

**Report of**  
**General Motors Company**

**FOR THE**

**Year ending July 31, 1912**



Report of  
General Motors Company

FOR THE

Year ending July 31, 1912



# GENERAL MOTORS COMPANY

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## Board of Directors

JOSEPH BOYER	M. J. MURPHY
A. N. BRADY	THOMAS NEAL
EMORY W. CLARK	JAMES J. STORROW
W. C. DURANT	ALBERT STRAUSS
ANDREW H. GREEN, Jr.	N. L. TILNEY
J. H. McCLEMENT	JAMES N. WALLACE
EDWIN D. METCALF	JACOB WERTHEIM

## Finance Committee

EMORY W. CLARK	M. J. MURPHY
W. C. DURANT	THOMAS NEAL
ANDREW H. GREEN, Jr.	JAMES J. STORROW
EDWIN D. METCALF	ALBERT STRAUSS

## Officers

THOMAS NEAL, <i>President</i> . . . . .	Detroit, Mich.
W. C. DURANT, <i>Vice-President</i> . . . . .	Detroit, Mich.
C. W. NASH, <i>Vice-President</i> . . . . .	Flint, Mich.
EMORY W. CLARK, <i>Vice-President</i> . . . . .	Detroit, Mich.
STANDISH BACKUS, <i>Secretary</i> . . . . .	Detroit, Mich.
JAMES T. SHAW, <i>Treasurer</i> . . . . .	Detroit, Mich.
W. H. ALFORD, <i>Comptroller</i> . . . . .	Detroit, Mich.



REPORT TO THE STOCKHOLDERS  
OF  
GENERAL MOTORS COMPANY

For the Year ending July 31, 1912

DETROIT, MICHIGAN, October 10th, 1912.

TO THE STOCKHOLDERS:

Your directors submit the annual report of General Motors Company and its subsidiary companies for the fiscal year ending July 31, 1912. A list of these companies showing General Motors Company's interest therein is given on page 16.

The income and profit and loss accounts comprise the combined results of operation, proper adjustment having been made so that these accounts include simply the share of General Motors Company in the earnings and surplus of the subsidiary companies.

INCOME ACCOUNT FOR YEAR ENDING JULY 31, 1912.

Net profits for year after deducting expenses of manufacture (including maintenance and de- preciation), selling and administration as well as taxes, insurance and interest on temporary loans . . . . .	\$1,838,448.55
General Motors Company proportion thereof . . . . .	\$4,746,756.50
Accrued interest 12 months on General Motors Company 6% First Lien Notes . . . . .	850,463.23
Balance . . . . .	<u>\$3,896,293.27</u>
Preferred dividends for 12 months at rate of 7% . . . . .	1,040,210.51
Undivided profits for 12 months . . . . .	<u>\$2,856,082.76</u>

## PROFIT AND LOSS ACCOUNT

Profit and Loss Surplus, July 31, 1911 . . . . .	\$1,240,175.26
Add undivided profits for 12 months ending July 31, 1912, as per Income Account above . . . . .	2,856,082.76
	\$4,096,258.02
Reduction of inventory and assets as carried on books October 1, <u>1910</u> , and liquidation losses (as explained below) . . . . .	2,833,663.14
Profit and Loss Surplus July 31, 1912 . . . . .	\$1,262,594.88

The net profits of \$4,838,448.55 are after deducting \$904,822.12 for depreciation of buildings and equipment, in addition to the ordinary expenses required to maintain the plants in good operating condition.

The total profits from operation of the subsidiary companies which were operated at a profit amounted to \$5,770,177.90 (after deducting all expenses of General Motors Company), from which has been deducted \$1,023,421.40 for losses in the other subsidiary companies, leaving combined net profits to General Motors Company, after deductions for depreciation, of \$4,746,756.50, as given above in the Income Statement.

The subsidiary companies operated at a profit, and which, as just explained, contributed net earnings of \$5,770,177.90 during the fiscal year just closed, did 88.72 per cent. of the total business of all the General Motors companies. These same companies successfully carried through on time their entire manufacturing schedule and before the close of the fiscal year had sold their entire stock of cars.

