

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **PRINCOR BALANCED FUND INC /IA/**

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A Message From the President

Dear Shareholder:

Through the first nine months of the year, U.S. stock markets turned in positive results. However, there were some bumps along the way. In July, equity and fixed-income investors experienced a rather precipitous decline fueled by mixed economic data and concerns about rising interest rates. Patient investors were rewarded when the Federal Reserve met in September. At that meeting, the Fed chose to leave interest rates unchanged and, as a result, financial markets have rebounded.

Through September 30, 1996, the Dow Jones Industrial Average returned 16.88% and the Standard & Poor's 500 Index returned 13.50%. Markets outside the U.S. showed mixed results. Included among the regions which posted strongest returns were Europe, Asia (excluding Japan) and Latin America. During this same period, all of the Prncor growth-oriented funds, with the exception of Prncor Utilities Fund, turned in positive returns. Interest rates, both foreign and domestic, continued their trend of stable to declining rates. This trend was reflected in the returns of the Prncor income-oriented funds which posted moderately positive to slightly negative returns year-to-date through 9/30/96. It is not expected that inflation rates will elevate in 1997 which should contribute to a stable market environment. For more information on Prncor fund performance, see next page.

Many shareholders invest in the Prncor Mutual Funds for retirement. Currently, IRAs, 403(b)s and other retirement plans are available. Prncor will expand its retirement plan offerings in early 1997 to include the Prncor SIMPLE-IRA and the Prncor Qualified Retirement Plan Program. SIMPLE-IRAs are brand-new for 1997. These employer-sponsored retirement plans include salary deferral, employer matching or nonelective contributions and reduced plan administration. Prncor will also announce a comprehensive Qualified Retirement Plan Program. This program will include a Prncor 401(k), profit sharing and money purchase plans. The program features the Prncor funds as investment options, a choice of plan administrators, two fund share classes, competitive administrative fees, flexible plan design and much more.

Prncor recently introduced an exciting new asset allocation program--Prncor PATH. PATH helps investors find a suitable mix of Prncor funds based on their investment objectives and risk tolerance. Potential investors complete a questionnaire and using their resulting score, choose the model portfolio which may be best suited for them. Prncor PATH provides investors with another useful tool in pursuing their long-term financial goals. For more information regarding the new Prncor 401(k) or PATH, please contact your registered representative.

In other fund news, Congress has passed the National Securities Markets Improvement Act of 1996. The Act prevents states from imposing investment restrictions on mutual funds, permitting funds to comply only with the requirements of federal statutes. The elimination of redundant regulation is viewed as a positive change by the mutual fund industry. While this change has no immediate impact on the day-to-day management of the Prncor Mutual Funds, the Funds have removed the state-imposed investment restrictions from their registration statements.

Prncor continues to seek to provide our shareholders top-level customer service and a high quality, well-managed family of mutual funds. We are pleased to have you as a shareholder, and look forward to a successful 1997.

Sincerely,

Stephan L. Jones  
President

Prncor Funds Performance

<TABLE>  
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Average Annual Total Returns  
As of October 31, 1996

	1 Year		5 Years		10 Years	
	with sales charge	without sales charge	with sales charge	without sales charge	with sales charge	without sales charge
<S> A Shares of:	<C>	<C>	<C>	<C>	<C>	<C>
Balanced	9.69%	15.10%	9.68%	10.74%	10.15%a	10.75%a
Blue Chip	12.64	18.20	11.33	12.40	11.13b	12.08b
Bond	-0.18	4.74	7.60	8.64	9.00a	9.59a
Capital Accumulation	20.47	26.41	13.32	14.42	11.38	11.91
Emerging Growth	11.40	16.89	14.98	16.10	16.73a	17.36a
Government Securities Income	1.08	6.06	6.18	7.21	7.94	8.46

Growth	5.40	10.60	12.46	13.55	13.19	13.74
High Yield	6.63	11.88	9.06	10.12	7.77a	8.36a
Limited Term Bond	2.07c	3.62c				
Tax-Exempt Bond	1.10	6.08	6.25	7.28	6.95	7.47
Utilities	3.05	8.13	6.14d	7.47d		
World	12.80	18.36	11.69	12.77	8.53	9.06

<TABLE>  
<CAPTION>

B Shares of:	1 Year		5 Years (e)	
	with CDSC*	without CDSC*	with CDSC*	without CDSC*
<S>	<C>	<C>	<C>	<C>
Balanced	10.10%	14.10%	15.54%	17.38%
Blue Chip	13.18	17.18	21.57	23.34
Bond	0.00	3.91	9.42	11.36
Capital Accumulation	21.19	25.19	25.00	26.72
Emerging Growth	12.07	16.07	25.39	27.10
Government Securities Income	1.19	5.17	9.17	11.11
Growth	5.80	9.80	19.61	21.40
High Yield	6.46	10.46	10.08	12.00
Limited Term Bond	2.07c	3.32c		
Tax-Exempt Bond	1.23	5.23	10.18	12.10
Utilities	3.23	7.23	14.47	16.33
World	13.16	17.16	12.32	14.21

<FN>  
\* Contingent Deferred Sales Charge

</FN>  
</TABLE>

<TABLE>  
<CAPTION>

R Shares of:	1 Year (c)
<S>	<C>
Balanced	7.52%
Blue Chip	7.02
Bond	3.75
Capital Accumulation	12.74
Emerging Growth	6.20
Government Securities Income	3.76
Growth	1.12
High Yield	5.60
Limited Term Bond	3.24
Utilities	-0.31
World	9.29

<FN>  
a Partial period, from effective date 12/18/87  
b Partial period, from effective date 3/1/91  
c Partial period, from effective date 2/29/96  
d Partial period, from effective date 12/16/92  
e Partial period, from effective date 12/9/94  
</FN>  
</TABLE>

Total return represents the overall performance of an investment for a specific period of time, assuming the reinvestment of dividends and capital gains and after applicable expenses. Average annual total returns for A shares are with and without maximum 4.75% sales charge. Average annual total returns for B shares are with and without maximum 4.0% contingent deferred sales charge.

Total returns reflect past performance. Past performance does not predict future performance. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

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MANAGER'S COMMENTS

Princor Management Corporation, the adviser to the Princor funds, is staffed with investment professionals who manage each individual fund. Comments by these individuals in the following paragraphs summarize in capsule form the general strategy and recent results of each fund over the past year. We believe any Princor fund should, under normal circumstances, represent only a portion of an investor's total investments. For most investors a portfolio should be balanced among stocks, bonds, and cash reserves to fit their own needs and risk tolerance. Those who maintain this balanced approach should be aware of the short-term results, but focus on the long term. Past performance is no guarantee of future results. Fund values will fluctuate so that the shares, upon redemption, may be worth more or less than their original cost.

Growth-Oriented Funds

Princor Balanced Fund

Judi Vogel

The year ended October 31, 1996, was characterized by volatility - in the economy, interest rates and market results. Fixed-income returns were negatively impacted as interest rates moved higher on fears that inflation would pick up with strength in the economy. Much attention was focused on employment reports throughout the year as gains in payroll employment, together with wage increases, caused wage inflation concerns to surface. On balance, however, conditions were good for investors, especially those participating in the equity market. Economic activity was moderately strong yet noninflationary. Corporate earnings continued to climb, though at a slower rate of growth than in 1995. And investors poured record amounts of cash into the equity markets during the year. The Balanced Fund benefited from strong common stock results, while the effects of higher interest rates and lower fixed income valuations moderated total returns. Our emphasis on companies capable of growing earnings regardless of the state of the economy served the fund well. Now six years into this economic expansion, we anticipate economic growth as well as earnings growth will slow going forward. Our strategy is to remain relatively insensitive to the economic cycle, keeping credit risk to a minimum. There is no independent market index against which to measure returns of balanced portfolios, however, we show the Standard & Poor's 500 Stock Index for your information.

Comparison of Change in Value of \$10,000 Investment in the  
Balanced Fund Class A, S&P 500 and Lipper Balanced Fund Average

	Balanced	S&P 500	Lipper
Year Ended October 31,	Fund	Index	Balanced
	9,525	10,000	10,000

1988	10,714	11,627	11,233
1989	11,896	14,696	13,152
1990	10,554	13,595	12,465
1991	14,152	18,151	16,015
1992	15,830	19,959	17,413
1993	17,768	22,938	19,994
1994	17,935	23,823	19,852
1995	20,480	30,112	23,300
1996	23,573	37,355	26,758

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
9.69%	9.68%	10.15%*	Class A
10.10%	15.54% **		Class B
7.52%***			Class R

- \* - Since Inception Date 12/18/87
- \*\* - Since Inception Date 12/9/94
- \*\*\* - Since Inception Date 2/29/96

#### Princor Blue Chip Fund

Mark Williams

This Fund's investment strategy is to concentrate on those companies with a significant operating history, a well-capitalized balance sheet, and a history of consistent increases in earnings and dividends. We place special importance on the consistency of dividend increases. This is true for two reasons. One, by increasing the dividend, management sends a signal of confidence to investors. Management generally increases the dividend when they are confident of future business conditions. Two, companies that consistently increase the dividend provide investors the benefit of a rising income stream. This differs from bond investors who receive a fixed income stream.

Historically, investors have been rewarded with a performance premium for those companies consistently increasing dividends. Recently, this premium has fallen. The high profit environment in combination with the uninterrupted economic growth has made investors less concerned with disposition of corporate cash flow than growth of corporate cash flow. Stated another way, if earnings are growing rapidly, investors are not as concerned about increasing dividends. We expect increasing dividends to return to their historic importance when economic conditions are more negative and corporate profits are lower.

During the year just ended, conditions remained close to ideal for stock market investors. Economic growth was moderate, inflation remained in check, and the Federal Reserve expertly guided monetary policy. This Fund's performance trailed market averages partially for the reasons previously discussed. Additionally, after strong economic numbers were released in February and March, investors rotated to those companies that benefit from a strengthening economy. Due to the structure and goals of this account, we hold very few cyclical companies. This underweighting in cyclicals penalized the Fund's relative performance. Later in the year, our technology holdings were adversely impacted by negative earnings comparisons. Because we had overweighted these companies, relative to the benchmark, performance was adversely affected.

Going forward, we see a slowing economy and corporate profit margin erosion. With this in mind, our position is that consistent earnings growth companies should position the Fund well.

#### Comparison of Change in Value of \$10,000 Investment in the Blue Chip Fund Class A, S&P 500 and Lipper Growth & Income Fund Average

Year Ended October 31,	Blue Chip Fund	S&P 500 Stock Index	Lipper Growth & Income Fund Average
	9,525	10,000	10,000
1991	10,137	10,911	10,544
1992	11,142	11,998	11,499
1993	11,771	13,789	13,424
1994	12,546	14,321	13,763
1995	15,388	18,100	16,510
1996	18,188	22,455	20,011

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns  
As of October 31, 1996  
1 Year 5 Year 10 Year  
12.64% 11.33% 11.13%\* Class A  
13.18% 21.57% \*\* Class B  
7.02%\*\*\* Class R

\* - Since Inception Date 3/1/91  
\*\* - Since Inception Date 12/9/94  
\*\*\* - Since Inception Date 2/29/96

Princor Capital Accumulation Fund

David White  
Catherine Green

The Fund outperformed both the Standard & Poor's 500 and the Lipper Average Growth & Income Fund for the past year. Our relative strength has come from several factors. First, our exposure to the more cyclical sectors of the market has been fairly low. This has been positive because these areas have not performed as well as the rest of the market. Financial stocks have continued to help us throughout the year, as well as consumer staple stocks. We have had a strong exposure to these types of companies during the year. We feel that their steady earnings growth is a positive in these markets, and the prices have moved in accordance with our thinking. The market is now paying a premium for companies that exhibit steady earnings progression.

We look for companies we feel will provide investors with above-average rates of return over the long term. We do this through a "bottoms up analysis" that focuses on the price relative to the company's earnings and dividend yield. We also monitor historical relationships to find opportunities where a stock looks attractive compared to its historical pricing. We then overlay this with a "top down" strategy. We look at the big picture: the economy, international trade secular industry trends, earnings and the stock market.

For some time we have been concerned about continued strong gains in the economy. We have been careful to watch our investments in the more sensitive sectors of the economy and have tried to focus on companies with the ability to continue growth of earnings.

Comparison of Change in Value of \$10,000 Investment in the Capital Accumulation Fund Class A, S&P 500 and Lipper Growth & Income Fund Average

Year Ended October 31,	Capital Accumulation	S&P 500 Stock Index	Lipper Growth & Income Fund Average
	9,525	10,000	10,000
1987	9,954	10,646	10,105
1988	11,388	12,223	11,756
1989	12,962	15,449	14,163
1990	10,652	14,292	12,772
1991	14,980	19,081	17,050
1992	16,728	20,982	18,595
1993	18,471	24,114	21,708
1994	19,702	25,044	22,255
1995	23,238	31,655	26,697
1996	29,374	39,250	32,360

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns  
As of October 31, 1996  
1 Year 5 Year 10 Year  
20.47% 13.32% 11.38% Class A  
21.19% 25.00%\* Class B  
12.74%\*\* Class R

\* - Since Inception Date 12/9/94  
\*\* - Since Inception Date 2/29/96

Princor Emerging Growth Fund

Mike Hamilton

Small stocks performed best year to date on a price basis as shown by the NASDAQ new high in the third quarter. The stock markets were all extremely strong for the year however. During the period, the stock market has favored different sectors depending on the most recent economic news. The Princor Emerging Growth

Fund has closely tracked its benchmark for the year. The Fund is light on energy stocks and that is the main reason for the difference. The strongest of the sectors in the Fund have been financials, mainly regional bank stocks, and the technology sector.

The portfolio is structured for a continued economic cycle of slow but steady growth with inflation controlled at its current pace. There will be ups and downs as momentum investors are clearly in control of the current market. We chose to focus on higher quality companies with more dependable growth to limit business risk in the portfolio. Both healthcare and financials continue to be the focus in the portfolio.

Comparison of Change in Value of \$10,000 Investment in the  
Emerging Growth Fund Class A, S&P 500 and Lipper Mid Cap Fund Average

Year Ended October 31,	Emerging Growth	S&P 500 Stock Index	Lipper MID CAP Fund Average
	9,525	10,000	10,000
1988	11,409	11,627	11,344
1989	13,651	14,696	14,346
1990	11,357	13,595	12,349
1991	18,689	18,151	19,744
1992	20,862	19,959	21,136
1993	24,964	22,938	26,260
1994	26,676	23,823	26,816
1995	33,721	30,112	33,389
1996	39,418	37,355	39,489

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
11.40%	14.98%	16.73%*	Class A
12.07%	25.39%	**	Class B
6.20%***			Class R

- \* - Since Inception Date 12/18/87
- \*\* - Since Inception Date 12/9/94
- \*\*\* - Since Inception Date 2/29/96

Princor Growth Fund

Mike Hamilton

With the year-to-date increase in the stock market, momentum investing has been the clear winner to date. This style of investing requires portfolio managers to concentrate on stocks that have current price momentum based on current earnings momentum without regard for long-term fundamentals of companies or their products. We chose to not join the crowd and focused instead on companies with real long term earning expectations. This has been the cause of the divergence between the Fund's performance and the outperformance of the benchmarks year-to-date. Also, we have been light on the energy and consumer retail sector which have had great momentum recently. Our overweighting in financial stocks has helped us to somewhat offset not joining the momentum crowd.

We continue to see slow economic growth with few current imbalances. That is why we continue to focus on healthcare, financials and some growth cyclicals. We don't want to subject the portfolio to excessive market and business risk. We concentrate on good companies with earnings growth sustainable into the future.

Comparison of Change in Value of \$10,000 Investment in the  
Growth Fund Class A, S&P 500 and Lipper Growth Fund Average

Year Ended October 31,	Growth Fund	S&P 500 Stock Index	Lipper Growth Fund Average
	9,525	10,000	10,000
1987	9,782	10,646	9,957
1988	10,713	12,223	11,536
1989	12,647	15,449	14,341
1990	11,483	14,292	12,670
1991	18,293	19,081	17,906
1992	20,992	20,982	19,314
1993	23,056	24,114	22,611
1994	25,321	25,044	22,959
1995	31,218	31,655	28,465

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
5.40%	12.46%	13.19%	Class A
5.80%	19.61%*		Class B
1.12%**			Class R

\* - Since Inception Date 12/9/94

\*\* - Since Inception Date 2/29/96

#### Princor Utilities Fund

Catherine Green

The Utilities Fund has underperformed the Dow Jones Utility Index and its peer group during the year for three basic reasons. First, the peer group surpassed us due to the strength of non-utility stocks. The market in general had performance more than twice that of utility stocks. Those funds also holding non-utility stocks in their portfolios had a tendency to outperform the utility stock indexes and other "pure play" vehicles. Second, the index was stronger than our Fund due to stocks in the Fund. Our Fund tends to own stocks of the stronger utility companies with lower costs that have opportunities to compete in a more competitive environment. The index stocks include companies that have had more difficulty in changing to the upcoming competitive environment. However, some of those stocks have been strong performers in the past year as they moved up from low bases. We still prefer to invest in companies with stronger competitive positions, and like their return opportunities longer term. The third reason for underperformance is due to new legislation in telecommunications stocks. In February, rules were announced relating to legislation in August and these stocks became more volatile. Although several communications companies still have higher growth potential than many electric utility stocks, the stocks dealt with a tough year at times.

Utility stocks experienced a turbulent year but the final result was a positive return. Throughout the year, utility stocks were impacted by several events. First, interest rates edged back up in early 1996 and hurt the price of electric utility stocks. Telephone stocks were negatively impacted by Federal legislation passed in February, 1996. Later in August, rules based on the February bill were announced by the Federal Communications Commission. The rules seemed unfair to regional Bell operating companies and they were hurt further in their stock price. Electric companies have been planning how their states might adapt to changes which paves the way to open competition. As events move in a positive or negative fashion, it impacts the price of a stock. We maintain our focus on the higher-quality end of the spectrum and try to determine which companies we feel will have success in a competitive environment.

#### Comparison of Change in Value of \$10,000 Investment in the Utilities Fund Class A, S&P 500, Lipper Utilities Fund Average and the Dow Jones Utilities Index with Income

Year Ended October 31,	Utilities Fund	S&P 500 Index	Lipper Utilities Fund Average	Dow Jones Utilities With Income
	9,525	10,000	10,000	10,000
1993	11,047	10,980	11,575	11,658
1994	9,368	11,403	10,475	9,349
1995	11,651	14,413	12,325	11,810
1996	12,598	17,880	13,733	13,216

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
3.05%	6.14% *	--	Class A
3.23%	14.47%**	--	Class B
-0.31%***	--	--	Class R

\* Since Inception Date 12/16/92

\*\* - Since Inception Date 12/9/94

\*\*\* - Since Inception Date 2/29/96



Scott Opsal

The Fund's strong performance this year has been driven by broad-based market rallies across Europe. Several European markets have climbed more than 20% this year, with Japan and Italy being the only major markets not reflecting strong gains. The Fund's investment strategy of holding stocks in smaller European economies produced good performance as interest rate moves have been favorable this year. Long bond yields in secondary European markets fell while rates in the stronger core countries have inched up. The Fund's overexposure to the falling rate markets and underexposure to the rising rate markets were significant positive factors producing returns that exceeded the EAFE Index and the average international fund this year.

The Fund has also benefited from noncyclical stockholdings in Europe. Food, drug, technology, and stable growth cyclicals have outperformed the heavier cyclical industries. The Fund's move into noncyclical growth stocks early in the year proved timely. The Fund remains underweighted in Japan due to poor valuations and a weak economic outlook. Japan has been the worst performing major market, and the Fund's lack of exposure to this market also boosted relative returns.

Adverse currency changes have diminished the Fund's returns as measured in U.S. dollars by an estimated 2%. We believe the EAFE Index has suffered a currency loss exceeding 4%, and the average manager has lost an estimated 3%. Thus, the Fund's investment strategy placed it in markets suffering relatively small foreign exchange losses, thereby aiding relative return performance.

The World Fund is subject to specific risks associated with foreign currency rates, foreign taxation and foreign economies.

Comparison of Change in Value of \$10,000 Investment in the  
World Fund Class A, EAFE and Lipper International Fund Average

Year Ended October 31	World	EAFE	Lipper
	Fund	Index	International Average
	9,525	10,000	10,000
1988	9,529	10,594	10,854
1989	10,055	11,457	12,475
1990	10,149	9,995	12,380
1991	11,552	10,689	13,434
1992	11,371	9,276	12,776
1993	16,077	12,751	17,045
1994	17,620	14,036	18,848
1995	17,801	13,986	18,733
1996	21,071	15,441	20,743

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
12.80%	11.69%	8.53%	Class A
13.16%	12.32%*		Class B
9.29%**			Class R

\* - Since Inception Date 12/9/94

\*\* - Since Inception Date 2/29/96

\*\*\* Previous periods during which the fund was advised by another investment advisor are not shown.

Important Notes of the Growth-Oriented Funds:

Standard & Poor's 500 Stock Index: An unmanaged index of 500 widely held common stocks representing industrial, financial, utility and transportation companies listed on the New York Stock Exchange, American Stock Exchange and the Over-the-Counter market.

Lipper Growth & Income Fund Average: This average consists of funds which combine a growth of earnings orientation and an income requirement for level and/or rising dividends. The one year average currently contains 516 funds.

Lipper Mid Cap Fund Average: This average consists of funds which, by prospectus or portfolio practice, limit their investments to companies with average market capitalizations and/or revenues between \$800 million and the average market capitalization of the Wilshire 4500 Index (as captured by the Vanguard Index Extended Market Fund). The one year average currently contains 146 funds.

Lipper Growth Fund Average: This average consists of funds which normally invest in companies whose long-term earnings are expected to grow significantly faster than the earnings of the stocks represented in the major unmanaged stock indices. The one year average currently contains 642 funds.

