & kindred products	00	52,040		00	7.57		0	
Tobacco products	8	. 0		00.	8		0	Ŭ
Liquors & beverages	00	00		00.	0.		0	Ű
Textiles, clothing, & apparel	00	00		00.	00.		0	0
Paper, printing, & publishing	8	8		00.	00.		0	Ŭ
Chemicals & allied products	00	00		00.	00.		0	0
Stone, clay & glass	3,741	8		.22	0.		1	Ų
Iron, steel, & nonferrous metals	00	8		00.	00.		ò	Ű
Indust., agr., & other mach. & tool mfr.	0,730	8		.16	00		I	Ŭ
Autos, aircraft, & shipbuilding	00	8		00.	00.		0	Ŭ
Miscellaneous	8	1,033		00.	Lo.		0	
Finance .	8	4,874		00.	<u>co.</u>		0	-
Trade	2,037	21,463		.02	.20		0	
Miscellaneous companies	00	o		00'	00'		0	0
Service	00	00		00	00.		0	Ŭ

Public utilities Service

INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERCENCE (\$) Negative*	ANALYSIS Positive*	y ratio (%) Negative*	NUMBER OF Positive*	DIVERCENCES Negative*
		TOTAL NO	' M O T T V O	ABLE RES	S E R V E S	
Mining & quarrying	42,878	239,825	-55	3.06	73	J.
Manufacturing						
Food & kindred products	39,657	11,926	5-77	1.74	61	ŝ
Tobacco products	21,676	20,950	5.95	5.75	3	4
Liquors & beverages	43,933	56.504	4-74	6.10	J.C	9
Textiles, clothing, & apparel	100,523	182,383	4.97	9.02	4	10
Paper, printing, & publishing	18,805	17,618	. 1.40	1.91	8	Ŧ
Chemicals & allied products	00	10,000	00.	80.	0	
Stone, clay & glass	276,157	391,625	01.01	22.96	6	10
Iron, steel, & nonferrous metals	157,281	58,945	6.73	2.52		9
Indust., agr., & other mach. & tool mfr.	534,042	552,090	8.75	9.04	25	38
Autos, aircraft, & shipbuilding	26,429	19,506	2.30	1.69	9	4
Miscellaneous	207,400	61,284	13.99	4.13	ŝ	סגי
Finance	1,280,019	19,817	13.59	.21	7	ъ
Trade	533,526	799,111	4.89	7.25	24	26
Miscellaneous companies	54,774	7,800	5.27	.75	4	I
Service	1,825	39,340	.46	9-95	I	I
Public utilities	509,853	410,837	1.48	1.19	91	20

NONALLOWABLE RESERVES FOR INSURANCE

		U U U	COMPEN	I S A T I O N		
Mining& quarrying	40,698	5 ⁸ ,453	.52	-75	1	4
Manufacturing			•			
Food & kindred products	8	1,729	8 [.]	-25	0	I
Tobacco products	8	6,565	0 0 ⁻	1.80	0	I
Liquors & beverages	611	3,718	L0-	40	I	64
$\mathbf{Te}^{\mathbf{x}}_{\mathbf{x}}$ tiles, clothing, & apparel	8.	00	00	00.	0	•
Paper, printing, & publishing	8	17,413	00.	1.30	0	01
Chemicals & allied products	00	8	8	8	0	•
Stone, clay & glass	121,169	9,582	2.10	.56	4	61
Iron, steel, & nonferrous metals	20,612	12,809	1.27	÷55	ŝ	64
Indust., agr., & other mach. & tool mfr.	86,925	27,133	1.42	-44	4	9
Autos, aircraft, & shipbuilding	2,755	3,617	-24	-31	61	I
Miscellaneous	8	00	00.	00.	0	•
Finance	17,893	2,049	61.	.02	64	I
Trade	48,303	37,389	-44	•34	9	01
Miscellaneous companies	31,439	90	3.02	8 ,	1	0
Service	1,825	00	-46	00.	1	0
Public utilities	89,688	198,318	.26	-58	υ	11

INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERGENCE (\$) Negative®	ANALYSIS Positive®	v ratio (%) Negative•	NUMBER OF Positive	DIVERGENCES Negative
`	NON	ALLOWAB'L	E RESERVE REPLACE M	ENTS LENTS	REPAIRS	AND
Mining & quarrying	8	00	8	00.	0	0
Manufacturing		Ş	Ş	Ş	c	¢
r ood & kinareu products Tobacco products	88	8 8	3 8	ŝŝ		
Liquors & beverages	3,155	14,635	.34	1.58) ar
Textiles, clothing, & apparel	41,820	8	2.07	, <mark>6</mark>	1	0
Paper, printing, & publishing	8	8	00	8	0	0
Chemicals & allied products	8	80	00.	00.	0	0
Stone, clay & glass	8	8	ą	8	0	0
Iron, steel, & nonferrous metals	11,951	1,684	÷51	<i>L</i> 0.	1	1
Indust., agr., & other mach. & tool mfr.	29,862	110,12	-49	.34	61	, 50
Autos, aircraft, & shipbuilding	2,636	8	.23	00.	1	0
Miscellaneous	8	00	0	8	0	0
Finance	00	00	8	00	0	0
Trade	. 129,135	1,845	1.18	.02	64	64
Miscellaneous companies	14,032	8	1.35	00.	64	0
Service	8	8	8	00.	0	0
Public utilities	36,642	25,391	11.	20.	64	64

