SYNOPTISCH OVERZICHT
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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SECTION A: Income and expense

Objective A. *Account for sales, revenues, income, cost of sales, expenses, gains and losses in such manner as to present fairly the results of operations for the period or periods of time covered.*

Principle A-1. Sales revenues and income should not be anticipated or materially overstated or understated. Accordingly, there must be proper cutoff accounting at the beginning and end of the period or periods.

Principle A-2. Costs of sales and expenses should be appropriately matched against the periodic sales and revenues. It follows that there must be proper cut-off accounting for inventories and liabilities for costs and expenses at the beginning and end of the period or periods.

Principle A-3. Appropriate charges should be made for depreciation and depletion of fixed assets and for amortization of other deferred costs.

Principle A-4. Proper distribution of costs should be made as between fixed assets, inventories, maintenance and expense. Direct costs are usually identifiable and common costs applicable to more than one activity should be distributed on appropriate cost incurrence bases such as time or use factors.

Principle A-5. Contingency provisions and reserves should not be misused as a means of arbitrarily reducing income or shifting income from one period to another.

Principle A-6. Nonrecurring and extraordinary gains and losses should be recognized in the period they occur, but should be shown separately from the ordinary and usual operations.

Principle A-7. There is a strong presumption that all gains and losses will be included in periodic income statements unless they are of such magnitude in relations to revenues and expenses from regular operations as to cause the statements to be misleading.

Principles A-8. Disclose rental charges under material leases and capitalize those which are in effect installment purchases of fixed assets.

Principle A-9. If accounting principles in the determination of periodic results have not been consistently maintained, the effect of the change should be stated.

SECTION B: Equity

Objective B. *Account for the equity capital invested by stockholders through contribution of assets or retained earnings in a meaningful manner on a cumulative* *basis and as to changes during the period or periods covered. The account structure and presentation in financial statements of a business entity are designed to meet statutory and corporate charter requirements and to portray significant financial relationships.*

Principle B-1. In case there are two or more classes of stock, account for the equity capital invested for each and disclose the rights and preferences to dividends and to principal in liquidation.

Principle B-2. From a financial viewpoint the capital invested by stockholders is the corpus of the enterprise and its identity should be fully maintained. Any impairment of invested capital resulting from operating deficits, losses of any nature, dividend distributions in excess of earnings, and treasury stock purchases is accounted for both currently and cumulatively.

Principle B-3. Capital surplus, however created, should not be used to relieve the income account of the current or future years of charges which would otherwise fall to be made thereagainst. There should be no commingling of retained earnings with invested capital in excess of par or stated values.

Principle B-4. Retained earnings should represent the cumulative balance of periodic earnings less dividend distributions in cash, property or stock, plus or minus gains and losses of such magnitude as not to be properly included in periodic earnings. The entire amount may be presumed to be unrestricted as to dividend distributions unless restrictions are indicated in the financial statements.

Principle B-5. Retained earnings may be decreased by transfers to invested capital accounts when formal corporate action has, in fact, changed the composition of the equity capital. Accumulated deficit accounts may be eliminated against invested capital accounts through formal action approved by stockholders, which establishes a new base line of accountability.

Principle B-6. The amount of any revaluation credits should be separately classified in the stockholder's equity section, and it is not available for any type of charge except on reversal of the revaluation.

Principle B-7. Disclose status of stock options to employees or others and changes therein during the period or periods covered.

