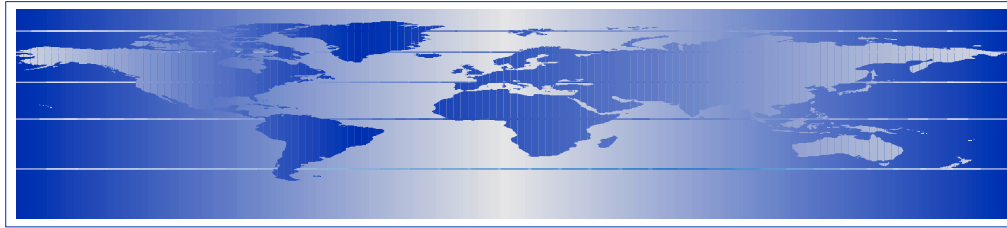


SHEARMAN & STERLING



**SURVEY:
FORTUNE 100
CRITICAL ACCOUNTING POLICIES DISCLOSURE**

**23 INDUSTRIES
65 COMPANIES***

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* Covers companies with December 28, 29 or 31 year-end; excludes companies that made no specific reference to critical accounting policies.

Fortune 100 Companies Covered

Aetna
Alcoa
Allstate
American Electric Power
American Express
American International Group
AOL Time Warner
Aquila
AT&T
Bank of America Corp.
Bank One Corp.
BellSouth
Boeing
Bristol-Myers Squibb
Caterpillar
ChevronTexaco
Citigroup
Coca-Cola
Compaq Computer
Conoco
CVS
Delphi
Du Pont
Duke Energy
Dynergy
El Paso
Electronic Data Systems
Exxon Mobil
Ford Motor
General Electric
General Motors
Georgia-Pacific
Hewlett-Packard
Honeywell International
IBM
Ingram Micro
Intel
International Paper
J.P. Morgan Chase
Johnson & Johnson
Lockheed Martin
Marathon Oil
Merck
Merrill Lynch
MetLife
Mirant
Motorola
PepsiCo
Pfizer
PG&E Corp.
Philip Morris
Phillips Petroleum
Prudential Financial
Reliant Energy
Safeway
SBC Communications
Sears Roebuck
Sprint
TXU
UnitedHealth Group
United Parcel Service
Verizon Communications
Viacom
Wachovia Corp.
WorldCom

Aerospace & Defense (3 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	1
Revenue Recognition	2
Pensions and other post-retirement/post-employment benefits	2
Employee Stock Options	1
Allowances for Doubtful Accounts/Contingent Liabilities (i.e. litigation)	1
Long-Term Contract and Program Accounting	2
Aircraft Valuation	1

Beverages (2 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Revenue Recognition	1
Accounting for Taxes (deferred and current)	1
Other than temporary declines in value of marketable debt and equity securities, and investments	1
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	1
Derivative Instruments and Hedging Transactions	2
Accounting for Business Combinations	1

Chemicals (1 Company)
<i>Critical Accounting Policies Cited</i>
Pensions and other post-retirement/post-employment benefits
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation and Environmental matters)

Commercial Banks (4 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Fair Value of Financial Instruments	3
Allowances for Credit Losses	4
Derivative Contracts	2
Transfer of Assets and Extinguishments of Liabilities	1
Accounting for Special Purpose Vehicles	1

Computers, Office Equipment, Electronics, Semiconductors, Software (5 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Inventory Valuation	3
Revenue Recognition	3
Accounting for Taxes (deferred and current)	2
Other than temporary declines in value of marketable debt and equity securities, and investments	3
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	3
Warranty Liability	1
Allowances for Customer Incentives	2
Single reference to accounting policy note in notes to financial statements*	1

Diversified Financials (3 Companies)

* No discussion in MD&A of specific critical accounting policies, simply a general discussion of the use of estimates with a cross-reference to accounting policy footnote in notes to financial statements.