Lipper Balanced Fund Average: This average consists of funds whose primary objective is to conserve principal by maintaining at all times a balanced portfolio of both stocks and bonds. Typically, the stock/bond ration ranges around 60%/40%. The one year average currently contains 267 funds.

Lipper Utilities Fund Average: This average consists of funds which invest 65% of its equity portfolio in utility shares. The one year average currently contains 90 funds.

Dow Jones Utilities Index with Income: This average is a price-weighted average of 15 utility companies that are listed on the New York Stock Exchange and are involved in the production of electrical energy.

Morgan Stanley EAFE (Europe, Australia and Far East) Index: This average reflects an arithmetic, market value weighted average of performance of more than 900 listed securities which are listed on the stock exchanges of the following countries: Australia, Austria, Belgium, Denmark, Netherlands, New Zealand, Norway, Singapore/Malaysia, Spain, Sweden, Switzerland, and the United Kingdom.

Lipper International Fund Average: This average consists of funds which invest in securities primarily traded in markets outside of the United States. The one year average currently contains 324 funds.

Note: Mutual fund data from Lipper Analytical Services, Inc.

Income-Oriented Funds

Princor Bond Fund

Don Brattebo  
Scott Bennett

The Bond Fund's performance in 1996 was off as compared to 1995 which was a banner year mainly because of dramatically declining interest rates. During 1996, interest rates increased throughout most of the year and only recently have been on their way down as inflation fears ease. This hurt the Fund's relative performance as our duration target of seven years is longer than the average BBB-rated bond fund and the BAA Lehman Corporate Index. Over a long-term perspective we continue to outperform the Lipper Corporate Debt BBB Average, which we attribute to remaining fully invested and not trying to guess interest rates. Underperformance relative to Lehman Brothers BAA Corporate Index in the past year has mainly been because our duration is longer than the index and from a long-term perspective because of operating expenses. Duration measures the price change of a bond given a change in interest rates. In general, if interest rates change one percentage point, the value will change in the opposite direction by a percentage which equals the duration.

In addition to above average, long-term performance within our peer group, BBB-rated corporate securities continue to be attractive by outperforming all other investment-grade quality levels. The yield difference between treasuries and BBB-rated corporates have continued to narrow during the year with defaults low and a large amount of funds chasing the available bonds.

Comparison of Change in Value of \$10,000 Investment in the Bond Fund Class A, Lehman Brothers BAA Corporate Index and Lipper Corporate Debt BBB Rated Fund Average

Year Ended October 31,	Bond Fund	Lehman Baa Index	Lipper BBB Corp. Average
	9,525	10,000	10,000
1988	10,634	11,207	10,947
1989	11,862	12,598	11,980
1990	12,227	13,135	12,295
1991	14,189	15,451	14,397
1992	15,814	17,167	15,952
1993	18,220	19,771	18,362
1994	17,125	18,564	17,376
1995	20,504	22,156	19,873
1996	21,476	23,669	20,974

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns  
As of October 31, 1996

1 Year	5 Year	10 Year	
-0.18%	7.60%	9.00%*	Class A
0.00%	9.42%**		Class B
3.75%***			Class R

\* - Since Inception Date 12/18/87

\*\* - Since Inception Date 12/9/94

\*\*\* - Since Inception Date 2/29/96

#### Princor Government Securities Income Fund

Marty Schafer

As interest rates rose in the second quarter, we continued to purchase mortgage-backed securities selling at a discount and sold those selling at a premium. This positions us for either unchanged or lower interest rates. We view the economy as not too hot or too cold but "just about right." In that case, our portfolio is structured very nicely for the future. The Princor Government Securities Income Fund compared favorably against the Lipper GNMA Fund Average, while it lagged the Lehman GNMA Index, which does not include expenses and, for the last twelve months, has a shorter average maturity. The Fund's favorable comparison to the Lipper GNMA average was derived by the Fund's longer maturity and, we believe, by not market timing interest rates.

Our disciplined approach of running a portfolio priced at or below par continues to protect our shareholders from a drop in rates. The reason this strategy works is because borrowers are becoming more and more efficient in their ability to prepay (call) their home loans. With technology continuing to improve and competition among mortgage bankers becoming more intense, we feel this efficiency will only increase. We avoid most of the callability of staying in low coupon mortgage-backed securities.

We also add value by selecting undervalued sectors of mortgage-backed securities for a portion of the portfolio. The sector we have focused on in the last year has now become very popular with Wall Street and other investors, resulting in our bonds increasing in value.

#### Comparison of Change in Value of \$10,000 Investment in the Government Securities Income Fund Class A, Lehman Brothers GNMA Index and the Lipper GNMA Fund Average

Year Ended October 31,	Government Securities Income Fund	Lehman GNMA Index	Lipper GNMA Average
	9,525	10,000	10,000
1987	9,677	10,402	10,171
1988	11,030	11,836	11,387
1989	12,230	13,187	12,499
1990	12,985	14,281	13,411
1991	15,164	16,721	15,414
1992	16,450	18,192	16,694
1993	18,391	19,569	18,050
1994	17,241	19,267	17,494
1995	20,250	22,194	19,880
1996	21,478	23,781	20,984

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
1.08%	6.18%	7.94%	Class A
1.19%	9.17% *		Class B
3.76% **			Class R

\* - Since Inception Date 12/9/94

\*\* - Since Inception Date 2/29/96

#### Princor High Yield Fund

Ken Hovey

The fiscal year ended October 31 was successful for the High Yield Fund. Return levels of high yield funds in general were significantly higher than for other fixed-income securities and exemplify the return characteristics that differ between high yield and other forms of bonds. The improved performance also demonstrates why high yield securities add much to portfolio diversification.

The better performance of our Fund and the high yield market compared to other forms of bonds during this period was caused by two factors. First, the

risk-free U.S. Treasury market declined in market value over the year for maturities of two years and longer. Investment-grade bonds generally track the Treasury market fairly closely, much closer than do high yield bonds. Investment-grade bonds still had positive total returns due to interest income. Secondly, the risk premium above Treasuries for high yield bonds declined over the year. In other words, the difference in expected returns between high yield bonds and Treasuries was smaller at the end of the fiscal year than at the beginning. One of the key questions looking forward is whether the risk premium for high yield bonds is appropriate, too much or too little. Most observers, including us, think that it is about right given the current economic outlook for continued growth coupled with a nonrestrictive monetary policy. Another key variable to the risk premium and valuation of high yield bonds is the default experience investors realize. Defaults are lower currently for the trailing twelve months than for a year earlier, and are at relatively low rates by historical measure. Our Fund experienced an interest payment default on Drypers bonds that was detailed in the last report. That payment was subsequently received and the bonds continue to be current.

Our Fund's return was higher than the Lehman Index, and lower than the Lipper Average. Difference in return are caused by several factors. Default experience is still important but more relevant over the past year has been sector distribution by industry and by credit quality. Return performance by industry sector was very different as industries go in and out of favor. Our Fund is sufficiently diversified with 51 different bonds. In general, but with exceptions, we own bonds that should perform well in the current economy, but would not fare too badly in a weak economy. In respect to credit quality, we own a mix of BB and B quality bonds which is in line with the market (i.e. Lehman), but we think higher in quality than most competing mutual funds (i.e. Lipper). The higher quality BB-rated bonds have performed closer to investment-grade bonds and therefore did not return as well as B-rated bonds overall. Going forward, we do not expect B-rated bonds to continue to outperform BB-rated bonds as the additional income they provide should be lost in additional defaults. We think our mix of credit quality and industry diversification is appropriate and expect future returns to be similar to both Lehman and Lipper, as they were for the past year.

Comparison of Change in Value of \$10,000 Investment in the High Yield Fund Class A, Lehman Brothers High Yield Index and Lipper High Current Yield Fund Average

Year Ended October 31,	High Yield Fund	Lehman High Yield Index	Lipper High Yield Average
	9,525	10,000	10,000
1988	10,879	11,403	11,230
1989	11,171	11,625	11,355
1990	9,550	10,131	9,967
1991	11,998	15,050	13,589
1992	13,719	17,345	15,816
1993	15,319	20,450	18,991
1994	15,540	20,702	18,913
1995	17,363	23,958	21,409
1996	19,426	26,618	24,118

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
1 Year	5 Year	10 Year	
6.63%	9.06%	7.77%*	Class A
6.46%	10.08% **		Class B
5.60%***			Class R

- \* - Since Inception Date 12/18/87
- \*\* - Since Inception Date 12/9/94
- \*\*\* - Since Inception Date 2/29/96

Princor Limited Term Bond Fund

Marty Schafer

The Limited Term Bond Fund continues to be an investment well suited for those investors looking to improve on lower yielding money market funds and similar investments, but unwilling to take on the investment risk of longer term bonds or stocks. In recent periods the vast majority of our new investments have been focused in corporate bonds in the two to five year maturity range. As a result, our portfolio mix has become more heavily weighted in corporate bonds (70%), with the remainder of the portfolio comprised of mortgage-backed securities (25%), asset-backed securities (4%) and commercial paper (1%). We continue to maintain a very high credit quality within the portfolio as the average credit

quality is AA-/Aa3. Our strategy continues to be to stay fully invested, find the best value among various short-term, fixed-income securities, maintain high credit quality standards and manage duration within our target range. The return for the Prncor Limited Term Bond Fund mirrored both the Lehman Brothers Government Corporate Intermediate Index and the Lipper Short-Intermediate Investment Grade Bond Fund Average.

The U.S. economy is nearing the end of a prolonged expansion and the outlook for domestic demand is questionable given the rising level of consumer debt and related increase in consumer delinquencies. Any near-term increase in economic activity should have only a temporary and modest effect on interest rates. However, the recent volatility in the market cannot be overlooked. Although economic growth did pick up earlier in the year, fueling the rising interest rate environment, the shorter duration of the Limited Term Bond Fund softened this volatility and generated a positive return for investors during this period of turbulent market conditions.

Comparison of Change in Value of \$10,000 Investment in the Limited Term Bond Fund, Lehman Brothers Government Corporate Intermediate Index and Lipper Short-Intermediate Investment Grade Bond Fund Average

Year Ended	Limited Term Bond Fund			Lehman Brothers Government Corporate Intermediate Index	Lipper Intermediate Investment Grade Bond Fund Avg.
	Class A	Class B	Class R		
October 31,	9,850	10,000	10,000	10,000	10,000
1996	10,207	10,207	10,324	10,369	10,357

Note: Past performance is not predictive of future performance. The performance of Class B and Class R Shares will vary from the performance of Class A Shares based on the differences in loads and fees.

Total Returns			
As of October 31, 1996			
	1 Year	5 Year	10 Year
2.07% *	--	--	Class A
2.07% *	--	--	Class B
3.24% *	--	--	Class R

\* - Since Inception Date 2/29/96

Prncor Tax-Exempt Bond Fund

Dan Garrett

The municipal bond market has done well over the past year relative to taxable fixed-income securities. Interest rates rose slightly early in the year as markets anticipated confirmation that growth would not increase inflation. Since May, markets recognized low inflation and growth are compatible, and rates are slightly lower than a year ago. Especially comforting for municipal markets was the reduced concern over radical tax reform. While the chance of losing the tax advantage was small, the market did factor some risk into municipal yields which resulted in lower prices early in the year. Over the summer, tax reform dropped off the list of top election issues, the risk was reduced and prices rose.

Our disciplined approach to credit analysis and targeted duration has provided our shareholders with strong performance. The Fund has outperformed the broader Lehman Municipal Bond Index and has been about even with the Lehman Revenue Bond Index. The Fund's average quality of A outperformed the municipal index of AA+ and the revenue index of AA-. The Fund also benefited because of its weightings in revenue bonds and overall yield differences tightened between revenue bonds and the risk-free municipal curve. The Lehman Brothers Municipal Bond Index has been added because it is a broader index which may be a more appropriate reflection of our Lipper peer group. Our duration as of October 31, 1996 was 7.51 years. This was about the same as the municipal and revenue indices during the past year. Duration measures the price change of a bond given a change in interest rates. In general, if interest rates change one percentage point, the value will change in the opposite direction by a percentage which equals the duration.

Investors of the Tax-Exempt Bond Fund may be subject to the Alternative Minimum Tax.

Comparison of Change in Value of \$10,000 Investment in the Tax-Exempt Bond Fund Class A, Lehman Brothers Revenue Bond Index, Lehman Brothers Municipal Bond Index and the Lipper General Municipal Fund Average

Year Ended	Tax-Exempt	Lehman	Lehman	Lipper
October 31,	Bond Fund	Revenue	Municipal	General
		Bond Index	Bond Index	Muni. Debt
	9,525	10,000	10,000	10,000
1987	8,924	9,923	9,915	9,641
1988	10,730	11,652	11,359	11,166
1989	11,710	12,705	12,278	12,036
1990	12,185	13,650	13,190	12,703
1991	13,780	15,431	14,795	14,265
1992	14,850	16,774	16,038	15,320
1993	17,181	19,332	18,294	17,686
1994	15,907	18,305	17,497	16,650
1995	18,457	21,221	20,095	18,931
1996	19,579	22,526	21,240	19,898

Note: Past performance is not predictive of future performance. The performance of Class B Shares will vary from the performance of Class A Shares based on the difference in loads and fees

Total Returns		
As of October 31, 1996		
1 Year	5 Year	10 Year
1.10%	6.25%	6.95%
1.23%	10.18%*	
		Class A
		Class B

\* - Since Inception Date 12/9/94

Princor Cash Management Fund  
Princor Tax-Exempt Cash Management Fund

Mike Johnson  
Steve Schneider

During the past twelve months, the Federal Reserve lowered short-term interest rates by 25 basis points twice, once in December and then again in January to its current targeted level of 5.25%. Periodically, after the release of various economic numbers there was some market speculation that the Fed would raise rates. However, the 5.25% level has remained in place since January 31 with the Fed continuing to indicate they have no reason to make a change without an acceleration in the growth or inflation rate. The average maturity of our own portfolio, as well as that of the industry, reached its peak during February when investors were still anticipating lower rates. However, following the release of strong economic data led by the February employment report, average maturities declined somewhat and subsequently leveled off. We continue to target and actively monitor the industry averages to keep both our yields and average maturities in line. Both portfolios continue to invest from a list of the highest credit quality issues that are actively managed by our investment securities analytical staff. Throughout most of fiscal 1996, assets for both the Princor taxable and tax-exempt portfolios, as well as those industry wide, were at or near new record high levels.

Investment in the money market funds is neither insured nor guaranteed by the U. S. Government. While the fund strives to maintain a \$1.00 per share NAV, there can be no guarantee it will do so.

Important Notes of the Income-Oriented Funds:

Lehman Brothers, Baa Index: An unmanaged index of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered corporate debt rated Baa or BBB by Moody's or Standard & Poor's.

Lipper Corporate Debt BBB Rated Fund Average: This average consists of funds which invest at least 65% of their assets in corporate and government debt issues rated in the top four grades. The one year average currently contains 78 funds.

Lehman Brothers, GNMA Index: An unmanaged index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA) and Graduated Payment Mortgages (GPMs) with at least \$100 million outstanding and one year or more to maturity.

Lipper GNMA Fund Average: This average consists of funds which invest a least 65% of their assets in Government National Mortgage Association securities. The one year average currently contains 49 funds.

Lehman Brothers, High Yield Index: An unmanaged index of all publicly issued fixed, dollar-denominated, SEC-registered corporate debt rated Ba1 or lower with at least \$100 million outstanding and one year or more to maturity.

Lipper High Current Yield Fund Average: This average consists of funds which aim at high (relative) current yield from fixed-income securities. No quality or maturity restrictions. They tend to invest in lower grade debt issues. The one year average currently contains 114 funds.

Lehman Brothers, Government Corporate Intermediate Index: An unmanaged index of U. S. Government agency and Treasury securities and investment-grade corporate debt securities with maturities of five to ten years.

Lehman Brothers, Municipal Bond Index: An unmanaged index of investment-grade tax-exempt bonds which have been issued within the last five years and at least one year or more to maturity. This index is classified into four main sectors: General Obligation, Revenue, Insured and Prerefunded.

Lehman Brothers, Revenue Bond Index: An unmanaged index of investment-grade tax-exempt revenue bonds which have been issued within the last five years and at least one year or more to maturity.

Lipper Short-Intermediate Investment Grade Debt Fund Average: This average consists of funds which invest at least 65% of their assets in investment-grade debt issues rated in the top four grades with dollar-weighted average maturities of one to five years. The one year average currently contains 70 funds.

Lipper General Municipal Debt Fund Average: This average consists of funds which invest at least 65% of their assets in municipal debt issues in the top four credit ratings. The one year average currently contains 228 funds.

Note: Mutual fund data from Lipper Analytical Services, Inc.

#### Asset Allocation: An Important Ingredient to Successful Investing

Allocation is the act of selecting the best mix of asset classes for your investment, as decided by your financial objectives and risk tolerance. An asset allocation program works to find the best mix of stock and bond investments to achieve the highest possible returns for a certain risk level. To the right is a hypothetical an asset allocation program.

#### Impact of Various Factors on Your Investment Results

pie chart showing a mix as follows: Asset Allocation - 91.5%,  
Stock Selection - 4.6%, Market Timing - 1.7%, Other - 2.1%

Source: Financial Analysts Journal

Studies have shown that allocating among a variety of asset classes can dramatically affect investment results. The studies further suggest that asset allocation can be more important to the success of an investment program than either market timing or stock selection. Below is a chart demonstrating the impact of various factors on your investment results.

#### Hypothetical Asset Allocation Program

pie chart showing a mix as follows: U.S. Stocks - 35%, Corporate Bonds - 30%,  
Government Bonds - 15%, International Stocks - 20%

Though no asset allocation plan can guarantee a profit, it is a way for most investors to increase potential returns while reducing risk. However, many individual investors do not have the time or skills to allocate their investment effectively. This is where the financial expertise of an investment professional becomes invaluable.

The investment professional begins the asset allocation process by asking a series of questions. These questions are designed to help find out the investor's financial goals, investment time horizon and risk tolerance. Here are some examples of the kinds of questions an investment professional might ask:

How much time exists before you will need to begin taking withdrawals from your investment?

How much cash do you have set aside for emergencies?

How would you react if you made an investment and its value declined significantly in the first six months of ownership?

How do you feel about the long-term outlook for growth of the U.S. economy and the global economy?

After the investor responds to the questions, the investment professional makes an asset allocation recommendation based on the answers. For example, Investor A foresees a need to use the investment funds within five years and has little cash reserved for an emergency. This relatively short time horizon and low liquidity suggests to the investment professional that Investor A should consider a more conservative asset allocation. Investor B has adequate cash reserves and no need for the funds for seven years, but is uncomfortable with volatility. Based on this information, the investment professional recommends a moderate asset allocation. Investor C does not need access to the investment for at least ten years. In addition, Investor C is comfortable with fluctuating portfolio values. As a result, the investment professional proposes that Investor C choose a dynamic asset allocation.

However, the investment process does not stop with the initial allocation of assets. Though most asset allocation programs don't change frequently, there are times when they may need adjustment. This can result from changes in the investor's lifestyle (retirement, birth of a child) or from changes in the securities markets (dramatic increase or decrease in interest rates, extended change in economic outlook). At such times, the investment professional will help the investor reevaluate the allocation and make the necessary changes.

Effective asset allocation is an important ingredient of successful investing. With the help of an investment professional, you too can find the asset allocation best suited to helping you achieve your long-term financial goals. To learn more about asset allocation and how it might help you investment more successfully, contact your investment professional today.

<TABLE>  
<CAPTION>  
October 31, 1996

STATEMENTS OF ASSETS AND LIABILITIES

GROWTH FUNDS	Princor Balanced Fund, Inc.	Princor Blue Chip Fund, Inc.	Princor Capital Accumulation Fund, Inc.	Princor Emerging Growth Fund, Inc.
<S>	<C>	<C>	<C>	<C>
Investment in securities -- at cost.....	\$70,608,681	\$38,666,049	\$372,834,472	\$196,175,476
<b>Assets</b>				
Investment in securities -- at value (Note 4)	\$77,326,410	\$52,395,813	\$446,428,622	\$260,529,159
Cash .....	3,891	1,465	7,814	6,749
Receivables:				
Dividends and interest.....	396,865	63,477	790,667	262,393
Investment securities sold.....	--	--	--	--
Capital Stock sold.....	51,418	112,430	299,622	318,992
Other assets.....	3,796	545	24,411	2,129
<b>Total Assets</b>	<b>77,782,380</b>	<b>52,573,730</b>	<b>447,551,136</b>	<b>261,119,422</b>
<b>Liabilities</b>				
Accrued expenses	92,846	60,482	279,456	294,393
Payables:				
Investment securities purchased.....	--	--	--	792,000
Capital Stock reacquired.....	31,141	22,847	70,557	72,128
<b>Total Liabilities</b>	<b>123,987</b>	<b>83,329</b>	<b>350,013</b>	<b>1,158,521</b>
Net Assets Applicable to Outstanding Shares .....	\$77,658,393	\$52,490,401	\$447,201,123	\$259,960,901
<b>Net Assets Consist of:</b>				
Capital Stock.....	\$ 53,163	\$ 30,708	\$ 161,326	\$ 72,781
Additional paid-in capital.....	63,927,311	37,236,847	307,977,966	186,371,526
Accumulated undistributed net investment income.....	158,125	38,438	2,760,161	373,519
Accumulated undistributed net realized gain (loss) from:				
Investment transactions.....	6,802,065	1,454,644	62,707,520	8,789,392
Foreign currency transactions.....	--	--	--	--
Net unrealized appreciation of investments	6,717,729	13,729,764	73,594,150	64,353,683
Net unrealized appreciation on translation of assets and liabilities in foreign currencies	--	--	--	--
<b>Total Net Assets</b>	<b>\$77,658,393</b>	<b>\$52,490,401</b>	<b>\$447,201,123</b>	<b>\$259,960,901</b>
Capital Stock (par value: \$.01 a share)				
Shares authorized.....	100,000,000	100,000,000	100,000,000	100,000,000
<b>Net Asset Value Per Share:</b>				
Class A: Net Assets.....	\$70,819,630	\$44,388,507	\$435,616,809	\$229,464,619
Shares issued and outstanding.	4,846,581	2,595,277	15,712,496	6,418,841
Net asset value per share.....	\$14.61	\$17.10	\$27.72	\$35.75
Maximum offering price per share(a)	\$15.34	\$17.95	\$29.10	\$37.53
Class B: Net Assets.....	\$5,964,217	\$6,526,767	\$9,832,401	\$28,479,979
Shares issued and outstanding.	409,526	383,239	356,559	802,750
Net asset value per share(b)...	\$14.56	\$17.03	\$27.58	\$35.48
Class R: Net Assets.....	\$874,546	\$1,575,127	\$1,751,913	\$2,016,303
Shares issued and outstanding.	60,221	92,245	63,541	56,520
Net asset value per share.....	\$14.52	\$17.08	\$27.57	\$35.67

<FN>  
(a) Maximum offering price is equal to net asset value plus a front-end sales charge of 4.75% of the offering price. (b) Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.



