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Accounting for Current Assets

Current assets are those resources that are expected to benefit the organization within the next operating cycle. Current assets reported by the Campbell Soup Company in their 1991 Annual Report are typical. (See **Exhibit 1**) *Cash and temporary investments* always head the list of current assets, and they are the means by which current operating expenses can be met. Other current assets are usually listed in an order that approximates their nearness to cash, *inventories* are available for sale to customers whose accounts then become *accounts receivable*, which when paid become cash to replenish the inventory pool to start the cycle again. These flows are going on continuously, and the balance sheet merely provides a view at one moment in time.

CASH, CASH EQUIVALENTS AND OTHER TEMPORARY INVESTMENTS

The title *Cash and Cash Equivalents* has become very prevalent as more and more organizations engage in cash management techniques. Since idle cash provides no return, financial managers try to invest any temporary excess amounts of cash in highly liquid, short-term investments. Money market funds, government securities, certificates of deposit, or high-grade commercial paper are some of the investments that may be used for this purpose. Because they can be readily resold and converted into cash, accounting treats them as if they are cash.

Forecasting cash receipts and disbursements is an important part of the treasury function in most corporations. Since the yield (interest earned) on investments tends to be higher on marketable securities that are less liquid,

many organizations invest a part of their excess cash in other marketable securities, which are shown separately as temporary investments. For most purposes, the distinction between cash equivalents and other temporary investments in marketable securities is unimportant, except as an indication of the investment horizon in a cash management program.

ACCOUNTS RECEIVABLE

When a sale to a customer is made on terms other than cash, an account receivable is created. Accounts receivable from customers are reported at the amount that is expected to be received from customers in settlement of their obligations. This may differ from the total of stated selling prices for two reasons. First, as an inducement for prompt payment, customers may be offered a *cash discount* if they pay within a short period of time. Second, although there is an assumption at the time of every sale that customers will pay, in practice not all do. For this reason, a valuation adjustment is normally recorded to recognize that some accounts will become *bad debts* and to bring the accounts receivable balance to a more realistic level. Inspection of the accounts receivable note from the 1991 Annual Report of Campbell Soup Company shows how both of these factors have been recognized in their consolidated balance sheet. (See **Exhibit 1, Note 13.**)

Cash discounts are normally anticipated at the time of sale and deducted from sales, creating an allowance for cash discounts that is deducted from the total amount owed by customers to arrive at the amount of accounts receivable included in the balance sheet. The amount of the allowance is almost always based on the company's past experience with cash discounts taken by customers.

The problem in estimating the amounts that customers will not pay (bad debts) is somewhat more complex. Most organizations know from experience that some customers will be unable or unwilling to pay the amounts they owe. The problem is that at the time a sale is made and a receivable is recorded, managers do not know which customers will pay and which will not. The solution to this problem lies in making an estimate that is based on past experience of the portion of accounts receivable that will not be paid in full either at the time it is due or within some reasonable time thereafter.

A number of methods are used to estimate the *allowance for doubtful accounts*, also called the *allowance for bad debts*. Sometimes a percentage of the total amount of sales is charged to expense during the period in which sales are made, and that amount is established as an allowance against which bad accounts are offset when they are finally identified. The percentage of sales taken is customarily based on the experience of the firm with its particular group of customers, and it may vary with the type of customer to which sales are made.

Alternatively, an examination could be made of the distribution of accounts according to how long they have been outstanding. The percentage used to estimate default on accounts already overdue can be different from that applied to accounts that have not reached the point where payment is expected. Estimating the amount of accounts that will not be collected is an important aspect of reporting realistic figures for accounts receivable. If no allowance for doubtful accounts is made, the amount of accounts receivable may be overstated.

INVENTORIES

Inventories are considered a significant current asset in many firms. By holding an inventory of finished product, an organization can fill orders more quickly and provide better customer service. Even when products or services have to be created after a customer order is received, inventories of raw materials speed the process of satisfying customer demands.

Accounting for inventories has two important aspects. First, the cost of inventory that is purchased or manufactured has to be determined. That cost is then held in the inventory accounts of the firm until the product is sold. Once the product has been shipped or delivered to a customer, the cost becomes an expense to be reported in the income statement as the cost of goods sold.