These companies have also subjected their inventories to a rigid re-examination and scrutiny, as a result of which your officers have directed that an additional \$1,444,967.91 be written off, substantially all of which represents the diminished value of inventories and assets compared with book values as carried on the balance sheet of October 1, 1910. This sum is included in the total of \$2,833,663.14 deducted from Profit and Loss Account above. These companies will



produce probably close to 95 per cent. of your output during the coming year, and they will thus enter the new season with their manufacturing and sales organizations wholly relieved of the expense and embarrassment of having to endeavor to salvage or utilize any semi-obsolete or undesirable models or materials or products of any sort.

The balance of the charge to Profit and Loss Account comprises \$961,240.85 written off the inventories and assets of companies whose operations are not yet on a satisfactory basis and \$427,454.38 represents sundry adjustments in plant account.

The policy of your directors as to these unprofitable companies is explained under the last caption of this report on page 10.

It should be understood that substantially all of these adjustments (except the \$427,454.38 above mentioned) apply to conditions which existed October 1, 1910, before your present board of directors assumed their duties and to book values as they were then carried on the books. They have no relation to this year's profits.

The Condensed Consolidated Balance Sheet of General Motors Company and its subsidiary manufacturing companies as of July 31, 1912, is to be found on page 14 of this report.

### CAPITAL STOCK

The outstanding capital stock of the Company, not including stock held in its treasury and in the treasuries of its subsidiary companies, on July 31, 1912, was as follows:—

Preferred Stock 7% Cumulative . . . . .	\$14,936,800.00
Common Stock . . . . .	16,371,183.05

This represents an increase during the year of \$543,300 Preferred and \$548,853.05 Common Stock. Of this increase \$520,000 Preferred and \$520,000 Common Stock were delivered in part payment of the purchase (explained below) of the outstanding capital stock of the Weston-Mott Company.

## FUNDED DEBT

The sole outstanding funded debt of the Company July 31, 1912, consisted of \$12,452,000 6% First Lien Notes, maturing October 1, 1915, being unpaid balance of the original issue of \$15,000,000 of these notes dated October 1, 1910. On October 1, 1912, the Company was required to pay \$1,500,000 to the Trustee of this Company's 6% notes for account of sinking fund. The Company anticipated the payment of \$1,023,000 of this sum during July, 1912, and since the close of the fiscal year, and prior to October first, has paid \$500,000 additional. The total amount, with interest thereon, was applied by the Trustee to the purchase of \$1,532,000 of notes, thus leaving now outstanding \$11,922,000 notes out of the original issue of \$15,000,000.

## OTHER INDEBTEDNESS

Aside from these notes, the only other indebtedness of the Company and its subsidiary companies on July 31, 1912, consisted of current accounts payable of \$2,853,021.77 and notes payable \$600,000.

The current accounts were the normal obligations for pay-rolls and merchandise necessarily incident to the large volume of business being carried on by the Company. The \$600,000 notes payable are notes of the Weston-Mott Company which were assumed by the General Motors Company in connection with the purchase of the 50.2 per cent. of the capital stock of the Weston-Mott Company not already owned by General Motors Company. \$300,000 of said notes matured on September 15, 1912, and were paid. The remaining \$300,000 of notes mature September 15, 1913.

## WORKING CAPITAL

The net working capital as shown by the balance sheet of July 31, 1912, amounted to \$20,666,865.16, as follows:—

### CURRENT ASSETS:

Cash . . . . .	\$3,080,920.98
Notes (\$262,273.33) and accounts receivable . . . . .	4,229,112.51
Inventories . . . . .	17,578,366.15
Prepaid expenses . . . . .	422,736.13
Total Current Assets . . . . .	\$25,311,135.77

### LESS CURRENT AND ACCRUED LIABILITIES:

Current accounts payable . . . . .	\$2,853,021.77
Notes payable (Weston-Mott Company) . . . . .	600,000.00
Interest, taxes, and pay-rolls accrued, not due, . . . . .	929,854.84
	4,382,876.61
	\$20,928,259.16

