

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



Brief summary of financial proposals filed with and actions by the S.E.C.

Washington, D.C. 20549

(In ordering full text of Releases from Publications Unit, cite number)

Issue No. 65-12-5)

FOR RELEASE December 7, 1965

**UNIFORM ACCOUNTING FOR DEFERRED TAX ON INSTALLMENT SALES.** The SEC today published a statement on the "Balance Sheet Classification of Deferred Income Taxes Arising from Installment Sales." It noted that "diverse practices" exist regarding the balance sheet classification of deferred income taxes arising from the use of the installment method of reporting gross profits for income tax purposes. The majority of companies having installment receivables classified as current assets classify the related deferred income taxes as a noncurrent credit item, while some classify the deferred income taxes as a current liability or as a deduction from the receivables. It is understood that, at the end of their current fiscal years, some registrants intend to change from current to noncurrent the classification of the deferred income taxes if other companies continue to classify the related deferred income taxes as a noncurrent item. The Commission's staff has noted that some companies have recently changed their reporting practices to show such deferred income taxes as a noncurrent item while retaining the related installment receivables among current assets.

"The installment receivables and related deferred income taxes pertaining to the same operating cycle," the Commission stated, "clearly are both either current or noncurrent. There is no justification from the standpoint of either proper accounting or fair financial reporting for the use of the operating cycle approach for installment receivables and not for the related deferred income taxes. Obligations for items which have entered into the operating cycle and which mature within the operating cycle should be included in current liabilities when the related receivables are included in current assets, in order to present fairly the working capital position. The deduction of the deferred income taxes from the related installment receivables is not considered to be an appropriate procedure; the current value of the receivables is not affected by the amount of the tax deferral. The deferral is not a valuation reserve but a credit item representing cash retained in the business by the deferral of tax payments under the alternate tax provisions.

In view of the increasing use by many companies of installment sales and similar credit practices and the significance of the increasing amounts of the related deferred income taxes involved, the Commission deems it appropriate to state its opinion as to the proper reporting to be followed with respect to such deferred income taxes. Where installment receivables are classified as current assets in accordance with the operating cycle practice, the related liabilities or credit items maturing or expiring in the time period of the operating cycle, including the deferred income taxes on installment sales, should be classified as current liabilities. Installment receivables not realizable within one year and the related deferred income taxes may be classified consistently as noncurrent items. In financial statements filed with the Commission for fiscal years ending on or after December 31, 1965, assets and liabilities entering into the operating cycle shall be classified consistently as current or noncurrent items. In addition, appropriate disclosure of the classification followed and amounts involved should be given."

**CAPITAL EXPENDITURES UP.** The SEC and the Department of Commerce today reported (Stat. Release 2092) that businessmen expect substantial advances in expenditures for new plant and equipment in the third quarter of 1965 and anticipate further sharp increases in the fourth quarter of the year and the first six months of 1966. The new anticipations for the first and second quarters of 1966 imply a continuation of the expansion in fixed capital outlays which has been underway for more than four years. With the seasonally adjusted annual rate of capital spending estimated at \$52 3/4 billion in the third quarter, if present plans are realized, outlays will rise steadily to a rate of \$58.8 billion in the second quarter of 1966, 14 percent above the full year 1965.

**NATIVE PLYWOOD, OTHERS ENJOINED.** The SEC Seattle Regional Office announced November 29 (LR-3382) the entry of a Federal court order (USDC, WD Wash.) temporarily enjoining Native Plywood Corporation, Mark H. Renhard and Bertil T. Renhard from further violations of the Securities Act registration and anti-fraud provisions in the sale of 7% preferred capital stock of Native Plywood.

**ALEXANDER LAPIDUS PLEADS GUILTY.** The SEC New York Regional Office announced December 2 (LR-3383) that Alexander Lapidus, former employee of Broadwall Securities, Inc., New York, pleaded guilty (USDC, SDNY) to conspiring to violate and violating the Securities Act anti-fraud provisions in the sale of stock of Bankers Intercontinental Investment Co., Ltd., and Florida Patsand Corp. Lapidus also pleaded guilty to conspiring to give false testimony to SEC officers.

**COMPLAINT CITES C. C. STEVENS DRILLING CO., OTHERS.** The SEC Fort Worth Regional Office announced December 2 (LR-3384) the filing of a complaint (USDC, Fort Worth, Tex.) seeking to enjoin Carrie C. Stevens, individually and doing business as C. C. Stevens Drilling Co. and Bonanza Purchasing Agency, Richland Hills, Tex.; Vivian Wycliff Buie, Fort Worth, Tex.; and James Harvey Everitt, Mansfield, Tex., from further violations of the registration and anti-fraud provisions of the Federal securities laws in the sale of interests in oil and gas leases located in Anderson County, Kansas.

**D. SCARNE & CO. ENJOINED.** The SEC New York Regional Office announced December 2 (LR-3385) the entry of Federal court order (USDC, SDNY), by default, permanently enjoining David Scarne and D. Scarne & Co., Inc., from (1) failing to preserve all books and records relating to their securities business and (2) transacting over-the-counter securities business while violating the Commission's bookkeeping rules and failing to make their books and records available for examination by SEC representatives.