To understand the process of inventory accounting, you have to imagine costs flowing into the inventory account and then being removed from that account and charged to cost of goods sold in the income statement. Just as products are physically removed onto shelves or into a warehouse and then physically moved as they are delivered to customers, so too is the cost of inventory moved into an account and later removed from it. It is important to recognize, however, that the flows need not be parallel; that is, the flow of costs into and out of the inventory account need not be in the same order as the flow of goods into and out of the warehouse.

Inventory Cost Flows

At first glance, it seems there is no need to make an assumption about how costs flow through the inventory account. The cost of each item placed in the physical inventory can be entered into the account, and then, as the item is physically taken from inventory, the cost can be removed from the account. In this way, the costs accumulated in the account can match perfectly with the items physically held, and the costs of goods sold can be equal to the sum of the cost of each item actually delivered to a customer. Such an inventory cost system can be identified as a *specific identification* system.

Specifically identifying each item in inventory is relatively easy if each item is unique, such as an art object, expensive jewelry or custom-made furniture, or if each item has an identification number, such as an automobile.

However, specific identification is not practical for a company having a large number of inventory items that are not easily identifiable individually. In these cases, it is common for accountants to assume a flow of cost through the inventory account that is unrelated in any way to the actual physical flow of goods.

Three common assumptions used in accounting for inventory cost are: (1) average cost; (2) first-in, first-out (FIFO); and (3) last-in, first-out (LIFO). A company can choose any of these three assumptions and use them consistently for each classification of inventory regardless of the way in which goods physically move into and out of inventory.

Using the *average-cost method* requires calculation of the average cost of items in the beginning inventory plus purchases made during the accounting period to determine the cost of goods sold and the cost of inventory on hand at the end of the period. The average cost is assumed to be a representative cost of all the items available for sale during the accounting period. Rather than wait until the end of an accounting period to calculate the average cost, some companies use a predetermined unit cost of all transactions that take place during the accounting period. This is a *standard-cost system* and is a variation of the average cost method. Any difference between the actual unit average cost and the predetermined standard cost during a period is usually added to or subtracted from the cost of goods sold for that period.

If the *first-in, first-out, or FIFO,* assumption is used, the oldest costs in the inventory account are the first to be transferred to cost of goods sold when merchandise is sold. Using this assumption means that the costs retained in the inventory account will always be those most recently incurred for the purchase or manufacture of inventory. For this reason, the FIFO assumption produces an inventory account balance that usually comes the closest of the three methods to approximating the replacement cost of the inventory.

The *last-in, first-out, or LIFO,* assumption is the opposite of FIFO. Cost of goods sold is measured using the cost of the most recent additions to inventory and the inventory account always retains the oldest cost of items purchased or manufactured. *This assumed cost flow may be quite different from the actual physical flow of goods, and it usually is when the LIFO method is used.* If older costs are retained in the inventory account for some time because the inventory is never depleted, and if prices change substantially in the accounting periods during which these old costs are retained, the LIFO inventory balance will likely bear little relation to the current value of the same amount of inventory recently purchased.

Use of the LIFO assumption is not permitted in some countries. It is, however, permitted in the United States and is quite popular. The reasons for this popularity are rooted in the fact that the United States has experienced fairly continuous inflation and cost increases for many commodities and goods. Since the LIFO assumption can be used in reporting income for income taxa-

tion purposes, firms choose to use it to reduce income taxes that are due in the current period. For most accounting methods, there is no requirement under U.S. tax law that the same method be employed in financial reports issued to shareholders and in the financial reports on which taxes are based. However, LIFO is an exception. A company that chooses to save taxes by using the LIFO assumption must also use the LIFO method in its reports to shareholders. For this reason, the cost associated with paying lower taxes comes from the fact that management must then report lower earnings to shareholders than might be the case if an alternative inventory assumption were used.

These three common assumptions—average cost, LIFO, and FIFO—are illustrated in **Exhibit 2**. The differences caused by the differing flow assumptions are a function of the rate at which prices have changed during the period as well as the length of time old costs have been retained in the account because of the LIFO assumption. The important thing to remember is that the inventory cost flow assumption has an impact on cost of goods sold, and reported net income, and on the inventory value that will be shown among the current assets in the statement of financial position. The amount of difference between cost of goods sold reported under one assumption and cost of goods sold reported under another will depend on the speed with which costs of inventory are changing.

A reader of financial reports also has to be alert for situations in which the LIFO assumption has been used and inventory costs acquired many periods beforehand have been allowed to flow into cost of goods sold. Assuming the costs of inventory have risen, dipping into these old inventory costs by reducing the size of inventory on hand (called a LIFO liquidation) will give a burst of net income, which may not be sustainable in future periods.