From which deduct amount reserved for three months' proportion of Preferred Dividend No. 8 payable November 1, 1912 . . . . .	261,394.00
Net working capital . . . . .	\$20,666,865.16

## CAPITAL EXPENDITURES

The following amounts were charged to capital account during the year:—

For additions to real estate, plants, and equipment . . . . .	\$2,124,184.82
Less sundry adjustments in plant account, charged off to Profit and Loss during year . . . . .	475,978.31
Net increase in real estate, plants, and equipment account during the year . . . . .	\$1,648,206.51

About half of this expenditure was for additions to plant and equipment of the Cadillac Company (the output of the Cadillac plant having risen from 10,000 cars in 1911 to 12,000 cars in 1912, with a schedule of 15,000 cars for the current year), the balance being distributed among the other companies.

## TRANSPORTATION DIFFICULTIES.

It became apparent early last winter that the railroads entering Detroit had signally failed to provide the transportation necessary for the automobile factories of the Detroit district. The result was a serious freight blockade which lasted for months. At one time one of your factories, located immediately on the leading Detroit railroad, had in the streets in front of its factory nearly a million dollars' worth of sold automobiles for which the purchasers were pleading for immediate delivery. The managers of your plants were for weeks obliged to neglect their proper duty of operating their factories in order to devote themselves day and night to these transportation difficulties.

Each of your subsidiary companies notified the railroads last summer of the number of freight cars with wide doors which they would require per day during the present manufacturing season, and it is hoped that the comforting assurances of the railroad officials then given may be borne out by the experiences of the coming manufacturing season.

## GENERAL

Since your present board of directors assumed active control of your Company's affairs on December 2, 1910, study of the conditions surrounding your several companies and prevailing in this industry has led them to the conclusion that the small automobile factory is badly handicapped and will become more and more so year by year.

Accordingly, your directors have been gradually concentrating the operations of the smaller companies with the larger and more profitable companies, or else, in some cases, eliminating the greater part of their machinery operations and so turning these smaller companies into plants merely for the assembly and distribution of automobiles. This policy was inaugurated cautiously, and necessarily has proceeded slowly. The transfer of the manufacturing operations has in most cases involved the completion of the entire operations in hand at these smaller factories and also generally the design of new models before the necessarily standardized output of the larger factories could be utilized. This process has gathered momentum during the year just closed, and

will be continued in the case of several of the companies during the coming year, the machinery of the smaller plants being gradually concentrated at the larger manufacturing plants.

The gross business of General Motors companies has suffered no diminution in consequence of these changes, the total for the ten months ending July 31, 1911, amounting to \$42,733,303.27, and for the year just closed \$64,744,496.02.

These changes, for example, have thrown the manufacture of engines for these smaller companies into the large and highly specialized engine plant of your subsidiary company, the Northway Motor and Manufacturing Company. This policy is adding to the profits of the Northway Company, and at the same time these smaller companies are obtaining better engines than a small shop can hope to design, at less cost than they could be produced in the smaller factories.

It may be interesting to note in this connection that the Northway Company, which produced only 4,846 engines for the ten months ended July 31, 1911, and 10,430 for the year ended July 31, 1912, is scheduled to produce the coming year 20,000 engines. This increase is due partly to the policy spoken of, but also in large measure to the marked improvement in, and present high quality of the Northway engine, which caused the available surplus productive capacity of the Northway factory to be sought by other manufacturers far in excess of the Northway Company's maximum capacity which, at present, with some moderate enlargements, just about completed, is 20,000 engines per annum.

The task of developing the truck business has proved more difficult than expected, but progress has been made and it is hoped that by the close of the coming year your Company may become an important factor in the production and sale of both gasoline and electric trucks, and that thereafter the business will be upon a profitable basis.

In the last annual report it was stated that the General Motors Export Company had been organized to promote the sale of your motor cars in foreign countries. During the fiscal year covered by this report the total volume of exports of your companies has about doubled (being approximately \$1,700,000, exclusive of Canada), and it is hoped that this same rate of growth may be maintained during the coming year.