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Manufacturing Food strutter Todatos products $2,400$ 00 35 00 1 0 Todatos products 00 $3,011$ 00 $3,55$ 00 1 0 Todatos products 00 $3,021$ 00 $3,56$ 0 1 Todatos products 00 $2,030$ 00 $1,44$ 0 1 Todatos fonducts 00 $3,030$ $10,14$ 00 $1,44$ 0 1 Todatos products $0,00$ $3,2930$ $1,16$ 00 $1,44$ 0 1 1 Todate stall $1,19,630$ $2,1390$ $1,160$ 00 $1,160$ 00 $1,160$ 00 $1,17$ $0,00$ $1,19$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$ $1,190$	Manufacturing Manufacturing $3,0$ $3,0$ $3,0$ 1 0 Todacto products $0,0$ $1,0$ $1,0$ $0,0$ $0,0$ $0,0$ $0,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ $1,0$ <t< th=""><th>Mining & quarrying</th><th>0</th><th></th><th></th><th></th><th>0</th><th>0</th><th></th></t<>	Mining & quarrying	0				0	0	
Todux structure $x_1 0 0$ $y_2 0$ $y_$	Four z_1 z_1 z_2 <th< td=""><td>Manufacturing</td><td>007 0</td><td>ç</td><td>) G</td><td>Ş</td><td>-</td><td>c</td><td></td></th<>	Manufacturing	007 0	ç) G	Ş	-	c	
Lignors beverages 00 00 144 0 2 Textiles, lobting, kapparel 00 29039 00 144 0 1 Textiles, lobting, kapparel 00 1939 10 1 1 1 1 Textiles, fouring, kaptishing 00 00 00 00 00 1 1 1 Chenricals & alife products 00 73298 1096 46 4 7 Chenricals & lopting 80100 7780 1966 46 4 7 Note, after, & shipbuilding 21.98 27.890 1.96 4 7 7 Mutos, after, R shipbuilding 21.98 27.890 1.96 4 7 7 Mutos, after, R shipbuilding 46.17 21.98 20.00 21.98 200 21.98 Mutos, after, R shipbuilding 61.17 20399 9.11 1.96 7 1 Mutos, after end 80.00 1967 1.28 27.88 $27.$	Light scheduler Credites, clothing, & appared 00 $\frac{0}{20}$ 00 $\frac{1}{44}$ 0 0 2 Tertiles, clothing, & publishing 0.0 $\frac{3}{20}$ 0.0 $\frac{1}{44}$ 0.0 1 Observe printing, & publishing 0.0 $\frac{3}{20}$ 0.0 $\frac{3}{20}$ 0.0 $\frac{1}{40}$ 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	rou & kinuteu products Tobacco products	2,4uu 00	18.021	00.	9. F8	• 0	-	
Texitles, clothing, & appared 00 29.09 00 1.44 0 2 Paper, printing, R publishing 1.912 1.83 1.44 01 1 1 Chencis, R allied, Products 0.00 37.292 0.00 21.87 0 1 1 1 Chencis, Ray, R publishing 1.912 1.92 37.292 0.00 21.87 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Textifies, clothing & apparel 00 29.09 00 1.44 0 2 Paper, printing, & publishing 1.912 1.92 1.92 1.92 1.92 1.91 0.0 1.44 0 1.4 1 Paper, printing, & publishing 0.92 0.92 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.02 <td< td=""><td>Liquors & beverages</td><td>8</td><td>8</td><td>00.</td><td>00.</td><td>0</td><td>0</td><td></td></td<>	Liquors & beverages	8	8	00.	00.	0	0	
Paper, printing, & publishing $1-91$ $1,48$ $1,4$ 0.1 1 1 Paper, printing, & publishing 0.0 0.0 0.0 0.0 0.0 0.0 Stom, clay, glass 0.0 372 , 930 1.55 0.0 0.0 0.0 Itom, steel, & nonferrous metals $g_{6,10}$ $27, 390$ 1.55 0.0 0.0 1.95 Itom, steel, & stonferrous metals $119, 59$ $27, 390$ 1.55 0.0 1.95 0.0 Itom, steel, & stonferrous metals $119, 59$ 0.0 1.95 0.0 0.0 0.0 Autos, aircraft, & shipbuilding $21, 17$ $20, 390$ 0.1 1.36 0.0 0.0 Miscellancous $802, 089$ 61 852 0.0 0.0 0.0 0.0 Miscellancous companies 0.0 $7, 800$ 0.0 0.0 0.0 0.0 0.0 Miscellancous companies 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Service 0.0 0.0 0.0 0.0 0.0 0.0 Service 0.0 0.0 0.0 0.0 0.0 0.0 Service 0.0 0.0 0.0 0.0 <t< td=""><td>Paper, printing, & publishing comentals Boner, environ$1.912$$1.42$$0.1$$0.1$$1.1$$1.1$Paper, printing, & publishing Stons, city & gals Bone, city & gals$0.0$$0.0$$0.0$$0.0$$0.0$$0.0$$0.0$Stons, city & gals Bone, city & gals$1.956$$3.7296$$1.956$$4.6$$4$$7$Stons, city & gals Into, steel, & nonferrous math, k tool mfr.$1.9568$$27.890$$1.956$$4.66$$4$$7$Muss, agr., & other math, k tool mfr.$21.086$$6.1$$8.57$$0.0$$21.98$$0.0$$2$$1.9$Mussellancous$21.086$$4.8571$$1.18$$1.18$$1.196$$2.108$$1.161$$1.161$$1.161$Missellancous$1.206$$4.8571$$1.18$$1.18$$1.44$$2.7$$1.161$Trade$1.206$$4.8571$$1.18$$1.44$$2.7$$1.17$Trade$1.206$$1.18$$0.0$$0.0$$0.0$$0.0$$1.17$Trade$1.206$$1.18$$0.0$$0.0$$0.0$$0.0$$0.0$Service$0.0$$0.0$$0.0$$0.0$$0.0$$0.0$$0.0$Service$0.00$$0.00$$0.00$$0.00$$0.00$$0.00$Service$0.00$$0.00$$0.00$$0.00$$0.00$Public utilities$0.00$$0.00$$0.00$$0.00$Public utilities$0.00$$0.00$$0.00$<td< td=""><td>Textiles, clothing, & apparel</td><td>00</td><td>29,039</td><td>00</td><td>1-44</td><td>0</td><td>61</td><td></td></td<></td></t<>	Paper, printing, & publishing comentals Boner, environ 1.912 1.42 0.1 0.1 1.1 1.1 Paper, printing, & publishing Stons, city & gals Bone, city & gals 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Stons, city & gals Bone, city & gals 1.956 3.7296 1.956 4.6 4 7 Stons, city & gals Into, steel, & nonferrous math, k tool mfr. 1.9568 27.890 1.956 4.66 4 7 Muss, agr., & other math, k tool mfr. 21.086 6.1 8.57 0.0 21.98 0.0 2 1.9 Mussellancous 21.086 4.8571 1.18 1.18 1.196 2.108 1.161 1.161 1.161 Missellancous 1.206 4.8571 1.18 1.18 1.44 2.7 1.161 Trade 1.206 4.8571 1.18 1.44 2.7 1.17 Trade 1.206 1.18 0.0 0.0 0.0 0.0 1.17 Trade 1.206 1.18 0.0 0.0 0.0 0.0 0.0 Service 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Service 0.00 0.00 0.00 0.00 0.00 0.00 Service 0.00 0.00 0.00 0.00 0.00 Public utilities 0.00 0.00 0.00 0.00 Public utilities 0.00 0.00 0.00 <td< td=""><td>Textiles, clothing, & apparel</td><td>00</td><td>29,039</td><td>00</td><td>1-44</td><td>0</td><td>61</td><td></td></td<>	Textiles, clothing, & apparel	00	29,039	00	1-44	0	61	
Chémicals & allied products 00 00 372928 00 91.87 0 0 Storr, clays spass 90.160 372928 00 1.57 00 1.87 0 1.96 Storr, clays spass 90.160 1.9638 27.899 1.96 4 7 Storr, clays spass 90.160 27.899 1.96 4 7 Autos aircraft, shipbuilding 21.938 27.899 1.96 4 7 Autos aircraft, shipbuilding 21.938 27.899 1.96 4 7 7 Autos aircraft, shipbuilding 21.938 46.117 20.399 3.11 1.98 1 1 1 Miscellaneous 802.089 61 8.571 11.18 4.44 5 4 <i>Trade</i> $1293a8$ 48.571 11.18 4.44 5 4 <i>Nicellaneous companies</i> 00 00 78 00 0 1 1 <i>Nicellaneous companies</i> 00 00	Ordenrical & allied products 00 00 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 110 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 1100 11000 11000 11000 11000 11000 11000 11000 11000 11000 110000 1100000 110000000000000	Paper, printing, & publishing	1,012	148	.14	10"	1	1	
Sone. (Jay & glass).00 $372,428$.00 2137 04Ion, seef, sunfarrous metals $g6,160$ $1,75$ 00 4 7Indus, agr. & sonfarrous metals $1,9638$ $27,890$ $1,966$ 4 7Autos, aircraft, & shipbuliding $21,038$ 000 $1,83$ 000 3 1Misceliancous $21,038$ 00 $1,83$ 000 3 1 1 Finance $802,089$ 61 $8,52$ 00 2 4 1 Trade $129,208$ $48,571$ 1.18 44 5 4 Miscellaneous 00 $7,800$ $.00$ $7,750$ 0 0 1 <i>Trade</i> $129,208$ $48,571$ 1.18 44 5 4 <i>Trade</i> $129,208$ $48,571$ 1.18 44 5 4 <i>Trade</i> 00 $7,800$ $.00$ $.00$ 0 0 <i>Service</i> 00 00 $.00$ 00 0 1 <i>Public utilities</i> 98 8 $.00$ $.00$ $.00$ 0	StoreCarlo $372,368$ 00 $21,37$ 0 4 Into, stell, k anterrous metals $10,038$ $27,890$ $1,15$ 000 4 7 Into, stell, k on furth $11,9038$ $27,890$ $11,96$ 40 4 7 Autos, aircraft, k shipbuilding $21,038$ 000 1833 000 2 1 1 Miscellancous $802,089$ 61 $8,57$ 100 2 1 1 Finance $802,089$ 61 $8,571$ 1.18 44 5 4 Trade $128,208$ $4,8571$ 1.18 44 5 4 Miscellaneous companies 00 00 00 00 00 0 0 Service 00 00 00 00 00 1 1 1 Public utilities 98 89 00 00 00 0 0	Chemicals & allied products	, 8 , 8	, 8	00.	00.	0	0	
Inton, steel, k ionferrous metals $g6,160$ 00 1.45 00 4 1 Indust, agr., k other mach. k tool mfr. 119638 $27,890$ 1.96 4 7 Autos, aircraft, k shipbuilding $21,038$ 00 1.83 00 3 1 1 Miscellaneous $46,117$ $20,399$ 61 $8,52$ 00 1.88 00 3 1 1 Finance $802,089$ 61 $8,571$ 1.18 44 5 4 1 Trade $129,208$ $48,571$ 1.18 44 5 4 1 Miscellaneous companies 00 $7,800$ $.00$ $.75$ 0 1 1 Service 00 00 $.00$ $.00$ $.00$ 0 0 1 1 Public utilities 98 89 $.00$ $.00$ $.00$ $.00$ 0 0	Iron, steel, & ionferrous metals $96,160$ $27,8j0$ $1,155$ $.000$ 4 7 Indust, arr, & other mach. & tool mfr. $1,9638$ $27,8j0$ $1,96$ 4 7 Autos, aircraft, & shipbuilding $21,958$ $27,8j0$ $1,966$ 4 7 Miscolaricous $21,968$ $46,571$ $1,968$ 3.11 $1,96$ 2 1 <i>Finance</i> $832,089$ 61 $8,571$ 1.18 44 5 4 <i>Trade</i> $132j208$ $48,571$ 1.18 44 5 4 <i>Miscellaneous companies</i> 00 $7,800$ $.00$ $.75$ 0 0 <i>Service</i> 00 $.00$ $.00$ $.00$ $.00$ 0 0 <i>Public utilities</i> $.988$ $.99$ $.00$ $.00$ $.00$ $.0$ 0	Stone, clay & glass	00	372,928	00.	21.87	0	4	
Indust, agr., $\&$ other mach. $\&$ tool mfr. 119,638 $27,890$ 1.96 4 7 Autos, aircraft, $\&$ shipbuilding $21,038$ 00 1.83 00 3 1 1 Miscellaneous $46,117$ $20,399$ 61 $8,52$ 00 2 1 1 Finance $802,099$ 61 $8,571$ 11.8 44 5 4 Trade $129,208$ $48,571$ 11.8 44 5 4 Miscellaneous companies 00 $7,800$ $.00$ $.00$ $.00$ 0 0 1 1 Service 00 $.00$ $.00$ $.00$ $.00$ 0 0 0 0 Public utilities 98 $.00$ $.00$ $.00$ $.00$ $.00$ $.00$ 0 0 0 0 0 0 Public utilities 98 $.00$ $.00$ $.00$ $.00$ $.00$ 0 0 0 0	Indust, agr. % other mach. & tool mfr. 119638 $27,8j0$ 1.966 4 7 Autos, aircraft, & shipbuilding $21,038$ 00 1.83 000 3 1 1 Miscelaneous $46,117$ $20,399$ $9,11$ $1,36$ 1 1 1 Miscelaneous $46,117$ $20,399$ 61 $8,52$ 20 2 4 7 Finance $82a,089$ 61 $1,852$ 100 $21,36$ 4 5 4 Trade $1193a08$ 48.571 1.18 44 5 4 Miscellaneous companies 00 $7,800$ 00 700 20 0 1 1 Service 00 00 00 00 00 1 1 1 Public utilities 989 00 00 00 1 1 1 1	Iron, steel, & nonferrous metals	36,160	8	1.55	8	4	0	
Autos, aircraft, & shipbuilding 2_1038 oo 1.83 00 3.11 1.36 1 1 <i>Hinance</i> $802,089$ 61 8.53 00 2.311 1.36 1 1 <i>Hinance</i> $802,089$ 61 8.571 1.18 4.4 5 4 <i>Trade</i> $129,208$ 48.571 1.18 4.4 5 4 <i>Miscellaneous companies</i> 00 7800 $.00$ $.75$ 0 2 1 <i>Miscellaneous companies</i> 00 7800 $.00$ $.00$ 102 1 1 <i>Indicultities</i> 98 89 $.00$ $.00$ 10 1 1 1 <i>Public utilities</i> 98 $.00$ $.00$ $.00$ 10 1 1 1	Autos, aircraft, & shipbuilding $21,038$ 00 1.83 00 3.11 1.38 0 1 <i>Hisccllancous</i> $802,089$ 61 8.53 00 3.11 1.38 0 2 1 <i>Hinance</i> $802,089$ 61 8.57 $20,399$ 3.11 1.38 00 2 1 1 <i>Trade</i> $129,208$ $48,571$ 1.18 4.4 5 4 <i>Miscellaneous companies</i> 00 $7,800$ $.00$ $.775$ 0 0 <i>Niscellaneous companies</i> 00 $7,800$ $.00$ $.00$ 10 1 1 <i>Niscellaneous companies</i> 00 $7,800$ $.00$ $.00$ 10 1 1 <i>Inblic utilities</i> 98 89 $.00$ $.00$ $.00$ 10 1 1 <i>Public utilities</i> 98 89 $.00$ $.00$ $.00$ 10 1 1	Indust., agr., & other mach. & tool mfr.	119,638	27,850	1.96	-46	4	7	
Miscellaneous $46,1,7$ $20,399$ 3.11 1.38 1 1 Finance $803,089$ 61 $8,52$ $.00$ 2 1 Trade $129,208$ $48,571$ 1.18 $.44$ 5 4 Miscellaneous companies 00 $7,800$ $.00$ $.00$ $.75$ 0 1 Niscellaneous companies 00 00 $.00$ $.00$ $.00$ $.00$ 1 1 Public utilities 988 89 $.00$ $.00$ $.00$ $.00$ 1 1	Miscellaneous 46.17 20.399 3.11 1.98 1 1 Finance $802,089$ 61 8.57 20.0 2 1 Trade 118 44 5 4 Miscellaneous companies 00 $7,800$ 00 $7,800$ 00 77 0 1 1 Niscellaneous companies 0 0 $7,800$ 00 70 20 1 1 Public utilities 98 89 $.00$ $.00$ $.00$ 1 1 1	Autos, aircraft, & shipbuilding	21,058	00	1.83	00°	ŝ	0	
Finance 802,089 61 8.52 .00 2 1 Trade 129,208 48.571 1.18 44 5 4 Miscellaneous companies 00 7,800 .00 .75 0 1 Service 00 00 .00 .00 .00 0 1 Public utilities 98 .00 .00 .00 1 1	Finance $803,089$ 61 8.52 $.00$ 2 1 Tade $129,208$ 48.571 1.18 $.44$ 5 4 Miscellaneous companies $.00$ $.73$ $.00$ $.77$ 0 1 Niscellaneous companies $.00$ $.00$ $.00$ $.00$ $.0$ 0 Public utilities $.98$ $.89$ 00 00 $.00$ 1 1	Miscellaneous	46,117	20,399	3.11	1.38	-	1	
Trade 129,208 48,571 1.18 44 5 4 Miscellaneous companies 00 7,800 .00 .75 0 1 Service 00 00 .00 .00 .00 0 0 Public utilities 98 89 .00 .00 1 1	Trade 129,208 48,571 1.18 44 5 4 Miscellaneous companies 00 7,800 .00 .75 0 1 Service 00 00 .00 .00 .00 0 0 Public utilities 988 89 .00 .00 .00 1 1	Finance	802,089	61	8.52	00	61	I	
Miscellaneous companies 00 7,800 .00 .75 0 1 Service 00 00 .00 .00 .00 0 0 Public utilities 988 89 .00 .00 .00 1 1 1	Miscellaneous companies 00 7,800 00 7,9 0 1 Service 00 00 00 00 00 00 0 0 Public utilities 938 89 .00 .00 .00 1 1 1	Trade	129,208	48,571	1.18	-44	ъ	4	
Service 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00	Service 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00 00	Miscellaneous companies	00	7,800	00'	-75	0	-	
Public utilities 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98 98<	Public utilities 98 93 00 00 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Service	00	00	00	00'	0	0	
		Public utilities	988	89	00	8	1	-	
							·		
		,						,	
		·							

