Response to the White Paper Questionnaire concerning

"Recommendations and Comments on Financial Reporting to Shareholders and Related Matters"

THE New York Stock Exchange

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Questionnaire Concerning
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Responses to the questionnaire were provided by 1130 of 1563 listed companies (72%).

THREE (OR MORE) OUTSIDE DIRECTORS RECOMMENDED

The election of "outside" directors to the boards of publicly owned companies has become a widely accepted practice. Outside directors can add perspective and objectivity to corporate decision-making. In many cases, they function effectively as representatives of both the public interest and shareholders, and make substantial contributions to improving corporate credibility. They can be especially helpful in guiding and monitoring the company's timely and adequate disclosure practices.

For almost two decades, the Exchange has required that at least two outside directors be included on the board of directors of each newly listed company. Almost all listed companies have now adopted this practice. The latest joint study of The Conference Board and the American Society of Corporate Secretaries showed that outside directors represented a majority of the board in 86% of the non-manufacturing companies and 71% of the manufacturing concerns.

The benefits of having outside representation on the board are both well-documented and widely acknowledged. Therefore, the Exchange recommends that a minimum of three outside directors be included on the board of each listed company.

REPLIES				
1,127	1. Three or more outside directors served as board members in 1973	94% yes		6% no
	(a) (if yes) Indicate number of outside directors on Board in 1973	1 - 3	109	10%
		4 - 6	414	39%
		7 - 9	328	31%
		10 & over	208	20%
			1,059	100%
	(b) (if no) Is attempt being made to include three or more outside Board members in the future	66% yes		34% no

CORPORATE AUDIT COMMITTEES

In recent years, a large number of listed companies have appointed Corporate Audit Committees. Such Committees are usually and preferably composed exclusively of outside directors. These directors can support the independent role of the outside auditor and can promote independent and critical thought. They aid the other directors in fulfilling their responsibilities to the public, enhance the corporate image, and provide improved communication with the outside auditor. A vigorous Audit Committee can stimulate improvements in financial reporting and control and strengthen the credibility of corporate reports.

It is generally acknowledged that the most effective Audit Committee consists of 3 to 5 outside directors. While specific committee functions vary from company to company, they commonly include recommending the selection of auditors, reviewing the adequacy of internal controls and reviewing the scope and results of the audit.

The Audit Committee review should assess the accounting principles followed by the company relative to prevailing practices in its industry and determine whether or not those principles are unduly conservative or liberal. The market will, sooner or later, judge the "quality" of earnings for itself.

Where a company consistently adopts the most liberal accounting methods and/or consistently discloses less information than necessary to evaluate key accounting practices, the penalty of a sharply lowered price-earnings ratio is a constant danger. Any changes in accounting principles or in their application should be carefully reviewed.

Meetings of the Audit Committee should be initiated, as necessary, by the committee members or by the independent auditors.

It may also be appropriate for the committee to comment to the FASB and the AICPA on exposure drafts of new accounting or auditing principles, particularly those which may have an important impact on the company's financial reports.

The Exchange first suggested the concept of an Audit Committee back in 1940. The Securities and Exchange Commission and the AICPA subsequently added their support. The Exchange believes that the idea no longer represents a corporate luxury but has become a necessity, and we strongly recommend that each listed company form an Audit Committee.

We further suggest that the members of the Audit Committee be identified in the listing of directors and their affiliations in companies' annual reports.

The Exchange also recommends that the independent audit firm be represented at the annual meeting to respond to questions from stockholders.