See accompanying notes.  
 </FN>  
 </TABLE>

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 October 31, 1996

STATEMENTS OF ASSETS AND LIABILITIES

GROWTH FUNDS	Princor Growth Fund, Inc.	Princor Utilities Fund, Inc.	Princor World Fund, Inc.
<S>	<C>	<C>	<C>
Investment in securities -- at cost.....	\$183,818,625	\$67,160,726	\$157,851,814
<b>Assets</b>			
Investment in securities -- at value (Note 4)	\$254,216,975	\$71,908,657	\$188,347,013
Cash .....	4,246	3,880	45,664
Receivables:			
Dividends and interest.....	236,309	391,862	198,880
Investment securities sold.....	--	--	655,097
Capital Stock sold.....	218,890	37,355	149,345
Other assets.....	8,638	432	1,617
Total Assets	254,685,058	72,342,186	189,397,616
<b>Liabilities</b>			
Accrued expenses	257,782	86,948	221,698
Payables:			
Investment securities purchased.....	--	--	--
Capital Stock reacquired.....	33,981	42,680	97,480
Total Liabilities	291,763	129,628	319,178
Net Assets Applicable to			
Outstanding Shares .....	\$254,393,295	\$72,212,558	\$189,078,438
Net Assets Consist of:			
Capital Stock.....	\$ 64,358	\$ 63,371	\$ 232,423
Additional paid-in capital.....	180,809,186	68,414,712	148,765,138
Accumulated undistributed net			
investment income.....	682,686	325,361	1,601,065
Accumulated undistributed net realized			
gain (loss) from:			
Investment transactions.....	2,438,715	(1,338,817)	8,004,369
Foreign currency transactions.....	--	--	(20,659)
Net unrealized appreciation of investments	70,398,350	4,747,931	30,495,199
Net unrealized appreciation on translation of			
assets and liabilities in foreign currencies	--	--	903
Total Net Assets	\$254,393,295	\$72,212,558	\$189,078,438
Capital Stock (par value: \$.01 a share)			
Shares authorized.....	100,000,000	1,000,000,000	100,000,000
Net Asset Value Per Share:			
Class A: Net Assets.....	\$228,360,537	\$66,322,317	\$172,276,338
Shares issued and outstanding.	5,775,473	5,819,330	21,162,096
Net asset value per share.....	\$39.54	\$11.40	\$8.14
Maximum offering price per share(a)	\$41.51	\$11.97	\$8.55
Class B: Net Assets.....	\$24,018,956	\$5,579,437	\$15,745,141
Shares issued and outstanding.	609,206	490,293	1,950,060
Net asset value per share(b)...	\$39.43	\$11.38	\$8.07
Class R: Net Assets.....	\$2,013,802	\$310,804	\$1,056,959
Shares issued and outstanding.	51,112	27,440	130,179
Net asset value per share.....	\$39.40	\$11.33	\$8.12

<FN>  
 (a) Maximum offering price is equal to net asset value plus a front-end sales charge of 4.75% of the offering price. (b) Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

See accompanying notes.  
 </FN>  
 </TABLE>

<TABLE>  
 <CAPTION>  
 Year Ended October 31, 1996

STATEMENTS OF OPERATIONS

GROWTH FUNDS	Princor Balanced Fund, Inc.	Princor Blue Chip Fund, Inc.	Princor Capital Accumulation Fund, Inc.	Princor Emerging Growth Fund, Inc.
<S>	<C>	<C>	<C>	<C>
Net Investment Income				
Income:				
Dividends.....	\$ 879,659	\$1,017,673	\$ 9,391,309	\$ 1,730,782
Less: Withholding tax on foreign dividends.....	--	--	--	--
Interest.....	1,884,731	147,728	489,900	1,990,047
Total Income	2,764,390	1,165,401	9,881,209	3,720,829
Expenses:				
Management and investment advisory fees (Note 3).....	404,461	212,845	1,671,502	1,293,848
Distribution and shareholder servicing fees (Note 1 and 3).....	183,234	133,279	457,625	559,125
Transfer and administrative services (Note 1 and 3).....	251,542	206,942	567,786	942,986
Registration fees (Note 1).....	25,357	25,320	35,081	60,801
Custodian fees .....	8,137	4,526	6,748	8,002
Auditing and legal fees .....	7,325	7,222	8,797	9,668
Directors' fees .....	8,706	8,705	8,932	8,857
Other .....	5,881	3,960	27,892	13,060
Total Gross Expenses	894,643	602,799	2,784,363	2,896,347
Less: Management and investment advisory fees waived.....	--	--	--	--
Total Net Expenses	894,643	602,799	2,784,363	2,896,347
Net Investment Income	1,869,747	562,602	7,096,846	824,482
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency				
Net realized gain (loss) from:				
Investment transactions.....	6,825,321	1,456,128	62,796,872	8,797,569
Foreign currency transactions.....	--	--	--	--
Net increase (decrease) in unrealized appreciation/depreciation on:				
Investments.....	751,917	4,958,684	21,196,743	21,625,120
Translation of assets and liabilities in foreign currencies.....	--	--	--	--
Net Realized and Unrealized Gain on Investments and Foreign Currency	7,577,238	6,414,812	83,993,615	30,422,689
Net Increase in Net Assets Resulting from Operations	\$9,446,985	\$6,977,414	\$91,090,461	\$31,247,171

<FN>  
See accompanying notes.

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</TABLE>

<TABLE>  
<CAPTION>  
Year Ended October 31, 1996

STATEMENTS OF OPERATIONS

GROWTH FUNDS	Princor Growth Fund, Inc.	Princor Utilities Fund, Inc.	Princor World Fund, Inc.
<S>	<C>	<C>	<C>
Net Investment Income			
Income:			
Dividends.....	\$ 3,258,063	\$3,568,650	\$ 4,650,004
Less: Withholding tax on foreign dividends.....	--	--	(566,331)
Interest.....	1,270,513	84,808	484,311
Total Income	4,528,576	3,653,458	4,567,984

Expenses:

Management and investment advisory fees (Note 3).....	1,040,897	437,402	1,154,783
Distribution and shareholder servicing fees (Note 1 and 3).....	556,203	213,855	353,313
Transfer and administrative services (Note 1 and 3).....	837,917	228,489	598,305
Registration fees (Note 1).....	55,403	44,799	41,352
Custodian fees .....	5,866	4,746	187,001
Auditing and legal fees .....	10,303	7,181	11,546
Directors' fees .....	8,932	8,706	8,856
Other .....	14,705	6,540	11,465
<b>Total Gross Expenses</b>	<b>2,530,226</b>	<b>951,718</b>	<b>2,366,621</b>
Less: Management and investment advisory fees waived.....	--	61,622	--
<b>Total Net Expenses</b>	<b>2,530,226</b>	<b>890,096</b>	<b>2,366,621</b>
<b>Net Investment Income</b>	<b>1,998,350</b>	<b>2,763,362</b>	<b>2,201,363</b>
<b>Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency</b>			
Net realized gain (loss) from:			
Investment transactions.....	2,443,260	1,903,036	7,946,241
Foreign currency transactions.....	--	--	(20,659)
Net increase (decrease) in unrealized appreciation/depreciation on:			
Investments.....	15,785,039	907,722	15,859,986
Translation of assets and liabilities in foreign currencies.....	--	--	(2,574)
<b>Net Realized and Unrealized Gain on Investments and Foreign Currency</b>	<b>18,228,299</b>	<b>2,810,758</b>	<b>23,782,994</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$20,226,649</b>	<b>\$5,574,120</b>	<b>\$25,984,357</b>

<FN>

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

GROWTH FUNDS	Princor Balanced Fund, Inc.		Princor Blue Chip Fund, Inc.	
	1996	1995	1996	1995
Operations				
<S> Net investment income.....	<C> \$ 1,869,747	<C> \$ 1,764,386	<C> \$ 562,602	<C> \$ 561,604
Net realized gain (loss) from:				
Investment transactions.....	6,825,321	2,846,701	1,456,128	1,227,208
Foreign currency transactions.....	--	--	--	--
Net increase (decrease) in unrealized appreciation/depreciation on investments and translation of assets and liabilities in foreign currencies..	751,917	2,809,432	4,958,684	4,662,787
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>9,446,985</b>	<b>7,420,519</b>	<b>6,977,414</b>	<b>6,451,599</b>
Dividends and Distributions to Shareholders				
From net investment income:				
Class A.....	(1,977,960)	(1,526,106)	(597,121)	(487,675)
Class B .....	(80,727)	(10,560) (a)	(28,747)	(6,240) (a)
Class R(b) .....	(3,345)	--	(3,612)	--
From net realized gain on investments and foreign currency transactions:				
Class A .....	(2,798,187)	(234,514)	(811,021)	--
Class B .....	(71,791)	--	(46,234)	--
Class R(b).....	--	--	--	--

	Total Distributions	(4,932,010)	(1,771,180)	(1,486,735)	(493,915)
Capital Share Transactions (Note 5)					
Shares sold:					
Class A.....	14,014,587	7,935,949	16,456,171	6,239,894	
Class B .....	4,729,247	1,269,648 (a)	4,623,404	1,632,045 (a)	
Class R(b).....	894,478	--	1,584,827	--	
Shares issued in reinvestment of dividends and distributions:					
Class A.....	3,967,925	1,395,703	1,107,738	366,550	
Class B .....	151,751	10,489 (a)	74,660	6,184 (a)	
Class R(b).....	3,345	--	3,610	--	
Shares redeemed:					
Class A .....	(8,463,657)	(11,165,026)	(13,383,349)	(4,463,004)	
Class B .....	(499,765)	(73,722) (a)	(370,763)	(41,750) (a)	
Class R(b) .....	(42,847)	--	(40,315)	--	
Net Increase (Decrease) in Net Assets from Capital Share Transactions	14,755,064	(626,959)	10,055,983	3,739,919	
Total Increase	19,270,039	5,022,380	15,546,662	9,697,603	
Net Assets					
Beginning of year.....	58,388,354	53,365,974	36,943,739	27,246,136	
End of year (including undistributed net investment income as set forth below).....	\$77,658,393	\$ 58,388,354	\$ 52,490,401	\$36,943,739	
Undistributed Net Investment Income .....	\$ 158,125	\$ 350,410	\$ 38,438	\$ 105,316	

<FN>  
(a) Period from December 5, 1994 (date operations commenced) through October 31, 1995.  
(b) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>  
</TABLE>

<TABLE>  
<CAPTION>  
Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

	Princor Capital Accumulation Fund, Inc.	
GROWTH FUNDS	1996	1995
Operations		
<S>	<C>	<C>
Net investment income.....	\$ 7,096,846	\$ 6,438,683
Net realized gain (loss) from:		
Investment transactions.....	62,796,872	21,096,912
Foreign currency transactions.....	--	--
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies..	21,196,743	24,916,772
Net Increase in Net Assets Resulting from Operations	91,090,461	52,452,367
Dividends and Distributions to Shareholders		
From net investment income:		
Class A.....	(6,575,207)	(5,617,183)
Class B .....	(40,153)	(6,731) (a)
Class R(b) .....	(377)	--
From net realized gain on investments and foreign currency transactions:		
Class A .....	(20,944,284)	(4,755,174)
Class B .....	(159,788)	--
Class R(b).....	--	--
Total Distributions	(27,719,809)	(10,379,088)

Capital Share Transactions (Note 5)

Shares sold:		
Class A.....	38,526,395	28,287,310
Class B .....	6,857,184	2,179,812 (a)
Class R(b).....	1,747,855	--
Shares issued in reinvestment of dividends and distributions:		
Class A.....	27,060,108	10,162,185
Class B .....	199,814	6,731 (a)
Class R(b).....	377	--
Shares redeemed:		
Class A .....	(31,940,130)	(26,662,663)
Class B .....	(468,502)	(107,211) (a)
Class R(b) .....	(57,097)	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	41,926,004	13,866,164
Total Increase	105,296,656	55,939,443
Net Assets		
Beginning of year.....	341,904,467	285,965,024
End of year (including undistributed net investment income as set forth below).....	\$447,201,123	\$341,904,467
Undistributed Net Investment Income .....	\$ 2,760,161	\$ 2,279,052

<FN>  
(a) Period from December 5, 1994 (date operations commenced) through October 31, 1995.  
(b) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>  
</TABLE>  
<TABLE>  
<CAPTION>  
Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

GROWTH FUNDS	Princor Emerging Growth Fund, Inc.		Princor Growth Fund, Inc.	
	1996	1995	1996	1995
Operations				
<S> Net investment income.....	<C> \$ 824,482	<C> \$ 549,975	<C> \$ 1,998,350	<C> \$ 1,593,835
Net realized gain (loss) from:				
Investment transactions.....	8,797,569	3,897,774	2,443,260	5,884,252
Foreign currency transactions.....	--	--	--	--
Net increase (decrease) in unrealized appreciation/depreciation on investments and translation of assets and liabilities in foreign currencies..	21,625,120	25,019,957	15,785,039	24,040,842
Net Increase in Net Assets Resulting from Operations	31,247,171	29,467,706	20,226,649	31,518,929
Dividends and Distributions to Shareholders				
From net investment income:				
Class A.....	(769,946)	(236,412)	(1,861,151)	(1,314,723)
Class B .....	(5,762)	(992) (a)	(18,683)	(7,563) (a)
Class R(b) .....	(100)	--	(57)	--
From net realized gain on investments and foreign currency transactions:				
Class A .....	(3,664,659)	(544,422)	(5,595,988)	(2,370,009)
Class B .....	(234,733)	--	(291,406)	--
Class R(b).....	--	--	--	--
Total Distributions	(4,675,200)	(781,826)	(7,767,285)	(3,692,295)
Capital Share Transactions (Note 5)				
Shares sold:				
Class A.....	73,310,489	46,003,051	57,801,956	42,675,725
Class B .....	18,956,446	8,944,401 (a)	16,237,487	7,815,161 (a)
Class R(b).....	2,007,738	--	2,064,878	--

Shares issued in reinvestment of dividends and distributions:				
Class A.....	4,310,643	763,370	7,227,308	3,557,579
Class B .....	236,262	992 (a)	308,579	7,560 (a)
Class R(b).....	100	--	57	--
Shares redeemed:				
Class A .....	(23,052,083)	(16,885,879)	(22,732,322)	(15,426,370)
Class B .....	(1,969,387)	(867,829) (a)	(1,567,488)	(212,100) (a)
Class R(b) .....	(19,892)	--	(13,380)	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	73,780,316	37,958,106	59,327,075	38,417,555
Total Increase	100,352,287	66,643,986	71,786,439	66,244,189
Net Assets				
Beginning of year.....	159,608,614	92,964,628	182,606,856	116,362,667
End of year (including undistributed net investment income as set forth below).....	\$259,960,901	\$159,608,614	\$254,393,295	\$182,606,856
Undistributed Net Investment Income .....	\$ 373,519	\$ 324,845	\$ 682,686	\$ 564,227

<FN>  
(a) Period from December 5, 1994 (date operations commenced) through October 31, 1995.  
(b) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>  
</TABLE>  
<TABLE>  
<CAPTION>  
Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

GROWTH FUNDS	Princor Utilities Fund, Inc.		Princor World Fund, Inc.	
	1996	1995	1996	1995
Operations				
<S> Net investment income.....	<C> \$ 2,763,362	<C> \$ 3,019,757	<C> \$ 2,201,363	<C> \$ 1,294,94
Net realized gain (loss) from:				
Investment transactions.....	1,903,036	(393,414)	7,946,241	5,921,120
Foreign currency transactions.....	--	--	(20,659)	97,847
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies..	907,722	11,053,532	15,857,412	(5,208,159)
Net Increase in Net Assets Resulting from Operations	5,574,120	13,679,875	25,984,357	2,105,752
Dividends and Distributions to Shareholders				
From net investment income:				
Class A.....	( 2,523,991)	(3,003,083)	(1,382,783)	(571,155)
Class B .....	(158,855)	(66,295) (a)	(15,481)	(1,106)
Class R(b) .....	(1,864)	--	--	--
From net realized gain on investments and foreign currency transactions:				
Class A .....	--	--	(5,735,484)	(2,940,766)
Class B .....	--	--	(196,110)	--
Class R(b).....	--	--	--	--
Total Distributions	(2,684,710)	(3,069,378)	(7,329,858)	(3,513,027)
Capital Share Transactions (Note 5)				
Shares sold:				
Class A.....	11,274,737	9,551,504	38,822,208	28,751,013
Class B .....	3,349,548	3,732,230 (a)	11,226,931	3,799,760
Class R(b).....	308,620	--	1,038,560	--
Shares issued in reinvestment of dividends and distributions:				
Class A.....	2,196,843	2,502,797	7,075,336	3,389,757
Class B .....	146,631	61,981 (a)	209,953	1,106

Class R(b) .....	1,864	--	--	--
Shares redeemed:				
Class A .....	(15,770,532)	(13,188,883)	(17,658,243)	(19,795,122)
Class B .....	(2,007,039)	(191,972) (a)	(746,863)	(88,847)
Class R(b) .....	(2,894)	--	(6,119)	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	(502,222)	2,467,657	39,961,763	16,057,667
Total Increase	2,387,188	13,078,154	58,616,262	14,650,392
Net Assets				
Beginning of year.....	69,825,370	56,747,216	130,462,176	115,811,784
End of year (including undistributed net investment income as set forth below).....	\$ 72,212,558	\$ 69,825,370	\$189,078,438	\$130,462,176
Undistributed Net Investment Income .....	\$ 325,361	\$ 246,709	\$ 1,601,065	\$ 776,759

<FN>

(a) Period from December 5, 1994 (date operations commenced) through October 31, 1995.

(b) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

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</TABLE>

October 31, 1996

#### NOTES TO FINANCIAL STATEMENTS

Princor Balanced Fund, Inc.  
Princor Blue Chip Fund, Inc.  
Princor Capital Accumulation Fund, Inc.  
Princor Emerging Growth Fund, Inc.  
Princor Growth Fund, Inc.  
Princor Utilities Fund, Inc.  
Princor World Fund, Inc.

#### Note 1 -- Significant Accounting Policies

Princor Balanced Fund, Inc., Princor Blue Chip Fund, Inc., Princor Capital Accumulation Fund, Inc., Princor Emerging Growth Fund, Inc., Princor Growth Fund, Inc., Princor Utilities Fund, Inc. and Princor World Fund, Inc. (the "Growth Funds") are registered under the Investment Company Act of 1940, as amended, as open-end diversified management investment companies and operate in the mutual fund industry.

On December 5, 1994, the initial purchases of Class B shares of the Growth Funds were made by Princor Management Corporation (See Note 3). All shares outstanding prior to the initial Class B share purchases have been classified as Class A shares. Effective December 9, 1994, the Growth Funds also began offering Class B shares to the public. On February 27, 1996, the initial purchases of Class R shares of the Growth Funds were made by Princor Management Corporation (See Note 3). Effective February 29, 1996, the Growth Funds began offering Class R shares to eligible purchasers.

Class A shares generally are sold with an initial sales charge based on declining rates and certain purchases may be subject to a contingent deferred sales charge ("CDSC"). Class B shares are sold without an initial sales charge, but are subject to a declining CDSC on certain redemptions redeemed within six years of purchase. Class R shares are sold without an initial sales charge and are not subject to a CDSC. Class B shares and Class R shares bear a higher ongoing distribution fee than Class A shares. Class B shares automatically convert into Class A shares, based on relative net asset value (without a sales charge) after seven years. Class R shares automatically convert into Class A shares, based on relative net asset value (without a sales charge) after four years. All classes of shares for each fund represent interests in the same portfolio of investments, and will vote together as a single class except where otherwise required by law or as determined by the Fund's respective Board of Directors. In addition, the Board of Directors of each fund declare separate dividends on each class of shares.