Your directors were glad of the opportunity offered your Company during the year to purchase the outstanding 50.2 per cent. interest in the Weston-Mott Company. That Company supplies the larger proportion of the axles used by your subsidiary companies, besides, like the Northway Company, disposing of a considerable proportion of its output to outside companies. This outstanding interest was purchased at a reasonable figure; payment was made in part in your preferred and common stocks. The addition to the Good Will Account in the Consolidated Balance Sheet is on account of this purchase.

The number of employees in your factories at the height of the manufacturing season of 1911 was 11,474; in the season of 1912, 16,584; and at the date of this report is 17,173. Your manufacturing operations for the current season are more advanced than during either of the two preceding years, and the cash receipts for the first two months of the new fiscal year were more than a million dollars ahead of the corresponding period last year. Your leading factories are still unable to supply the insistent demands for immediate delivery, and at this writing a further substantial increase for the coming year in your output and sales seems practically assured. It is believed that this will be accompanied by a gratifying increase in net profits.

Your directors wish especially to thank your officers and employees for the loyalty and remarkable energy with which they have attacked the many difficult tasks confronting them during the past two years.

By order of the Board of Directors,

THOMAS NEAL,  
*President.*

DETROIT, MICHIGAN, October 10th, 1912.

Mr. THOMAS NEAL, *President*,  
Detroit, Michigan.

*Dear Sir*,—I submit herewith the following statements showing the results of operation and the financial condition of General Motors Company and its subsidiary manufacturing companies, consolidated, for the twelve months ending July 31, 1912:—

- Statement 1.* Condensed Consolidated Balance Sheet as of July 31, 1912.
- Statement 2.* Income account for 12 months ending July 31, 1912.
- Statement 3.* Profit and Loss account to July 31, 1912.
- Statement 4.* List of Subsidiary Companies, the operations and accounts of which are included in the foregoing statements, showing the capital stock outstanding and the amount thereof owned by General Motors Company.

Yours,

W. H. ALFORD,  
*Comptroller.*

### Statement 1

CONDENSED CONSOLIDATED BALANCE SHEET OF GENERAL MOTORS COMPANY AND SUBSIDIARY  
COMPANIES DIRECTLY CONNECTED WITH THE MANUFACTURE OF MOTOR CARS AND PARTS,  
AS OF JULY 31, 1912

#### ASSETS

Fixed Assets: real estate, plants, and equipment . . . . .		\$19,280,888.99
Patents, agreements, etc. . . . .		1,871,436.20
Miscellaneous investments . . . . .		560,499.50
Current and working assets:		
Cash in banks and on hand . . . . .	\$3,080,920.98	
Notes (\$262,273.33) and accounts receivable . . . . .	4,229,112.51	
Inventories . . . . .	17,578,366.15	
Prepaid expenses . . . . .	422,736.13	25,311,135.77
Good will, representing excess of appraised value over book value of capital stocks of subsidiary companies owned, less reserve . . . . .		7,934,198.14
Total . . . . .		<u>\$54,958,158.60</u>

#### LIABILITIES

Capital Stock:		
Preferred stock (authorized \$20,000,000) issued . . . . .	\$18,038,400.00	
Less: In treasury of General Motors Co. . . . .	\$1,322,000.00	
In treasury of subsidiary companies . . . . .	1,779,600.00	3,101,600.00
Common stock (authorized \$40,000,000) issued . . . . .	\$19,874,030.00	
Less: In treasury of General Motors Co. . . . .	\$3,173,146.95	
In treasury of subsidiary companies . . . . .	329,700.00	3,502,846.95
Total in hands of the public . . . . .		16,371,183.05
Total . . . . .		\$31,307,983.05
Funded Debt:		
6% First Lien Five-year Sinking Fund Gold Notes . . . . .		12,452,000.00
Outstanding Capital Stock (par value) and surplus of subsidiary companies, being the portion not owned by General Motors Co.:		
Capital Stock . . . . .	\$578,000.00	
Surplus . . . . .	413,838.50	991,838.50
Current Liabilities:		
Accounts Payable . . . . .	\$2,853,021.77	
Notes Payable (Weston-Mott Co.) . . . . .	600,000.00	
Interest, Taxes and Pay Rolls Accrued, not due . . . . .	929,854.84	4,382,876.61
Reserve for three months' proportion of Preferred Stock Dividend No. 8 payable November 1, 1912 . . . . .		261,394.00
Reserves for special purposes . . . . .	\$4,299,471.56	
Surplus . . . . .	1,262,594.88	5,562,066.44
Total . . . . .		<u>\$54,958,158.60</u>