REPLIES		Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
	2. Has an Audit Committee been appointed	61%	19%	7%	13%
1,083	(a) (if yes) Have members been identified in annual report	34% yes			66% no

(b) (if yes) How many directors serve on the Audit Committee

1 - 3	541	62%
4 - 6	295	34%
7 - 9	23	3%
10 & over	7	1%
	866	100%

(c) (if yes) How many Audit Committee members are outside directors

ALL	84%
76 - 99%	2%
51 - 75%	9%
26 - 50%	3%
1 - 25%	1%
NONE	1%
	100%

REPLIES		Yes	No
	(d) (if yes) Does the Audit Committee recommend appointment of the independent auditors	81% yes	19% no
	(e) (if yes) Are Audit Committee meetings initiated by the Audit Committee	92% yes	8% no
	If meetings are not initiated by the Audit committee by whom are they called	Primarily management	
	(f) (if yes) Does the Audit Committee periodically meet with internal auditors to review control procedures	75% yes	25% no
	(g) (if yes) Does the Audit Committee periodically meet with the independent auditor to review the scope of the upcoming audit and the results when completed	97% yes	3% no
1,124	(h) Is the Independent auditor present at the annual meeting to respond to stockholder's questions	87% yes	13% no

CONSULTATION WITH AUDITORS

The Exchange believes it is desirable for listed companies to consult with their independent auditors throughout the year and particularly prior to publication of quarterly reports. Such consultations would not normally involve an audit. Consultation should neither relieve the corporation of responsibility for the quarterly report nor impose liability on the independent auditor.

Typical of the matters that might be reviewed in consultation are the possible impact of new accounting rules or principles adopted or under consideration, progress since the annual audit or previous quarterly report in problem areas, etc. The objective of such consultations would obviously be to deal with any potential reporting problem on a current basis so as to avoid, wherever possible, year-end adjustments and/or delays in the prompt issuance of the annual report.

The Exchange believes that the matter of more formal interim reviews is an area in which there is little existing information and which would seem to merit further responsible study.

REPLIES			
	3. Has consultation with independent auditors occurred during the year concerning:		
1,124	(a) Quarterly reports	87% yes	13% no
1,124	(b) Impact of new accounting rules and required disclosure	98% yes	2% no

MAILING QUARTERLY REPORTS TO SHAREHOLDERS

The growth and general acceptance of quarterly financial reporting provides a good example of cooperation between the Exchange and listed companies. The basic requirement for publishing quarterly reports is part of a company's Listing Agreement with the Exchange. The SEC now also requires widely held public companies to file quarterly reports on Form 10-Q with the Commission and the Exchange. While these are public documents, they are not widely or readily available for general public use.

Many market observers believe the quarterly report exerts as great an influence on the market as the annual report. For this reason, many companies go to the additional expense of mailing quarterly reports to shareholders. The Exchange believes it is appropriate for *all* listed companies to mail quarterly reports to shareholders, particularly for the first three quarters.

Fourth-quarter results should be shown separately and compared with the results for the fourth quarter of the preceding year when year-end results are released to the press. In the event that fourth-quarter results include material unusual or non-recurring items, year-end adjustments, etc., the amounts involved should be disclosed and adequate explanations provided. It should be noted that the Listing Agreement requires such disclosure of unusual and non-recurring items in both quarterly and annual reports.

In addition, quarterly sales and earnings data for each of the quarters (in comparative form) should be included in the highlights section of the annual report.

In connection with the foregoing, the Exchange endorses APB Opinion 28 which states:

> "The Board encourages publicly traded companies to publish balance sheet and funds flow data at interim dates since these data often assist securityholders in their understanding and interpretation of the income data reported. When condensed interim balance sheet information or funds flow data are not presented at interim reporting dates, significant changes since the last reporting period with respect to liquid assets, net working capital, long-term liabilities, or stockholders' equity should be disclosed."

REPLIES		Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,115	4. Were quarterly reports mailed to shareholders in 1973	93%	3%	2%	2%
1,032	(a) Were quarterly sales and earnings results summarized in the annual report	20%	9%	43%	28%
1,051	(b) Are fourth quarter results compared with fourth quarter of previous year	32%	14%	26%	28%

LIQUIDITY

Including a statement of changes in financial position, frequently referred to as the "funds statement", in financial reports, has filled an important gap in the reporting process. It now appears desirable to supplement this statement with additional liquidity information. The SEC Accounting Series Release No. 148 of November 14, 1973, sets forth new disclosure requirements relating to compensating balances and other liquidity information.