The Campbell Soup Company, whose current-asset accounts are included in **Exhibit 1**, provides an illustration of the use of the LIFO assumption. Note 14 to the consolidated financial statements explains that LIFO has been used for approximately 70% of consolidated inventories in 1991. Other inventory measurement methods were used for the remaining 30% of total inventories. The note also tells us that inventories would have almost been $90 million greater had the FIFO assumption been used instead of the LIFO assumption. Presumably that would have meant that lower cost of goods sold and higher income would have been reported under FIFO, as well.

We can sum up our discussion of inventory accounting to this point quite simply. Inventory accounting consists of measuring the cost of items that are added to inventory and then choosing the flow assumption to determine which of those costs are moved first to cost of goods sold when inventory is sold and delivered to customers. In organizations that only purchase items for their own use or for resale to others, the only other issue that arises is whether a perpetual record of inventory purchases and deliveries is kept or whether the firm relies on a periodic inventory count to determine the quantity of inventory on hand at the end of an accounting period that will be carried for-

ward as the beginning inventory in the subsequent period. However, many organizations buy materials, expend labor on changing their character, and manufacture products or create services, which all add cost to the products eventually delivered to customers. These firms require additional records and account classifications in order to record and report properly their inventories.

ACCOUNTING FOR MANUFACTURED INVENTORIES

The record keeping required to maintain control of inventory items as their form and character change is often complex and voluminous. A branch of accounting known as *cost accounting* is devoted to analysis and study of the type of problems encountered in measuring and recording information necessary to determine the cost of inventories and the effects of expenditures and expenses incurred during the manufacturing process.

In the case of manufactured inventory, it is necessary to choose a flow assumption just as we would in a case where inventory was only purchased and sold. Since inventories are typically in several different forms in the manufacturing firm—raw materials, work in process, and finished goods—the record keeping task is necessarily more complex. Labor and supplies may be used to alter raw materials, increasing the amount and cost of work in process. Raw materials and labor may be necessary to create finished goods. Costs now flow not only within classifications of the inventory according to assumptions (FIFO, LIFO and so on), but the amount used becomes the input for another class of inventory. In a typical manufacturing firm, the flow is like that depicted in **Exhibit 3**. **Exhibit 4** is a numerical illustration of the way in which costs might be assumed to flow through the inventory accounts in a simple manufacturing company. **Exhibit 5** shows how the cost of goods sold can be detailed in a comprehensive statement of income for the same firm.

Although the application of particular flow assumptions used in the manufacturing firm demands care (and occasionally ingenuity) on the part of the accountant, the problems of inventory accounting are essentially the same in all organizations. As inventories become a relatively larger portion of the total working capital or total assets of a firm, issues of inventory costing and measurement become more and more important and demand more attention of management.

OTHER CURRENT ASSETS

The major category of other current assets that you are likely to encounter in financial reports is *prepaid expenses*. In most cases, these are expenditures that have not yet become expenses because they have future value to the firm. They will be matched with revenue in subsequent accounting periods as their

usefulness has been realized. Typical examples might be rents paid in advance for machinery or facilities that will be used in future months, amounts paid as insurance premiums at the beginning of insurance coverage, and travel expense advances to employees for trips to be subsequently taken. These deferred expenses are typically used up over a short period of time, and for this reason, they are classified as current assets.

SUMMARY

Because the items classified as current assets are so important to current operations, they tend to turn over fairly quickly. The amounts shown on the balance sheet are usually fairly close to the amount that would be paid for a replacement asset of the same classification. The major exception to this is the inventory account during periods of rapid price changes, or if the LIFO inventory flow assumption is used.

In most organizations, there is a logical flow through those assets which are reported as current assets. Cash is used to purchase or create inventory. Inventory is delivered to customers, and their accounts become receivables. Receivables are collected making cash available for operations. This flow is what operations are about. These operating assets are what demand management's day-to-day attention as inventories are turned into more liquid assets to finance the creation of more inventories ready to satisfy customer orders.