## Statement 2

### INCOME ACCOUNT FOR YEAR ENDING JULY 31, 1912

Net Profits for year after deducting expenses of manufacture (including maintenance and depreciation), selling and administration as well as taxes, insurance and interest on temporary loans . . . . .	\$4,838,448.55
General Motors Company proportion thereof,	\$4,746,756.50
Accrued interest 12 months on General Motors Company 6% First Lien Notes . . . . .	850,463.23
Balance . . . . .	<u>\$3,896,293.27</u>
Preferred dividends for 12 months at rate of 7%,	1,040,210.51
Undivided profits for 12 months . . . . .	<u><u>\$2,856,082.76</u></u>

## Statement 3

### PROFIT AND LOSS ACCOUNT

Profit and Loss surplus July 31, 1911 . . . . .	\$1,240,175.26
Add undivided profits for 12 months ending July 31, 1912, per income account above . . . . .	2,856,082.76
	<u>\$4,096,258.02</u>
Reduction of inventory and assets as carried on books October 1, <u>1910</u> , and liquidation losses . . . . .	2,833,663.14
Profit and Loss surplus July 31, 1912 . . . . .	<u><u>\$1,262,594.88</u></u>

#### Statement 4

LIST OF SUBSIDIARY COMPANIES THE OPERATIONS AND ACCOUNTS OF WHICH  
ARE INCLUDED IN THE FOREGOING BALANCE SHEET, INCOME AND PROFIT  
AND LOSS ACCOUNTS.

NAME OF COMPANY	PREFERRED STOCK		COMMON STOCK	
	Outstanding	Of which General Motors Co. owns	Outstanding	Of which General Motors Co. owns
Buick Motor Co. . . . .	\$500,000	\$500,000	\$2,000,000	\$2,000,000
Cadillac Motor Car Co. . . . .	—	—	1,500,000	1,500,000
Olds Motor Works . . . . .	—	—	3,132,390	3,132,390
Oakland Motor Car Co. . . . .	—	—	800,000	800,000
The Elmore Mfg. Co. . . . .	—	—	600,000	600,000
Cartercar Co. . . . .	50,000	None	557,720	557,720
Northway Motor & Mfg. Co.	—	—	725,000	725,000
*Peninsular Motor Co. . . . .	—	—	800,000	800,000
Randolph Motor Car Co. . . . .	—	—	399,400	399,400
Rapid Motor Vehicle Co. . . . .	—	—	500,000	500,000
Reliance Motor Truck Co. . . . .	—	—	481,493	481,493
The Welch Co. of Detroit . . . . .	—	—	275,000	275,000
Welch Motor Car Co. . . . .	—	—	250,000	250,000
Champion Ignition Co. . . . .	—	—	100,000	75,000
Jackson-Church-Wilcox Co. . . . .	—	—	240,000	240,000
Michigan Auto-Parts Co. . . . .	—	—	300,000	300,000
Michigan Motor Castings Co. . . . .	—	—	100,000	100,000
Oak Park Power Co. . . . .	—	—	200,000	200,000
The McLaughlin Motor Car Co., Ltd. . . . .	—	—	1,003,000	500,000
Weston-Mott Co. . . . .	—	—	1,500,000	1,500,000
General Motors Export Co. . . . .	—	—	100,000	100,000
General Motors Truck Co. . . . .	—	—	10,000	10,000
General Motors (Europe), Ltd.	96,000	96,000	12,000	12,000
General Motors Co. of Michi- gan . . . . .	—	—	100,000	100,000
Totals, par value . . . . .	<u>\$646,000</u>	<u>\$596,000</u>	<u>\$15,686,003</u>	<u>\$15,158,003</u>

\* Formerly called "Marquette Motor Company."



