

Twelfth Annual Report

OF THE

International Business Machines Corporation

formerly the

Computing-Tabulating-Recording Co.

*For the year ended
December Thirty-First
1923*

GENERAL OFFICES

50 BROAD STREET . . . NEW YORK CITY

International Business Machines Corporation

formerly the

Computing-Tabulating-Recording Co.

BOARD OF DIRECTORS

GEORGE W. FAIRCHILD, *Chairman*

Willis H. Booth	George A. Post
Drury W. Cooper	Joseph E. Rogers
Charles R. Flint	Charles Smith
A. Ward Ford	Christopher D. Smithers
Oscar L. Gubelman	Thomas J. Watson
Samuel M. Hastings	*Henry L. Wardwell
John W. Herbert	Rollin S. Woodruff

*Deceased

EXECUTIVE AND FINANCE COMMITTEE

George W. Fairchild	John W. Herbert
Charles R. Flint	Christopher D. Smithers
Oscar L. Gubelman	Thomas J. Watson

OFFICERS

THOMAS J. WATSON	<i>President and General Manager</i>
GEORGE W. FAIRCHILD	<i>Vice-President</i>
WILLIAM F. BATTIN	<i>Treasurer and Comptroller</i>
JOHN G. PHILLIPS	<i>Secretary</i>

Transfer Agents

EMPIRE TRUST COMPANY
New York

Trustee and Registrar

GUARANTY TRUST COMPANY
of New York

International Business Machines Corporation

formerly

Computing-Tabulating-Recording Co.

TO THE STOCKHOLDERS:

Your directors submit herewith income and surplus account for the year 1923, together with consolidated balance sheet as of December 31, 1923, with auditors' certificate attached.

The net income for the year before Federal Taxes, but after providing for full depreciation, interest, development and patent expenses, was \$2,161,375.17, compared with \$1,631,818.09 for the year 1922, being an increase of \$529,557.08. The net income is exclusive of \$513,818.18 received in settlement of patent infringement.

The Company retired during the year all of its notes payable except \$100,000.00 of unmatured notes, all of which have since been paid off.

In addition to paying off our notes we redeemed or purchased bonds of a par value of \$114,000.00, of which \$25,000.00 are held in the Treasury. At the end of the year the Trustees of the sinking fund had in hand cash for the redemption of \$10,000.00 par value of additional bonds, called for payment January 1, 1924.

Net current assets totaled \$6,723,354.97, compared with \$4,615,333.29 at the close of 1922, an increase of \$2,108,021.68, the current assets being over five times the current liabilities.

During the first half of the year the Company sold 19,655 shares of additional capital stock.

The Company added to its line of business machines several additional models which were being developed at the time of our last report. The business so far obtained from these has been satisfactory. Other new models and further improvements to the present line are being developed in accordance with the Company's policy.

Our business in South America shows a healthy growth and in order to more conveniently conduct the business, we formed the International Business Machines Company of Delaware, all of the outstanding stock of which is owned by this Company. All of our subsidiaries and associated companies operated at a profit during the year.

Effective February 14, 1924, the name of the Company was changed from Computing-Tabulating-Recording Co. to International Business Machines Corporation, the new name being more descriptive of the business of the Company than the old, more truly interpreting the broad scope of our present lines, and additions to the line now being developed.

By order of the Board of Directors,

THOMAS J. WATSON,

President.

International Business

Computing-Tabulating-Records

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash	\$812,199.47	
United States Short Term Treasury Certificates . . .	<u>300,000.00</u>	1,112,199.47
Notes and accounts receivable	\$3,782,218.22	
Less Reserve for doubtful accounts	<u>382,996.77</u>	3,399,221.45
Inventories		<u>3,706,749.98</u> \$8,218,170.90

SINKING FUND:

Cash in hands of Trustee for redemption of Bonds called for payment January 1, 1924		11,035.19
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DEFERRED ASSETS:

Commissions advanced salesmen on unfilled orders, etc. less reserve	\$525,853.92	
Prepaid insurance, taxes, etc.	<u>43,009.70</u>	568,863.62

INVESTMENTS (BOOK VALUES) . .		735,044.99
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PLANT PROPERTY, EQUIPMENT, MACHINES, PATENTS AND GOOD-WILL, PER BOOKS, after deducting surplus of Subsidiary Companies acquired at organization

\$25,674,386.76

Less—Reserves for depreciation and amortization .