The detailed disclosure called for by these requirements is primarily intended for the use of analysts and sophisticated investors.

The Exchange recommends that, where the information reported in the 10-K is material in relation to the financial status of the company, the information reported in the 10-K be appropriately summarized in the annual report of shareholders.

Where, in unusual circumstances, holding company structures present problems in this area, separate parent company statements could logically be utilized. Also, any material restriction on the free flow of funds within the consolidated entity should be disclosed.

Where complicated debt structures exist, a schedule of annual debt maturities for the succeeding five years would provide additional meaningful information for investors.

REPLIES		Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
924	5. Where disclosure relating to compensating balances and other material liquidity information was reported in the 10-K, was it also summarized in the annual report to shareholders	18%	50%	15%	17%
1,021	(a) Did your annual report present annual debt maturities for the succeeding five years	73% yes		27% no	
879	(b) Did your annual report present parent company statements	17% yes		83% no	

LINE OF BUSINESS REPORTING

The growth of multi-industry corporations and the general acceptance of consolidated financial statements has tended to obscure operating data by line of business. This has made analysis of diversified companies considerably more difficult. As one means of responding to this problem, the Financial Executives Institute, in May 1971, recommended including line of business disclosures in the annual report to shareholders.

The Exchange endorses this recommendation and urges that such reporting be made at least as informative as that set forth in the Form 10-K annual report.

We also recommend that sufficient textual "description of the business" be provided to help readers understand the nature of the various lines of business in which the corporation is engaged. This might include information about competitive conditions, key customers, current products, new products, markets, means of distribution, backlogs, patents, etc.

Allocation of interest and overhead charges to the various lines of business is another area in which current segment reporting can be improved, particularly where unallocated charges are material. While an FASB task force on "Reporting by Diversified Companies" is presently considering this matter, we would recommend that chief executive officers examine their present practice to be certain that their reporting in this area is adequate.

REPLIES		Not Applicable	Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,014	6. Has line of business reporting, at least as informative as that in the Form 10-K, been included in the annual report	24%	41%	7%	17%	11%
291	(a) (if no) Does company have only one line of business	—	87%		13%	
682	(b) (if yes) Allocation of interest and overhead charges was indicated to the extent possible	31%	26%	6%	33%	4%
849	(c) Was a textual description of the lines of business given	20%	64%	7%	6%	3%

DIFFERENCES BETWEEN BOOK AND TAXABLE INCOME

It is rather widely believed that many financial reports inadequately disclose the basis of the computation of the amounts charged against pretax income for federal income taxes. This is especially pertinent when the amount of the tax provision varies materially from the amount that would result from applying the current statutory rate.

On November 29, 1973, the SEC adopted additional disclosure requirements in this area to be effective for 1973 calendar year 10-K reports.

The Exchange recommends that, where material amounts are involved, the information reported in the 10-K be appropriately summarized in the annual report to shareholders.

REPLIES		Not Applicable	Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,105	7. Where any material difference between pretax accounting income and taxable income was reported in the Form 10-K, was it also summarized in the annual report to shareholders	23%	24%	38%	5%	10%

DETAILS OF COMPUTATIONS OF EARNINGS PER SHARE

In May 1969, the Accounting Principles Board recommended including in the annual report, under certain circumstances, a table showing earnings per share calculations. Similar information is required in 10-K reports. The Exchange believes that supplementary information should be included in annual reports to shareholders to clarify the computation where the earnings per share data has been significantly affected by events or transactions which are not readily determinable from the information contained in the financial statements.

REPLIES		Not Applicable	Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,116	8. Where necessary, has supplementary earnings per share information been provided to help clarify the computation of data not readily found in the financial statements	55%	32%	3%	6%	4%

FIVE-YEAR SUMMARY OF EARNINGS, FINANCIAL HIGHLIGHTS, PRESIDENT'S LETTER

For many years, the Exchange has required inclusion of a five-year summary in the annual report, as a condition of listing. Virtually all listed companies now follow this practice, and we strongly recommend that they continue to do so—even though the comparisons may not always be favorable. The summaries generally should be consistent with those reported on SEC Form 10-K, and should clearly set forth any unusual or extraordinary charges or credits.