EXHIBIT 1
Current Assets, Campbell Soup Company (Excerpt from Consolidated Balance Sheets)
($ millions)

	July 28, 1991	July 29, 1990
Current Assets		
Cash and cash equivalents (Note 12)	$ 178.9	$ 80.7
Other temporary investments, at cost which approximates market	12.8	22.5
Accounts receivable (Note 13)	527.4	624.5
Inventories (Note 14)	706.7	819.8
Prepaid expenses (Note 15)	92.7	118.0
Total current assets	$1,518.5	$1,665.5

Notes to Consolidated Financial Statements

Note 12: Cash and Cash Equivalents

Cash and Cash Equivalents includes cash of $140.7 at July 28, 1991, and $44.1 at July 29, 1990.

Note 13: Accounts Receivable

	1991	1990
Customers	$478.0	$554.0
Allowances for cash discounts and bad debts	(16.3)	(19.9)
	$461.7	$534.1
Other	65.7	90.4
	$527.4	$624.5

Note 14: Inventories

	1991	1990
Raw materials, containers and supplies	$342.3	$384.4
Finished products	454.0	520.0
	$796.3	$904.4
Less: Adjustments of inventories to LIFO basis	89.6	84.6
	$706.7	$819.8

Liquidation of LIFO inventory quantities had no significant effect on net earnings in 1991, 1990 or 1989. Inventories for which the LIFO method of determining cost is used represented approximately 70% of consolidated inventories in 1991 and 64% in 1990.

Note 15: Prepaid Expenses

	1991	1990
Pensions	$19.8	$ 22.3
Deferred taxes	36.6	37.7
Prefunded employee benefits	1.2	13.9
Other	35.1	44.1
	$92.7	$118.0

EXHIBIT 2
Inventory Cost-Flow Assumptions Illustrated

The Xitan Plumbing Supply Company maintained an inventory of standard brass faucets for sale to plumbers. In 1992, because of increasing copper prices, the price paid to suppliers increased significantly. A record of purchases in 1992 showed the following:

February 1	50 @ $ 6.00	$ 300
April 1	50 @ 7.50	375
May 1	50 @ 8.50	425
July 1	50 @ 9.00	450
October 1	50 @ 10.50	525
		$2,075

Prices had been stable prior to 1992. On January 1, 1992, there were 29 faucets on hand, each of which had cost $5.00. At the end of the year on December 31, there were 54 faucets on hand.

If inventories are valued periodically, the value of inventory in terms of historical prices and the cost of faucets sold depends on the inventory flow assumption adopted, as shown below:

Xitan Plumbing Supply Company—Expense of Standard Brass Faucets—1992

	Assumed Flow of Costs		
	First-in, First-Out	Average Cost	Last-in, First-Out
Brass faucets, January 1, 1992 29 @ $5.00	$ 145	$ 145	$ 145
Purchases, 1992	2,075	2,075	2,075
Available for sale, 1992	$2,220	$2,220	$2,220
Brass faucets, December 31, 1992			
FIFO: 50 @ $10.50 = $525			
4 @ 9.00 = 36			
	561		
Average cost: 54 @ $7.96[a]		430	
LIFO: 29 @ $5.00 = $145			
25 @ 6.00 = 150			
			295
Cost of faucets sold, 1992	$1,659	$1,790	$1,925

[a] Average cost is measured here by taking the total cost of brass faucets purchased and dividing it by the total number of faucets purchased.

EXHIBIT 3
Inventory Flows in Manufacturing

1. Materials and parts are purchased for use in manufacturing	Raw Materials at Beginning of Period + Purchases – To work in process
2. Cost flow of raw materials into manufacturing processes is assumed as labor and other costs are assumed to add to value	Work in Process at Beginning of Period + Raw materials used + Cost of labor + Other manufacturing costs (cost of management; heat, power, and light; supplies used; depreciation – To finished goods
3. Cost flow of goods finished is assumed as products are completed and ready for sale	Finished Goods at Beginning of Period + Goods completed + Goods purchased ready for sale – Cost of products sold

EXHIBIT 4
Manufactured Inventory Accounting Illustrated

The Astroweld Company produces and distributes an advanced technology home welding unit. From two suppliers, the company purchases two parts assemblies—one electrical and one mechanical—for each finished welding unit. These are assembled by company employees using company-owned equipment in a rented factory building. The firm uses LIFO flow assumptions for all inventories except work in process.

