Consolidated Statement of Shareholders' Equity

Koppers Company, Inc. and Subsidiaries Years ended December 31, 1978 and 1977	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Earnings Retained in the Business	Total Preferred and Common Shareholders Equity
	($ Thousands, except per share figures)				
Balance at January 1, 1977 as previously reported	$15,000	$31,074	$75,706	$302,639	$424,419
Adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for leases (Note 5)	—	—	—	741	741
Balance at January 1, 1977 as restated	15,000	31,074	75,706	303,380	425,160
Net income for the year 1977 (restated)	—	—	—	66,410	66,410
Cash dividends paid:					
On preferred stock, $4.00 per share	—	—	—	(600)	(600)
On common stock, $.95 per share	—	—	—	(23,650)	(23,650)
Common stock issued during 1977:					
92,448 additional shares for 1975 acquisition	—	116	1,859	—	1,975
26,402 shares contributed to Employee Stock Ownership Plan trust	—	33	515	—	548
Balance at December 31, 1977	15,000	31,223	78,080	345,540	469,843
Net income for the year 1978	—	—	—	76,011	76,011
Cash dividends paid:					
On preferred stock, $4.00 per share	—	—	—	(600)	(600)
On common stock, $1.125 per share	—	—	—	(28,158)	(28,158)
Common stock issued during 1978:					
90,439 shares for an acquisition	—	113	1,987	29	2,129
18,963 shares contributed to Employee Stock Ownership Plan trust	—	23	409	—	432
Balance at December 31, 1978	$15,000	$31,359	$80,476	$392,822	$519,657

(See accompanying statement of accounting policies and notes to financial statements.)

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation

The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories

Inventories are valued at the lower of cost or market. Cost for substantially all domestic inventories of Koppers Company, Inc. is determined by the LIFO (last-in, first-out) method. At December 31, 1978 and 1977, the current cost of inventories valued under the LIFO method (approximately 73% and 69%, respectively, of total inventories) exceeded the LIFO value by $66,814,000 and $55,007,000, respectively. Cost for the remainder of the inventories represents average costs or standard costs that approximate actual on the first-in, first-out basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Investments

Companies owned 50% or less but more than 20% are accounted for on the equity method except for certain foreign investments accounted for at cost because of repatriation regulations.

Fixed Assets

Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. All ordinary maintenance and repair expenses are charged to operations. Extraordinary repairs, which materially extend the life of property, are generally charged to accumulated depreciation. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Intangible Assets

Patent costs are amortized over the lives of the patents. The excess of purchase price over net asset value of businesses acquired is amortized over the estimated useful lives of such assets not exceeding 40 years.

Long-Term Contracts

Sales and income on long-term construction contracts are accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans

The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds annually.

Income Taxes

Benefits from investment tax credit are reflected currently in income.