In addition to these summaries, the president's letter and financial highlights section of the report are of special interest, particularly to individual investors.

It is important, therefore, that this material—as well as all graphs, charts, statistical tables and press releases—be consistent with the audited financial data. While such data is not required to be covered by the auditor's opinion, the Exchange suggests that it should be made available to and be read by the auditors prior to publication to insure such consistency.

REPLIES	9. Re: Five Year Summary, etc.:	Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,091	(a) Does annual report contain a 5-year summary including at least the minimum requirements of the Form 10-K	72%	4%	13%	11%
1,003	(b) Are extraordinary charges or credits clearly set forth separately	94%	2%	2%	2%
1,117	(c) Is the entire content of the annual report made available to the auditors for review prior to release	96%	1%	2%	1%
34	(d) If (c) is no, are president's letter and other parts of report dealing with financial statistics made available	89% yes		11% no	
1,100	(e) Are descriptions of financial matters in president's letter, graphs, charts, etc., consistent with the audited financial data	100% yes		— no	

CONFLICTS—TRANSACTIONS WITH AFFILIATED OR RELATED PARTIES

A publicly owned company, qualified for listing on the Exchange, should be fully able to conduct its affairs without recourse to questionable practices—and it should be free from any suspicion that can stem from transactions with insiders.

The Exchange has stressed the importance of having corporate officers and directors of great ability and unquestioned integrity. And our views have been further expressed in a long-standing policy precluding the continuation of conflict-of-interest situations which may be found to exist within listed companies. Most listed companies, in turn, have adopted complementary policies.

Conflicts, when they occur, usually center on business transactions with affiliates or related parties, including officers or directors. Information about such conflicts is required in corporate proxy and 10-K reports. However, investors should have ready access to this information and the annual report would appear to provide the most appropriate vehicle for providing it.

We believe that when such transactions or relationships exist, and are material, the circumstances—i.e., the nature and volume of transactions—should be described in the notes to the financial statements. Ideally, adequate disclosure will prompt the elimination of arrangements which might be interpreted as questionable—and we believe this to be in the interest of the investing public.

REPLIES		Not Applicable	Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement in Future
1,091	10. Were transactions or relationships with affiliates or related parties, including officers and directors, described in the annual report in line with the disclosure required in corporate proxy and Form 10-K reports	54%	15%	1%	23%	7%

AVAILABILITY OF FORM 10-K TO SHAREHOLDERS

The Form 10-K annual report, when filed with the SEC, becomes a document of public record. Over the years, it has become an important investment tool. These reports are available to the public at SEC offices and at the Exchange's library. In addition, a number of companies print extra copies of the report which they offer to analysts, shareholders and anyone requesting a copy.

The Exchange recommends that all listed companies make copies of the Form 10-K readily available to investors on request.

Since the annual report should stand on its own merits, companies should consider including in it significant 10-K data, perhaps in condensed form, which might otherwise escape the attention of shareholders.

REPLIES		Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,030	11. Was attention directed in the annual report to the availability of the Form 10-K to shareholders	4%	22%	34%	40%
969	(a) Did you respond to such requests on a "no charge" basis	85% yes		15% no	
952	(b) When you respond to requests do you provide copies of 10-K exhibits	57% yes		43% no	
	(c) If you responded on a "cost basis" for the document, what was the maximum charge for a full copy of the Form 10-K	$1 - 3	28%	$1 - 3	48%
		$4 - 5	56%	$4 - 5	43%
		over $5	16%	over $5	9%
		with Exhibits		less Exhibits	

REPLIES			
991	(d) Excluding copies filed with the SEC, Exchanges and other required filings how many 10-K's did you voluntarily supply to others	0 - 49	65%
		50 - 99	13%
		100 - 149	8%
		over 150	14%
		number	
	(e) How many requests have you received for the Form 10-K	results comparable to 11d	
		number	

MATERIAL DEFERRED CHARGES

Unexpected writeoffs of deferred charges have occurred with increasing frequency and have involved increasingly substantial sums in recent years. In some cases, unexpected writeoffs have raised embarrassing questions and doubts about the quality of reported earnings. In more extreme instances, they have even had an adverse domino effect on the market price of equity securities of other companies in the same industry.