INDUSTRIAL GROUP	AMOUNT OF Positive*	divergence (\$) Negative*	ANALYSIS) Positive*	r RATIO (%) Negative*	NUMBER OF DIV Positive® N	ERGENCES egative*
	NON	LLOWABLE	RESERVES	FOR SAL	ES EXPEN	SES
Mining & quarrying	00	00	00.	00	0	0
Manufacturing * Food & kindred moducts	Ę	0149	٤	80	c	c
Tobacco products	5,560	1,364	1.59	- 18.	2 64	N 64
Liquors & beverag es	8	00	00	8	0	0
Textiles, clothing, & apparel	. 747	153,094	. 04	7.57	Ţ	7.
Paper, printing, & publishing	16,893	57	1.26	00	ľ	-
Chemicals & allied products	. 00	00	8	00.	0	0
Stone, clay & glass	14,927	8	.87	00'	5	0
Iron, steel, & nonferrous metals	3,905	2,743	41.	21.	1	1
Indust., agr., & other mach. & tool mfr.	49,461	267,425	.8.	4.38	6	10
Autos, aircraft, & shipbuilding	8	1,525	00	.13	0	. 1
Miscellaneous	1,283	37,394	<u>6</u> 0'	2.51	1	24
Finance	8	6,879	8	Lo	0	-
Trade	8,240	51,874	80.	.48	4	4
Miscellaneous companies	9,303	8	o6:	00.	I	0
Service	8	8	8	<u>8</u>	o	0
Public utilities	19,590	49,694		.14	ŀ	ŝ

OTHER NONALLOWABLE RESERVES

		(I N C F .	CONTINCEN	VCY RESE	RVES)	
Mining & quarrying	2,180	181,372	.03	2.31	1	I
Manufacturing Food & kindred products	87.2K7	9,487	r.42	.51	-	0
Tobacco products	16,116	8	4.42	8	I	.0
Liquors & beverages	40,167	38,151	4.55	4.12	ົ	7
Textiles, clothing, & apparel	57.956	250	2.86	10.	0	I
Paper, printing, & publishing	8	8	0.	00:	0	0
Chemicals & allied products	8	10,000	00	8 0 .	0	ſ
Stone, clay & glass	140,061	9,115	8.22	.53	9	4
Iron, steel, & nonferrous metals	75,653	41,709	3.23	1.78	8	61
Indust., agr., & other mach. & tool mfr.	248,156	208,671	4.07	3.42	9	12
Autos, aircraft, & shipbuilding	00	14,364	00:	1.25	0	61
Miscellaneous	160,000	3,491	10.79	24	١	01
Finance	460,037	10,828	4.88	.12	ŝ	01
Trade	218,640	651,432	2.01	2.97	7	9.
Miscellaneous companies	00	8	00	0.	0	0
Service	8	39,340	00.	9-95	0	-
Public utilities	362,945	137,345	1.05	oŀ	7	or.

TABLE 25 (cont.) Amount of divergence (\$)

INDUSTRIAL GROUP	amount o Positive*	F DIVERGENCE (\$) Negative*	ANALYSIS Positive*	Y RATIO (%) Negative•	NUMBER OF D Positive	IVERGENCES Negative
		TOTAL MIS	CELLANE	OUS DED	UCTIONS	
Mining & quarrying	1,417	69,748	.02	o6 [.]	61	11
Manufacturing						
Food & kindred products	74,185	26,037	10.80	3-79	4	12
Tobacco products	132,874	4,375	36-49	1.20	I	<u>م</u>
Liquors & beverages	262,616	47,029	28.36	5.08	7	1Ő
Textiles, clothing, & apparel	176,724	51,241	8.74	2.53	റ	13
Paper, printing, & publishing	102,282	50,856	7.63	8-79	I	11
Chemicals & allied products	00	16,479	00.	1.62	0	9
Stone, clay & glass	59	25,801	00.	1.51	I	13
Iron, steel, & nonferrous metals	77,471	18,795	3.31	. 80		Ф
Indust., agr., & other mach. & tool mfr.	. 387,350	498,500	6.35	8.17	11	50
Autos, aircraft, & shipbuilding	29,040	153,756	5.13	13.36	7	84
Miscellaneous	37,526	25,852	2.53	1.74	4	13
Finance	849,721	4,107	9.02	-04	7	7
Trade	3,131,607	186,476	28.67	1.70	10	42
Miscellaneous companies	143,634	23,950	13.83	2.31	4	8
Service .	18,996	119,994	4.80	30.33	. 61	9
Public utilities	1,053,113	521,522	3.06	1.52	13	24

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2	ning & quarrying	<i>nufacturing</i> od & kindred products	bacco producís	juors & beverages	xtiles, clothing, & apparel	oer, printing, & publishing	emicals & allied products	ne, clay & glass Î	n, steel, & nonferrous metals	lust., agr., & other mach. & tool mfr.	tos, aircraft, & shipbuilding	scellaneous	ance	ade	scellaneous companies	vice	blic utilities
ONALLOW	8	0	00	8	605	00	8	00	00	8	750	8	8	8	8	246	1,657
ABLE	52,088	5,791	330	11,868	3,277	2,776	8	9,818	7,788	6,814	2,661	1,178	934	60,162	3,264	256	77,236
DONATIONS	00,	00	00'	0	60.	00.	8	8	00 [•]	00.	<i>L</i> o [.]	00.	00	00	<u>0</u>	.06	10.
A N D	69.	.84	60.	1.28	.16	.21	00.	÷58	-33	11.	.23	.08	10'	55	•31	90.	22
C O N T R I B U	0	0	0	0	1	0	o	o	0	0	Ι	0	0	0	0	I .	1
TION	9	ъ	I	2	4	4	0	7	'n	41.	2	ũ	3	12	61	I	12

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INDUSTRIAL GROUP	AMOUNT OF Positive*	DIVERCENCE (\$) Negative	ANALYSI Positive	s y ratio (%) Negative•	NUMBER OF D Positive	ivergences Negative®
	INSURA	NCE PREMI THE TAXP	UMS ON AYER IS	OFFICER A BENEF	S' LIVES 'ICIARY	WHEN
Mining & quarrying	1,338	10,864	.02	91.	1	ຄົ
Manufacturing Food & kindred products	930	19,892	şö	2.02	1	ŗ
Tobacco products	28 8	3,100	, S	.85	0	-
Liquors & beverages	147,415	29,900	15.92	3.23	1	4
Textiles, clothing, & apparel	00	18,034	00	8.	0	æ
Paper, printing, & publishing	00	47,279	00"	3.52	0	ŭ
Chemicals & allied products	8	4,097	8	-40	0	ŝ
Stone, clay & glass	00	6,874	8	40	0	ŝ
Iron, steel, & nonferrous metals	3,793	11,007	.16	47	1	4
Indust., agr., & other mach. & tool mfr.	9,991	80,943	, . 16	1.33	4	27
Autos, aircraft, & shipbuilding	976	107,768	80.	9.37	6	24
Miscellaneous	952	16,061	.06	1.08	-	7
Finance	5,587	3,000	.06	.03	1	ы
Trade	9,395	82,847	60 [.]	.76	ရာ	24
Miscellaneous companies	00	7,698	00	-74	0	4
Service	00	9,146	00	2.31	0	ຄົງ
Public utilities	8	8	00	00	0	0

TABLE 25 (cont.)

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		c utilities	1,051,456	444,286	3.05	1.30	12	12	

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TABLE 25 (concl.)

INDUSTRIAL GROUP	AMOUNT OF Positive	DIVERGENCE (§) Negative*	analysis y r Positive*	ATIO (%) Negative*	NUMBER OF DI Positive*	IVERGENCES Negative *
		SCOPE OF	ACCOUN	TTNG	UNIT	·
Mining & quarrying	00	00	00.	8	0	0
Manufacturing						
Food & kindred products	8	00	00.	00	0	0
Tobacco products	00	00	00	0.	0	0
Liquors & beverages	00	00	00 [.]	<u>8</u>	0	0
Textiles, clothing, & apparel	0 0	00	00.	00	0	0
Paper, printing, & publishing	0 0	00	00.	00	D	0
Chemicals & allied products	21,596	00	2.13	00	-	0
Stone, člay & glass	8	395	00.	.02	0	1
Iron, steel, & nonferrous metals	80	918	00.	-04	0	1
Indust., agr., & other mach. & tool mfr.	12,030	37.464	.20	.61	, 61	3
Autos, aircraft, & shipbuilding	83.562	383	7.26	.03	61	1
Miscellaneous	00	00	00	0	0	0
Finance	6,000	6,000	.06	<u>9</u> 0.		1
Trade	3,682	219,485	60	2.01	-	01
Miscellaneous companies	00 00	00	00.	00	0	0
Service	00	00	00.	00	0	0
Public utilities	00	187,984	00	55	0	-

Mining & quarrying 00 00 00 00 00 00 00 00 00 00 00 00 00				
Manufacturing Food & kindred products 00 00 00 00 Tobacco products 00 00 00 00 Liquors & beverages 00 00 00 00	. 00	00	•	•
rood & kindred products 00 00 00 00 Tobacco products 00 00 00 00 Liquors & beverages 00 00 00 00				Ċ
Liquors & beverages 00 00 .00		98		
	00.	0	0	0
Textiles, clothing, & apparel 00 00 00 00	00	00	0	c
Paper, printing, & publishing 00 00 00 00	. 00.	00		0
Chemicals & allied products 691,619 00 68.10	68.10	0	-	0
Stone, clay & glass 00 00 00	00. 00	8	0	0
Iron, steel, & nonferrous metals 00 00 .00	00. 00	00.	0	0
Indust., agr., & other mach. & tool mfr. 13,751 00	.23	00	61	°
Autos, aircraft, & shipbuilding 00 00 00	00. 00	8	0	0
Miscellaneous 00 ·00	00' . 00	00	0	0
Finance 00 00 .00	00 00	00	0	0
Trade 206,614 00 1.89	00 1.89	00	N	0
Miscellaneous companies 00 55 .00	.00	10	0	-
Service 00 00 .00	00	0	0	0
Public utilities 00 00 .00	00	00	0	0
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treated as income items for book purposes but as a return of capital for tax purposes. (b) For the corporations deducting dividends under the Revenue Act of 1934, Section 23 (p), statutory net income is not defined as it is above.¹ (c) Two companies reported treasury stock dividends. (d) Nontaxable stock dividends were presumably regarded as increasing book profit.

Examples tending to have the opposite effect, namely, to cause statutory net income to exceed book profit, follow: (a) Dividends received from subsidiaries were apparently included in statutory net income but not in book profit. (b) Dividends from domestic companies were reported as "credited to surplus" on the books of one company but were included in statutory net income. In another and possibly more typical case, dividends received were credited to an asset account (probably an investment account) instead of to income or surplus. (c) Dividends in arrears were reported as "capitalized" by one company for book purposes, but presumably were taxable in the year received. The exact nature of this transaction is not clear, since dividends received are not ordinarily capitalized in the strict accounting sense of the term. Possibly cumulative preferred dividends were treated as accrued income in preceding years even though they had not been received. In this event, the current year book credit for income from dividends received would include only dividends accrued during the current year. But, according to the tax regulations, all dividends, both those accruing in the current year and in preceding years, would be regarded as current year income. If, on the other hand, the dividends were not accrued in preceding years, they may have been credited to surplus instead of to income for book purposes, since they may have been regarded as actu-

1 Why these companies reported their 1936 incomes under the 1934 Act is not known. Perhaps fiscal year complications are involved. Section 23 (p), providing that the amount received as dividends from a domestic corporation subject to taxation under the 1934 Act may be deducted from gross income in determining statutory net income, was replaced by a partial dividend credit in the Revenue Act of 1936.

ally representing preceding years', rather than current, income. (d) One company reported taxable stock dividends which were not entered on its books as income.