The Growth Funds allocate daily all income, expenses (other than class-specific expenses), and realized and unrealized gains or losses to each class of shares based upon the relative proportion of the value of shares outstanding of each class. Expenses specifically attributable to a particular class are charged directly to such class. Class-specific expenses charged to each class during the period ended October 31, 1996, which are included in the corresponding captions of the Statement of Operations, were as follows:

Distribution and

## Shareholder Servicing Fees

	Class A	Class B	Class R
Princor Balanced Fund, Inc.	\$149,193	\$33,433	\$ 608
Princor Blue Chip Fund, Inc.	95,828	36,181	1,270
Princor Capital Accumulation Fund, Inc.	405,158	51,148	1,319
Princor Emerging Growth Fund, Inc.	405,151	152,515	1,459
Princor Growth Fund, Inc.	423,459	131,333	1,411
Princor Utilities Fund, Inc.	167,170	46,409	276
Princor World Fund, Inc.	266,025	86,326	962

Transfer and  
Administrative Services

	Class A	Class B	Class R
Princor Balanced Fund, Inc.	\$ 59,754	\$ 5,420	\$ 4
Princor Blue Chip Fund, Inc.	36,415	6,853	11
Princor Capital Accumulation Fund, Inc.	164,118	8,869	9
Princor Emerging Growth Fund, Inc.	216,658	28,138	10
Princor Growth Fund, Inc.	205,260	24,096	7
Princor Utilities Fund, Inc.	63,132	5,124	6
Princor World Fund, Inc.	153,210	13,055	11

## Registration Fees

	Class A	Class B	Class R
Princor Balanced Fund, Inc.	\$ 7,766	\$ 6,224	\$34
Princor Blue Chip Fund, Inc.	5,685	6,930	50
Princor Capital Accumulation Fund, Inc.	6,994	6,052	44
Princor Emerging Growth Fund, Inc.	13,719	12,354	34
Princor Growth Fund, Inc.	9,820	13,472	34
Princor Utilities Fund, Inc.	19,539	10,099	34
Princor World Fund, Inc.	12,667	9,747	44

The Growth Funds value securities for which market quotations are readily available at market value, which is determined using the last reported sale price or, if no sales are reported, as is regularly the case for some securities traded over-the-counter, the last reported bid price. When reliable market quotations are not considered to be readily available, which may be the case, for example, with respect to certain debt securities, preferred stocks and foreign securities, the investments are valued by using market quotations, prices provided by market makers or estimates of market values obtained from yield data and other factors relating to instruments or securities with similar characteristics in accordance with procedures established in good faith by each fund's Board of Directors. Securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market.

With respect to Princor World Fund, Inc., the value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. The identified cost of the portfolio holdings is translated at approximate rates prevailing when acquired. Income and expense amounts are translated at approximate rates prevailing when received or paid, with daily accruals of such amounts reported at approximate rates prevailing at the date of valuation.

Since the carrying amount of the foreign securities of the fund is determined based on the exchange rate and market values at the close of the period, it is not practicable to isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities during the period.

The Growth Funds record investment transactions generally one day after the trade date, except for short-term investment transactions which are recorded generally on the trade date. The identified cost basis has been used in determining the net realized gain or loss from investment transactions and unrealized appreciation or depreciation on investments. The Growth Funds record dividend income on the ex-dividend date, except dividend income from foreign securities whereby the ex-dividend date has passed; such dividends are recorded as soon as the Growth Funds are informed of the ex-dividend date. Interest Income is recognized on an accrual basis.

Dividends and distributions to shareholders are recorded on the ex-dividend date.

Dividends and distributions to shareholders from net investment income and net realized gain from investments and foreign currency transactions are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. To the extent these "book/tax" differences are permanent in nature (i.e. that they result from other than timing of recognition - "temporary"), such amounts are reclassified within the



capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Reclassifications made for the years ended October 31, 1996 and 1995 were not material.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 -- Federal Income Taxes

No provision for federal income taxes is considered necessary because each fund is qualified as a "regulated investment company" under the Internal Revenue Code and intends to distribute each year substantially all of its net investment income and realized capital gains to shareholders. The cost of investments for federal income tax reporting purposes is approximately the same as that for financial reporting purposes.

At October 31, 1996, the following Growth fund had net capital loss carryforward as follows:

Net Capital Loss Carryforward Expires in:	Princor Utilities Fund, Inc.
2002	\$ 945,000
2003	394,000
	-----
	\$1,339,000

Note 3 -- Management Agreement and Transactions With Affiliates

The Growth Funds have agreed to pay investment advisory and management fees to Princor Management Corporation (wholly owned by Princor Financial Services Corporation, a subsidiary of Principal Mutual Life Insurance Company) (the "Manager") computed at an annual percentage rate of each fund's average daily net assets. The annual rate used in this calculation for the Growth Funds is as follows:

Fund	Net Asset Value of Funds (in millions)				
	First \$100	Next \$100	Next \$100	Next \$100	Over \$400
Princor Balanced Fund, Inc.	0.60%	0.55%	0.50%	0.45%	0.40%
Princor Blue Chip Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%
Princor Capital Accumulation Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%
Princor Emerging Growth Fund, Inc.	0.65%	0.60%	0.55%	0.50%	0.45%
Princor Growth Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%
Princor Utilities Fund, Inc.	0.60%	0.55%	0.50%	0.45%	0.40%
Princor World Fund, Inc.	0.75%	0.70%	0.65%	0.60%	0.55%

The Manager has agreed to reimburse the Growth Funds annually for their total expenses (excluding brokerage commissions, interest and taxes) in excess of limits prescribed by any state in which the Growth Funds' shares are offered for sale (currently 2 1/2% of the first \$30 million of each fund's average annual net assets, 2% of the next \$70 million of such assets and 1 1/2% of such assets in excess thereof).

Note 3 -- Management Agreement and Transactions With Affiliates (Continued)

The Manager voluntarily waives a portion of its fee for the Princor Utilities Fund, Inc. The waivers are in amounts that maintain total operating expenses within certain limits. The limits are expressed as a percentage of average net assets attributable to each class on an annualized basis during the reporting period. The amount waived and the operating limits, which were maintained at or below those shown, are as follows:

	Amount Waived	Year Ended October 31, 1996	Year Ended October 31, 1995	Expense Limit
Princor Utilities Fund, Inc.				
Class A	\$54,932		\$151,145	1.15%
Class B	6,690		1,338(a)	1.90%
Class R	-- (b)		--	1.65%

(a) Period from December 9, 1994, date Class B shares first offered to the public, through October 31, 1995. (b) Period from February 29, 1996, date Class R shares first offered to the eligible purchasers, through October

31, 1996.

The Manager intends to continue its voluntary waiver and, if necessary, pay expenses normally payable by Princor Utilities Fund, Inc. through February 28, 1998.

Princor Financial Services Corporation, as principal underwriter, receives proceeds of any CDSC on certain Class A and Class B share redemptions. The charge is based on declining rates which for Class A shares, begin at .75% and for Class B shares at 4.00% of the lesser of the current market value or the cost of shares being redeemed. Princor Financial Services Corporation also retains sales charges on sales of Class A shares based on declining rates which begin at 4.75% of the offering price. The aggregate amount of these charges retained, by fund, for the period ended October 31, 1996 were as follows:

	Class A	Class B
Princor Balanced Fund, Inc.	\$ 440,145	\$ 8,439
Princor Blue Chip Fund, Inc.	460,854	8,534
Princor Capital Accumulation Fund, Inc.	977,583	11,097
Princor Emerging Growth Fund, Inc.	2,070,533	41,947
Princor Growth Fund, Inc.	1,779,966	33,473
Princor Utilities Fund, Inc.	342,124	28,800
Princor World Fund, Inc.	934,534	17,019

No brokerage commissions were paid by the Growth Funds to Princor Financial Services Corporation during the periods. Brokerage commissions were paid to other affiliates by the following funds:

	October 31, 1996	October 31, 1995
Princor Balanced Fund, Inc.	\$ 555	\$ 1,162
Princor Blue Chip Fund, Inc.	420	--
Princor Capital Accumulation Fund, Inc.	25,993	17,491
Princor Emerging Growth Fund, Inc.	500	1,200
Princor Growth Fund, Inc.	--	5,894
Princor Utilities Fund, Inc.	2,217	3,446
Princor World Fund, Inc.	4,038	21,577

The Growth Funds bear distribution and shareholder servicing fees with respect to Class A shares computed at an annual rate of up to 0.25% of the average daily net assets attributable to Class A shares of each fund. Effective December 1994, each of the Growth Funds adopted a distribution plan with respect to Class B shares that provides for distribution and shareholder servicing fees computed at an annual rate of up to 1.00% of the average daily net assets attributable to Class B shares of each fund. Effective February 1996, each of the Growth Funds adopted a distribution plan with respect to Class R shares that provides for distribution and shareholder servicing fees computed at an annual rate of up to .75% of the average daily net assets attributable to Class R shares of each fund. Distribution and shareholder servicing fees are paid to Princor Financial Services Corporation; a portion of the fees are subsequently remitted to retail dealers. Pursuant to the distribution agreements, fees unused by the principal underwriter at the end of the fiscal year are returned to the Growth Funds.

At October 31, 1996, Principal Mutual Life Insurance Company, subsidiaries of Principal Mutual Life Insurance Company and benefit plans sponsored on behalf of Principal Mutual Life Insurance Company owned shares of the Growth Funds as follows:

	Class A	Class B	Class R
Princor Balanced Fund, Inc.	530,696	92	2,183
Princor Blue Chip Fund, Inc.	64,477	87	62
Princor Capital Accumulation Fund, Inc.	6,816,334	56	41
Princor Emerging Growth Fund, Inc.	46,739	43	30
Princor Growth Fund, Inc.	37,577	36	26
Princor Utilities Fund, Inc.	85,553	117	87
Princor World Fund, Inc.	4,166,956	156	134

Note 4 -- Investment Transactions

For the year ended October 31, 1996, the cost of investment securities purchased and proceeds from investment securities sold (not including short-term investments and U.S. government securities) by the Growth Funds were as follows:

	Purchases	Sales
Princor Balanced Fund, Inc.	\$ 27,451,481	\$ 19,379,892
Princor Blue Chip Fund, Inc.	14,828,707	5,341,648
Princor Capital Accumulation Fund, Inc.	203,491,564	191,922,597
Princor Emerging Growth Fund, Inc.	84,621,211	22,419,845
Princor Growth Fund, Inc.	59,216,610	3,728,693

Princor Utilities Fund, Inc.	25,474,851	24,280,223
Princor World Fund, Inc.	56,176,479	35,965,723

At October 31, 1996, net unrealized appreciation of investments by the Growth Funds was composed of the following:

<TABLE>  
<CAPTION>

	Gross Unrealized		Net Unrealized
	Appreciation	(Depreciation)	Appreciation of Investments
<S>	<C>	<C>	<C>
Princor Balanced Fund, Inc.	\$ 8,390,003	\$ (1,672,274)	\$ 6,717,729
Princor Blue Chip Fund, Inc.	14,422,785	(693,021)	13,729,764
Princor Capital Accumulation Fund, Inc.	86,264,055	(12,669,905)	73,594,150
Princor Emerging Growth Fund, Inc.	77,463,635	(13,109,952)	64,353,683
Princor Growth Fund, Inc.	87,031,774	(16,633,424)	70,398,350
Princor Utilities Fund, Inc.	7,518,511	(2,770,580)	4,747,931
Princor World Fund, Inc.	39,538,523	(9,043,324)	30,495,199

At October 31, 1996, Princor Balanced Fund, Inc., Princor Emerging Growth Fund, Inc., Princor Growth Fund, Inc. and Princor World Fund, Inc. held the following securities which may require registration under the Securities Act of 1933, or an exemption therefrom, in order to effect a sale in the ordinary course of business.

<TABLE>  
<CAPTION>

Fund	Security Description	Date of Acquisition	Cost	Value at October 31, 1996	Value as a Percentage of Net Assets
<S>	<C>	<C>	<C>	<C>	<C>
Princor Balanced Fund, Inc.	Federal-Mogul Corp.; Series D Convertible Preferred Stock	10/15/92	\$ 450,450	\$ 491,400	.63%
Princor Emerging Growth Fund, Inc.	Ciba-Geigy Corp.; Exchangeable Subordinated Debentures	3/20/91	350,000	358,750	.14
	Sierra On Line; Convertible Subordinated Debentures	8/15/94	458,750	1,651,250	.64
		8/17/94	447,125	1,618,225	.62
				3,628,225	1.40
Princor Growth Fund, Inc.	Ciba-Geigy Corp.; Exchangeable Subordinated Debentures	3/20/91	500,000	512,500	.20
Princor World Fund, Inc.	Alfa SA; Convertible Subordinated Debentures	9/25/95	1,293,600	1,339,000	.71
	Fokus Bank	10/9/95	557,692	700,212	.37
	Hyundai Motor Co.	8/23/96	318,750	266,875	.14
		8/28/96	312,500	266,875	.14
		9/3/96	159,997	138,775	.08
	Royal Plastics Group	11/23/94	441,561	1,006,658	.53
		6/26/96	75,889	93,209	.05
		6/27/96	159,181	195,739	.10
		6/28/96	262,191	318,776	.17
		7/2/96	53,382	65,246	.03
		7/3/96	149,540	184,554	.10
		7/5/96	150,837	186,418	.10
	Voest-Alpine Stahl	10/27/95	913,965	996,137	.53
		1/11/96	414,525	431,659	.23
		6/26/96	585,672	571,119	.30
		6/27/96	298,647	292,200	.15
				7,053,452	3.73

</TABLE>

The Growth Funds' investments are with various issuers in various industries. The Schedules of Investments contained herein summarize concentrations of credit risk by issuer and industry.

Note 5 -- Capital Share Transactions

Transactions in Capital Stock by fund were as follows:

	Princor Balanced Fund, Inc.	Princor Blue Chip Fund, Inc.	Princor Capital Accumulation Fund, Inc.
Year Ended October 31, 1996:			
Shares sold:			
<S>	<C>	<C>	<C>

Class A .....	1,006,927	1,010,928	1,522,381
Class B .....	342,259	285,616	271,398
Class R* .....	62,977	94,417	65,641
Shares issued in reinvestment of dividends and distributions:			
Class A .....	289,049	69,998	1,127,785
Class B .....	11,027	4,760	8,361
Class R* .....	234	214	15
Shares redeemed:			
Class A .....	(606,332)	(828,161)	(1,274,731)
Class B .....	(35,859)	(22,683)	(18,454)
Class R* .....	(2,990)	(2,386)	(2,115)
Net Increase	1,067,292	612,703	1,700,281

Year Ended October 31, 1995:

Shares sold:			
Class A .....	621,291	459,446	1,337,962
Class B** .....	96,737	118,048	99,674
Shares issued in reinvestment of dividends and distributions:			
Class A .....	109,764	27,369	504,425
Class B** .....	785	428	303
Shares redeemed:			
Class A .....	(868,199)	(332,080)	(1,230,978)
Class B** .....	(5,423)	(2,930)	(4,723)
Net Increase (Decrease)	(45,045)	270,281	706,663

<FN>

\* Period from February 27, 1996 (date operations commenced) through October 31, 1996.

\*\* Period from December 5, 1994 (date operations commenced through October 31, 1995).

</FN>

</TABLE>

Note 5 -- Capital Share Transactions (Continued)

<TABLE>

<CAPTION>

	Princor Emerging Growth Fund, Inc.	Princor Growth Fund, Inc.	Princor Utilities Fund, Inc.	Princor World Fund, Inc.
Year Ended October 31, 1996:				
Shares sold:				
<S>	<C>	<C>	<C>	<C>
Class A .....	2,182,164	1,486,767	985,437	5,112,891
Class B .....	566,438	418,002	292,572	1,476,354
Class R* .....	57,072	51,440	27,529	130,933
Shares issued in reinvestment of dividends and distributions:				
Class A .....	136,102	191,988	190,416	1,013,112
Class B .....	7,537	8,274	12,720	30,387
Class R* .....	3	2	167	--
Shares redeemed:				
Class A .....	(688,302)	(587,050)	(1,377,265)	(2,342,950)
Class B .....	(58,563)	(40,235)	(176,703)	(96,808)
Class R * .....	(555)	(330)	(256)	(754)
Net Increase (Decrease)	2,201,896	1,528,858	(45,383)	5,323,165

Year Ended October 31, 1995:

Shares sold:				
Class A .....	1,672,153	1,298,559	985,916	4,196,714
Class B** .....	315,641	228,863	374,706	552,636
Shares issued in reinvestment of dividends and distributions:				
Class A .....	30,633	118,018	257,037	500,571
Class B** .....	35	220	6,082	166
Shares redeemed:				
Class A .....	(620,722)	(469,161)	(1,355,492)	(2,887,555)
Class B** .....	(28,338)	(5,918)	(19,084)	(12,675)
Net Increase	1,369,402	1,170,581	249,165	2,349,857

<FN>

\* Period from February 27, 1996 (date operations commenced) through October 31, 1996.

\*\* Period from December 5, 1994 (date operations commenced) through October 31, 1995.

</FN>

</TABLE>

Note 6 -- Line of Credit

The Growth Funds have an unsecured line of credit with a bank which allows each

fund to borrow up to \$500,000. Borrowings are made solely to facilitate the handling of unusual and/or unanticipated short-term cash requirements. Interest is charged to each fund, based on its borrowings, at a rate equal to the bank's Fed Funds Unsecured Rate plus 100 basis points. Additionally, a commitment fee is charged at the annual rate of .25% of the line of credit. At October 31, 1996, the Growth Funds had no outstanding borrowings under the line of credit.

October 31, 1996

SCHEDULES OF INVESTMENTS

PRINCOR BALANCED FUND, INC.

	Shares Held	Value
Common Stocks (54.21%)		
Advertising (0.18%)		
Interpublic Group of Cos., Inc.	2,900	\$ 140,650
Bakery Products (0.85%)		
Sara Lee Corp.	18,500	656,750
Beverages (0.83%)		
Pepsico, Inc.	17,100	506,588
Universal Foods Corp.	4,000	141,500
		648,088
Combination Utility Services (0.57%)		
Cinergy Corp.	13,300	440,563
Commercial Banks (5.66%)		
Banc One Corp.	17,900	758,512
Bank of Boston Corp.	11,600	742,400
CoreStates Financial Corp.	19,200	933,600
First of America Bank Corp.	5,300	288,188
Fleet Financial Group, Inc.	9,900	493,763
KeyCorp.	14,300	666,737
Nationsbank Corp.	5,500	518,375
		4,401,575
Commercial Printing (0.64%)		
R. R. Donnelley & Sons Co.	16,300	495,113
Communications Equipment (0.89%)		
Allen Group, Inc.	4,100 (a)	65,088
DSC Communications Corp.	12,400 (a)	172,050
General Instrument Corp.	22,700 (a)	456,837
		693,975
Computer & Office Equipment (1.58%)		
Hewlett-Packard Co.	8,300	366,237
International Business Machines Corp.	6,700	864,300
		1,230,537
Consumer Products (0.47%)		
Philip Morris Cos., Inc.	3,900	361,238
Crude Petroleum & Natural Gas (1.28%)		
Texaco, Inc.	9,800	995,925
Dairy Products (0.30%)		
Dean Foods Co.	8,000	232,000
Drug Stores & Proprietary Stores (0.53%)		
Rite Aid Corp.	12,100	411,400
Drugs (6.04%)		
Abbott Labs	14,500	734,063
American Home Products Corp.	9,800	600,250
Bristol-Myers Squibb Co.	4,200	444,150
Merck & Co., Inc.	10,500	778,312
Pharmacia & Upjohn, Inc.	23,000	828,000
Schering-Plough Corp.	12,200	780,800
Warner-Lambert Co.	8,300	528,087
		4,693,662
Electric Services (2.40%)		
Dominion Resources, Inc.	11,900	449,225
FPL Group, Inc.	7,900	363,400
Houston Industries, Inc.	32,600	745,725

Potomac Electric Power Co.	12,000	307,500
		1,865,850
Electrical Industrial Apparatus (0.50%)		
Emerson Electric Co.	4,400	\$ 391,600
Electronic Distribution Equipment (1.03%)		
General Electric Co.	8,300	803,025
Fats & Oils (1.26%)		
Archer Daniels Midland Co.	44,965	977,988
General Industrial Machinery (0.62%)		
BW/IP Holdings, Inc.; Class A	5,500	74,250
Pall Corp.	15,900	407,438
		481,688
Grain Mill Products (0.66%)		
Ralston-Ralston Purina Group	7,700	509,163
Greeting Cards (0.73%)		
American Greetings Corp.	19,300	565,731
Grocery Stores (2.61%)		
Albertson's, Inc.	14,300	491,562
American Stores Co.	13,600	562,700
Sysco Corp.	28,600	972,400
		2,026,662
Household Furniture (1.42%)		
Masco Corp.	35,100	1,101,262
Industrial Inorganic Chemicals (0.68%)		
Dow Chemical Co.	4,600	357,650
Eastman Chemical Co.	3,250	171,438
		529,088
Jewelry, Silverware & Plated Ware (0.23%)		
Jostens, Inc.	8,400	180,600
Management & Public Relations (1.33%)		
Dun & Bradstreet Corp.	17,800	1,030,175
Meat Products (0.96%)		
Tyson Foods, Inc.	25,200	743,400
Medical Instruments & Supplies (0.63%)		
St. Jude Medical, Inc.	12,350 (a)	487,825
Medical Service & Health Insurance (1.17%)		
AON Corp.	7,600	438,900
Foundation Health Corp.	13,500 (a)	403,313
Physicians Corp. of America	5,700 (a)	63,056
		905,269
Metal Forgings & Stampings (0.55%)		
Newell Co.	15,000	425,625
Metalworking Machinery (0.08%)		
Giddings & Lewis	5,500	64,625
Miscellaneous Business Services (0.23%)		
Safety-Kleen Corp.	11,200	175,000
Miscellaneous Converted Paper Products (1.05%)		
Minnesota Mining & Mfg. Co.	10,600	812,225
Miscellaneous Electrical Equipment & Supplies (0.59%)		
Motorola, Inc.	10,000	460,000
Miscellaneous Fabricated Metal Products (0.15%)		
Keystone International, Inc.	6,300	\$ 113,400
Miscellaneous Plastics Products, NEC (0.21%)		
Rubbermaid, Inc.	7,100	165,075
Miscellaneous Shopping Goods Stores (1.47%)		
Toys 'R' Us, Inc.	33,600 (a)	1,138,200