In the absence of a definitive study of the subject, many observers believe that there are more cases where deferred charges resulted in unexpected writeoffs than cases in which the orderly amortization of such charges achieved the intended objective of matching costs and revenues.

The problem of deferred charges was raised in correspondence with the Exchange as long ago as the 1930's by George O. May, then a leading figure in the accounting profession. It remains a problem area today. In late 1972, then SEC Chairman Casey noted that investors have been "shell-shocked by surprise writeoffs". The Exchange has found that previously deferred charges have figured significantly in many such writeoffs.

Disclosure relative to material deferred charges should include: an in-depth rationale for deferral; a description of the type of costs deferred (e.g., start-up costs, research and development and pre-operating expenses); the composition of such costs (e.g., salaries and wages, interest, computer time, legal fees and consultant fees); information relative to the period and method of amortization; the amount of deferred charges amortized to income in the current and preceding year versus amounts deferred in each year; and the estimated amounts to be amortized in succeeding years.

Some of this suggested disclosure is currently included in the basic financial statements. The Exchange recommends that the balance be set forth in one place as supplementary financial data. Major aspects of this problem are on the priority agenda of the FASB.

			Yes		No	
		Not Applicable	Adopted Prior to 1973	Adopted in 1973	Disagree With Item	Plan to Implement In Future
1,115	12. Was detailed disclosure provided of deferred charges, along the lines recommended in the White Paper	67%	21%	2%	6%	4%

DISCLOSURE OF MATERIAL PROVISIONS FOR UNUSUAL ITEMS

Disclosure relative to material provisions for future losses, discontinued operations, foreign operations, future costs, etc., should include detail as to the amounts reserved, subsequently used and remaining available at year-end. To the extent possible, the method and timing of the use of the balance carried forward should be described.

			Yes		No	
		Not Applicable	Adopted Prior to 1973	Adopted in 1973	Disagere With Item	Plan to Implement In Future
1,123	13. Was disclosure in the annual report made of material provisions for unusual items, describing the amounts reserved, subsequently used and remaining available at year-end	58%	34%	3%	3%	2%

SUPPLEMENTARY FINANCIAL DATA

It might be useful to investors for companies to set aside a section of the annual report for supplementary financial data. Such sections are used by a number of companies and are entitled Financial Review, Financial Summary, etc.

Information included in these sections would, for the most part, not be covered by the auditor's opinion and might include, among other things, line of business reporting, comparison of operations of the current and prior year, earnings-per-share calculation, income tax comment, etc.

Presenting this material, topic by topic, in a separate section of the annual report would give investors ready access to additional information relevant to the company's financial operations and would aid their individual assessments of the company's recent results and prospects.

It is interesting to note that a few companies have recently had their auditor's opinion state that "the accompanying statistical data on pages to present fairly the information shown therein." These summaries include operating data and other statistics that are not part of the customary audited financial statements.

The foregoing, of course, does not relate to the commendable practice that some companies follow of providing supplements especially designed to meet the needs of analysts and more sophisticated investors. While this practice may not be appropriate for all companies, we encourage it and believe the availability of such separately published supplementary data should be appropriately referred to in the annual report.

REPLIES		Not Applicable	Yes: Adopted Prior to 1973	Yes: Adopted in 1973	No: Disagree With Item	No: Plan to Implement In Future
1,103	14. Has supplementary financial data, of the kind recommended above, been provided under a separate heading in the annual report as a means of presenting relevant data and other statistics that are not part of the customary audited financial statements	9%	64%	6%	11%	10%

MARKET DATA SECTION

In the final analysis, most readers of the annual report are present or prospective investors and are perhaps chiefly interested in the market performance of the company's securities. Though this information is available to market analysts and other professionals from the various statistical services, the individual investor does not have ready access to it.