B CLASS 2: CAPITAL GAINS AND LOSSES

Different amounts of capital gains and losses may be reported for tax and book purposes for a wide variety of reasons. No attempt will be made to explain or to classify these reasons systematically. An explanation would obviously entail a discussion of the intricate problems of reorganization procedure, basis determination, and depreciation and depletion accounting, and the considerations involved in deciding whether to treat an item as an income or surplus charge for book purposes. These issues are discussed in detail in Part One.

Unfortunately, the data on capital gains and losses are not consistently reported in sufficient detail to warrant subdivision. The unsegregated data are presented in Table 25. Approximately 30 percent of the companies in Sample I report different treatments of capital gains and losses for book and tax purposes. Except for two industrial groups-iron and steel and nonferrous metals companies, and finance companies-the Analysis Y ratio lies with surprising consistency, in view of the size of the sample, in the o-8 percent range. In general, deviations in Class 2 seem considerably smaller than might have been expected. The high ratio for the iron and steel and nonferrous metals group is attributable to the unusually large deviations reported by two companies. Consequently, it probably may be regarded as a statistical accident rather than as an indication that Class 2 divergences are especially large in this particular group. On the other hand, the high ratio for the finance group-accounting for nearly half of aggregate divergences in this group-is entirely in accord with expectations. While individual divergences vary from negligible amounts to nearly \$1,000,000, there is a liberal sprinkling of large divergences, including at least a half dozen of more than \$100,000. Even though from the evidence of Sample I, capital gains and

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losses may seem not to be a major source of divergence except among financial enterprises, Class 2 is important because an extremely large divergence may appear at any time in any industrial group.

Moreover, the importance of divergences in Class 2 may conceivably be seriously underestimated because items that properly belong in it were put in other classes. In some degree the line between "losses on the abandonment of fixed assets" (Subclass 6d) and "nonallowable reserves for investment and exchange fluctuations" (Subclass 12c) on the one hand, and Class 2 on the other, was difficult to draw. In general, items representing merely unrealized adjustments of book values were put in Subclass 12c, while Class 2 consists of realized gains and losses. Moreover, certain Class 2 items may be concealed in the unspecified portions of the two miscellaneous classes, 5 and 13, or in Subclass 12e, "other nonallowable reserves". Indeed, the general principle may be laid down that divergences in all narrowly defined classes, as distinct from the 'miscellaneous' classes, are likely to be understated because of the difficulty of identifying some items not described in detail on tax returns. Nevertheless, these possible sources of understatement probably do not drastically distort the impression Class 2 gives.

Despite the lack of detail, a case by case perusal of Class 2 divergences reveals certain pervasive causes. At least 20 companies reported divergences due to different bases for tax and book purposes. For example, a textile company reported a higher tax than book net residual value of fixed assets disposed of during the year. A metal company reported a loss on securities sold which had been written down on its books to nominal values in prior years. This write-down was, of course, not recognized for tax purposes. Divergences of this general nature may reflect merely a difference in the particular accounting periods to which income is assigned for the two purposes.

At least ten companies reported taxable capital gains or deductible losses that had been credited or charged to surplus on

their books. As the above discussion indicates, such divergences are permanent; they will never be offset.

At least a dozen companies—probably considerably more reported net capital losses in excess of \$2,000 for book purposes. Statutory deductions for net capital losses, however, were limited to \$2,000 in 1936. Divergences thus caused will not be offset in subsequent years. The great majority of the remaining 100 cases are not described in sufficient detail to warrant classification; doubtless many fall into the subclasses already described.

C CLASS 3: INTEREST RECEIVED

Under the definition of statutory net income used in *Statistics* of *Income* for 1936 and here, deviations due to different treatments of interest-received items are moderately common but small. The definition of statutory net income must, however, be kept carefully in mind (see Ch. 10, Sec. D).

Interest received from tax-exempt securities, Subclass 3a, constitutes the chief source of divergence in Class 3 (Table 25). Consequently, most Class 3 divergences tend to cause book profit to exceed statutory net income. But the quantitative importance of the class as a whole is small. The Analysis Y ratio exceeds 5 percent for only two industrial groups, and for most groups it is less than 2 percent. The high ratios for the tobacco group, very poorly represented in Sample I, and for the miscellaneous manufacturing group, reflect single divergences; hence, they are not statistically significant. In no industrial group is the Subclass 3b ratio, which summarizes 'other interest received' divergences, higher than one-half of 1 percent.

Except for the two cases in Subclass 3a tending to cause statutory net income to exceed book profit, both for "negative interest on United Treasury Notes", illustrations are superfluous. Illustrations of Subclass 3b divergences are interest received applicable to prior years; interest earnings credited to reserve for contingencies; differences between interest accrued and received; and net interest received on settlement of prior year income taxes. Some will be canceled by offsetting items in subsequent years, while others represent permanent differences in the amount of income reported for tax and business purposes.

D CLASS 4: INVENTORY ACCOUNTING

Until 1938 and 1939 at least, tax requirements for the valuation of inventories were rather rigid, barring for tax purposes the industrial practices of many firms. Most of these industrial practices are designed to minimize the effect of changes in prices upon profits. The base stock, inventory reserve, and lastin first-out methods all have this effect. In 1936 none of these methods was allowed for tax purposes.

Divergences may arise from other less basic causes than different methods of valuing inventories. For instance, obsolescence reserves may be set up for book purposes before the Treasury is willing to recognize that a portion of the inventory has become obsolete.

Deviations due to different treatments of inventories are smaller than might have been expected. Only 34 companies —less than 7 percent of the sample—reported Class 4 divergences. Moreover, few are large. The ratio for the miscellaneous manufacturing group is an exception: one company reported \$130,000 for a charge to a reserve for its inventory adjustment account. The machinery and other metal products group reported 8 divergences; in this group a single large divergence accounts for two-thirds of the Analysis Y ratio, which is slightly over 6 percent.

As in the case of capital gains and losses, the data do not justify rigid conclusions concerning the importance of divergences due to differences in the treatment of inventory. Items that properly belong in Class 4 may be concealed in the miscellaneous classes. Moreover, the possibility that large deviations may appear at any time renders prediction on the basis of a small sample especially dangerous. A substantial portion of the divergences arose because an 'inventory reserve' account,

not permitted for tax purposes, was used for book purposes. When credits to an inventory reserve account set up from income exceed charges against the account, book profit will tend to be less than statutory net income. Similarly, when charges exceed credits, book profit will tend to exceed statutory net income. Several examples of both cases are included in the sample.

Inventory reserve accounts may apply to the entire inventory and be set up to mitigate the effects of fluctuations in prices; or they may apply to specific portions of the inventory and be set up to absorb losses from obsolescence. Often the purpose of the reserve account is not specified. Once or twice the reserve was specifically designated as set up to mitigate the effects of fluctuations in prices. More frequently it was referred to as a "reserve for defective goods" or a "merchandise obsolescence reserve". Most of the illustrations involving inventory reserve accounts merely state that the deviation resulted from a net charge or credit to the account. Such cases presumably would not create permanent differences in the two income concepts. A "loss on obsolete inventory charged to surplus on books", on the contrary, will not be offset in subsequent years. Other divergences not obviously related to a reserve account include a provision for "the valuation of acquired inventory to production costs"; unrealized profits on intercompany inventories; and an item representing the difference between the lower of cost or market, presumably the tax value, and the book value of inventories.

E CLASS 5: MISCELLANEOUS INCOME ITEMS

One of the most difficult tasks encountered in the analysis of Sample I was the proper treatment of divergences too few or small or too ambiguously described to warrant inclusion in sharply defined classes. Such items were thrown into two 'all other' classes—'miscellaneous income items' (Class 5) and 'miscellaneous deduction items' (Class 13). Although items allocated to the miscellaneous classes are not always clearly

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described, an attempt was made to place in Class 5 items that affect the amount of gross income reported. Items representing deductions from gross income were placed in Class 13.

The items in Class 5 vary widely in nature. Nevertheless, certain well defined causes of divergence are included. One is sufficiently important to constitute a major cause of divergence in one industrial group. About three-fourths of the 73 deviations assigned to Class 5 tend to cause book profit to exceed statutory net income. In 11 of the 17 industrial groups the Analysis Y ratio is smaller than 5 percent. In 5 of the remaining 6 groups no systematic cause of divergence is responsible for the substantial Class 5 deviations. A single item of over \$1,600,000, "oil revenue from property leased from State of X" (name of state concealed), accounts for almost the entire divergence in the mining group. Most of the divergence in the paper, printing, and publishing group is caused by one company which transferred a reserve for unrealized profits to current earnings on its books. An item entitled "excess book over actual profit" accounts for most of the deviation in the finance group.

The deviations in these classes are interesting, but they do not represent frequently recurring causes of divergence. In the trade group, on the other hand, the use of an installment basis of computing sales for one purpose but not for the other accounts for over half of the total number of divergences and for over 90 percent of the total amount of divergence.

The nature of Class 5 items has already been indicated, but a few more illustrations may be of interest. Thirteen divergences are due to different treatments of deposits in closed banks. Such divergences may cause a variation in either direction. Book profit tends to exceed statutory net income in one case when a recovery was made from a closed bank. The deposits in the closed banks had been written off on the books in preceding years, but this deduction was not allowed for tax purposes. In a second case the situation was reversed: the deduction had been taken for tax but not for book purposes in

preceding years. Thus in the year of recovery an income credit was recorded only for tax purposes.

Examples such as "1925 income item" and "income taxed in prior year by Revenue Agent" represent divergences arising from the limited period covered by the data. Both of these examples tend to make book profit larger than statutory net income in 1936, apparently because the company was more cautious than the tax authorities in recognizing the realization of income. In several cases adjustments or deferments of rental and royalty incomes created divergences. Dividends and discounts on treasury stock likewise caused several divergences. In the public utility group a half dozen companies reported "contributions from others credited to income" on their books; in these instances, these contributions did not constitute taxable income. Only a few of the remaining cases are so incompletely described that they may actually belong in other classes.

F CLASS 6: DEPRECIABLE AND DEPLETABLE ASSETS

1 Sample I Data

Class 6 and the seven classes that follow constitute deductions from gross income. Class 6 is one of the largest sources of divergence, both quantitatively and numerically; for analysis it was divided into four subclasses.

Subclass 6a is composed of divergences that arise from differing depreciation allowances for book and tax purposes. Any one of many causes may bring about different depreciation charges, but they arise mainly from different bases on which depreciation is allowed and different rates at which assets are depreciated.

Differing depletion allowances are grouped in Subclass 6b. Two causes probably explain the largest items in this subclass. The percentage-of-gross-income and discovery-value methods of computing depletion deductions, allowable in certain cases for tax purposes, are exceedingly generous to the taxpayer. Companies that use these methods for tax purposes usually

take considerably smaller depletion deductions on their books, if, indeed, they take any book deductions at all. Thus tax depletion deductions exceed book depletion deductions both because of the generosity of the former and the absence of the latter.