Motor Vehicles, Parts & Supplies (0.92%)		
Grainger (W. W.), Inc.	9,600	711,600
Paper Mills (1.10%)		
Kimberly Clark Corp.	9,200	857,900
Petroleum Refining (2.79%)		
Atlantic Richfield Co.	9,300	1,232,250
Exxon Corp.	10,600	939,425
		2,171,675
Plastic Materials & Synthetics (0.13%)		
Wellman, Inc.	5,900	104,725
Sanitary Services (2.62%)		
Browning-Ferris Industries, Inc.	37,100	973,875
WMX Technologies, Inc.	30,800	1,058,750
		2,032,625
Security Brokers & Dealers (0.33%)		
Edwards (A.G.), Inc.	8,475	253,191
Soap, Cleaners & Toilet Goods (2.03%)		
Avon Products	17,000	922,250
Colgate-Palmolive Co.	7,100	653,200
		1,575,450
Telephone Communication (2.01%)		
AT&T Corp.	20,000	697,500
MCI Communications Corp.	34,300	861,787
		1,559,287
Variety Stores (1.90%)		
Dayton-Hudson Corp.	21,800	754,825
Wal-Mart Stores, Inc.	27,100	721,537
		1,476,362
	Total Common Stocks	42,097,767
Preferred Stocks (2.01%)		
Motor Vehicles & Equipment (1.95%)		
Federal-Mogul Corp.		
Series D Convertible	7,800 (b)	491,400
Ford Motor Co.		
Series A Convertible	10,000	1,022,500
		1,513,900
Paper Mills (0.06%)		
James River Corp. of Virginia		
Series L Convertible		
Exchangeable	1,000	50,125
	Total Preferred Stocks	1,564,025
	Principal	Value
	Amount	
Bonds (3.37%)		
Aircraft & Parts (0.29%)		
Rohr Industries, Inc.		
Convertible Subordinated		
Debentures; 7.00%; 10/1/12	\$ 260,000	\$ 223,600
Blast Furnace & Basic		
Steel Products (0.47%)		
Quanex Corp. Convertible		
Subordinated Debentures;		
6.88%; 6/30/07	350,000	361,375
Electric Lighting & Wiring		
Equipment (0.33%)		
Cooper Industries, Inc. Convertible		
Subordinated Debentures;		
7.05%; 1/1/15	245,000	259,700
Electrical Industrial Apparatus (0.47%)		
Liebert Co. Convertible		
Subordinated Debentures;		
8.00%; 11/15/10	110,000	362,587

Engines & Turbines (0.61%)		
Outboard Marine Corp. Convertible		
Subordinated Debentures;		
7.00%; 7/1/02	500,000	475,625
Lumber & Other Building		
Materials (0.31%)		
Hechinger Co. Convertible		
Subordinated Debentures;		
5.50%; 4/1/12	600,000	243,000
Petroleum Refining (0.61%)		
Pennzoil Co. Senior Exchangeable		
Debentures; 6.50%; 1/15/03	300,000	473,250
Trucking & Courier Services,		
Ex., Air (0.28%)		
Builders Transport, Inc. Convertible		
Subordinated Debentures;		
6.50%; 5/1/11	306,000	220,320
	Total Bonds	2,619,457

U.S. Government Treasury Notes & Bonds (34.57%)

Treasury Notes & Bonds (34.57%)		
5.13%; 2/28/98	4,000,000	3,972,967
5.13%; 11/30/98	1,000,000	987,421
6.00%; 10/15/99	2,150,000	2,156,719
5.50%; 4/15/00	5,800,000	5,708,464
6.25%; 4/30/01	1,000,000	1,006,914
6.38%; 8/15/02	3,300,000	3,335,705
5.75%; 8/15/03	3,000,000	2,921,367
5.88%; 2/15/04	3,200,000	3,124,998
7.50%; 2/15/05	1,000,000	1,074,257
8.25%; 5/15/05	750,000	794,531
7.25%; 5/15/16	575,000	606,625
7.50%; 11/15/16	575,000	621,898
7.25%; 8/15/22	500,000	529,063
		26,840,929

Commercial Paper (5.41%)

Business Credit Institutions (3.17%)		
General Electric Capital Corp.;		
5.75%; 11/1/96	\$ 2,465,000	\$ 2,465,000
Securities Brokers & Dealers (2.24%)		
Merrill Lynch & Co., Inc.;		
5.30%; 11/4/96	1,740,000	1,739,232
	Total Commercial Paper	4,204,232

Total Portfolio Investments (99.57%) 77,326,410

Cash, receivables and other assets,  
net of liabilities (0.43%) 331,983

Total Net Assets (100.00%) \$77,658,393

(a) Non-income producing security - No dividend paid during the period.

(b) Restricted security - See Note 4 to the financial statements.

PRINCOR BLUE CHIP FUND, INC.

	Shares Held	Value
Common Stocks (95.00%)		
Beverages (5.48%)		
Coca-Cola Co.	26,700	\$ 1,348,350
Pepsico, Inc.	51,400	1,522,725
		2,871,075
Commercial Banks (8.66%)		
Banc One Corp.	35,745	1,514,694
J. P. Morgan & Co. Inc.	17,000	1,468,375
KeyCorp	33,500	1,561,938
		4,545,007



Commercial Printing (2.25%)			
R. R. Donnelley & Sons Co.	38,900		1,181,587
Communications Equipment (0.84%)			
Lucent Technologies	9,365		440,202
Computer & Office Equipment (2.55%)			
Hewlett-Packard Co.	30,300		1,336,987
Department Stores (2.57%)			
May Department Stores	28,500		1,350,188
Drug Stores & Proprietary Stores (2.75%)			
Walgreen Co.	38,300		1,445,825
Drugs (10.61%)			
Bristol-Myers Squibb Co.	14,500		1,533,376
Johnson & Johnson	28,400		1,398,700
Merck & Co., Inc.	20,100		1,489,912
Warner-Lambert Co.	18,000		1,145,250
			5,567,238
Eating & Drinking Places (2.32%)			
McDonald's Corp.	27,400	\$	1,215,875
Electric Services (4.07%)			
Dominion Resources, Inc.	27,500		1,038,125
KU Energy Corp.	37,000		1,096,125
			2,134,250
Electrical Industrial Apparatus (2.51%)			
Emerson Electric Co.	14,800		1,317,200
Electronic Distribution Equipment (3.15%)			
General Electric Co.	17,100		1,654,425
Fire, Marine & Casualty Insurance (3.00%)			
American International Group	14,500		1,575,062
General Industrial Machinery (2.73%)			
Pall Corp.	56,000		1,435,000
Grain Mill Products (2.54%)			
Kellogg Co.	21,000		1,333,500
Industrial Inorganic Chemicals (1.66%)			
Dow Chemical Co.	11,200		870,800
Insurance Agents, Brokers & Services (2.88%)			
Equifax, Inc.	50,800		1,511,300
Management & Public Relations (2.68%)			
Dun & Bradstreet Corp.	24,300		1,406,363
Medical Instruments & Supplies (2.35%)			
Allegiance Corp.	5,440 (a)		102,000
Baxter International, Inc.	27,200		1,132,200
			1,234,200
Metal Cans & Shipping Containers (2.60%)			
Crown Cork & Seal Co., Inc.	28,400		1,363,200
Miscellaneous Converted Paper Products (3.12%)			
Minnesota Mining & Mfg. Co.	21,400		1,639,775
Miscellaneous Electrical Equipment & Supplies (2.46%)			
Motorola, Inc.	28,100		1,292,600
Petroleum Refining (6.00%)			
Exxon Corp.	17,800		1,577,526
Royal Dutch Petroleum Co. ADR	9,500		1,571,062
			3,148,588
Preserved Fruits & Vegetables (2.87%)			
H. J. Heinz Co.	42,500		1,508,750
Sanitary Services (1.31%)			
WMX Technologies, Inc.	20,000		687,500

Soap, Cleaners & Toilet Goods (2.90%)			
Procter & Gamble Co.	15,400		1,524,600
Sugar & Confectionary Products (3.04%)			
Wrigley Wm. Jr. Co.	26,500		1,596,625
Telephone Communication (5.10%)			
AT&T Corp.	28,900	\$	1,007,887
Bellsouth Corp.	41,000		1,670,750
			2,678,637
	Total Common Stocks		49,866,359

	Principal Amount		Value
Commercial Paper (4.82%)			
Business Credit Institutions (2.47%)			
General Electric Capital Corp.;			
5.75%; 11/1/96	\$ 1,295,000		1,295,000
Securities Brokers & Dealers (2.35%)			
Merrill Lynch & Co.;			
5.30%; 11/4/96	1,235,000		1,234,454
	Total Commercial Paper		2,529,454
	Total Portfolio Investments (99.82%)		52,395,813
Cash, receivables and other assets, net of liabilities (0.18%)			94,588
	Total Net Assets (100.00%)		\$52,490,401

(a) Non-income producing security - No dividend paid during the period.

PRINCOR CAPITAL ACCUMULATION FUND, INC.

	Shares Held		Value
Common Stocks (96.57%)			
Beverages (1.17%)			
Pepsico, Inc.	119,700	\$	3,546,113
Universal Foods Corp.	48,300		1,708,612
			5,254,725
Combination Utility Services (1.17%)			
Cinergy Corp.	158,800		5,260,250
Commercial Banks (10.48%)			
Banc One Corp.	295,240		12,510,795
Bank of Boston Corp.	100,700		6,444,800
CoreStates Financial Corp.	248,000		12,059,000
First of America Bank Corp.	80,200		4,360,875
KeyCorp	159,500		7,436,688
Nationsbank Corp.	43,000		4,052,750
			46,864,908
Communications Equipment (1.85%)			
Allen Group, Inc.	44,700 (a)		709,613
DSC Communications Corp.	136,300 (a)		1,891,162
General Instrument Corp.	232,400 (a)		4,677,050
Lucent Technologies	21,579		1,014,213
			8,292,038
Computer & Office Equipment (2.86%)			
Hewlett-Packard Co.	82,000		3,618,250
International Business Machines Corp.	71,000		9,159,000
			12,777,250
Crude Petroleum & Natural Gas (2.16%)			
Texaco, Inc.	95,300	\$	9,684,862
Dairy Products (0.61%)			
Dean Foods Co.	95,100		2,757,900

Drugs (9.72%)		
Abbott Labs	178,000	9,011,250
American Home Products Corp.	116,000	7,105,000
Bristol-Myers Squibb Co.	119,800	12,668,850
Merck & Co., Inc.	109,000	8,079,625
Warner-Lambert Co.	104,000	6,617,000
		43,481,725
Electric Services (4.94%)		
Dominion Resources, Inc.	98,200	3,707,050
FPL Group, Inc.	85,100	3,914,600
Houston Industries, Inc.	488,000	11,163,000
Potomac Electric Power Co.	130,000	3,331,250
		22,115,900
Electrical Industrial Apparatus (1.37%)		
Emerson Electric Co.	68,697	6,114,033
Electronic Distribution Equipment (1.84%)		
General Electric Co.	85,000	8,223,750
Farm & Garden Machinery (2.21%)		
Tenneco, Inc.	200,000	9,900,000
Fats & Oils (2.35%)		
Archer Daniels Midland Co.	483,000	10,505,250
Fire, Marine & Casualty Insurance (1.51%)		
Allstate Corp.	120,051	6,737,862
General Industrial Machinery (0.67%)		
BW/IP Holdings, Inc.; Class A	64,100	865,350
Pall Corp.	84,000	2,152,500
		3,017,850
Grain Mill Products (0.96%)		
Ralston-Ralston Purina Group	65,000	4,298,125
Greeting Cards (1.70%)		
American Greetings Corp.	259,100	7,594,869
Grocery Stores (3.65%)		
Albertson's, Inc.	98,000	3,368,750
American Stores Co.	140,000	5,792,500
Sysco Corp.	210,500	7,157,000
		16,318,250
Household Furniture (2.47%)		
Masco Corp.	351,500	11,028,313
Industrial Inorganic Chemicals (1.25%)		
Dow Chemical Co.	47,700	3,708,675
Eastman Chemical Co.	35,400	1,867,350
		5,576,025
Industrial Organic Chemicals (0.37%)		
Ethyl Corp.	200,000	1,650,000
Jewelry, Silverware & Plated Ware (0.42%)		
Jostens, Inc.	88,200	1,896,300
Life Insurance (1.96%)		
American General Corp.	235,000	8,753,750
Management & Public Relations (1.43%)		
Dun & Bradstreet Corp.	110,600	6,400,975
Meat Products (1.45%)		
Tyson Foods, Inc.	219,700	6,481,150
Medical Instruments & Supplies (1.16%)		
St. Jude Medical, Inc.	131,450 (a)	5,192,275
Medical Service & Health Insurance (1.75%)		
AON Corp.	74,600	4,308,150
Foundation Health Corp.	93,200 (a)	2,784,350
Physicians Corp. of America	64,300 (a)	711,319
		7,803,819
Metal Forgings & Stampings (0.95%)		

Newell Co.	150,000	4,256,250
Metalworking Machinery (0.17%)		
Giddings & Lewis	64,200	754,350
Miscellaneous Business Services (0.42%)		
Safety-Kleen Corp.	121,200	1,893,750
Miscellaneous Converted Paper Products (1.82%)		
Minnesota Mining & Mfg. Co.	106,000	8,122,250
Miscellaneous Electrical Equipment & Supplies (0.80%)		
Motorola, Inc.	77,300	3,555,800
Miscellaneous Fabricated Metal Products (0.31%)		
Keystone International, Inc.	76,200	1,371,600
Miscellaneous Shopping Goods Stores (2.05%)		
Toys 'R' Us, Inc.	270,100 (a)	9,149,637
Motor Vehicles, Parts & Supplies (1.50%)		
Grainger (W. W.), Inc.	90,300	6,693,488
Paper Mills (1.75%)		
Kimberly Clark Corp.	83,900	7,823,675
Petroleum Refining (4.45%)		
Atlantic Richfield Co.	89,800	11,898,500
Exxon Corp.	90,400	8,011,700
		19,910,200
Plastic Materials & Synthetics (0.25%)		
Wellman, Inc.	64,200	1,139,550
Sanitary Services (4.62%)		
Browning-Ferris Industries, Inc.	425,000	11,156,250
WMX Technologies, Inc.	276,000	9,487,500
		20,643,750
Security Brokers & Dealers (0.67%)		
Edwards (A.G.), Inc.	100,322	2,997,120
Soap, Cleaners & Toilet Goods (3.80%)		
Avon Products	186,000	10,090,500
Colgate-Palmolive Co.	74,800	6,881,600
		16,972,100
Telephone Communication (6.16%)		
AT&T Corp.	128,300	\$ 4,474,462
MCI Communications Corp.	252,800	6,351,600
US West Communications Group	550,000	16,706,250
		27,532,312
Variety Stores (3.37%)		
Dayton-Hudson Corp.	195,000	6,751,875
Wal-Mart Stores, Inc.	312,000	8,307,000
		15,058,875
	Total Common Stocks	431,856,861
	Principal Amount	Value
Commercial Paper (3.26%)		
Personal Credit Institutions (2.41%)		
Ford Motor Credit;		
5.25%; 11/5/96	\$ 4,220,000	\$ 4,217,538
5.30%; 11/7/96	6,540,000	6,534,223
		10,751,761
Security Brokers & Dealers (0.85%)		
Merrill Lynch & Co., Inc.;		
5.25%/ 11/1/96	3,820,000	3,820,000
	Total Commercial Paper	14,571,761
Total Portfolio Investments (99.83%)		446,428,622

Cash, receivables and other assets,  
net of liabilities (0.17%) 772,501

Total Net Assets (100.00%) \$447,201,123

(a) Non-Income producing security - No dividend paid during the period.

PRINCOR EMERGING GROWTH FUND, INC.

	Shares Held	Value
Common Stocks (85.42%)		
Blast Furnace & Basic Steel Products (0.76%)		
Lukens, Inc.	144,000	\$ 1,980,000
Carpets & Rugs (0.89%)		
Shaw Industries, Inc.	196,800	2,312,400
Chemicals & Allied Products (0.45%)		
Sigma-Aldrich Corp.	20,000	1,175,000
Commercial Banks (7.18%)		
Boatmen's Bancshares, Inc.	10,200	619,650
First Commerce Corp.	15,000	532,500
First Federal Capital Corp.	108,532	2,550,502
Independent Bank Corp. Michigan	41,633	1,248,975
Mercantile Bancorp., Inc.	100,443	4,984,484
Merchants Bancorp., Inc.	57,500	1,739,375
National City Corp.	20,000	867,500
North Fork Bancorp., Inc.	56,300	1,780,487
Peoples Heritage Financial Group, Inc.	78,800	1,812,400
Princeton National Bancorp., Inc.	100,000	\$ 1,875,000
Summit Bancorp.	15,840	647,460
		18,658,333
Commercial Printing (0.37%)		
Merrill Corp.	43,200	961,200
Computer & Data Processing Services (7.44%)		
American Management Systems, Inc.	185,500 (a)	5,866,438
Bitstream	132,000 (a)	792,000
Cerner Corp.	236,600 (a)	2,868,775
HBO & Co.	54,000	3,246,750
Microsoft Corp.	25,000 (a)	3,431,250
National Processing, Inc.	41,000 (a)	779,000
Sunquest Information Systems, Inc.	167,700 (a)	2,347,800
		19,332,013
Computer & Office Equipment (2.27%)		
EMC Corp.	176,100 (a)	4,622,625
Optika Imaging Systems	140,500 (a)	948,375
Seagate Technology	4,705	314,059
		5,885,059
Construction & Related Machinery (2.67%)		
Energy Ventures, Inc.	157,400 (a)	6,925,600
Crude Petroleum & Natural Gas (1.15%)		
Devon Energy Corp.	85,300	2,974,837
Dairy Products (0.32%)		
Dreyer's Grand Ice Cream, Inc.	32,400	834,300
Drugs (2.47%)		
Alliance Pharmaceutical Corp.	48,600 (a)	680,400
Forest Laboratories, Inc.	33,700 (a)	1,297,450
Genzyme Corp. - General Division	15,130	347,990
Genzyme Corp. - Tissue Repair	1,021	7,658
Merck & Co., Inc.	16,970	1,257,901
Pharmacia & Upjohn, Inc.	75,000	2,700,000
Seragen, Inc.	60,000 (a)	121,875
		6,413,274
Electronic Components & Accessories (6.46%)		
Intel Corp.	74,000	8,130,750
Linear Technology Corp.	99,000	3,316,500

Solectron Corp.	100,000 (a)	5,350,000
		16,797,250
Engineering & Architectural Services (1.74%)		
Paychex, Inc.	79,375	4,524,375
Finance Services (1.17%)		
First Financial Corp.	112,400	3,048,850
Fire, Marine & Casualty Insurance (2.37%)		
Avemco Corp.	104,200	1,589,050
Berkley W. R. Corp.	87,700	4,560,400
		6,149,450
Footwear, Except Rubber (0.93%)		
Nine West Group, Inc.	48,600 (a)	2,423,925
General Industrial Machinery (5.05%)		
Flow International Corp.	187,200 (a)	1,474,200
Kaydon Corp.	89,900	3,663,425
Pentair, Inc.	136,200	3,439,050
Roper Industries, Inc.	107,900	4,558,775
		13,135,450
Grocery Stores (0.98%)		
Casey's General Stores, Inc.	141,400	\$ 2,545,200
Hardware Stores (0.75%)		
Central Tractor Farm & Country, Inc.	170,200 (a)	1,957,300
Holding Offices (1.23%)		
ISB Financial Corp.	73,100	1,201,581
Today's Bancorp., Inc.	66,000	2,004,750
		3,206,331
Hose, Belting, Gaskets & Packing (1.03%)		
Mark IV Industries	124,160	2,684,960
Hospitals (1.80%)		
Humana, Inc.	118,700 (a)	2,166,275
Universal Health Services, Inc.; Class B	100,000 (a)	2,500,000
		4,666,275
Insurance Agents, Brokers & Services (1.80%)		
Equifax, Inc.	157,400	4,682,650
Investment Offices (0.82%)		
INVESCO PLC ADS	57,300	2,141,588
Iron & Steel Foundries (0.68%)		
Atchison Casting Corp.	110,000 (a)	1,760,000
Laundry, Cleaning & Garment Services (0.93%)		
G&K Services, Inc.; Class A	83,800	2,430,200
Life Insurance (0.96%)		
First Colony Corp.	70,000	2,502,500
Measuring & Controlling Devices (1.47%)		
ISCO, Inc.	30,935	301,612
Millipore Corp.	76,200	2,667,000
Photon Dynamics	129,300 (a)	848,531
		3,817,143
Meat Products (0.90%)		
Michael Foods, Inc.	186,700	2,333,750
Medical Instruments & Supplies (4.63%)		
Boston Scientific Corp.	68,100 (a)	3,702,937
Nellcor Puritan Bennett	170,500 (a)	3,324,750
Steris Corp.	133,000 (a)	5,020,750
		12,048,437
Medical Service & Health Insurance (4.46%)		
Alternative Living Services	232,000 (a)	3,335,000
Foundation Health Corp.	78,800 (a)	2,354,150
Health System International, Inc.	98,000 (a)	2,339,750
Orthofix International NV	156,200 (a)	1,288,650
United Healthcare Corp.	60,000	2,272,500