<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Revenue Recognition on Long-Term Agreements	1
Other than temporary declines in value of marketable debt and equity securities, and investments	2
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	1
Allowances for Credit Losses	3
Allowances for Customer Incentives	1
Deferred Acquisition Costs	1
Fair Value (valuation of financial instruments)	1
Insurance Liabilities and Reserves	2
Accounting for Securitization	1

Energy/Utilities (9 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, other intangible assets	7
Revenue Recognition	8
Accounting for Taxes (deferred and current)	1
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	3
Derivative Contracts	4
Wholesale Energy Marketing and Trading Activities	7
Hedge Contract Accounting	5
Financing for Special Purpose Entities	1
Natural Gas and Oil Producing Activities	1
Accounting for Business Combinations	1
Accounting for Rate Regulation	2
Evaluation of Counterparty Credit	1

Entertainment (2 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Revenue Recognition	1
Other than temporary declines in value of marketable debt and equity securities, and investments	2
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	2
Accounting for Business Acquisitions/ Mergers	2
Filmed Entertainment Costs & Revenues (production and distribution)	2
Estimates of Useful Lives and Residual Value of Rental Library	1
Allocating among Business segments (“multiple-element arrangements”)	1

Food & Drug Stores (including Food Wholesalers and Food Producers) (2 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	1
Allowances for Doubtful Accounts	1
Liability Reserves (i.e. worker’s comp and environmental)	1
Single reference to accounting policy note in notes to financial statements	1

Forest and Paper Products (2 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Pensions and other post-retirement/post-employment benefits	1
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation and Environmental matters)	2

General Merchandisers (1 Company)
<i>Critical Accounting Policies Cited</i>
Long-lived assets, good will, and other intangible assets
Inventory Valuation
Revenue Recognition
Restructuring Charges
Pensions and other post-retirement benefits
Allowances for Doubtful Accounts and other Contingencies

Health Care (2 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Revenue Recognition	1
Other than temporary declines in value of marketable debt and equity securities, and investments	2
Health Care and Insurance Liabilities	2
Contingent Liabilities (i.e. Litigation)	1
Inflation	1

Industrial & Farm Equipment (1 Company)
<i>Critical Accounting Policies Cited</i>
Pensions and other post-retirement benefits
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)
Warranty Liability
Allowances for Customer Incentives
Allowances for Credit Losses
Residual Values for Leased Assets

Insurance (4 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Accounting for Taxes (deferred and current)	1
Other than temporary declines in value of marketable debt and equity securities, and investments	3
Pensions and other post-retirement benefits	1
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	3
Derivative Contracts	2
Reserves for Losses & Expenses	1
Future Policy Benefits Reserves	4
Deferred Policy Acquisition Costs	3
Fair Value with respect to certain assets	1
Reinsurance	1

Mail, Package, Freight Delivery (1 Company)
<i>Critical Accounting Policies Cited</i>
Long-lived assets, good will, and other intangible assets
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)
Derivative Instruments

Metals (1 Company)
<i>Critical Accounting Policies Cited</i>
Derivative Instruments
Allowances for Environmental Matters

Motor Vehicles & Parts (3 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	3
Pensions and other post-retirement benefits	3
Derivative Contracts	1
Allowances for Customer Incentives	2
Warranty Liability	3
Investments in Operating Leases	2
Allowances for Credit Losses	2

Network & Other Communications Equipment/Data Services (2 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Inventory Valuation	1
Revenue Recognition	1
Accounting for Taxes (deferred and current)	2
Other than temporary declines in value of marketable debt and equity securities, and investments	1
Pensions and other post-retirement benefits	1
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	1
Trade Receivables and Notes Receivable	1
Long-Term Contract Accounting	2

Petroleum Refining (5 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	3
Inventory Valuation	3
Revenue Recognition	1
Accounting for Taxes (deferred and current)	2
Pensions and other post-retirement benefits	2
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	3
Derivative Contracts/Instruments	2
Estimation of Proved Reserves	5
Foreign Currency	2
Site Restoration and Environmental Conservation Costs	4
Business Acquisitions	1

Pharmaceuticals (4 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	2
Revenue Recognition	2
Other than temporary declines in value of marketable debt and equity securities, and investments	1
Pensions and other post-retirement benefits	1
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	2
Derivative Contracts	1
Sales Incentives, Discounts & Rebates	2
Research and Development Expenses	2

Securities (1 Company)
<i>Critical Accounting Policies Cited</i>
Fair Value (valuation of financial instruments)
Pricing Models and their underlying assumptions
Consolidation & Transactions involving Special Purpose Entities

Telecommunications (6 Companies)	
<i>Critical Accounting Policy</i>	<i>Number of Companies Citing Policy</i>
Long-lived assets, good will, and other intangible assets	4
Revenue Recognition	4
Accounting for Taxes (deferred and current)	3
Restructuring Charges	1
Other than temporary declines in value of marketable debt and equity securities, and investments	3
Pensions and other post-retirement benefits	5
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)	4
Derivative Contracts/Instruments	2
Allocation Policies between divisions of company	2
Valuation of Accounts Receivable	1