The cost of depreciable assets may be either charged directly to current expenses or be set up as an asset subject to depreciation in subsequent years; divergences due to the adoption of one of these methods for book purposes and the other for tax purposes were put in Subclass 6c. Subclass 6c divergences are uniformly small. The largest number of items is reported by the finance group. Possibly financial companies regard their wasting physical assets as of such minor importance that they write them off as current expenses for book purposes. The most common source of divergence is reported in the reconciliation schedule as "furniture and fixtures, additions or betterments treated as expenses on books less depreciation on furniture and fixtures". In subsequent years the tax charge would continue to appear as a depreciation deduction, but no offsetting book deduction would be shown. Other items, such as tools and dies, have been treated similarly. The procedure was reversed in the case of repairs, which were charged off immediately for tax purposes but deferred for book purposes. Possibly such repairs should not be placed in Subclass 6c.

Subclass 6d comprises divergences arising from the 'retirement of fixed assets'. Two obvious reasons probably account for most of these divergences. First, the practice of some companies of charging losses on such retirements to surplus on their books, especially if the losses are unexpected, will usually create a divergence tending to cause book profit to exceed statutory net income. Secondly, different bases for tax and book purposes will give rise to different charges at the time of retirement.

As expected, Subclass 6d divergences are not frequent but they are often large. Only 39 companies—less than 8 percent of the sample—reported such divergences. In 12 industrial

groups the Analysis Y ratio is lower than 2 percent. On the other hand, 3 groups reported ratios ranging-because of large isolated divergences-from over 9 to nearly 36 percent.

Most items in Subclass 6d are described simply as "loss on assets scrapped", "retirement losses", or by some similar phrase without any detailed explanation of the nature of the divergences arising from these losses. For a few items, more detail was given. For example, one company reported a "loss on abandonment of furniture and fixtures in discontinued departments charged to capital surplus". Another reported that a portion of the losses experienced on the abandonment of buildings was deferred on its books but written off for tax purposes. In contrast to these two instances the book deduction of one company exceeded its tax deduction at the time machinery and equipment were scrapped, since the appraised book value of these assets exceeded their cost value and was charged to current income.

These subclasses are by no means unrelated. Different depreciation policies may be responsible for divergences upon the retirement of partly depreciated assets. A decision to treat an item as a current expense on one set of accounts and as a capital asset on the other will create divergences in basis and in depreciation charges, in both current and subsequent accounting periods.

Table 25 reveals the great importance of divergences in depreciable and depletable assets. Two hundred ninety-seven divergences are reported by the 505 corporations comprising Sample I. Some companies reported divergences in more than one subclass. The total number of Class 6 divergences was calculated by adding the number of divergences in each subclass rather than by determining the number of companies reporting divergences.

Analysis Y ratios vary widely from one industrial group to another, but in general they are high with sufficient consistency to warrant the conclusion that different treatments of depreciable and depletable assets are the largest single source

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of differences between book profit and statutory net income. Moreover, the dispersion among industrial groups appears to reflect actual differences in the importance of depreciable and depletable assets in different industrial groups; at any rate, it accords with expectations. For instance, depreciation is of relatively minor importance in the finance, service, and trade industries. Precisely these groups reported the smallest ratios for Class 6 divergences.

With the exception of the mining group and of one or two other groups where accidental causes probably predominate, divergences in depreciation charges constitute the dominant reason for Class 6 deviations. In the mining group depletion differences are the major cause of divergence. They comprise substantially the entire Class 6 divergence and over half of all divergences in the mining group. A few depletion divergences are scattered among other industrial groups, but they are of no general importance.

Data on tax returns are not sufficiently detailed to permit allocation into finer subclasses, but enough detail is presented on some returns to provide interesting illustrations. The following instances are typical of divergences arising from different treatments of depreciation tending to cause book profit to exceed statutory net income. Tax deductions for depreciation were claimed in 1936 when the book deductions had been taken earlier. Some of these cases undoubtedly represent current year depreciation divergences resulting from prior year Subclass 6d divergences. In other instances book depreciation was computed on a lower basis than the tax basis. Thus, at the same rates of depreciation the tax charge would exceed the book charge. One company reported a larger tax deduction for depreciation on a cost basis than on the revalued basis for book purposes. Another reported higher depreciation and amortization based on cost than on appraised values. Occasionally, a tax deduction was allowed when no book deduction was taken in either the current year or prior years. For example, depreciation was charged to surplus on the books of one com-

pany. In other cases book depreciation was charged to obsolescence reserves, and, therefore, would not constitute an income deduction in the current year; moreover, if this reserve had been created from a surplus account, it would at no time have constituted an income deduction. A public utility company reported excess allowable depreciation over renewals and replacements taken as book deductions. Doubtless other examples are concealed in the many unexplained divergences reported merely as depreciation divergences.

The divergences tending to cause statutory net income to exceed book profit are considerably less varied in nature. The most common source is 'depreciation on appreciation'; that is, the book basis of the assets was written up higher than the tax basis, and the revaluation results in larger book deductions for depreciation in subsequent years. Sometimes such a divergence may reflect purely a book revaluation of assets. At other times it undoubtedly reflects a difference in basis due to a reorganization or other transfer of assets from one corporation to another. For instance, one company reported a difference in the depreciation taken on the appraised book value of assets as compared with the tax depreciation based on the cost to its predecessor. Other examples include depreciation accrued on the books but not deducted on the tax return; depreciation applicable to prior years taken on the books but not allowed for tax purposes; depreciation for taxable year on fire loss replacement not allowed for tax purposes; and many unexplained items such as "book depreciation in excess of federal" and "excessive depreciation".

Few depletion divergences are described in much detail; frequently no information is given beyond the brief comment "divergent depletion charges". Several companies reported "excess depletion allowed for tax purposes". Occasionally, depletion computed by the percentage method for tax purposes is mentioned as exceeding book depletion. At least one company reported "depletion not recorded on books". The few cases in which book depletion charges exceeded the tax charges

include such items as "depletion not on return", "depletion not deductible", and "depletion not claimed". It should be emphasized once again that Sample I does not include oil and gas producing companies. Hence the important deviations in this industry resulting from different treatments of deductions for depletion and of intangible drilling costs are not reflected in the sample.

2 Sample II Data

The above measures of the relative importance of different treatments of depreciable and depletable assets in terms of aggregate divergences between book profit and statutory net income are now supplemented by Analysis X ratios computed from Sample II data (Tables 26 and 27).²

From Table 26 the following tendencies may be noticed as points worthy of further investigation.³ Tax depreciation charges for public utilities are apparently consistently larger than the corresponding book charges. The opposite relationship seems to hold, although to a much smaller degree, for the foods, beverages, and tobacco manufacturing group. On the whole, with the exception of the public utility group, the average differences between book and tax depreciation, by industrial groups, are remarkably small. This conclusion becomes more impressive when the relatively small size of the sample is considered. The averages, however, conceal a wide dispersion of individual companies. Book deductions are perhaps slightly larger in 1936 and 1937, relative to tax deductions, than in 1934 and 1935, but the evidence is inconclusive.

In connection with the comparison of book and tax deductions for depreciation it is important to recall that the tax

2 The Analysis X ratio is computed for Sample II because aggregate depreciation and depletion charges are available; data with respect to the aggregate causes of divergence between book profit and statutory net income, as used in the Analysis Y ratio, are not available. For Sample I the situation was the reverse. 3 Throughout this section and Section 8 the qualifications made in Chapter 10, Section C1, because of the imperfect comparability of the data should be kept in mind.

P

Ratio of Divergences between Tax and Book Deductions to their Arithmetic Mean, Sample II Corporations, 1934–1937 (percentages)

	1934	1935	1936	1937
Manufacturing	, r	DEPREC	IATION	
Foods, beverages, & tobacco	7.7	9.9	9.6	7.7
Metals	-8.1	0.3	-1.0	2.6
Miscellaneous	6.8	5.6	-0.7	3.9
Trade	-5.7	-5.3	1.7	-0.5
Public utilities	-15.3	-29.0	-19.7	-27.4
Miscellaneous companies	-10.6	-3.0	6.2	4.3
	DE	PRECIA	TION A	N D .
		DEPLE	TION	
Mining	-64.0	-59.0	-56.9	-61.2
Manufacturing				
Foods, beverages, & tobacco	7.7	9.9	9.6	7.7
Metals	-8.3	0.2	-3.0	1.7
Miscellaneous	4.2	4.8	-1.7	2.6
Trade	-5.7	-5.3	1.7	-0.5
Public utilities	-4.2*	-29.0	-19.7	-27.4
Miscellaneous companies	-7.4	-1.3	-2.9	-1.9
•	ваг	DEBT	EXPENS	E
Mining	-94.1	-96.7	-59.3	-59.4
Manufacturing	0			
Foods, beverages, & tobacco	5.8	-4.3	5.3	-3.1
Metals	-18.9	-26.4	-6.8	-28.4
Miscellaneous	-30.5	-12.8	5.2	14.3
l rade	-22.2	4.4	-13.0	-4.7
Public utilities	23.8	49.2	42.4	7.0
miscenaneous companies	-138.0	- 74-9	-53.7	~47 ∙5

• This ratio is abnormally large (algebraically) because one large company reported substantial book depreciation and depletion charges in 1934 but no tax depreciation and depletion charges whatsoever. This probably represents an error in reporting rather than a significant difference. The ratio under 'Depreciation' above, -15.3, is undoubtedly more representative of the sample.

data are taken from unaudited tax returns. Under Congressional pressure the Treasury inaugurated in 1934 a campaign to increase tax revenues by disallowing unduly large claims by taxpayers for depreciation deductions (Ch. 3, Sec. A3). The annual reports of the Commissioner of Internal Revenue indicate that during the five years ending June 30, 1940, approximately \$1 billion, or an annual average of \$200 million, of claims for depreciation were disallowed by the Treasury. The

TABLE 27: Tax and Book Deductions, Sample II Corporations, 1934–1937 (dollar figures in millions)

		MAI	NUFA	стик	ING			
			Food, bev					
	MINING	Total	& tobacco	o Metals	Misc.	TRADE	PUB. UT.	MISC. CO.
1934				DEPH	RECIAT	TION		
No. of corp.		206	43	101	62	30	87	80
Tax ded.		36.76	5.78	21.18	q.8q	4.79	42.06	8.70
Book ded.		36.27	6.19	19.50	10.58	4.52	36.84	3.33
1935								
No. of corp.		285	60	133	92	53	51	52
Tax ded.		55.04	6.85	34.08	14.11	6.95	72.86	6.19
Book ded.		52.65	7.57	34.17	14.92	6.59	54.38	6.oĭ
1936								
No. of corp.		352	75	169	108	63	58	74
Tax ded.		56.05	8.25	30.80	17.00	8.5 6	78.56	6.06
Book ded.		56.47	9.08	30.50	16.88	8.70	64.46	6.45
1937								
No. of corp.		371	72	185	114	66	63	70
Tax ded.		66.go	8.64	37.72	20.54	9.03	95.16	7.99
Book ded.		69.39	9.34	38.70	21.35	8.98	72.20	8.34
1934 [′]		DEPR	ECIAT	ΙΟΝ	AND D	EPLET	ΙΟΝ	
No. of corp.	27	211	43	104	64	39	38	36
Tax ded.	11.54	39.87	5.73	22.42	11.72	4.79	42.96*	3.70
Book ded,	5.95	39.0 3	6.19	20.63	12.21	4.52	41.21*	3.44
1935								
No. of corp.	30	288	60	135	93	53	51	46
Tax ded.	12.94	55.72	6.85	34.22	14.65	6.95	72.86	6.02
Book ded.	7.05	57.22	7.57	34.29	15.36	6.59	54.38	5.94
1936		_		•		_		
No. of corp.	50	360	275	173	112	63	58	_ 57
Tax ded.	16.90	66.07	8.25	37.55	20.27	8.56	78.56	6.03
Book ded.	9.42	65.43	9.08	36.43	19.92	8.70	64.46	5.85
1937		•						
No. of corp.	48	378	72	188	118	66	63	61
Tax ded.	20.52	70.54	8.64	39.00	22.90	9.03	95.16	6.47
Book ded.	10.90	, 7 ² .53	9.34	39.68	23.52	8.98	72.20	6.35
1934			BAD	D E B T	ЕХРЕ	N \$ E		
No. of corp.	28	210	44	102	64	37	38	36
Tax ded.	.11	4.68	•57	2.90	1.20	1.23	2.90	3.43
Book ded.	.04	3.89	.61	2.40	.88	.98	2.28	.63
1935								•
No. of corp.	30	289	60	137	92	<u>5</u> 2	51	46
Tax ded.	.13	5.53	.87	3.09	1.58	1.84	1.90	.70
Book ded.	.04	4.59	.83	2.37	1.39	1.92	3.15	.34
1936						0		
No. of corp.	50	361	74	175	112	62	58	55
Tax ded.	.07	4.96	1.04	2.31	1.01	2.19	1.53	•79
Book ded.	.04	4.95	1.10	2.10	1.70	1.92	2.35	.46
1937	•	0		. 00	0		6.	· · ·
No. of corp.	48	378	72	188	118	65	63	60
Tax ded.	.11	5.24	.90	2.83	1.45	2.57	2.20	1.01
Book ded.	.06	4·72	.93	2.12	1.07	¥∙45	2.30	.62

