

Notes to Consolidated Financial Statements (continued)

10. Income Taxes. The components of income before income taxes for both continuing and discontinued operations consisted of the following (in thousands):

	Year Ended December 31,		
	1982	1981	1980
United States	\$357,063	\$309,654	\$251,807
Foreign	574,928	552,857	512,492
	\$931,991	\$862,511	\$764,299

Income taxes for continuing and discontinued operations consisted of the following amounts (in thousands):

	Year Ended December 31,			
	United States	State & Local	Foreign	Total
1982				
Current	\$79,605	\$22,638	\$266,709	\$368,952
Deferred	33,281	1,363	16,163	50,807
1981				
Current	\$86,589	\$22,461	\$248,292	\$357,342
Deferred	15,574	1,646	6,167	23,387
1980				
Current	\$63,636	\$17,438	\$228,013	\$309,087
Deferred	25,518	2,390	5,196	33,104

Total tax expense differed from the amount computed by applying the statutory federal income tax rate to income before income taxes principally because of investment tax credits which had the effect of reducing the tax provision by approximately \$24 million in 1982, \$14 million in 1981 and \$11 million in 1980.

Deferred taxes are provided principally for depreciation and film costs which are recognized in different years for financial statement and income tax purposes.

11. Acquisitions. On June 21, 1982, the Company acquired all of the outstanding capital stock of Columbia Pictures Industries, Inc. ("Columbia") in a purchase transaction. The purchase price, consisting of cash and common stock of the Company, is valued at approximately \$692 million. The values assigned to assets acquired and liabilities assumed are based on studies conducted to determine their fair values. The excess cost over net fair value is being amortized over forty years using the straight-line method; amortization amounted to \$6 million in 1982.

The pro forma consolidated results of operations of the Company, as if Columbia had been acquired as of January 1, 1981, are as follows (in thousands, except per share data):

	Year Ended December 31,	
	1982	1981
Net operating revenues	\$6,602,571	\$6,623,775
Income from continuing operations	498,692	456,452
Income from continuing operations per share	3.67	3.36

The pro forma results include adjustments to reflect interest expense on \$333 million of the purchase price assumed to be financed with debt bearing interest at an annual rate of 11%, the amortization of the unallocated excess cost over net assets of Columbia, the income tax effects of pro forma adjustments and the issuance of 12.2 million shares of the Company's common stock.

The pro forma results for the twelve months ended December 31, 1981, have been further adjusted to reflect Columbia's repurchase in February, 1981, of 2.4 million shares of Columbia common stock from certain shareholders as if such repurchase had been consummated as of January 1, 1981. Accordingly, interest expense has been increased for amounts necessary to fund the cash portion of the purchase price, legal expenses incurred in litigation with such shareholders have been eliminated and income taxes have been adjusted.

In June 1982, the Company purchased Associated Coca-Cola Bottling Co., Inc. ("Associated") at a cost of approximately \$419 million. Associated was acquired with the intent of selling its properties to other purchasers as part of the Company's strategy to assist in restructuring the bottler system. Accordingly, the acquisition has been accounted for as a temporary investment under the cost method of accounting. At December 31, 1982, approximately 70% of Associated's operating assets had been sold for cash equal to the allocated costs of such assets. A substantial portion of such assets were sold for \$245 million to a corporation principally owned by a former director of the Company.

The remaining investment in Associated of \$120 million at December 31, 1982 is included in other current assets.

In September 1982, the Company purchased Ronco Foods Company, a manufacturer and distributor of pasta products, for cash. This transaction had no significant effect on the Company's operating results.

12. Discontinued Operations. In 1981, the Company sold Aqua-Chem, Inc., a wholly-owned subsidiary which produced steam generators, industrial boilers and water treatment equipment. In February 1982, the Company sold its Tenco Division for approximately book value. Tenco was an operating unit which manufactured and distributed private label instant coffees and teas.

Net sales of discontinued operations were \$240 million and \$292 million in 1981 and 1980, respectively.