Metal Services, NEC (1.79%)		11,590,050
BMC Industries, Inc.	157,400	4,662,975
Miscellaneous Chemical Products (3.17%)		
Cytec Industries	71,900 (a)	2,570,425
H. B. Fuller Co.	40,000	1,670,000
Loctite Corp.	68,100	3,992,362
		8,232,787
Office Furniture (1.04%)		
Chromcraft Revington, Inc.	54,000 (a)	1,390,500
Kimball International, Inc.; Class B	36,300	1,306,800
		2,697,300
Offices & Clinics of Medical Doctors (0.04%)		
FHP International Corp.	3,360 (a) \$	114,660
Oil & Gas Field Services (1.32%)		
Diamond Offshore Drilling	56,300 (a)	3,427,262
Operative Builders (1.00%)		
D. R. Horton, Inc.	212,500 (a)	1,939,063
Pulte Corp.	25,000	662,500
		2,601,563
Paints & Allied Products (1.02%)		
RPM, Inc.	158,900	2,661,575
Plastic Materials & Synthetics (0.87%)		
A. Schulman, Inc.	106,800	2,256,150
Plumbing, Heating & Air-Conditioning (2.68%)		
Apogee Enterprises, Inc.	170,200	6,552,700
Metalclad Corp.	228,400 (a)	413,975
		6,966,675
Refrigeration & Service Machinery (0.54%)		
Tecumseh Products Co.; Class A	25,000	1,406,250
Sanitary Services (0.97%)		
Browning-Ferris Industries, Inc.	85,400	2,241,750
USA Waste Services, Inc.	8,846	283,072
		2,524,822
Savings Institutions (0.89%)		
North Side Savings Bank (NY)	29,100	1,404,075
Sterling Financial Corp.	64,333 (a)	900,662
		2,304,737
Screw Machine Products, Bolts, Etc. (1.00%)		
Trimas Corp.	112,400	2,585,200
Security Brokers & Dealers (0.59%)		
Jefferies Group, Inc.	43,200	1,544,400
Telephone Communication (1.04%)		
McLeod, Inc.	83,200 (a)	2,704,000
Toys & Sporting Goods (0.86%)		
Mattel, Inc.	77,350	2,233,481
Trucking & Courier Services, Ex., Air (0.47%)		
J. B. Hunt Transport Services, Inc.	83,900	1,227,038
	Total Common Stocks	222,048,575
Preferred Stock (1.23%)		
Offices & Clinics of Medical Doctors (1.23%)		
FHP International Corp. Series A Convertible	111,200	3,197,000
	Principal Amount	Value

Bonds (1.98%)

Computer & Data Processing Services (1.26%)		
Sierra On Line Convertible Subordinated Debentures; 6.50%; 4/1/01	\$ 990,000 (b)	\$ 3,269,475
Industrial Inorganic Chemicals (0.56%)		
Ciba-Geigy Corp. Exchangeable Subordinated Debentures; 6.25%; 3/15/16	350,000 (b)	358,750
ICN Pharmaceuticals, Inc. Convertible Subordinated Debentures; 8.50%; 11/15/99	1,000,000	1,092,500
		1,451,250
Nursing & Personal Care Facilities (0.08%)		
Greenery Rehabilitation Group, Inc. Convertible Senior Subordinated Notes; 8.75%; 4/1/15	250,000	211,250
Sanitary Services (0.08%)		
Enclean, Inc. Convertible Subordinated Debentures; 7.50%; 8/1/01	200,000	206,308
	Total Bonds	5,138,283
Commercial Paper (11.59%)		
Miscellaneous Electrical Equipment & Supplies (1.98%)		
General Electric Co.; 5.25%; 11/5/96	5,155,000	5,151,993
Personal Credit Institutions (6.57%)		
Ford Motor Credit; 5.25%; 11/6/96	6,380,000	6,375,348
5.30%; 11/8/96	5,130,000	5,124,713
Household Finance Corp.; 5.25%; 11/7/96	5,595,000	5,590,104
		17,090,165
Securities Brokers & Dealers (3.04%)		
Merrill Lynch & Co., Inc.; 5.25%; 11/1/96	3,660,000	3,660,000
5.25%; 11/4/96	4,245,000	4,243,143
		7,903,143
	Total Commercial Paper	30,145,301
	Total Portfolio Investments (100.22%)	260,529,159
Liabilities, net of cash, receivables and other assets (-0.22%)		(568,258)
	Net Assets (100.00%)	\$259,960,901

(a) Non-income producing security - No dividend paid during the period.

(b) Restricted security - See Note 4 to the financial statements.

PRINCOR GROWTH FUND, INC.

	Shares Held	Value
Common Stocks (91.81%)		
Advertising (1.14%)		
Interpublic Group of Cos., Inc.	60,000	\$ 2,910,000
Beverages (2.36%)		
Coca-Cola Co.	60,000	3,030,000
Pepsico, Inc.	100,000	2,962,500
		5,992,500
Blast Furnace & Basic Steel Products (0.70%)		
Lukens, Inc.	80,000	1,100,000
Quanex Corp.	24,142	688,047
		1,788,047



Carpets & Rugs (0.92%)			
Shaw Industries, Inc.	200,000		2,350,000
Cash Grains (2.64%)			
Pioneer Hi-Bred International	100,000		6,712,500
Commercial Banks (5.84%)			
Banc One Corp.	55,000		2,330,625
Boatmen's Bancshares, Inc.	54,900		3,335,175
CoreStates Financial Corp.	12,250		595,656
First of America Bank Corp.	40,000		2,175,000
Firststar Corp.	75,000		3,675,000
FirstMerit Corp.	50,000		1,625,000
Princeton National Bancorp., Inc.	60,000		1,125,000
			14,861,456
Communications Equipment (4.64%)			
General Instrument Corp.	175,000		3,521,875
Northern Telecom Ltd.	75,000		4,884,375
Octel Communications Corp.	213,700(a)		3,392,487
			11,798,737
Computer & Data Processing Services (3.88%)			
GTECH Holdings Corp.	139,300(a)		4,109,350
Microsoft Corp.	42,000(a)		5,764,500
			9,873,850
Computer & Office Equipment (5.07%)			
Bay Networks	113,800(a)		2,304,450
Ceridian Corp.	106,200(a)		5,270,175
Digital Equipment Corp.	71,500(a)		2,109,250
Hewlett-Packard Co.	60,000		2,647,500
Pitney Bowes, Inc.	10,000		558,750
			12,890,125
Department Stores (1.21%)			
May Department Stores	65,000		3,079,375
Drugs (8.57%)			
Alliance Pharmaceutical Corp.	20,000(a)		280,000
Bristol-Myers Squibb Co.	25,000		2,643,750
Genzyme Corp. - General Division	9,456(a)		217,488
Genzyme Corp. - Tissue Repair	638(a)		4,785
Johnson & Johnson	80,000		3,940,000
Lilly (Eli) & Co.	50,000		3,525,000
Merck & Co., Inc.	50,000		3,706,250
Pharmacia & Upjohn, Inc.	100,000		3,600,000
Seragen, Inc.	70,500(a)		143,203
Smithkline Beecham PLC ADR.	60,000		3,757,500
			21,817,976
Electric Light & Wiring Equipment (0.25%)			
Raychem Corp.	8,100	\$	632,813
Electrical Goods (0.59%)			
Avnet, Inc.	30,000		1,511,250
Electronic Components & Accessories (3.91%)			
Intel Corp.	63,000		6,922,125
Linear Technology Corp.	90,000		3,015,000
			9,937,125
Electronic Distribution Equipment (0.76%)			
General Electric Co.	20,000		1,935,000
Federal & Federally Sponsored Credit (0.62%)			
Federal National Mortgage Association	40,000		1,565,000
Footwear, Except Rubber (1.38%)			
Stride Rite Corp.	425,000		3,506,250
General Industrial Machinery (3.41%)			
Flow International Corp.	100,000(a)		787,500
Ingersoll-Rand Co.	70,000		2,913,750
Tyco International Ltd.	100,000		4,962,500
			8,663,750
Grain Mill Products (1.39%)			
Ralcorp Holdings, Inc.	10,833(a)		227,493
Ralston-Ralston Purina Group	50,000		3,306,250

Grocery Stores (0.15%)		3,533,743
Casey's General Stores, Inc.	21,052	378,936
Holding Offices (0.36%)		
Today's Bancorp., Inc.	30,000	911,250
Hose, Belting, Gaskets & Packing (1.09%)		
Mark IV Industries	128,156	2,771,373
Hospitals (2.73%)		
Columbia/HCA Healthcare Corp.	70,800	2,531,100
Humana, Inc.	105,000 (a)	1,916,250
Universal Health Services, Inc. Class B	100,000 (a)	2,500,000
		6,947,350
Household Furniture (0.99%)		
Masco Corp.	80,000	2,510,000
Investment Offices (0.73%)		
INVESCO PLC ADR	50,000	1,868,750
Lumber & Other Building Materials (2.15%)		
Home Depot, Inc.	100,000	5,475,000
Management & Public Relations (2.07%)		
Dun & Bradstreet Corp.	10,000	578,750
Medaphis Corp.	527,000 (a)	4,677,125
		5,255,875
Medical Instruments & Supplies (5.68%)		
Becton, Dickinson & Co.	70,000	3,045,000
Boston Scientific Corp.	150,000 (a)	8,156,250
Nellcor Puritan Bennett	166,600 (a)	3,248,700
		14,449,950
Medical Service & Health Insurance (3.66%)		
AON Corp.	40,000	\$ 2,310,000
Foundation Health Corp.	75,000 (a)	2,240,625
Health System International, Inc.	50,000 (a)	1,193,750
United Healthcare Corp.	60,000	2,272,500
Value Health, Inc.	75,000 (a)	1,303,125
		9,320,000
Millwork, Plywood & Structural Members (0.59%)		
Georgia-Pacific Corp.	20,000	1,500,000
Miscellaneous Chemical Products (0.46%)		
Loctite Corp.	20,000	1,172,500
Miscellaneous Converted Paper Products (0.42%)		
Minnesota Mining & Mfg. Co.	14,000	1,072,750
Miscellaneous Electrical Equipment & Supplies (1.08%)		
Motorola, Inc.	60,000	2,760,000
Miscellaneous Shopping Goods Stores (0.47%)		
Toys 'R' Us, Inc.	35,000 (a)	1,185,625
Motor Vehicles & Equipment (2.46%)		
Chrysler Corp.	100,000	3,362,500
Dana Corp.	98,000	2,903,250
		6,265,750
Office Furniture (0.15%)		
Chromcraft Revington, Inc.	15,000 (a)	386,250
Offices & Clinics of Medical Doctors (0.20%)		
FHP International Corp.	15,000 (a)	511,875
Operative Builders (0.44%)		
Pulte Corp.	42,105	1,115,783
Petroleum Refining (2.26%)		
Atlantic Richfield Co.	20,000	2,650,000
Exxon Corp.	35,000	3,101,875

Photographic Equipment & Supplies (0.02%)		5,751,875
Imation Corp.	1,400 (a)	38,325
Plastic Materials & Synthetics (0.66%)		
A. Schulman, Inc.	80,000	1,690,000
Plumbing, Heating & Air- Conditioning (0.19%)		
Metalclad Corp.	264,500 (a)	479,406
Preserved Fruits & Vegetables (0.78%)		
CPC International, Inc.	25,000	1,971,875
Radio, Television & Computer Stores (0.15%)		
Tandy Corp.	10,000	376,250
Radio & Television Broadcasting (1.20%)		
Sinclair Broadcast Group	100,000 (a) \$	3,050,000
Refrigeration & Service Machinery (0.88%)		
Tecumseh Products Co.; Class A	40,000	2,250,000
Rubber & Plastics Footwear (0.70%)		
Reebok International Ltd.	50,000	1,787,500
Sanitary Services (1.66%)		
Browning-Ferris Industries, Inc.	80,000	2,100,000
USA Waste Services, Inc.	17,695 (a)	566,240
WMX Technologies, Inc.	45,000	1,546,875
		4,213,115
Security Brokers & Dealers (1.24%)		
Salomon, Inc.	70,000	3,158,750
Shoe Stores (0.14%)		
Payless Shoesource, Inc.	10,400 (a)	352,300
Soap, Cleaners & Toilet Goods (3.41%)		
Colgate-Palmolive Co.	40,000	3,680,000
Ecolab, Inc.	120,000	4,380,000
International Flavors & Fragrances, Inc.	15,000	620,625
		8,680,625
Toys & Sporting Goods (1.40%)		
Mattel, Inc.	123,046	3,552,953
Trucking & Courier Services, Ex., Air (0.15%)		
Caliber System Inc.	15,000	253,125
Roadway Express	7,500	119,063
		372,188
Women's & Children's Undergarments (1.81%)		
Warnaco Group, Class A	185,200	4,606,850
	Total Common Stocks	233,550,526
Preferred Stocks (1.80%)		
Motor Vehicles & Equipment (0.40%)		
Ford Motor Co.		
Series A Convertible	10,000	1,022,500
Offices & Clinics of Medical Doctors (1.40%)		
FHP International Corp.		
Series A Convertible	124,000	3,565,000
	Total Preferred Stocks	4,587,500
	Principal Amount	Value
Bonds (1.30%)		
Electrical Industrial Apparatus (0.65%)		

Liebert Co. Convertible Subordinated Debentures; 8.00%; 11/15/10	\$ 500,000	\$ 1,648,125
Industrial Inorganic Chemicals (0.20%) Ciba-Geigy Corp. Exchangeable Subordinated Debentures; 6.25%; 3/15/16	\$ 500,000 (b)	\$ 512,500
Nursing & Personal Care Facilities (0.33%) Greenery Rehabilitation Group, Inc. Convertible Senior Subordinated Notes; 8.75%; 4/1/15	1,000,000	845,000
Sanitary Services (0.12%) Enclean, Inc. Convertible Subordinated Debentures; 7.50%; 8/1/01	300,000	309,462
	Total Bonds	3,315,087
Commercial Paper (5.02%)		
Personal Credit Institutions (1.76%) Ford Motor Credit Co.; 5.35%; 11/5/96	4,485,000	4,482,334
Security Brokers & Dealers (3.26%) Merill Lynch & Co.; 5.25%; 11/1/96 5.28%; 11/4/96 5.30%; 11/6/96	2,545,000 2,545,000 3,195,000	2,545,000 2,543,880 3,192,648
		8,281,528
	Total Commercial Paper	12,763,862
	Total Portfolio Investments (99.93%)	254,216,975
Cash, receivables and other assets, net of liabilities (0.07%)		176,320
	Total Net Assets (100.00%)	\$254,393,295

(a) Non-income producing security - No dividend paid during the period.

(b) Restricted security - See Note 4 to the financial statements.

PRINCOR UTILITIES FUND, INC.

	Shares Held	Value
Common Stocks (98.39%)		
Combination Utility Services (32.76%)		
Baltimore Gas & Electric Co.	79,300	\$ 2,160,925
Cilcorp, Inc.	52,000	1,898,000
Cinergy Corp.	70,099	2,322,029
LG&E Energy Corp.	92,300	2,134,437
Montana Power Co.	97,800	2,078,250
Pacificorp	100,100	2,114,613
Public Service Co. of Colorado	59,600	2,205,200
Utilicorp United Inc.	79,000	2,142,875
Washington Water Power Co.	117,700	2,251,012
Western Resources, Inc.	73,400	2,202,000
Wisconsin Energy Corp.	79,300	2,151,013
		23,660,354
Communications Equipment (0.99%) Lucent Technologies	15,199	\$ 714,353
Electric Services (32.38%)		
Central & Southwest	79,000	2,093,500
Duke Power Co.	44,600	2,179,825
FPL Group, Inc.	47,600	2,189,600
Houston Industries, Inc.	99,200	2,269,200
Mid American Energy Co.	137,400	2,129,700
New England Electric System	44,000	1,485,000
Portland General Corp.	58,000	2,537,500
Puget Sound Power & Light Co.	91,500	2,024,437
Southern Co.	93,300	2,064,263
Teco Energy, Inc.	90,500	2,228,563

Texas Utilities Co.	53,800	2,178,900
		23,380,488
Gas Production & Distribution (5.35%)		
AGL Res Inc.	54,400	1,142,400
British Gas PLC	26,600	831,250
New Jersey Resources Corp.	38,700	1,069,087
Peoples Energy Corp.	23,300	821,325
		3,864,062
Telephone Communication (26.91%)		
AT&T Corp.	46,900	1,635,638
Ameritech Corp.	47,100	2,578,725
Bell Atlantic Corp.	41,200	2,482,300
Bellsouth Corp.	64,500	2,628,375
GTE Corp.	63,200	2,662,300
MCI Communications Corp.	99,300	2,494,912
Sprint Corp.	61,500	2,413,875
US West Communications Group	83,400	2,533,275
		19,429,400
Total Common Stocks		71,048,657
	Principal Amount	Value
Commercial Paper (1.19%)		
Business Credit Institutions (1.19%)		
General Electric Capital Corp.;		
5.75%; 11/1/96	\$ 860,000	\$ 860,000
Total Portfolio Investments (99.58%)		71,908,657
Cash, receivables and other assets, net of liabilities (0.42%)		303,901
Total Net Assets (100.00%)		\$ 72,212,558
PRINCOR WORLD FUND, INC.		
	Shares Held	Value
Common Stocks (89.91%)		
Aircraft & Parts (0.11%)		
Cemex SA	62,560	\$ 208,016
Beverages (1.51%)		
Lion Nathan	1,102,000	\$ 2,845,191
Blast Furnace & Basic Steel Products (1.21%)		
Voest-Alpine Stahl	69,000 (b)	2,291,115
Cement, Hydraulic (0.29%)		
Apasco SA	90,000	542,680
Central Reserve Depositories (3.76%)		
Barclays PLC	205,594	3,229,041
Ergo Bank	17,000	998,759
Union Bank of Norway	36,700	1,047,714
Wing Hang Bank	458,000	1,842,113
		7,117,627
Combination Utility Services (2.39%)		
ABB AG	2,740	3,400,184
Iberdrola 1 SA	105,000	1,116,101
		4,516,285
Commercial Banks (8.74%)		
ABN-AMRO Holdings NV	56,218	3,179,027
Bangkok Bank	79,000	842,500
Bank of Ireland	333,277	2,759,670
Fokus Bank	120,000 (b)	700,212
Grupo Financiero Bancomer Series B	1,030,000 (a)	425,546
National Australia Bank Ltd.	374,715	4,115,655
Siam City Bank	1,205,000	1,381,933
Svenska Handelsbanken AB Free	130,750	3,127,065

Communications Equipment (0.25%)		16,531,608
ABC Communications Holdings Ltd.	1,946,000	478,175
Communications Services, NEC (1.49%)		
KPN Royal PTT Nederland	77,786	2,816,243
Computer & Office Equipment (0.36%)		
Canon, Inc.	35,000	670,828
Concrete, Gypsum & Plaster Products (0.15%)		
Cementos De Mexico SA	80,000	288,834
Construction & Related Machinery (1.85%)		
Keumkang	10,000	551,357
Powerscreen International PLC	296,000	2,947,468
		3,498,825
Consumer Products (2.08%)		
Imasco Ltd.	169,000	3,925,481
Crude Petroleum & Natural Gas (1.19%)		
Hardy Oil & Gas	520,000	2,256,636
Department Stores (0.78%)		
Vendex International	36,292	1,465,891
Drugs (5.65%)		
Elan Corp. PLC ADR	65,000 (a)	1,803,750
Galencia Holdings AG	2,890	1,113,552
Roussel-Uclaf	10,150	2,688,411
Sandoz AG	2,130	\$ 2,472,297
Teva Pharmaceutical ADR	62,000	2,596,250
		10,674,260
Electric Light & Wiring Equipment (0.69%)		
Clipsal Industries Holdings	149,000	476,800
Otra NV	44,300	830,675
		1,307,475
Electric Services (2.17%)		
CEP-A Consolidated Electric Power-Asia	380,000	884,599
Korea Electric Power Corp.	39,500	1,160,571
Korea Mobil Telecommunications Corp.	290	152,530
Northern Ireland Electric	361,000	1,913,459
		4,111,159
Electronic Components & Accessories (1.42%)		
Amtek Engineering	675,000	1,173,713
Elec & Eltek International	200,000	604,000
Murata Mfg.	9,000	289,608
Varitronix	340,000	619,996
		2,687,317
Electronic Distribution Equipment (1.53%)		
Phillips Electronics	82,100	2,894,974
Engines & Turbines (0.83%)		
Mabuchi Motor	4,000	203,974
Scapa Group PLC	327,000	1,371,153
		1,575,127
Finance Services (1.23%)		
MBF Capital Berhad	1,682,000	2,316,647
Foreign Banks, Branches & Agencies (0.19%)		
Shinhan Bank	22,032	354,302
Forest Products (0.35%)		
Metsa-Serla	94,000	653,417
Functions Closely Related to Banking (0.76%)		
Liechtenstein Global Trust AG	3,000	1,430,024
Gas Production & Distribution (1.42%)		
Hafslund ASA	35,198	259,490
OMV AG	24,800	2,429,311
		2,688,801