OVER

**STURDIVANT AND NORMAN INDICTED.** The SEC Atlanta Regional Office announced December 3 (LR-3386) the return of a 10-count indictment by a Federal Grand Jury at Wilkesboro, N. C., charging Franklin A. Sturdivant, Largo, Fla., and John F. Norman, III, Monroe, N. C., with violations of the Securities Act anti-fraud and registration provisions in the sale of 8% debentures and preferred stock of Sturdivant Finance Corporation of Sparta, N. C.

**CAPITAL EXCHANGE FUND RECEIVES ORDER.** The SEC has issued an order under the Investment Company Act (Release IC-4431) granting an application of the Capital Exchange Fund, Inc., Boston, Mass., open-end diversified registered investment company, for exemption from the \$100,000 minimum net worth requirement of the Act. The Fund previously filed a Securities Act registration statement proposing the offering of 1,152,074 shares of its stock in exchange for investor holdings of securities of the character of those set forth in its prospectus.

**A-H FUNDS 1966 PROGRAM PROPOSES OFFERING.** A-H Funds, Inc., 1966 Exploration and Development Program, Funds I-VI, Standard Office Bldg., Decatur, Ill., filed a registration statement (File 2-24294) with the SEC on December 3 seeking registration of \$2,000,000 of commitments to its gas and oil exploration and development program. The commitments are to be offered for sale to selected individuals and corporations in minimum units of \$3,750.

Organized under Delaware law, the company proposes to conduct six separate drilling programs (Funds I through VI). The programs are to be managed and operated by Atkins and Hale, parent of the company. E. F. Atkins is president of the company and is a co-owner of Atkins & Hale.

**CONSOLIDATED FOODS FILES STOCK PLANS.** Consolidated Foods Corporation, 135 S. LaSalle St., Chicago, Ill. 60603, filed a registration statement (File 2-24297) with the SEC on December 6 seeking registration of 427,808 shares of common stock, to be offered pursuant to its 1963 and 1965 Stock Option Plan for Key Executive Employees and Substituted Options Granted Pursuant to Acquisition of Joe Lowe Corporation.

**NATIONAL VIDEO FILES STOCK PLANS.** National Video Corporation, 4300 W. 47th St., Chicago, Ill. 60632, and Rico Electronics, Inc., Vega Alta, Puerto Rico, filed a registration statement (File 2-24295) with the SEC seeking registration of 232,364 shares of common stock of National Video with endorsements evidencing undivided beneficial interest (58,091 shares) in the common stock of Rico Electronics, Inc., to be offered pursuant to National Video's Stock Option Plan for Employees and Qualified Stock Option Plan, and Rico's Qualified Stock Option Plan for Employees. \* (Filed on December 6)

**BECTON, DICKINSON FILES STOCK PLAN.** Becton, Dickinson and Company, East Rutherford, N. J., filed a registration statement (File 2-24296) with the SEC on December 6 seeking registration of 157,592 shares of common stock, to be offered pursuant to the company's Stock Option Plan and Qualified Stock Option Plan.

**VTR SUSPENSION CONTINUED.** The SEC has issued an order under the Securities Exchange Act suspending exchange and over-the-counter trading in stock of VTR, Inc., for a further ten-day period, December 8-17, 1965, inclusive.

**DALLAS P&L PROPOSES BOND OFFERING.** Dallas Power & Light Company, 1506 Commerce St., Dallas, Tex. 75201, today filed a registration statement (File 2-24298) with the SEC seeking registration of \$20,000,000 of first mortgage bonds, due 1996. The bonds are to be offered for public sale at competitive bidding. A subsidiary of Texas Utilities Company, the company will apply the net proceeds of its sale of bonds, together with funds derived from operations, toward repayment of short-term borrowings from Texas Utilities (amounting to \$4,500,000 on October 31, 1965); the construction of new facilities; and other corporate purposes.

**O/C REGISTRATIONS REPORTED.** The following issuers of securities traded over-the-counter have filed registration statements with the Commission pursuant to requirements of Section 12(g) of the Securities Exchange Act (companies which currently file annual and other periodic reports with the SEC are identified by "\*\*"):

File No.	O- Registrant	Location
1965	Diamond Laboratories, Inc.**	Des Moines, Iowa
1961	Volume Distributors, Inc **	Topeka, Kansas
1969	Copymation, Inc **	Elk Grove Village, Ill
1968	Curtis Mathes Mfg. Co **	Dallas, Texas
1962	Fortuna Corp **	Albuquerque, New Mexico
1958	Major League Bowling & Rec. **	Fort Lauderdale, Florida

**SECURITIES ACT REGISTRATIONS.** Effective December 6: Litton Industries, Inc., 2-24215 & 2-24216; Associated Oil & Gas Explorations, 1966, Ltd., 2-24139 (90 days). Effective December 7: Giddings & Lewis Machine Tool Co., 2-24150 (40 days).

**NOTE TO DEALERS.** The period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.