During May of last year these inventory accounts showed the conditions and events on the following page:

EXHIBIT 4 (continued)
Manufactured Inventory Accounting Illustrated

Raw Materials—Electrical Parts Assemblies		
On hand, May 1	15 @ $33	$ 495
May purchases	10 @ $39	390
		$ 885
On hand, May 31	13 @ $33	429
May usage (10 @ $39, 2 @ $33)	12	$ 456
Raw Materials—Mechanical Parts Assemblies		
On hand, May 1	19 @ $10	$ 190
May purchases	10 @ $11	110
		$ 300
On hand, May 31	14 @ $10	140
May usage (10 @ $11, 5 @ $10)	15	$ 160
Manufacturing Costs for May		
Assembly labor		$ 650
Supervisory salaries		220
Heat, light, and power		56
Depreciation of equipment		120
Supplies used		32
Total		$ 1,078
Work in Process		
In process, May 1		None
Processing in May		
12 electrical parts	$ 456	
15 mechanical parts	160	
Manufacturing costs	1,078	
		$ 1,694
In process, May 31		
3 mechanical parts (3 @ $10)	$30	
Labor cost	40	
Cost of supervision	10	
		80
Transferred to finished goods in May		$ 1,614
Finished Welders		
On hand, May 1 (5 @ $127.50)		$ 637.50
May production from work in process		1,614.00
On hand, May 31 (2 @ $127.50)		(255.00)
Cost of welders sold in May		$1,996.50

Since 12 welders were completed in May and transferred to finished goods at a total cost of $1,614, the average cost of each welder manufactured was $134.50.

An income statement for May for Astroweld might show expense of goods sold as shown in Exhibit 5.

EXHIBIT 5
Astroweld Company—Cost of Welders Sold—May

Raw Materials Cost			
Raw materials—electrical, May 1	$495.00		
Purchases	390.00		
Total available	$885.00		
Raw materials—electrical, May 31	429.00		
To work in process		$ 456.00	
Raw materials—mechanical, May 1	$190.00		
Purchases	110.00		
Total available	$300.00		
Raw materials—mechanical, May 31	140.00		
To work in process		160.00	
Work in process, May 1		0	
Add: Manufacturing costs for May		1,078.00	
		$1,694.00	
Work in process, May 31		80.00	
To finished welders			$1,614.00
Finished welders, May 1			637.50
Welders available for sale			$2,251.50
Finished welders, May 31			255.00
Cost of welders sold, May			$1,996.50

LIFO or FIFO? *That* Is the Question

Accounting for inventories is a tricky business. This is particularly true because a company's level of inventories cannot be judged precisely, short of an actual count, verification, and appraisal of value. Because it is expensive to do this, companies maintain careful records of purchases and goods manufactured and sold. Record keeping requires choices about what to include in the cost of inventory purchased or manufactured and the flow of those costs through the inventory accounts as inventory is used or sold to customers.

It is rarely possible to associate the actual cost of a particular item with that item as it enters, resides in, and is removed from, an inventory account. Only if items are very expensive (such as precious gemstones) or have specific identifying numbers (such as automobiles) is the effort to keep track of particular items considered worth the effort by accountants. Instead, like items are classified in an account, and an assumption is made about the cost of items used or sold. If prices or costs are changing, the assumption about the cost of items removed from inventory will affect reported expenses or cost of goods sold.

Three common assumptions about the flow of costs through inventory accounts define the most widely used inventory accounting methods. If it is assumed that the oldest costs are matched with revenues first, the method is called the first-in, first-out, or FIFO, inventory valuation method. If it is assumed that the most recent costs are matched with revenues first, the method

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is called the last-in, first-out method, or LIFO.[1] The average cost method is based on the assumption that an "average cost" is matched with revenues. It is important to note that the actual physical flow of items does not need to correspond to the assumed flow of costs and it rarely does. In accounting for milk or bread in a retail grocery store, an accountant could use a LIFO assumption, even though the grocer would probably want to maintain a FIFO physical flow.

It is useful to visualize layers of cost built up over time in the inventory account. FIFO always takes the cost from the oldest layer. LIFO always takes the cost from the most recent layer, with the result that the bottom layers may be costs measured well in the past.

In the United States, the Internal Revenue Code permits companies to use the LIFO assumption in calculating income subject to taxation. If costs and prices are rising, more recent high costs increase expenses and cost of goods sold, reduce income, and reduce tax payments if the LIFO assumption is used. A company that elects to use the LIFO assumption in accounting for all or part of its inventories for tax purposes must also use that assumption in its published financial reports. This LIFO conformity requirement is the only rule which dictates that financial reports prepared for shareholders must be based on the same accounting assumptions as those used in preparing tax returns.