Highway & Street Construction (0.36%)		
Edrasis Psallidas	70,200	679,260
Holding Offices (1.14%)		
First Pacific Co. Ltd.	1,560,303	2,149,062
Household Appliances (0.83%)		
Fisher & Paykel	430,666	1,574,954
Household Audio & Video Equipment (0.58%)		
SKF 'B' Free	49,700	1,101,577
Industrial Inorganic Chemicals (1.81%)		
Bayer AG	90,550	3,422,845
Investment Offices (0.70%)		
INVESCO PLC	352,000	1,332,682
Lumber & Other Building Materials (0.26%)		
Wickes PLC	754,000	\$ 491,125
Meat Products (4.61%)		
Danisco AS	23,000	1,317,869
Orkla B Ordinary Shares	70,400	4,118,951
Unilever NV	21,500	3,270,834
		8,707,654
Medical Instruments & Supplies (0.25%)		
Nycomed	35,198	474,812
Miscellaneous Chemical Products (2.99%)		
Ciba Geigy AG-REG	1,500	1,855,456
Hoechst AG	101,000	3,804,513
		5,659,969
Miscellaneous Durable Goods (1.34%)		
Hagemeyer NV	33,795	2,540,756
Miscellaneous Equipment Rental & Leasing (0.88%)		
Insituto Mobiliane Italian	211,000	1,670,495
Miscellaneous Food & Kindred Products (0.86%)		
Burns, Philp & Co., Ltd.	989,938	1,570,094
Grupo Herdez SA	171,000	57,283
		1,627,377
Miscellaneous Furniture & Fixtures (0.17%)		
Pt Surya Toto	154,000	314,151
Miscellaneous Manufacturers (0.35%)		
Carter Holt Harvey Ltd.	297,300	668,743
Miscellaneous Non-Durable Goods (2.09%)		
Grand Metropolitan PLC	524,000	3,954,958
Miscellaneous Plastics Products, NEC (1.08%)		
Royal Plastics Group	110,000 (a) (b)	2,050,600
Miscellaneous Textile Goods (0.39%)		
Espirit Asia	1,708,000	739,985
Miscellaneous Transportation Equipment (0.65%)		
Autoliv AB	29,000	1,232,531
Miscellaneous Wood Products (0.59%)		
Enso Oy	142,000	1,112,419
Motor Vehicles, Parts & Supplies (0.57%)		
Dahl International AB	57,000 (a)	1,072,352
Motor Vehicles & Equipment (0.96%)		
Volvo AB	87,000	1,809,037
Oil & Gas Field Services (1.68%)		
Repsol Petroleo, SA	97,400	3,182,357
Personal Credit Institutions (0.49%)		

Manhattan Card Co.	1,861,000	920,594
Plastic Materials & Synthetics (1.14%)		
Astra AB	47,050	2,150,188
Primary Nonferrous Metals (1.05%)		
British Steel PLC	712,000	\$ 1,979,710
Pulp Mills (0.77%)		
Babcock International Group	19,171	14,048
UPM-Kymmene Oy	70,980	1,441,039
		1,455,087
Railroad Equipment (0.44%)		
Vae AG	9,350	833,345
Sand & Gravel (0.13%)		
Bardon Group PLC	475,900	249,923
Security & Commodity Services (1.49%)		
Corporacion Bancaria de Espania SA	72,000	2,824,083
Security Brokers & Dealers (1.29%)		
Peregrin Investment Holdings	1,496,000	2,408,749
Peregrine Investment - Warrants	127,000	23,815
		2,432,564
Ship & Boat Building & Repairing (0.39%)		
Unitor Ships Service	67,500	741,151
Soap, Cleaners & Toilet Goods (0.98%)		
Reckitt & Colman PLC	160,000	1,852,467
Special Industry Machinery (1.77%)		
Bobst SA	835	1,085,940
IHC Caland NV	23,300	1,301,087
Sulzer AG	1,800	958,116
		3,345,143
Sugar & Confectionary Products (2.85%)		
Nestle	2,904	3,167,656
Tate & Lyle	286,000	2,221,495
		5,389,151
Telephone Communication (7.42%)		
Cable & Wireless PLC	105,000	836,102
Nokia Corp. Class A ADR	71,000	3,292,625
Tele Danmark B	34,800	1,754,474
Telecom Italia Mobile	1,440,000	1,642,892
Telecom Italia-DI	1,440,000	2,744,485
Telefonica de Espana, SA	148,400	2,980,223
Telefonos de Mexico SA ADR	25,300	771,650
		14,022,451
Water Supply (0.82%)		
Wessex Water PLC	268,660	1,546,512
Water Transportation of Freight, NEC (1.34%)		
ICB Shipping AB 'B' Free	213,733	2,539,579
		169,998,587
Preferred Stocks (0.75%)		
Highway & Street Construction (0.39%)		
BAU Holdings AG	15,700	744,626
Motor Vehicles & Equipment (0.36%)		
Hyundai Motor Co. Ltd. GDR	63,000 (a) (b)	672,525
		1,417,151
Bonds (0.71%)		
Fire, Marine & Casualty Insurance (0.71%)		
Alfa SA Convertible Subordinated Debentures; 8.00%; 9/15/00	\$ 1,300,000 (b)	\$ 1,339,000
Commercial Paper (8.24%)		
Personal Credit Institutions (3.91%)		



Ford Motor Credit Co.;		
5.25%; 11/5/96	3,300,000	3,298,075
5.30%; 11/7/96	4,100,000	4,096,378
		7,394,453
Securities Brokers & Dealers (4.33%)		
Merrill Lynch & Co.;		
5.25%; 11/1/96	3,250,000	3,250,000
5.28%; 11/4/96	4,950,000	4,947,822
		8,197,822
Total Commercial Paper		15,592,275
Total Portfolio Investments (99.61%)		188,347,013
Cash, receivables and other assets, net of liabilities (0.39%)		731,425
Total Net Assets (100.00%)		\$ 189,078,438

- (a) Non-Income producing security - No dividend paid during the period.  
(b) Restricted security - See Notes 4 to the financial statements.

Princor World Fund, Inc. Investments by Country

Country	Total Market Value	Percentage of Total Market Value
Australia	\$ 6,298,397	3.34%
Austria	5,685,749	3.02
Canada	5,976,081	3.17
Denmark	3,072,343	1.63
Finland	6,499,499	3.45
France	2,688,411	1.43
Germany	7,227,358	3.84
Greece	1,678,018	0.89
Hong Kong	10,067,090	5.34
Indonesia	314,151	0.17
Israel	2,596,250	1.38
Italy	6,057,872	3.22
Japan	1,164,409	0.62
Korea	2,891,285	1.53
Malaysia	2,316,647	1.23
Mexico	3,633,009	1.93
Netherlands	18,299,486	9.72
New Zealand	5,088,887	2.70
Norway	7,342,330	3.90
Singapore	2,254,513	1.20
Spain	10,102,765	5.36
Sweden	13,032,329	6.92
Switzerland	15,483,227	8.22
Thailand	2,224,433	1.18
United Kingdom	30,760,199	16.33
United States	15,592,275	8.28
Total Market Value	\$188,347,013	100.00%

<TABLE>  
<CAPTION>  
FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

	Income from Investment Operations			Less Distributions		
	Net Asset Value at Beginning of Period	Net Investment Income	Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Capital Gains

PRINCOR BALANCED FUND, INC. (b)

Class A:							
Year Ended October 31,							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	1996	\$13.74	\$.38	\$1.59	\$1.97	\$(.43)	\$(1.10)
	1995	12.43	.41	1.31	1.72	(.36)	(.41)
	1994	13.26	.32	(.20)	.12	(.40)	(.95)
	1993	12.78	.35	1.14	1.49	(.37)	(1.01)
	1992	11.81	.41	.98	1.39	(.42)	(.42)
Class B:							
	Year Ended October 31, 1996	13.71	.29	1.55	1.84	(.32)	(.99)

Period Ended October 31, 1995(c)	11.80	.31	1.90	2.21	(.30)	--	(.30)
Class R:							
Period Ended October 31, 1996(f)	13.81	.24	.73	.97	(.26)	--	(.26)
PRINCOR BLUE CHIP FUND, INC.							
Class A:							
Year Ended October 31,							
1996	15.03	.23	2.45	2.68	(.26)	(.35)	(.61)
1995	12.45	.24	2.55	2.79	(.21)	--	(.21)
1994	11.94	.20	.57	.77	(.26)	--	(.26)
1993	11.51	.21	.43	.64	(.18)	(.03)	(.21)
1992	10.61	.17	.88	1.05	(.15)	--	(.15)
Class B:							
Year Ended October 31, 1996	14.99	.11	2.41	2.52	(.13)	(.35)	(.48)
Period Ended October 31, 1995(c)	11.89	.15	3.10	3.25	(.15)	--	(.15)
Class R:							
Period Ended October 31, 1996(f)	16.21	.12	.90	1.02	(.15)	--	(.15)
PRINCOR CAPITAL ACCUMULATION FUND, INC.							
Class A:							
Year Ended October 31,							
1996	23.69	.45	5.48	5.93	(.43)	(1.47)	(1.90)
1995	20.83	.45	3.15	3.60	(.39)	(.35)	(.74)
1994	21.41	.39	.93	1.32	(.41)	(1.49)	(1.90)
1993	21.34	.43	1.67	2.10	(.43)	(1.60)	(2.03)
1992	19.53	.45	1.82	2.27	(.46)	--	(.46)
Class B:							
Year Ended October 31, 1996	23.61	.21	5.45	5.66	(.22)	(1.47)	(1.69)
Period Ended October 31, 1995(c)	19.12	.33	4.46	4.79	(.30)	--	(.30)
Class R:							
Period Ended October 31, 1996(f)	24.73	.19	2.81	3.00	(.16)	--	(.16)

<FN>

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

	Net Asset Value at End of Period	Total Return(a)	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate	Average Commission Paid	
PRINCOR BALANCED FUND, INC. (b)								
Class A:								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
	Year Ended October 31,							
	1996	\$14.61	15.10%	\$ 70,820	1.28%	2.82%	32.6%	\$ .0421
	1995	13.74	14.18%	57,125	1.37%	3.21%	35.8%	N/A
	1994	12.43	0.94%	53,366	1.51%	2.70%	14.4%	N/A
	1993	13.26	12.24%	39,952	1.35%	2.78%	27.5%	N/A
	1992	12.78	11.86%	31,339	1.29%	3.39%	30.6%	N/A
Class B:								
	Year Ended October 31, 1996	14.56	14.10%	5,964	2.13%	1.93%	32.6%	.0421
	Period Ended October 31, 1995(c)	13.71	18.72% (d)	1,263	1.91% (e)	2.53% (e)	35.8% (e)	N/A
Class R:								
	Period Ended October 31, 1996(f)	14.52	7.52% (d)	875	1.49% (e)	2.26% (e)	32.6% (e)	.0421 (e)

PRINCOR BLUE CHIP FUND, INC.

Class A:								
	Year Ended October 31,							
	1996	17.10	18.20%	44,389	1.33%	1.41%	13.3%	.0456
	1995	15.03	22.65%	35,212	1.38%	1.83%	26.1%	N/A
	1994	12.45	6.58%	27,246	1.46%	1.72%	5.5%	N/A
	1993	11.94	5.65%	23,759	1.25%	1.87%	11.2%	N/A
	1992	11.51	9.92%	19,926	1.56%	1.49%	13.5%	N/A
Class B:								
	Year Ended October 31, 1996	17.03	17.18%	6,527	2.19%	.49%	13.3%	.0456
	Period Ended October 31, 1995(c)	14.99	26.20% (d)	1,732	1.90% (e)	.97% (e)	26.1% (e)	N/A

Class R:								
Period Ended October 31, 1996(f)	17.08	7.02%(d)	1,575	1.48%(e)	.68%(e)	13.3%(e)	.0456(e)	

PRINCOR CAPITAL ACCUMULATION FUND, INC.

Class A:								
Year Ended October 31,								
1996	27.72	26.41%	435,617	.69%	1.82%	50.2%	.0421	
1995	23.69	17.94%	339,656	.75%	2.08%	46.0%	N/A	
1994	20.83	6.67%	285,965	.83%	2.02%	31.7%	N/A	
1993	21.41	10.42%	240,016	.82%	2.16%	24.8%	N/A	
1992	21.34	11.67%	190,301	.93%	2.17%	38.3%	N/A	

Class B:								
Year Ended October 31, 1996	27.58	25.19%	9,832	1.70%	.80%	50.2%	.0421	
Period Ended October 31, 1995(c)	23.61	25.06%(d)	2,248	1.50%(e)	1.07%(e)	46.0%(e)	N/A	

Class R:								
Period Ended October 31, 1996(f)	27.57	12.74%(d)	1,752	1.16%(e)	1.18%(e)	50.2%(e)	.0421(e)	

<FN>  
See accompanying notes.  
</FN>  
</TABLE>

<TABLE>  
<CAPTION>  
FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

	Income from Investment Operations				Less Distributions		
	Net Asset Value at Beginning of Period	Net Investment Income	and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Capital Gains	Total Distributions

PRINCOR EMERGING GROWTH FUND, INC.

Class A:								
Year Ended October 31,								
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996	\$31.45	\$.14	\$5.05	\$5.19	\$ (.14)	\$ (.75)	\$ (.89)	
1995	25.08	.12	6.45	6.57	(.06)	(.14)	(.20)	
1994	23.56	--	1.61	1.61	--	(.09)	(.09)	
1993	19.79	.06	3.82	3.88	(.11)	--	(.11)	
1992	18.33	.14	1.92	2.06	(.15)	(.45)	(.60)	

Class B:								
Year Ended October 31, 1996	31.31	(.04)	4.97	4.93	(.01)	(.75)	(.76)	
Period Ended October 31, 1995(c)	23.15	--	8.18	8.18	(.02)	--	(.02)	

Class R:								
Period Ended October 31, 1996(f)	33.77	.04	1.88	1.92	(.02)	--	(.02)	

PRINCOR GROWTH FUND, INC.

Class A:								
Year Ended October 31,								
1996	37.22	.35	3.50	3.85	(.35)	(1.18)	(1.53)	
1995	31.14	.35	6.67	7.02	(.31)	(.63)	(.94)	
1994	30.41	.26	2.56	2.82	(.28)	(1.81)	(2.09)	
1993	28.63	.40	2.36	2.76	(.42)	(.56)	(.98)	
1992	25.92	.39	3.32	3.71	(.40)	(.60)	(1.00)	

Class B:								
Year Ended October 31, 1996	37.10	.08	3.48	3.56	(.05)	(1.18)	(1.23)	
Period Ended October 31, 1995(c)	28.33	.21	8.76	8.97	(.20)	--	(.20)	

Class R:								
Period Ended October 31, 1996(f)	39.27	.10	.13	.23	(.10)	--	(.10)	

<FN>  
See accompanying notes.  
</FN>  
</TABLE>  
<TABLE>  
<CAPTION>

-----  
Ratios/Supplemental Data

Ratio of Net

	Net Asset Value at End of Period	Total Return(a)	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Investment Income to Average Net Assets	Portfolio Turnover Rate	Average Commission Rate Paid	
PRINCOR EMERGING GROWTH FUND, INC.								
Class A:								
Year Ended October 31,								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
	1996	\$35.75	16.89%	\$229,465	1.32%	.46%	12.3%	\$ .0391
	1995	31.45	26.89%	150,611	1.47%	.47%	13.5%	N/A
	1994	25.08	6.86%	92,965	1.74%	.02%	8.1%	N/A
	1993	23.56	19.66%	48,668	1.66%	.26%	7.0%	N/A
	1992	19.79	11.63%	29,055	1.74%	.80%	5.8%	N/A

Class B:								
Year Ended October 31, 1996								
		35.48	16.07%	28,480	2.01%	(.24)%	12.3%	.0391
Period Ended October 31, 1995 (c)								
		31.31	35.65% (d)	8,997	2.04% (e)	(.17)% (e)	13.5% (e)	N/A
Class R:								
Period Ended October 31, 1996 (f)								
		35.67	6.20% (d)	2,016	1.53% (e)	.29% (e)	12.3% (e)	.0391 (e)

PRINCOR GROWTH FUND, INC.

Class A:								
Year Ended October 31,								
	1996	39.54	10.60%	228,361	1.08%	.95%	1.8%	.0443
	1995	37.22	23.29%	174,328	1.16%	1.12%	12.2%	N/A
	1994	31.14	9.82%	116,363	1.30%	.95%	13.6%	N/A
	1993	30.41	9.83%	80,051	1.26%	1.40%	16.4%	N/A
	1992	28.63	14.76%	63,405	1.19%	1.46%	15.6%	N/A
Class B:								
Year Ended October 31, 1996								
		39.43	9.80%	24,019	1.79%	.22%	1.8%	.0443
Period Ended October 31, 1995 (c)								
		37.10	31.48% (d)	8,279	1.80% (e)	.31% (e)	12.2% (e)	N/A
Class R:								
Period Ended October 31, 1996 (f)								
		39.40	1.12% (d)	2,014	1.42% (e)	.14% (e)	1.8% (e)	.0443 (e)

<FN>  
See accompanying notes.  
</FN>  
</TABLE>

<TABLE>  
<CAPTION>  
FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

	Net Asset Value at Beginning of Period	Income from Investment Operations	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Less Distributions	Total Distributions
						Distributions from Capital Gains	
PRINCOR UTILITIES FUND, INC.							
Class A:							
Year Ended October 31,							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	1996	\$10.94	\$.44 (g)	\$ .45	\$ .89	\$ (.43)	\$ (.43)
	1995	9.25	.48 (g)	1.70	2.18	(.49)	(.49)
	1994	11.45	.46 (g)	(2.19)	(1.73)	(.02)	(.47)
Period Ended October 31, 1993 (h)							
		10.18	.35 (g)	1.27	1.62	(.35)	(.35)
Class B:							
Year Ended October 31, 1996							
		10.93	.36 (g)	.43	.79	(.34)	(.34)
Period Ended October 31, 1995 (c)							
		9.20	.40 (g)	1.77	2.17	(.44)	(.44)
Class R:							
Period Ended October 31, 1996 (f)							
		11.75	.28	(.41)	(.13)	(.29)	(.29)

PRINCOR WORLD FUND, INC.

Class A:							
Year Ended October 31,							
	1996	7.28	.10	1.17	1.27	(.08)	(.41)
	1995	7.44	.08	(.02)	.06	(.03)	(.22)
	1994	6.85	.01	.64	.65	(.02)	(.06)
	1993	5.02	.03	1.98	2.01	(.05)	(.18)

1992	5.24	.06	(.14)	(.08)	(.06)	(.08)	(.14)
Class B:							
Year Ended October 31, 1996	7.24	.03	1.15	1.18	(.02)	(.33)	(.35)
Period Ended October 31, 1995 (c)	6.71	.05	.51	.56	(.03)	--	(.03)
Class R:							
Period Ended October 31, 1996 (f)	7.48	.01	.63	.64	--	--	--

<FN>  
See accompanying notes.  
</FN>  
</TABLE>

-----  
Ratios/Supplemental Data  
-----

	Net Asset Value at End of Period	Total Return (a)	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate	Average Commission Paid
PRINCOR UTILITIES FUND, INC.							
Class A:							
Year Ended October 31,							
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996	\$11.40	8.13%	\$ 66,322	1.17% (g)	3.85%	34.2%	\$.0410
1995	10.94	24.36%	65,873	1.04% (g)	4.95%	13.0%	--
1994	9.25	(15.20)%	56,747	1.00% (g)	4.89%	13.8%	-
Period Ended October 31, 1993 (h)	11.45	15.92% (d)	50,372	1.00% (e) (g)	4.48% (e)	4.3% (e)	--
Class B:							
Year Ended October 31, 1996	11.38	7.23%	5,579	1.93% (g)	3.07%	34.2%	.0410
Period Ended October 31, 1995 (c)	10.93	24.18% (d)	3,952	1.72% (e) (g)	3.84% (e)	13.0% (e)	--
Class R:							
Period Ended October 31, 1996 (f)	11.33	(.31)% (d)	311	1.47% (e)	3.77% (e)	34.2% (e)	.0410 (e)
PRINCOR WORLD FUND, INC.							
Class A:							
Year Ended October 31,							
1996	8.14	18.36%	172,276	1.45%	1.43%	23.8%	.0197
1995	7.28	1.03%	126,554	1.63%	1.10%	35.4%	N/A
1994	7.44	9.60%	115,812	1.74%	.10%	13.2%	N/A
1993	6.85	41.39%	63,718	1.61%	.59%	19.5%	N/A
1992	5.02	(1.57)%	35,048	1.69%	1.23%	19.9%	N/A
Class B:							
Year Ended October 31, 1996	8.07	17.16%	15,745	2.28%	.64%	23.8%	.0197
Period Ended October 31, 1995 (c)	7.24	9.77% (d)	3,908	2.19% (e)	.58% (e)	35.4% (e)	N/A
Class R:							
Period Ended October 31, 1996 (f)	8.12	9.29% (d)	1,057	1.59% (e)	.78% (e)	23.8% (e)	.0197 (e)

<FN>  
See accompanying notes.  
</FN>  
</TABLE>

Notes to Financial Highlights

- (a) Total return is calculated without the front-end sales charge or contingent deferred sales charge.
- (b) Effective December 5, 1994, the name of Princor Managed Fund, Inc. was changed to Princor Balanced Fund, Inc.
- (c) Period from December 9, 1994, date Class B shares first offered to the public, through October 31, 1995. The Growth Funds Class B shares recognized net investment income as follows for the period from the initial purchase of Class B shares on December 5, 1994 through December 8, 1994, none of which was distributed to the sole shareholder, Princor Management Corporation. The Growth Funds Class B shares incurred unrealized losses on investments during the initial interim period as follows. This represents Class B share activities of each fund prior to the initial public offering of Class B shares:

Fund	Per Share Net Investment Income	Per Share Unrealized (Loss)
------	---------------------------------------	--------------------------------

Princor Balanced Fund, Inc.	--	\$(.19)
Princor Blue Chip Fund, Inc.	--	(.15)
Princor Capital Accumulation Fund, Inc.	--	(.46)
Princor Emerging Growth Fund, Inc.	--	(.77)
Princor Growth Fund, Inc.	--	(.86)
Princor Utilities Fund, Inc.	\$.01	(.01)
Princor World Fund, Inc.	--	(.07)

(d) Total return amounts have not been annualized.

(e) Computed on an annualized basis.