The inclusion of market information in the annual report—in proximity to the 5-year summary, for example—would probably be helpful to many investors. There is little precedent for this type of reporting, however, and some ingenuity may be required to develop a satisfactory pattern. The Exchange is suggesting that a number of companies provide this type of information in their 1973 annual report to shareholders on an experimental basis.

Such a summary could include the common stock price range, price-earnings ratio range, dividends and rate of payout and return for each year as well as the book value at each year-end. Comparisons might also be made to market indices and other statistical data. Much of this information could be supplied by one of the rating agencies. In addition to data related to the common stock, similar data should be presented for other publicly held securities.

In many cases, the relationships between common stock, warrants and convertible debt and equity are unclear even to experienced investors. Where information is available, it is often relegated to fine-print footnotes. Because of this, investors may not be aware of the relative values of outstanding securities and there may be a consequent imbalance in the marketplace. Obviously, this is not in the best interests of either investors or the issuing company. The Exchange recommends that data setting forth the relationships between outstanding securities be included prominently within the annual report. Clearly, the presentation of such data would have to be tailored to a company's individual capital structure.

REPLIES		Yes: Adopted Prior to 1973	Yes: Adopted in 1973		No: Disagree With Item	No: Plan to Implement In Future
1,043	15. Has stock market performance data such as common stock price range, price earnings ratio, etc., been included in the annual report	9%	11%		53%	27%
210	(a) (if yes) For what period					
	— current year			2%		
	— current and prior year			18%		
	— five or more years			80%		
215	(b) How determined—					
	1) range (high and low)					
	—by quarter			23%		
	—by year			66%		
	—by quarter and by year			3%		
	2) year-end data only			8%		
1,113	(c) Does Company have warrants or convertible securities outstanding	49% yes			51% no	
490	(d) Where terms of warrants and/or convertible securities are complicated, has a special effort been made to explain them for the average reader	78% yes			22% no	

COMPARISON OF OPERATIONS OF CURRENT AND PRIOR YEAR—VARIANCE ANALYSIS

The text of the annual report should disclose the reasons for material changes in the factors affecting the results of operations of the current year as compared with the immediately preceding year. It is important to describe the effects of changes in product or customer mix, changes in volume statistics, new contracts, new products, ect.—even if over-all consolidated results of operations are relatively unchanged.

A few companies have begun including this type of information in their annual reports, in tabular form, and this has proven very revealing and helpful—especially when the tables are supplemented by descriptive text. It is recognized that in some complex operations these analyses may be difficult to prepare.

The Exchange is suggesting that more listed companies include such tabular presentations in their 1973 annual reports, on an experimental basis.

To some extent, the analysis would have to be individually tailored to each company's operation. Shown below is an example of one company's presentation:

Variance Analysis

Net income 1973 . . . .
" 1972 . . . .
Improvement—1973
over 1972 . . . .

Analysis of Major Causal Factors

Sales related factors:
Change in sales volume and product mix . . . .
Lower selling prices . . . .
Total sales related factors . . . .

Cost related factors:
Lower raw material prices . . . .
Higher manufacturing costs . . . .
Higher nonmanufacturing costs . . . .
Lower start-up costs . . . .
Total cost related factors . . . .

Other factors:
Lower interest expense . . . .
Higher income credits—net . . . .
Lower tax rate . . . .
Other . . . .
Total other factors . . . .
Improvement—1973 over 1972 . . . .

		Yes			No	
REPLIES		Adopted Prior to 1973	Adopted In 1973		Disagree With Item	Plan To Implement In Future
955	16. Was a comparison of operations of the current versus the prior year presented in a tabular form to explain those factors pertinent to the Company's business	12%	3%		68%	17%
796	(a) If not presented in tabular form, was it presented:					
	— narrative on a consolidated basis			49%		
	— narrative by division or subsidiary			27%		
	— not presented			24%		