If prices and costs are rising, the opportunity to save cash by reducing tax payments will look attractive to many managers, and they will be attracted to using the LIFO assumption. However, by choosing LIFO they will also be forced to report lower income than they would have reported if they used the FIFO or average cost method. Often the choice managers make is determined in part by their belief about whether shareholders, investors, or lenders will understand that even though reported income is lower when LIFO is used in a time of rising costs, cash flow has been improved because lower taxes were paid.

Companies rarely change inventory flow assumptions. But when they do, management and independent auditors are required to note and highlight the change. The general requirement for any change in accounting method is that the new method be preferable to the old one. A different inventory valuation method from that previously used can be preferable for many reasons, so there is little to keep a management that wants to change from doing so. Of course, if their present inventory valuation method were adopted very recently, another change would cause readers to be suspicious about the new accounting and about what management was trying to show or conceal.

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[1] Use of the LIFO method is not permitted in many countries.

A change in accounting method for inventories frequently signals a change in management assumptions about the future of their company, their industry, or the economy. In other cases, managers may change accounting methods to use the same methods used by other companies to which they hope to be compared. For these reasons, when a change is made, it frequently pays a reader of financial statements to think carefully about the reasons why management chose to change accounting methods.

In 1987 and 1988, three large corporations made changes in the methods each used to account for inventories. Blount, Inc., an international company with operations in machinery and equipment manufacturing, specialty steel products, and construction, adopted FIFO on September 1, 1987. The company had previously used LIFO. **Exhibit 1** shows their Consolidated Statement of Operations, Consolidated Balance Sheet, and excerpts from the notes to the financial statements and the opinion of their Independent Certified Public Accountant.

The Penn Central Corporation, a diversified company whose principal operating businesses were the manufacture of products and the supply of services in the areas of industrial manufacturing, defense services, insurance and energy, decided to change its method of valuing a significant component of its electrical wire inventories from the FIFO to the LIFO method effective January 1, 1988. **Exhibit 2** shows their Statement of Income, Balance Sheet, and excerpts from Notes to Financial Statements and their Independent Auditors' Report.

Quaker Oats, a large multinational consumer products company with sales of more than $5.3 billion in 1988, decided in that year to adopt the LIFO cost flow assumption for valuing the majority of its remaining U.S. grocery products inventories. **Exhibit 3** shows their Consolidated Statement of Income, Balance Sheet, and excerpts from Notes to Consolidated Financial Statements and Auditors' Report.

QUESTIONS

1. Why do you think each company decided to change its inventory accounting method in 1987 and 1988? Did the change impact the balance sheet or income statement in a material way? Did the reasons given for the change make sense? Why, or why not?
2. What can explain why a move from LIFO was preferable for Blount, Inc. at the same time a move to LIFO was preferable to Penn Central and Quaker Oats?

EXHIBIT 1
Blount, Inc. and Subsidiaries, Consolidated Statements of Operations

For the Years Ended the Last Day of February (in thousands, except share data)	1988	1987[a]	1986[a]
Revenues	$ 666,812	$ 729,081	$ 659,793
Sales	563,880	504,859	501,714
Total sales and revenues	$1,230,692	$1,233,940	$1,161,507
Cost of revenues	$ 657,925	$ 713,066	$ 629,083
Cost of sales	410,276	365,097	382,688
Selling, general, and administrative expenses	122,963	114,391	120,005
Total costs and operating expenses	$1,191,164	$1,192,554	$1,131,776
Income from operations	$ 39,528	$ 41,386	$ 29,731
Interest expense, net	(22,682)	(24,738)	(29,282)
Other income (expense), net	(2,563)	(3,192)	1,399
Income before provision for income taxes and extraordinary gain	$ 14,283	$ 13,456	$ 1,848
Provision for income taxes	6,356	6,044	(215)
Income before extraordinary gain	$ 7,927	$ 7,412	$ 2,063
Extraordinary gain on termination of pension plans (less applicable income taxes of $7,558)			8,873
Net income	$ 7,927	$ 7,412	$ 10,936
Per share of common stock			
Income before extraordinary gain	$ .66	$ .62	$ .16
Extraordinary gain			.74
Net income	$ .66	$ .62	$ .90
Weighted average number of common shares outstanding	11,974,882	11,934,132	12,023,793

[a] Restated