SECTION C: Assets

Objective C. *Account for the assets invested in the enterprise by stockholders (through property contributed or retained earnings) and creditors, in a meaningful manner, so that when considered with the liabilities and equity capital of stockholders there will be a fair presentation of the financial position of the enterprise both at the beginning and end of the period. It should be understood that financial position or balance sheet statements do not purport to show either present values of assets to the enterprise or values which might be realized in liquidation.*

Principle C-1. Items classified as current assets should be carried at not more than is reasonably expected to be realized within one year or within the normal operating cycle of the particular business. Cash should be segregated between unrestricted and restricted items, and the inclusion of the latter in current assets must be justified by their nature. Receivables should be reduced by allowance accounts to cover expected collection or other losses. Receivables from officers, employees, or affiliated companies should be shown separately. Inventories should be carried at cost or market, whichever the lower. Cost comprises direct costs plus factory overhead costs, and the basis of determination (e.g. Lifo, Fifo or average) should be stated. Prepaid items should be properly chargeable to future periods.

Principle C-2. Fixed assets should be carried at cost of acquisition or construction in the historical accounts, unless such cost is no longer meaningful. Cost of land should ordinarily be shown separately. Cost of construction includes direct costs and overhead costs incurred, such as engineering, supervision and administration, interest and taxes. Items treated as fixed assets should have at least one year of expected useful life to the enterprise, and normally the life is considerably longer. Practicable yardsticks or criteria should be established in order that consistent distinctions may be made between fixed assets, operating expenses and maintenance. Ordinarily, this should be accomplished by creating a catalogue of property units to be included in fixed assets, any lesser items to be charged to current expense. Items no longer in service should be removed by charge to depreciation reserve in order that fixed assets will represent the cost of properties in service.

Principle C-3. Appropriate provision or allowances should be made in order to charge operations with the investment in depreciable assets over the estimated life thereof. The accumulated allowances, less property retirements, should be shown as a deduction from fixed assets.

Principle C-4. Long-term investments in securities ordinarily should be carried at cost. When market quotations are available, the aggregate quoted amounts should be disclosed. Investments in affiliates should be segregated from other investments.

Principles C-5. The costs of intangible items, such as debt discount and expense, patents, copyrights, research and development (if deferred) and goodwill should be shown separately. Limited-term items should be amortized against earnings over their estimated lives. The policy in regard to amortization of unlimited-term intangibles should be disclosed.

Principle C-6. The nature and extent of hypothecated or pledged assets should be shown.

SECTION D: Liabilities

Objective D. *Account for all known liabilities in a meaningful manner in order that their summarization, considered together with the statement of assets and equity invested by stockholders, will fairly present the financial position of the enterprise at the beginning and end of the period.*

Principle D-1. All known liabilities should be recorded regardless of whether the definite amount is determinable. If the amounts cannot be reasonably approximated, the nature of the items should be disclosed on the face of the summary of liabilities or by footnote.

Principles D-2. Current liabilities should include items payable within one year or at the end of the operating business cycle used in the classification of current assets. Accounts should be shown separately for notes payable to banks, notes payable to others, accounts payable (may include payrolls), Federal income taxes accrued, other accrued taxes, account or notes payable to officers, and accounts or notes payable to affiliates.

Principle D-3. Long-term liabilities should be described and due dates and rates of interest shown.

Principle D-4. The nature and extent to which specific liabilities are a preferred lien on assets should be shown.

Principle D-5. Deferred income should be separately classified and described.

Principle D-6. Contingent liabilities of importance should be disclosed.

SECTION E: Financial statements

Objective E. *Financial statements should comply with the applicable reporting standards included in generally accepted auditing standards. Reporting to investors should be performed on an entity basis.*

Principle E-1. Generally accepted reporting standards applicable to financial statements are set forth in Chapters 7, 8, 9, and 11 of Statements on Auditing Procedure No. 33, which are incorporated in this Inventory.

Principle E-2. Where there is a parent company and one or more subsidiaries, there is a presumption that consolidated statements are more meaningful than separate statements.

Principle E-3. The accounts of consolidated subsidiaries or divisions operating in foreign countries should be translated into dollars at the appropriate rates of exchange.

Principle E-4. Where two or more previously independent entities merge or otherwise combine in such a manner as to constitute a pooling of interests, the new entity inherits the bases of accountability of the constituent entities.