• The tax depreciation and depletion deduction for the public utilities group in 1934 exceeds the book deduction by only a small amount because one large company took substantial deductions on its books but did not claim any deduction on its tax return. The depreciation data for the public utilities group in 1934 are undoubtedly more representative of the sample.

amounts disallowed were approximately 6 percent of total annual deductions for depreciation claimed by corporate taxpayers.

In interpreting these auditing adjustments several points should be noted. First, the \$1 billion figure is for total disallowances of depreciation claims; some part—though presumably a small part—is for disallowances of deductions for depreciation claimed by unincorporated enterprises. Secondly, there is no way of distributing these amounts to the tax years to which they apply. Thirdly, it seems reasonable to believe that the amounts disallowed in 1935-40 were abnormally large because of the special pressure applied to the Bureau of Internal Revenue by Congress.⁴

The important difference between the 'Depreciation' and 'Depreciation and Depletion' sections of Table 26 lies, of course, in the mining group, where tax charges for depletion far exceed book charges. In the first section mining corporations were included among 'miscellaneous companies' since only a few mining companies reported no or negligible charges for depletion. Moreover, the mining companies reporting no depletion charges for book or tax purposes may be assumed to be atypical. The favorable tax treatment accorded depletion companies is a matter of general knowledge; the extent of the advantage is illustrated by the ratios of the second section.

Table 28 expresses the sum of the deductions for depreciation and depletion taken by the Sample II corporations in 1937 as a percentage of the deductions for depreciation and depletion taken by all corporations in the comparable industrial groups of *Statistics of Income* for 1937, thereby indicating the coverage of the sample.

Frequency distributions of the Analysis X ratio for depreciation and depletion charges of the Sample II corporations for

⁴ Indeed, it is presumably only because of this pressure that published information is available for 1935-40 concerning the amounts of depreciation disallowed by the Treasury. Such data are not available for other disallowances or for depreciation deductions since 1940.

TABLE 28

Deductions Reported on Tax Returns by Sample II Corporations and in *Statistics of Income*, 1937 (dollar figures in millions)

		MAN	Food bev.	сти: ,	RING		PUB.	MISC.
	MINING	Total	& tob	. Metals	Misc.	TRADE	UT.	co.
1 Amt. report. b	v	DEPRI	ECIA	TION	ANDD	EPLET	ION	
Sample II corp	. 20.52	70.54	8.64	<u>5</u> 9.00	22.90	9.03	95.16	6.47
Stat. of Income	1 8 446.41	1,592.49	187.44	469.60	935-45	276.12	926.20	583.95*
3 % line 1 is of 1	≩ 4.6	4.4	4.6	8.3	2.4	5.8	10.3	1.1
4 Amt. report. b	у		BAD	DEBT	EXPE	NSE		
Sample II corp 5 Amt. report. in)11 1	5.24	.9 6	2.83	1.45	2.57	2.20	1.01
Stat. of Income	: 10.79	185.65	27.11	53.81	104.73	183.44	28.95	342.56†
6 % line 4 is of g	j 1.0	2.8	8.5	5-3	1.4	1.4	7.6	0.3

* Because of rounding, the manufacturing groups do not add precisely to the total manufacturing figure in *Statistics of Income*.

+ Agriculture is excluded from the miscellaneous companies for purposes of comparability.

1937, classified by industrial groups, are presented in Chart 5.⁵ If we omit, for the moment, the mining and public utility groups, the following generalizations may be made. There is a marked concentration of Analysis X ratios about a zero value. On the other hand, a small minority of corporations have large divergences; for instance, approximately 14 percent of all manufacturing corporations have ratios numerically greater than 50 percent.

For the food, beverage, and tobacco industries, taken as a unit, book depreciation and depletion charges systematically exceeded the tax charges; ⁶ the aggregate Analysis X ratio for ⁵ Detailed worksheets were constructed for much finer industrial groups for each year 1934-37. The charts presented are typical of these worksheets. In Chart 5, and also Chart 6, the dotted area in the zero column represents companies that report equal amounts of depreciation and depletion (or in Chart 6 bad debt expenses) for tax and book purposes. The cross-hatched area represents companies that do not report such charges for either purpose.

⁶ While the data presented in Chart 5 include both depreciation and depletion charges, for all industrial groups except mining depletion charges are negligible. Thus, no significant error will be introduced if the charts for the nonmining groups are interpreted simply as frequency distributions of depreciation charges.

this industrial group was 7.5-10 percent in each year 1934-37. The beverage group is almost entirely responsible for the tendency of book charges to exceed tax charges. The concentration to the right is marked in each year 1934-37. For example, in 1937, 28 percent of the beverage group has Analysis X ratios algebraically in excess of +50 percent, while fewer than 10 percent of the entire manufacturing group, exclusive of beverages, have ratios exceeding +50 percent.

Since 1933 beverages, including alcoholic liquors, have been a rapidly growing and presumably highly profitable industry. Most of the beverage companies in our sample have reported much larger charges for depreciation on their public statements than they have claimed for tax purposes. A possible explanation is that they may have deliberately attempted to minimize their apparent profitability. Such a policy might have been followed for several reasons. Companies could withhold a larger proportion of their true earnings without arousing protest from their stockholders. In addition they might safeguard themselves from public or political criticism as profiteers or from increased competition from new investment attracted to the industry by its unusual profitability.

The data do not demonstrate the validity of this hypothesis, but they do suggest that more extensive study of depreciation policies of companies classified by their rate of profitability might be illuminating. Unfortunately, the present sample is not adequate for such a study.

The mining and public utility groups have patterns strikingly different from the other groups: tax deductions typically exceed book deductions, often by large amounts. None of the 63 corporations in the public utility group, for instance, has a positive Analysis X ratio exceeding 4 percent. In certain fields of utility operations, the discrepancy between the amounts of depreciation and related expenses taken for the two purposes is attributable largely to retirement accounting.

The explanation for the marked tendency of tax deductions for depreciation and depletion to exceed book deductions in

CHART 5 Frequency Distribution of Analysis X Ratios for Depreciation and Depletion Charges Sample II Corporations, 1937





the mining group is simple: deductions were computed by the percentage-of-gross-income or discovery-value methods for tax purposes but not for book purposes.

G CLASS 7: INTANCIBLE ASSETS

The nature of Class 7 divergences varies with the particular intangible asset involved. Differences in the treatment of organization and reorganization expenditures, Subclass 7a, for example, systematically tend to cause statutory net income to exceed book profit. Such expenditures are never allowed as deductions for tax purposes. For book purposes, however, they are usually treated as current expenses or as assets subject to amortization.

Patent expenses constitute a second general source of Class 7 divergences. Some part of expenditures on patents are ordinarily regarded as assets subject to amortization for tax purposes, but the entire amounts are often charged off as current expenses for book purposes. Thus, in the year in which a new patent is purchased or developed, the book charge is likely to be larger than the tax charge. In subsequent years, however, when the patent is amortized for tax purposes, the tax charge will exceed the book charge. The cost of additional patents in later years may, of course, conceal this relationship.

Other sources of Class 7 divergences were grouped in Subclass 7c, which includes divergences resulting from different treatments of all intangible assets except patents and organization and reorganization expenses. Different treatments of development expenses are responsible for many deviations. For example, one company reports development expenses amortized for tax purposes but previously charged to surplus on its books. The different treatments of mining leases are not explained. A large source of divergence in the trade and public utility groups is the treatment of leaseholds. One company reports the "amortization of cost of leaseholds not charged off on books"; others report apparently similar items in less detail. Most cases mentioned tended to cause book profit

to exceed statutory net income. The most frequent source of divergence operating in the opposite direction is the treatment of the cost of issuing new securities or registering securities on stock exchanges. In a sense some of these divergences are closely similar to reorganization expenses.

A striking fact about the analysis of Classes 1-6 is that, except for isolated items and predictable variations, the relative importance of each is surprisingly consistent among industrial groups. Class 7 divergences, in contrast, vary greatly from group to group and are apparently not explained by special causes operating in specific industrial groups. Hence, an evaluation of their probable importance in a larger sample is difficult.

In 9 of the 17 industrial groups the Analysis Y ratio is lower than 2 percent. On the other hand, in 7 groups it exceeds 5 percent and in 4 groups 10 percent. Class 7 divergences are moderately common: 118 are reported by Sample I corporations.

None of the 3 subclasses dominates this class. Twenty companies reported different treatments of assets representing organization and reorganization expenditures. Eighteen of these conform to expectations, showing larger book than tax deductions; in two unexplained instances the tax exceeds the book deduction. Only twice do these divergences exceed \$50,000. Fifty companies reported different treatments of patent expenses, but the differences are uniformly small; the highest Analysis Y ratio for Subclass 7b is smaller than 5 percent. Subclass c has about the same number of divergences as b, but they run to considerably larger amounts. In the mining group, for example, two items of over \$300,000 are reported, one described as development costs capitalized and another as a statutory loss on leases written off. A miscellaneous manufacturing company reported over \$400,000 for development expenses charged off on its books in 1935 but not claimed as a tax deduction until 1936. One retail trade company reported

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a special statutory amortization of leasehold improvements of over \$900,000, while only \$80,000 was taken as book amortization.

H CLASS 8: BAD DEBT EXPENSES

1 Sample I Data

Differences in bad debt accounting are frequent and occasionally of moderate size. Their nature is discussed in detail in Chapter 5 and need not be repeated here.

Over one-third of the companies in Sample I report bad debt divergences, but most are small (Table 25). The largest divergence occurs in the retail trade industry where one company reported nearly \$700,000 for "addition to bad debts reserve". The Analysis Y ratio does not reach 11 percent in any industrial group. But it exceeds 5 percent in 8 groups and in 3 other groups it is between 3 and 5 percent.

The data are not sufficiently detailed to warrant a division of bad debts divergences into subclasses. Nevertheless, almost every kind of divergence mentioned in Chapter 5 could be illustrated. The broader scope of the tax classification is illustrated by one case where the tax deduction exceeds the book deduction by the amount of second mortgage notes ascertained to be uncollectible and therefore charged off. Other representative instances apparently not due to differences in scope include bad debts accrued in excess of the actual write off; reserve for bad debts in excess of the actual loss; and excess book provision for bad debts. Several companies reported different treatments of bad debt recoveries; one reads "recovery of bad debts previously disallowed". Presumably, this recovery was reported as book income, since the debt had previously been charged against income on the company's books, but not as taxable income.