Tobacco (1 Company)
<i>Critical Accounting Policies Cited</i>
Long-lived assets, good will, and other intangible assets
Revenue Recognition
Pensions and other post-retirement benefits
Allowances for Doubtful Accounts and other Contingencies (i.e. Litigation)
Hedging Instruments
Marketing Costs
Leveraged Leases

Critical Accounting Policies named by at least one company in 3 or more Industries

- 19 *Allowances for Doubtful Accounts and other Contingencies*
- Aerospace & Defense
 - Beverages
 - Chemicals
 - Computers, Office Equipment, Electronics, Semiconductors, Software
 - Diversified Financials
 - Energy/Utilities
 - Entertainment
 - Food & Drug Stores
 - Forest & Paper Products
 - General Merchandisers
 - Health Care
 - Industrial & Farm Equipment
 - Insurance
 - Mail, Package, Freight Delivery
 - Network & other Communications Equipment/Data Services
 - Petroleum Refining
 - Pharmaceuticals
 - Telecommunications
 - Tobacco
- 16 *Long-lived assets, good will, and other intangible assets*
- Aerospace & Defense
 - Beverages
 - Computers, Office Equipment, Electronics, Semiconductors, Software
 - Energy/Utilities
 - Entertainment
 - Food & Drug Stores
 - Forest & Paper Products
 - General Merchandisers
 - Health Care
 - Mail, Package, Freight Delivery
 - Motor Vehicles & Parts
 - Network & other Communications Equipment/Data Services
 - Petroleum Refining
 - Pharmaceuticals
 - Telecommunications
 - Tobacco

- 13 *Revenue Recognition*
- Aerospace & Defense
 - Beverages
 - Computers, Office Equipment, Electronics, Semiconductors, Software
 - Diversified Financials
 - Energy/Utilities
 - Entertainment
 - General Merchandisers
 - Health Care
 - Network & other Communications Equipment/Data Services
 - Petroleum Refining
 - Pharmaceuticals
 - Telecommunications
 - Tobacco
- 12 *Pensions and other post-retirement benefits*
- Aerospace & Defense
 - Chemicals
 - Forest & Paper Products
 - General Merchandisers
 - Industrial & Farm Equipment
 - Insurance
 - Motor Vehicles & Parts
 - Network & other Communications Equipment/Data Services
 - Petroleum Refining
 - Pharmaceuticals
 - Telecommunications
 - Tobacco
- 11 *Derivative Contracts/Instruments*
- Beverages
 - Commercial Banks
 - Energy/Utilities
 - Insurance
 - Mail, Package, Freight Delivery
 - Metals
 - Motor Vehicles & Parts
 - Petroleum Refining
 - Pharmaceuticals
 - Telecommunications
 - Tobacco

- 9 *Other than temporary declines in value of marketable debt and equity securities, and investments*
- Beverages
 - Computers, Office Equipment, Electronics, Semiconductors, Software
 - Diversified Financials
 - Entertainment
 - Health Care
 - Insurance
 - Network & other Communications Equipment/Data Services
 - Pharmaceuticals
 - Telecommunications
- 7 *Accounting for Taxes (deferred and current)*
- Beverages
 - Computers, Office Equipment, Electronics, Semiconductors, Software
 - Energy/Utilities
 - Insurance
 - Network & other Communications Equipment/Data Services
 - Petroleum Refining
 - Telecommunications
- 5 *Allowances for Customer Incentives*
- Computers, Office Equipment, Electronics, Semiconductors, Software
 - Diversified Financials
 - Industrial & Farm Equipment
 - Motor Vehicles & Parts
 - Pharmaceuticals
- 4 *Allowances for Credit Losses*
- Commercial Banks
 - Diversified Financials
 - Industrial & Farm Equipment
 - Motor Vehicles & Parts
- 4 *Accounting for Business Combinations/ Acquisitions/ Mergers*
- Beverages
 - Energy/Utilities
 - Entertainment
 - Petroleum Refining

4 *Fair Value of Financial Instruments*

- Commercial Banks
- Diversified Financials
- Insurance
- Securities

4 *Inventory Valuation*

- Computers, Office Equipment, Electronics, Semiconductors, Software
- General Merchandisers
- Network & other Communications Equipment/Data Services
- Petroleum Refining

3 *Accounting for Special Purpose Entities*

- Commercial Banks
- Energy/Utilities
- Securities

3 *Warranty Liability*

- Computers, Office Equipment, Electronics, Semiconductors, Software
- Industrial & Farm Equipment
- Motor Vehicles & Parts