6,568,380.95 19,106,005.81

TOTAL \$28,639,120.51

Machines Corporation

Co., and Subsidiary Companies

STATEMENT AS OF DECEMBER 31, 1923

LIABILITIES

CURRENT LIABILITIES:

Notes and accounts payable, accrued items, etc.				\$770,959.98
International Business Machines Corporation, Dividend due January 10, 1924			226,014.00	
Accrued interest on bonds. . .			171,210.00	
Federal Taxes (Estimated). . .			326,631.95	\$1,494,815.93

BONDED INDEBTEDNESS:

Computing - Tabulating - Record- ing Co. collateral trust, sinking fund bonds due 1941				\$7,000,000.00
Less Redeemed and cancelled Held in Treasury	\$1,293,000.00	25,000.00	1,318,000.00	5,682,000.00

RESERVE FOR CONTINGENCIES 500,000.00

CAPITAL STOCK AND SURPLUS OF
SUBSIDIARY COMPANIES not
owned by International Busi-
ness Machines Corporation . . 260,874.14

DECLARED CAPITAL (\$13,784,425.00)
AND SURPLUS represented by 150,
688 shares of International Busi-
ness Machines Corporation Cap-
ital Stock without par value . . 20,701,430.44

TOTAL \$28,639,120.51

International Business Machines Corporation
(formerly Computing-Tabulating-Recording Co.)
and Subsidiary Companies

**SUMMARY OF CONSOLIDATED
INCOME, SURPLUS AND DECLARED CAPITAL
For the Year Ended December 31, 1923**

NET PROFIT OF SUBSIDIARY COMPANIES after writing down inventories of raw materials to cost or market, whichever was lower, and deducting maintenance and repairs of plants and equipment, provision for doubtful accounts, the proportion of net profit applicable to unacquired shares, and expenses of International Business Machines Corporation		\$3,659,537.03
<i>Less:</i>		
Depreciation of plants, equipment and rental machines.....	\$813,372.23	
Development and patent expenses.....	<u>297,535.00</u>	1,110,907.23
		\$2,548,629.80
<i>Less:</i>		
Interest on bonded indebtedness and borrowed money.....		<u>387,254.63</u>
NET INCOME FOR YEAR 1923		\$2,161,375.17
<i>Deduct:</i> Dividends as follows:		
No. 32—\$1.50	Paid April 10, 1923	\$196,531.50
No. 33—\$1.50	Paid July 10, 1923	226,014.00
No. 34—\$1.50	Paid Oct. 10, 1923	226,014.00
No. 35—\$1.50	Due Jan. 10, 1924	<u>226,014.00</u>
		874,579.50
BALANCE BEFORE DEDUCTIONS		\$1,286,801.67
<i>Deductions:</i>		
Amortization of patents.....	76,288.54	
Federal Income Taxes 1923 (Estimated).....	<u>200,000.00</u>	276,288.54
SURPLUS FOR YEAR 1923		\$1,010,513.13
<i>Add</i>		
Amount received in settlement of lawsuit for infringement of patent.....		<u>513,818.18</u>
		\$1,524,331.31
<i>Deduct</i>		
Reserve for Contingencies.....		<u>500,000.00</u>
<i>Add</i>		
Amount received from sale of 19,655 shares of International Business Machines Corporation Capital Stock without par value.....	\$1,474,125.00	
Less: Cost of underwriting, listing and issuing above shares.....	<u>46,738.58</u>	1,427,386.42
DECLARED CAPITAL AND SURPLUS, JANUARY 1, 1923		18,249,712.71
DECLARED CAPITAL, (\$13,784,425.00) AND SURPLUS, represented by 150,688 shares of International Business Machines Corporation Capital Stock without par value.....		<u>\$20,701,430.44</u>

THE AUDIT COMPANY OF NEW YORK

NEW YORK
AUDIT COMPANY BUILDING
72-74 PINE STREET

CHICAGO
NEW YORK LIFE BUILDING
39 SOUTH LA SALLE ST.

To the Stockholders of the

INTERNATIONAL BUSINESS MACHINES CORPORATION:

We have made a general audit of the books and accounts of the **INTERNATIONAL BUSINESS MACHINES** CORPORATION, formerly Computing-Tabulating-Recording Co., and its Subsidiary Companies for the year ending December 31, 1923.

We certify that the Consolidated Balance Sheet and Related Summary of Consolidated Income, Surplus and Declared Capital presented herewith, are true Exhibits of the accounts and that, in our opinion, they correctly set forth the financial condition of the **INTERNATIONAL BUSINESS MACHINES** CORPORATION AND SUBSIDIARY COMPANIES as of December 31, 1923, and the results from operations for the period stated.

Very truly yours

THE AUDIT COMPANY OF NEW YORK

A. W. DUNNING,
President

H. J. LUNDQUIST
Secretary

New York, March 21st, 1924.