2 Sample II Data

As in the analysis of depreciation and depletion deductions, Sample II may be used to supplement the information on bad

debt divergences revealed by Sample I. Conclusions based on the bad debt section of Table 26 must be even more tentative than those drawn from the depreciation section of Table 26, for the bad debt ratios are much more subject to distortion by single, large divergences.⁷ With the exception of the public utility group, and to a lesser degree the foods and miscellaneous manufacturing groups, the tax deductions are consistently larger than the book deductions. Excluding public utilities, 19 of the remaining 24 ratios are negative. Thus, the expectation that bad debt deductions claimed for tax purposes exceed book deductions because of the more inclusive character of the tax concept is confirmed.

On the average, manufacturing companies show moderately small divergences. The ratios for the food, beverage, and tobacco group are within 6 percent of zero in all four years. In two years they are negative and in the other two years, positive. Likewise, the miscellaneous manufacturing group ratios are twice negative and twice positive. The ratios in this subgroup become progressively larger, algebraically, during the four years. Probably, however, this variation is not significant. Three large divergences account for the size of the negative ratio in 1934. Nevertheless, the ratio would be negative even if these three cases were eliminated. A single, large divergence is responsible for the size of the 1937 ratio also, but not for its algebraic sign, which is positive. The metals group, on the contrary, has a negative ratio in all four years; in three years the numerical ratio exceeds 18 percent. Though several substantial divergences are reported, their direction is such that they largely offset one another. On the whole, the elimination of the largest half-dozen individual divergences would bring the ratios closer to zero, but they would remain negative.

The ratios for the trade group are negative in three years and positive in the fourth. The large negative ratio in 1934 can be attributed to three companies which report much larger

⁷ Throughout this section the qualifications mentioned in Chapter 10, Section C1, because of the imperfect comparability of the data should be kept in mind.

tax than book deductions. The mining group shows unusually large negative ratios in every year because several companies reported moderately large bad debt deductions for income tax purposes but no deductions for book purposes. No one company dominates the group.

Since financial companies are included in the miscellaneous group, it too shows large negative ratios in all four years in accordance with expectations. In 1935 and 1936 several large divergences are responsible for the size, but not the sign, of the ratios. One extremely large divergence accounts for the exceptionally large 1934 ratio.

In sharp contrast to all the other groups, public utilities have positive ratios in each year. In three years the ratios are large. While several substantial divergences account for the size of the ratios in the first three years, the ratios would be positive even if these cases were ignored. Why the public utility group is different is not clear. It may be simply a statistical accident, but that seems somewhat unlikely, since the ratio is consistent from year to year. Moreover, as Table 28 indicates, bad debt deductions by the public utility companies in the sample represent nearly 8 percent of the total bad debt deductions reported by all public utility corporations in *Statistics of Income* for 1937. Indeed, the sample contains approximately 1-8 percent of the bad debt deductions claimed by the entire corporate economy in 1937 in most of the broad industrial groups.

Chart 6, which shows frequency distributions of the Analysis X ratio for bad debt deductions by industrial groups, is identical technically with those in the book profit-statutory net income comparison. Data are for 1937 except for the 'miscellaneous corporations' group which presents the frequency distribution for 1936, a more typical year for this group. Preliminary charts were made for all four years and for narrower industrial classifications, but the charts here presented are adequate to represent the nature of the distribution of bad debt divergences.

I CLASS 9: INTEREST PAID

With one major exception, divergences due to the treatment of interest expenses are not large. But this exception, different treatments of funded debt expenses by public utility companies, ranks with depletion in the mining group and depreciation in the public utility group as among the most dramatic cases revealed in this study. Indeed, divergences in interest expenses, primarily in funded debt expenses, account for over half of the aggregate divergences reported by the 29 public utility companies in Sample I, aggregating nearly \$18 million. Moreover, 90 percent tend to cause book profit to exceed statutory net income. Scattered instances of different treatments of funded debt expenses are reported in other industrial groups, but most lead to relatively small divergences. A holding company, however, reported \$350,000 for a credit to a debenture retirement fund reserve, an unallowable book deduction, and a bridge company reported a tax deduction of \$250,000 representing the cost of retiring bonds but did not take a book deduction. Because the miscellaneous group, in which the latter company is classified, is poorly represented in the sample the Analysis Y ratio reflecting this divergence is 24.3 percent. Of 51 Subclass 9a divergences 40 percent occur in the public utility group.

Funded debt expenses may be treated in a considerable variety of ways. Regulations 94, Article 22(a)-18, stipulated the treatment to be followed for tax purposes in accounting for the sale and purchase by a corporation of its bonds under the Revenue Act of 1936. Broadly speaking, income or expense from bonds issued after February 28, 1913 at a premium or discount is amortized over the life of the bonds. On the other hand, if a corporation purchases or redeems its bonds, income or loss on the transaction is taxable or deductible in the year of purchase. The amount is determined by the excess of the issuance price, adjusted for premiums or discounts already amortized, over the purchase price.

Frequency Distribution of Analysis X Ratios for Bad Debt Deductions Sample II Corporations, 1937



CHART 6



CHART 6 (concl.)



The tax regulations obviously prescribe only one of many ways in which these transactions may be recorded. A different rate of amortization may be used for book purposes. Indeed, the entire premium or discount may be credited or charged to income at the time of issuance. The book charge may be carried directly to surplus. A surplus credit or charge is especially likely if bonds are called for redemption when a large unamortized premium or discount remains outstanding.

Most of these treatments are represented, although often without complete details. Many divergences are reported with uninformative explanatory comments such as "amortization of bond discount on bonds charged to surplus". One company reported a larger tax than book deduction for "unamortized debt discount and expense and premium and redemption expense on bonds called for redemption in 1936". Possibly these expenses were charged to surplus on the books. In a similar case, however, such charges were reported as deferred on the books. Occasionally, the divergence consists only of year-toyear variations. For example, one company reported "discount on bonds purchased during 1936 not on books until 1937".

Subclass 9b divergences—interest paid or received on prioryear federal income taxes paid or refunded in the current year —are uniformly small; indeed, in no case does the Analysis Y ratio reach even 1 percent. When, as is often the case, payments or refunds of prior-year taxes are charged or credited to surplus rather than to income accounts, the interest is usually charged or credited to surplus. But the interest on such taxes, in contrast to the taxes themselves, constitutes an allowable tax deduction. Divergences arise, therefore, when such interest expenses or receipts are charged or credited to surplus for book purposes.⁸ Twenty-one such cases, scattered through the various industrial groups, are reported. Eighteen represent in-

⁸ Some of the items classified in both Subclasses ga and b are gross income items. While the practice of regarding them as part of interest expenses is logically inconsistent, it afforded the most convenient basis of classification for our purposes.

terest payments that had been charged to surplus for book purposes.

The often referred to but unimportant provision that interest on indebtedness incurred to purchase tax exempt securities shall not be considered an allowable deduction gives rise to small divergences. They were put in Subclass 9c. Only four companies—less than 1 percent of the sample—report such divergences.

The other interest paid subclass, 9d, consists of several miscellaneous items of which the most important is interest charged to surplus or deferred until future accounting periods. Thirty-five divergences, amounting to \$1.4 million, are reported, over half of them in the public utility group. In this group they are overshadowed by Subclass 9a divergences, and they are unimportant elsewhere. Subclass od offers a considerable variety of cases. At least 10 public utilities-more than one-third of the companies in the sample-reported interest on funds advanced for construction work as a tax deduction but not as a book deduction. One or two reported an item of this nature along with different amounts of funded debt expenses. Companies outside the public utility group also reported interest set up in an asset account for book purposes without explaining the nature of the assets. Other companies reported interest charged to surplus. Divergences reported as causing book deductions to exceed tax deductions include "interest credited to asset account" and "interest expense not applicable to 1936". Presumably the book deduction was taken in 1936 while the tax deduction was taken in another year.

J CLASS 10: TAXES PAID (EXCLUSIVE OF FEDERAL INCOME AND UNDISTRIBUTED PROFITS TAXES)

Differences in taxes paid are by far the most frequent source of divergences between book profit and statutory net income. Three hundred and four companies—over 60 percent of the sample—reported different figures for taxes. Many report several items on their tax returns causing divergences. By a

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strange coincidence, exactly half of the companies reporting divergences show larger book deductions while the other half show larger tax deductions.

Despite the great frequency of divergences in taxes paid, their average size is so small that, quantitatively, they are only moderately important (Table 25). In no case does the Analysis Y ratio exceed 10 percent. Five industrial groups, however, have ratios of 5-10 percent, and in only one group is the ratio less than 1 percent.

No attempt was made to compute an elaborate set of tables for Class 10. But a rough count of the divergences attributable to different taxes was made in order to indicate, even though crudely, the principal sources. Approximately 165 companies -one-third of the sample-report divergences in accounting for the federal capital stock tax. Most of these divergences reflect the fact that the tax was assessed for a period that ordinarily did not coincide with the accounting period used for book or tax purposes. For example, one company reported that a portion of the federal capital stock tax for the year ended June 30, 1936 was deferred on its books and charged as an expense for the calendar year 1936. But the entire amount of the tax through June 30, 1936 was deducted on the 1935 income tax return filed for the period ended December 31, 1935. Likewise, a portion of the tax assessed for the year ended June 30, 1937 was deferred to the calendar year 1937 for book purposes, although it was deducted in full on the tax return for the calendar year 1986. Other companies reported substantially similar treatments. Many merely reported divergences without explaining their causes.

About 85 companies reported different amounts of state taxes. The New York state franchise tax—and less commonly franchise taxes of other states—was reported with considerable frequency as a source of divergence. State income, excise, and capital stock taxes are well represented. To some extent the explanation is the same as that suggested as the principal cause of differences in federal capital stock taxes. In other cases an

unallowable reserve for payment of the tax in question was set up on the books, while for tax purposes the deduction was claimed as it accrued in the tax sense or was paid. In still other cases the accounting procedures were identical but different amounts were charged for the two purposes.

About 50 companies reported current year payments or refunds of prior year taxes as creating divergences. Probably more than two-thirds involved the federal income tax. Such payments or refunds may be charged or credited to either net income or surplus accounts on the company's books. When they are carried through the income account a divergence is created, since they do not constitute current year expenses or income for tax purposes.

About 40 companies, many in the public utility group, reported deducting federal income taxes on tax free covenant bonds for book but not for tax purposes. About 10 companies reported nondeductible special assessments against property for local improvements enhancing the value of the property. The treatment of various local taxes caused 20 divergences. Unemployment insurance taxes were charged to surplus or set up in asset accounts by a handful of companies. 'Organization taxes', such as document stamps, were charged to surplus in a dozen cases. Processing tax refunds and windfall taxes on 'unjust enrichments' received a smattering representation. Several divergences in the amount of foreign taxes reported were recorded. One company reported a reversal of a reserve for taxes on unrealized appreciation of securities held. Several companies reported different treatments of excess profits taxes. Finally, perhaps 50 divergences were reported without any explanatory detail.

K CLASS 11: RENTS AND ROYALTIES

Statistically, divergences between rents and royalties are wholly unimportant, as Table 25 indicates. Of the 13 reported, all are small. Indeed, in only one industrial group does the Analysis Y ratio exceed 1 percent: an item of \$50,000 in the
foods group, 'deferred rents', causes statutory net income to exceed book profit. Other examples operating in the same direction include overaccruals of rent expense and different treatments of royalties.

Divergences tending to cause book profit to exceed statutory net income include such items as rent paid to X (name withheld) Telephone Company for use of poles charged to surplus; royalty payments not deducted on books; minimum royalties on non-operating reserves; pro rata portion of lease revision; and amortization of cost of lease previously written off.⁹

L CLASS 12: NONALLOWABLE RESERVES

Except in isolated instances—such as the reserve for bad debts provision—the tax law does not permit a deduction for reserves against possible subsequent but unascertained expenses or losses. At one extreme are items analogous to the reserve for bad debts, representing necessary exclusions from gross income in order to obtain a proper accounting definition of income. Tax practice, however, ordinarily disallows their deduction; the practice with reference to reserves for bad debts is a statutory exception to the general rule. At the other extreme are purely precautionary reserves.

Business corporations have set up a wide variety of reserve accounts for book purposes. To facilitate tabulation, the numerous specific reserve accounts were divided into 5 subclasses: reserves for insurance and compensation, repairs and replacements, investment and exchange fluctuations, sales expenses, and for contingency and other unallowable items.

The importance of Class 12 divergences is manifest from Table 25. Indeed, nonallowable reserve accounts for book purposes are perhaps second only to differences in the treatment of depreciable and depletable assets as a cause of divergence. Moreover, Class 12 divergences include only items that

⁹ When leases were reported in the mining group they were regarded as intangible assets on the theory that they probably resemble development expenditures. In all other groups, however, such divergences were included in Class 11.

cannot conveniently be allocated to other classes; for example, a divergence between a book reserve for taxes and statutory taxes paid or accrued would be assigned to Class 10. Class 12 has 273 divergences, divided rather evenly between the two directions.

Subclass 12a—unallowable reserves for insurance and compensation—constitutes a relatively frequent but not especially large source of divergence. Seventy-three companies report such divergences as reserves for workmen's compensation, pensions, employees' welfare, employees' injury, vacation payroll, plate glass insurance, and employee retirement. The Analysis Y ratio exceeds 2 percent in only two industrial groups.

Reserves for unallowable repairs and replacements are infrequent. Examples include reserves for dock repairs, painting, maintenance of general structures, extraordinary maintenance, and for relining furnaces. Only 23 cases, rather evenly divided between the two directions of divergence, are reported. The Analysis Y ratios are uniformly small.

Forty-five companies report different amounts of reserves for investment and exchange fluctuations; these too are almost equally divided between the two directions. While they are less frequent than those in Subclass 12a, they are considerably larger. Four industrial groups report Analysis Y ratios in excess of 3 percent. The line between Subclass 12c and divergences in capital gains and losses (Class 2) is rather fine. In general, items representing merely unrealized adjustments of book values were included in Subclass 12c, while Class 2 consists of realized gains and losses. This distinction is perhaps of doubtful validity, and Subclass 12c should be kept in mind when Class 2 is appraised. Examples of Subclass 12c include property valuation reserves, reduction in reserves for securities, appreciation of securities, provision for loss on investment, excess of charges over credits to exchange reserves, foreign exchange adjustment, and depreciation of sterling account.

Divergences due to unallowable reserves for sales expenses

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number 56 but the Analysis Y ratio exceeds 3 percent in only two industrial groups. Examples of Subclass 12d are reserves for discounts, customer allowances, dealers' commission, and for advertising expenses, sales discount not charged to current earnings, prepaid foreign commissions, noncollectible accounts of agent, provision for returns and allowances, and unallowable increases in reserves for participation certificates.¹⁰

Subclass e-other nonallowable reserves-are by far the largest source of Class 12 divergences, reported by 75 companies. While the highest Analysis Y ratio is 11.0 percent, 10 industrial groups report ratios of over 4 percent. Thus, other nonallowable reserves are consistently of moderate importance although nowhere of dominant importance. As contingency reserves constitute the vast majority of cases, most of the divergences probably represent nonallowable precautionary reserves. Other scattered divergences include reserves for legal expenses, closed banks, and for farm lands. Subclass 12e, like Classes 5 and 13, may conceal items which, if described more explicitly, would significantly alter the reported ratios for other classes.

M CLASS 13: MISCELLANEOUS DEDUCTIONS

Three subclasses not considered sufficiently important to deserve separate listing were grouped as miscellaneous deductions. This decision was made although two of these subclasses are among the most common causes of divergence. Subclass 13a comprises unallowable donations and contributions. Divergences may result from either the character or the amount of corporate donations and contributions. In Subclass 13b are listed insurance premiums paid on the life of any officer or employee when the corporation is directly or indirectly a bene-

10 The last item is explained as follows: "When dealers take in merchandise in trade, we participate and accept participation certificates in partial settlement of outstanding accounts. On receipt of these participation certificates, we charge off to profit and loss a portion of their face and carry the balance as an asset. This anticipated loss is not claimed for federal income tax purposes until actually realized."

ficiary. Subclass 13c contains other miscellaneous deductions.

A glance at Table 25 suffices to indicate that a sizeable fraction of aggregate divergences is included in Class 13. Both Subclasses 13a and b show an overwhelming portion of cases that tend to cause statutory net income to exceed book profit. In 08 of 102 companies with unallowable donations and contributions, the divergence reported tends to cause statutory net income to exceed book profit. The surprising fact is not that 98 cases have this tendency, but that 4 have the opposite. tendency. These 4 cases reflect the fact that the definition of the subclass was not applied rigidly. Accordingly, one case entitled "contributions to X University (name withheld) not charged off on books" was assigned to Subclass 13a even though it was not strictly an unallowable deduction. Quantitatively, this subclass is negligible. In all industrial groups the Analysis Y ratio is less than 2 percent and only one group reports a ratio as high as 1 percent.

The distribution of cases in Subclass 13b is very similar. Of 144 divergences, 129 tend to cause statutory net income to exceed book profit. The payment of an unallowable premium if not offset by proceeds from the policy upon the death of the insured person—will cause divergences in this direction.

Divergences tending to cause book profit to exceed statutory net income occur for several reasons. A few companies report that the cash surrender value of life insurance policies which they hold has increased by a larger amount than the premium due on the insurance. In other cases dividends on a paid-up life insurance policy augmented book profit but not statutory net income. Proceeds from life insurance upon the death of the insured person were reported by only two companies. One, a receipt of \$140,000 of nontaxable income, accounts for the single Analysis Y ratio higher than 10 percent. All other Subclass 13b ratios are small; indeed, in 14 of the 17 industrial groups they are less than 3 percent.

Subclass c accounts for the vast majority of Class 13 divergences. Indeed, in 8 industrial groups it accounts for over 10

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percent of aggregate divergences. Divergences tending to cause book profit to exceed statutory net income are much larger than those operating in the reverse direction, and are divided rather evenly between the two directions. Because of the heterogeneous nature of Subclass 13c, important cases of divergence are discussed in considerable detail.

In the food group two items—expenses charged to surplus and loss on judgment—account for the greater part of the divergence. One tobacco company reported "radio and newspaper advertising deferred on books". Several companies producing beverages reported items such as discarded labels, losses on containers and on cartons in the hands of customers. All were presumably charged to surplus for book purposes.

Most of the divergence in the textiles group is accounted for by a single large item, \$140,000, entitled "allowable deductions not taken on books". Unfortunately, a considerable number of divergences in Subclass 13c are described in this unsatisfactory manner. Consequently, some cases assigned to it may be misclassified. Other divergences in the textiles group are due to idle mill expenses and legal and professional services. Presumably they were charged to surplus or set up as deferred charges for book purposes. In the paper, publishing, and printing group the major source of divergence is entitled "deductible portion of items deferred on books".

The machinery and equipment manufacturers group reports such items as adjustment to cost of sales, law suits and stamps charged to surplus, breakage on boat shipments, and, surprisingly, "ordinary and necessary expenses capitalized". Not to treat ordinary and necessary expenses as a deduction from income is indeed peculiar! In the iron and steel and nonferrous metals group, both strike expenses and flood losses were deducted for statutory but not for book purposes.

Divergences in the finance group are very inadequately described. Four large items, amounting to nearly a million dollars, bear such ambiguous titles as "deductions debited to deferred charges on books", "not shown per books", "unex-

plained and miscellaneous deductions". In the trade group, on the other hand, an excellent degree of detail is given. One large item, \$2.6 million for "amortization in settlement of landlord's claims", was taken as a statutory but not as a book deduction. One company described a statutory deduction of nearly \$400,000 as "administrative expenses of trustee". No corresponding book deduction was taken.

Two interesting cases occur in the public utility group. In one, costs in connection with the establishment of a uniform accounting system were not taken as book deductions. Similarly, book profit tended to exceed statutory net income by \$500,000 in another case because of different treatments of "amortization of 30/60 cycle change-over expenses in 1936"; details were not given.

All the illustrations cited so far tended to cause book profit to exceed statutory net income. Divergences operating in the reverse direction are generally not large, but are significant in two or three industrial groups. One company in the machinery and equipment manufacturers group, for example, reported a divergence amounting to nearly \$400,000 for "adjustment of South American Branch income per tax schedule". An automobile parts and accessories company reported a substantial item for "advertising expense" without any details. In the services group two large divergences are for "prior year's expense" and "miscellaneous". Finally, several interesting cases appear in the public utilities group. One company reported a "credit to surplus on books from the sale of securities transferred to the company by trustees of the service annuity fund". Presumably the sale of these securities involved a realized capital gain. Perhaps this item should have been assigned to Class 2. Another item is reported merely as "indirect charges to construction in excess of 10 percent of general expense".

N CLASS 14: DIVERGENCES IN SCOPE OF ACCOUNTING UNIT WHEN UNCONSOLIDATED RETURNS ARE SUBMITTED

In some cases, even when unconsolidated returns are submitted, transactions of subsidiary or affiliated companies are included on the books of the parent company.¹¹ Such transactions do not affect statutory net income. Seventeen such divergences are reported, of which two or three are of moderate size. Examples of Class 14 divergences include adjustment of subsidiary profit on sale of equipment, net income of subsidiary not consolidated, net profit from operation of X company for portion of taxable year prior to merger, reduction in reserve for affiliated company, reserve for inter-company profits, excess losses over profits of wholly owned subsidiaries, loss on stock of subsidiary, proportion of cost of investment in subsidiary company written off, and additional reserve for deficit of subsidiary company. Perhaps one or two of these really belong in Class 2. Most, however, clearly illustrate differences in the scope of the accounting unit adopted for book and tax purposes.

O CLASS 15: DIFFERENCES DUE TO REORGANIZATIONS, MERGERS, AND DISSOLUTIONS

To differentiate Class 15 divergences from Class 14 and Subclass 7a divergences is difficult, and probably not entirely successful. Class 15 is designed to include divergences due to current year reorganizations, mergers, and dissolutions of a far-reaching character. Accordingly, the amortization of prior year organization expenses and even of current year issues of new securities was relegated to Class 7, divergences in the treatment of intangible assets. Likewise, divergences resulting from

¹¹ Corporations reporting on a consolidated basis for book purposes were deliberately excluded from Sample I. Consequently, no divergences are reported as due to the use of consolidated reports for book purposes and unconsolidated reports for tax purposes. Had the sample not been selected so as to avoid this problem such divergences might have assumed significant proportions.

profits or losses of subsidiary companies taken up on the books of the parent company were assigned to Class 14.

Class 15 contains only 6 divergences. Fortunately, for purposes of illustration, one represents a loss of nearly \$700,000 upon the liquidation of a wholly owned subsidiary. It accounts for 68 percent of aggregate divergences in the rather poorly represented chemicals group. The other cases also represent divergences growing out of liquidation procedures. As these instances dramatically illustrate, Class 15 divergences are exceedingly rare, but they may be huge.