(f) Period from February 29, 1996, date Class R shares first offered to eligible purchasers, through October 31, 1996. Certain of the Growth Funds Class R shares recognized net investment income for the period from the initial purchase of Class R shares on February 27, 1996 through February 28, 1996 as follows, none of which was distributed to the sole shareholder, Princor Management Corporation. Additionally, the Growth Funds incurred unrealized gains (losses) on investments during the initial interim period as follows. This represents Class R share activities of each fund prior to the initial offering of Class R shares: Per Share Net Investment Fund Income

Fund	Per Share Net Investment Income	Per Share Unrealized Gain (Loss)
Princor Balanced Fund, Inc.	--	\$(.03)
Princor Blue Chip Fund, Inc.	\$.01	(.02)
Princor Capital Accumulation Fund, Inc.	.01	(.11)
Princor Emerging Growth Fund, Inc.	--	.19
Princor Growth Fund, Inc.	.01	.10
Princor World Fund, Inc.	--	.02

(g) Without the Manager's voluntary waiver of a portion of certain of its expenses (see Note 3 to the financial statements) for the periods indicated, Princor Utilities Fund, Inc. would have had per share net investment income and the ratios of expenses to average net assets as shown:

	Year, Except as Noted	Per Share Net Investment Income	Ratio of Expenses to Average Net Assets	Amount Waived
Class A	1996	\$.43	1.25%	\$ 54,932
	1995	.46	1.30%	151,145
	1994	.41	1.50%	284,836
	1993(h)	.32	1.54%(e)	139,439
Class B	1996	.34	2.06%	6,690
	1995(c)	.40	1.81%(e)	1,338
Class R	1996	.17(e)	1.47%(e)	--

(h) Period from December 16, 1992, date shares first offered to public, through October 31, 1993. Net investment income, aggregating \$.05 per share for the period from the initial purchase of shares on November 16, 1992 through December 15, 1992, was recognized, none of which was distributed to its sole stockholder, Principal Mutual Life Insurance Company, during the period. Additionally, the fund incurred unrealized gains on investments of \$.13 per share during the initial interim period. This represents activities of the fund prior to the initial public offering of fund shares.

<TABLE>  
<CAPTION>  
October 31, 1996

STATEMENTS OF ASSETS AND LIABILITIES

	Princor Bond Fund, Inc.	Princor Government Securities Income Fund, Inc.
INCOME FUNDS		
<S>	<C>	<C>
Investment in Securities -- at cost.....	\$115,041,975	\$274,024,119
Assets		
Investment in securities -- at value (Note 4).....	\$119,539,693	\$273,231,351
Cash .....	1,375	1,626
Receivables:		
Dividends and interest.....	2,485,688	1,554,783

Investment securities sold.....	--	--
Capital Stock sold.....	90,476	137,814
Other assets.....	3,438	16,781
<b>Total Assets</b>	<b>122,120,670</b>	<b>274,942,355</b>
<b>Liabilities</b>		
Accrued expenses.....	111,047	216,347
Payables:		
Investment securities purchased.....	--	3,243,510
Capital Stock reacquired.....	70,654	386,702
<b>Total Liabilities</b>	<b>181,701</b>	<b>3,846,559</b>
<b>Net Assets Applicable to Outstanding Shares.....</b>	<b>\$121,938,969</b>	<b>\$271,095,796</b>

<b>Net Assets Consist of:</b>		
Capital Stock.....	\$ 109,139	\$ 240,740
Additional paid-in capital.....	117,597,362	271,587,136
Accumulated undistributed net investment income.....	728,898	1,535,479
Accumulated net realized loss on investment transactions .....	(994,148)	(1,474,791)
Net unrealized appreciation (depreciation) of investments.....	4,497,718	(792,768)
<b>Total Net Assets</b>	<b>\$121,938,969</b>	<b>\$271,095,796</b>

Capital Stock (par value: \$.01 a share)		
Shares authorized.....	100,000,000	100,000,000

<b>Net Asset Value Per Share:</b>		
Class A: Net Assets.....	\$113,437,230	\$259,028,642
Shares issued and outstanding.....	10,151,468	22,999,811
Net asset value per share.....	\$11.17	\$11.26
Maximum offering price per share(a).....	\$11.73	\$11.82

Class B: Net Assets .....	\$7,976,325	\$11,585,991
Shares issued and outstanding.....	715,311	1,031,289
Net asset value per share(b).....	\$11.15	\$11.23

Class R: Net Assets.....	\$525,414	\$481,163
Shares issued and outstanding.....	47,094	42,922
Net asset value per share.....	\$11.16	\$11.21

<FN>  
(a) Maximum offering price is equal to net asset value plus a front-end sales charge of 4.75% (1.50% with respect to Princor Limited Term Bond Fund, Inc.) of the offering price.  
(b) Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

October 31, 1996

STATEMENTS OF ASSETS AND LIABILITIES

INCOME FUNDS	Princor High Yield Fund, Inc.	Princor Limited Term Bond Fund, Inc.	Princor Tax-Exempt Bond Fund, Inc.
<S>	<C>	<C>	<C>
Investment in Securities -- at cost.....	\$29,069,597	\$17,205,288	\$182,933,094
<b>Assets</b>			
Investment in securities -- at value (Note 4).....	\$29,838,389	\$17,094,603	\$189,299,465
Cash .....	105,755	57,234	56,976
Receivables:			
Dividends and interest.....	750,523	273,154	3,804,773
Investment securities sold.....	--	23,702	--
Capital Stock sold.....	7,109	12,868	68,619
Other assets.....	1,990	--	7,333
<b>Total Assets</b>	<b>30,703,766</b>	<b>17,461,561</b>	<b>193,237,166</b>
<b>Liabilities</b>			

Accrued expenses.....	29,626	17,397	132,941
Payables:			
Investment securities purchased.....	--	--	--
Capital Stock reacquired.....	4,679	--	130,570
Total Liabilities	34,305	17,397	263,511
Net Assets Applicable to Outstanding Shares.....	\$30,669,461	\$17,444,164	\$192,973,655
Net Assets Consist of:			
Capital Stock.....	\$ 37,105	\$ 17,633	\$ 160,348
Additional paid-in capital.....	32,593,119	17,440,914	187,151,821
Accumulated undistributed net investment income.....	246,818	99,936	947,865
Accumulated net realized loss on investment transactions .....	(2,976,373)	(3,634)	(1,652,750)
Net unrealized appreciation (depreciation) of investments.....	768,792	(110,685)	6,366,371
Total Net Assets	\$30,669,461	\$17,444,164	\$192,973,655
Capital Stock (par value: \$.01 a share)			
Shares authorized.....	100,000,000	100,000,000	100,000,000
Net Asset Value Per Share:			
Class A: Net Assets.....	\$28,432,165	\$17,249,143	\$187,179,578
Shares issued and outstanding.....	3,438,404	1,743,544	15,552,762
Net asset value per share.....	\$8.27	\$9.89	\$12.04
Maximum offering price per share(a).....	\$8.68	\$10.04	\$12.64
Class B: Net Assets .....	\$2,113,300	\$111,593	\$5,794,077
Shares issued and outstanding.....	256,954	11,282	482,072
Net asset value per share(b).....	\$8.22	\$9.89	\$12.02
Class R: Net Assets.....	\$123,996	\$83,428	N/A
Shares issued and outstanding.....	15,117	8,441	N/A
Net asset value per share.....	\$8.20	\$9.88	N/A

<FN>  
(a)Maximum offering price is equal to net asset value plus a front-end sales charge of 4.75% (1.50% with respect to Princor Limited Term Bond Fund, Inc.) of the offering price.  
(b)Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Year Ended October 31, 1996, Except as Noted

STATEMENTS OF OPERATIONS

INCOME FUNDS	Princor Bond Fund, Inc.	Princor Government Securities Income Fund, Inc.
Net Investment Income		
<S>	<C>	<C>
Interest Income.....	\$8,882,992	\$19,137,829
Expenses:		
Management and investment advisory fees (Note 3).....	562,779	1,223,631
Distribution and shareholder servicing fees (Note 1 and 3).....	293,963	532,899
Transfer and administrative services (Note 1 and 3).....	221,648	394,360
Registration fees (Note 1).....	41,979	39,149
Custodian fees .....	5,007	25,616
Auditing and legal fees .....	8,852	9,014
Directors' fees .....	8,680	8,705
Other .....	9,324	23,143
Total Gross Expenses	1,152,232	2,256,517
Less: Management and investment advisory fees waived.....	28,413	--
Total Net Expenses	1,123,819	2,256,517



Net Investment Income	7,759,173	16,881,312
Net Realized and Unrealized Gain (Loss) on Investments		
Net realized gain (loss) from investment transactions.....	(608,660)	434,186
Net increase (decrease) in unrealized appreciation/depreciation on investments .....	(1,814,840)	(1,721,443)
Net Realized and Unrealized Gain (Loss) on Investments	(2,423,500)	(1,287,257)
Net Increase in Net Assets Resulting from Operations	\$5,335,673	\$15,594,055

<FN>

(1) Period from February 13, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Year Ended October 31, 1996, Except as Noted

STATEMENTS OF OPERATIONS

	Princor High Yield Fund, Inc.	Princor Limited Term Bond Fund, Inc. (1)	Princor Tax-Exempt Bond Fund, Inc.
INCOME FUNDS			
Net Investment Income			
<S>	<C>	<C>	<C>
Interest Income.....	\$2,596,419	\$615,360	\$11,408,639
Expenses:			
Management and investment advisory fees (Note 3).....	159,773	44,589	888,967
Distribution and shareholder servicing fees (Note 1 and 3).....	75,961	8,576	374,119
Transfer and administrative services (Note 1 and 3).....	66,305	32,982	145,931
Registration fees (Note 1).....	25,733	1,712	39,224
Custodian fees .....	3,743	3,037	3,976
Auditing and legal fees .....	6,186	5,733	8,541
Directors' fees .....	8,705	7,265	8,706
Other .....	3,174	1,514	15,482
Total Gross Expenses	349,580	105,408	1,484,946
Less: Management and investment advisory fees waived.....	--	25,970	--
Total Net Expenses	349,580	79,438	1,484,946
Net Investment Income	2,246,839	535,922	9,923,693
Net Realized and Unrealized Gain (Loss) on Investments			
Net realized gain (loss) from investment transactions.....	26,628	(3,634)	674,906
Net increase (decrease) in unrealized appreciation/depreciation on investments .....	765,331	(110,685)	362,726
Net Realized and Unrealized Gain (Loss) on Investments	791,959	(114,319)	1,037,632
Net Increase in Net Assets Resulting from Operations	\$3,038,798	\$421,603	\$10,961,325

<FN>

(1) Period from February 13, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

## INCOME FUNDS

Princor  
Bond  
Fund, Inc.

	1996	1995
<S>	<C>	<C>
Operations		
Net investment income.....	\$ 7,759,173	\$ 7,110,733
Net realized gain (loss) from investment transactions.....	(608,660)	(385,488)
Net increase (decrease) in unrealized appreciation/depreciation on investments.....	(1,814,840)	10,947,591
Net Increase in Net Assets Resulting from Operations	5,335,673	17,672,836
Dividends and Distributions to Shareholders From net investment income:		
Class A.....	(7,395,304)	(6,978,094)
Class B.....	(336,861)	(57,053) (b)
Class R(c) .....	(3,457)	--
From net realized gain on investments:		
Class A.....	--	(104,351)
Total Distributions	(7,735,622)	(7,139,498)
Capital Share Transactions (Note 5)		
Shares sold:		
Class A.....	21,969,069	18,360,174
Class B.....	5,830,264	2,713,516 (b)
Class R(c) .....	517,933	--
Shares issued in reinvestment of dividends and distributions:		
Class A.....	4,977,027	4,697,390
Class B.....	270,581	46,382 (b)
Class R(c) .....	3,457	--
Shares redeemed:		
Class A.....	(18,116,844)	(15,323,500)
Class B.....	(773,259)	(159,124) (b)
Class R(c) .....	(8,814)	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	14,669,414	10,334,838
Total Increase	12,269,465	20,868,176
Net Assets		
Beginning of period.....	109,669,504	88,801,328
End of period (including undistributed net investment income as set forth below).....	\$121,938,969	\$109,669,504
Undistributed Net Investment Income.....	\$ 728,898	\$ 705,347

<FN>

(a) Period from February 13, 1996 (date operations commenced) through October 31, 1996.

(b) Period from December 5, 1994 (date operations commenced) through October 31, 1995.

(c) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Years Ended October 31, Except as Noted

## STATEMENTS OF CHANGES IN NET ASSETS

## INCOME FUNDS

Princor Government  
Securities Income  
Fund, Inc.

	1996	1995
<S>	<C>	<C>
Operations		
Net investment income.....	\$ 16,881,312	\$ 16,661,711
Net realized gain (loss) from investment transactions.....	434,186	(1,074,727)
Net increase (decrease) in unrealized appreciation/depreciation on investments.....	(1,721,443)	25,002,420
Net Increase in Net Assets Resulting from Operations	15,594,055	40,589,404
Dividends and Distributions to Shareholders From net investment income:		
Class A.....	(16,420,667)	(16,398,545)
Class B.....	(470,574)	(94,011) (b)
Class R(c) .....	(2,908)	--
From net realized gain on investments:		
Class A.....	--	--
Total Distributions	(16,894,149)	(16,492,556)
Capital Share Transactions (Note 5)		
Shares sold:		
Class A.....	37,110,671	29,006,758
Class B.....	8,060,500	4,730,337 (b)
Class R(c) .....	469,159	--
Shares issued in reinvestment of dividends and distributions:		
Class A.....	12,945,447	12,817,448
Class B.....	375,343	78,109 (b)
Class R(c) .....	2,905	--
Shares redeemed:		
Class A.....	(50,822,999)	(54,093,676)
Class B.....	(1,570,936)	(246,114) (b)
Class R(c) .....	(1,707)	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	6,568,383	(7,707,138)
Total Increase	5,268,289	16,389,710
Net Assets		
Beginning of period.....	265,827,507	249,437,797
End of period (including undistributed net investment income as set forth below).....	\$271,095,796	\$265,827,507
Undistributed Net Investment Income.....	\$ 1,535,479	\$ 1,548,316

<FN>

(a) Period from February 13, 1996 (date operations commenced) through October 31, 1996.

(b) Period from December 5, 1994 (date operations commenced) through October 31, 1995.

(c) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

INCOME FUNDS

Princor  
High Yield  
Fund, Inc.

	1996	1995
<S>	<C>	<C>
Operations		
Net investment income.....	\$ 2,246,839	\$ 1,881,438

Net realized gain (loss) from investment transactions.....	26,628	(105,759)
Net increase (decrease) in unrealized appreciation/depreciation on investments.....	765,331	581,993
Net Increase in Net Assets Resulting from Operations	3,038,798	2,357,672
Dividends and Distributions to Shareholders From net investment income:		
Class A.....	(2,164,495)	(1,737,075)
Class B.....	(100,795)	(15,260) (b)
Class R(c) .....	(1,126)	--
From net realized gain on investments:		
Class A.....	--	--
Total Distributions	(2,266,416)	(1,752,335)
Capital Share Transactions (Note 5)		
Shares sold:		
Class A.....	6,203,975	3,890,858
Class B.....	1,663,572	625,699 (b)
Class R(c) .....	120,413	--
Shares issued in reinvestment of dividends and distributions:		
Class A.....	975,918	1,277,540
Class B.....	56,034	6,460 (b)
Class R(c) .....	1,126	--
Shares redeemed:		
Class A.....	(2,864,299)	(2,175,333)
Class B.....	(288,473)	(4,140) (b)
Class R(c) .....	--	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	5,868,266	3,621,084
Total Increase	6,640,648	4,226,421
Net Assets		
Beginning of period.....	24,028,813	19,802,392
End of period (including undistributed net investment income as set forth below).....	\$30,669,461	\$24,028,813
Undistributed Net Investment Income.....	\$ 246,818	\$ 266,395

- <FN>
- (a) Period from February 13, 1996 (date operations commenced) through October 31, 1996.
  - (b) Period from December 5, 1994 (date operations commenced) through October 31, 1995.
  - (c) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

INCOME FUNDS	Princor Limited Term Bond Fund, Inc. (a)		Princor Tax-Exempt Bond Fund, Inc.	
	1996	1996	1995	
<S>	<C>	<C>	<C>	
Operations				
Net investment income.....	\$ 535,922	\$ 9,923,693	\$ 9,855,608	
Net realized gain (loss) from investment transactions.....	(3,634)	674,906	(1,677,841)	
Net increase (decrease) in unrealized appreciation/depreciation on investments.....	(110,685)	362,726	17,420,735	
Net Increase in Net Assets Resulting from Operations	421,603	10,961,325	25,598,502	
Dividends and Distributions to Shareholders From net investment income:				

Class A.....	(434,063)	(9,811,318)	(9,781,885)
Class B.....	(1,401) (c)	(209,899)	(67,120) (b)
Class R(c) .....	(522)	--	--
From net realized gain on investments:			
Class A.....	--	--	--
Total Distributions	(435,986)	(10,021,217)	(9,849,005)
Capital Share Transactions (Note 5)			
Shares sold:			
Class A.....	17,452,369	23,815,010	18,520,960
Class B.....	108,544 (c)	2,684,628	3,375,082 (b)
Class R(c) .....	81,911	--	--
Shares issued in reinvestment of dividends and distributions:			
Class A.....	419,436	6,720,668	6,671,473
Class B.....	1,352 (c)	155,939	49,501 (b)
Class R(c) .....	522	--	--
Shares redeemed:			
Class A.....	(605,448)	(23,971,299)	(32,510,884)
Class B.....	(139) (c)	(572,822)	(78,915) (b)
Class R(c) .....	--	--	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	17,458,547	8,832,124	(3,972,783)
Total Increase	17,444,164	9,772,232	11,776,714
Net Assets			
Beginning of period.....	--	183,201,423	171,424,709
End of period (including undistributed net investment income as set forth below).....	\$17,444,164	\$192,973,655	\$183,201,423
Undistributed Net Investment Income.....	\$ 99,936	\$ 947,865	\$ 1,048,291

<FN>

- (a) Period from February 13, 1996 (date operations commenced) through October 31, 1996.
- (b) Period from December 5, 1994 (date operations commenced) through October 31, 1995.
- (c) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

</FN>

</TABLE>

#### NOTES TO FINANCIAL STATEMENTS

Princor Bond Fund, Inc.  
Princor Government Securities Income Fund, Inc.  
Princor High Yield Fund, Inc.  
Princor Limited Term Bond Fund, Inc.  
Princor Tax-Exempt Bond Fund, Inc.

#### Note 1 -- Significant Accounting Policies

Princor Bond Fund, Inc., Princor Government Securities Income Fund, Inc., Princor High Yield Fund, Inc., Princor Limited Term Bond Fund, Inc. and Princor Tax-Exempt Bond Fund, Inc. (the "Income Funds") are registered under the Investment Company Act of 1940, as amended, as open-end diversified management investment companies and operate in the mutual fund industry.

On February 13, 1996, the initial purchase of 1,000,000 shares of Class A Capital Stock of Princor Limited Term Bond Fund, Inc. was made by Principal Mutual Life Insurance Company (see Note 3).

On February 27, 1996, the initial purchase of Class B shares of Princor Limited Term Bond Fund, Inc. was made by Princor Management Corporation; the initial purchases of Class B shares of the other funds were made on December 5, 1994 (see Note 3). All shares outstanding prior to the initial Class B share purchases have been classified as Class A shares. Effective February 29, 1996, Princor Limited Term Bond Fund, Inc. began offering Class B shares to the public; the effective date of the other funds was December 9, 1994. On February 27, 1996, the initial purchases of Class R shares of the Income Funds (except for Princor Tax-Exempt Bond Fund, Inc.) were made by Princor Management Corporation (see Note 3). Effective February 29, 1996, the Income Funds (except for Princor Tax-Exempt Bond Fund, Inc.) began offering Class R shares to eligible purchasers.

Class A shares generally are sold with an initial sales charge based on declining rates and certain purchases may be subject to a contingent deferred sales charge ("CDSC"). Class B shares are sold without an initial sales charge, but are subject to a declining CDSC on certain redemptions redeemed within six years of purchase. Class R shares are sold without an initial sales charge and are not subject to a CDSC. Class B shares and Class R shares bear a higher ongoing distribution fee than Class A shares. Class B shares automatically convert into Class A shares, based on relative net asset value (without a sales charge) after seven years. Class R shares automatically convert into Class A shares, based on relative net asset value (without a sales charge) after four years. All classes of shares for each fund represent interests in the same portfolio of investments, and will vote together as a single class except where otherwise required by law or as determined by the Fund's respective Board of Directors. In addition, the Board of Directors of each fund declare separate dividends on each class of shares.

The Income Funds allocate daily all income, expenses (other than class-specific expenses), and realized and unrealized gains or losses to each class of shares based upon the relative proportion of the value of shares outstanding of each class. Expenses specifically attributable to a particular class, are charged directly to such class. Class-specific expenses charged to each class during the period ended October 31, 1996, which are included in the corresponding captions of the Statement of Operations, were as follows:

<TABLE>  
<CAPTION>

	Distribution and			Transfer and			Registration Fees		
	Class A	Class B	Class R	Class A	Class B	Class R	Class A	Class B	Class R
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Princor Bond Fund, Inc.	\$242,107	\$51,424	\$432	\$ 60,029	\$5,019	\$9	\$17,353	\$ 7,593	\$50
Princor Government Securities Income Fund, Inc.	457,028	75,494	377	125,085	6,439	6	12,378	7,351	34
Princor High Yield Fund, Inc.	63,145	12,703	113	10,338	1,124	5	7,468	6,128	34
Princor Limited Term Bond Fund, Inc.	8,362	140	74	383	25	5	229	149	54
Princor Tax-Exempt Bond Fund, Inc.	340,847	33,272	N/A	43,552	1,211	N/A	16,105	10,080	N/A

</TABLE>

The Income Funds value securities for which market quotations are readily available at market value, which is determined using the last reported sale price or, if no sales are reported, as is regularly the case for some securities traded over-the-counter, the last reported bid price. When reliable market quotations are not considered to be readily available, which may be the case, for example, with respect to certain debt securities and preferred stocks, the investments are valued by using market quotations, prices provided by market makers or estimates of market values obtained from yield data and other factors relating to instruments or securities with similar characteristics in accordance with procedures established in good faith by each fund's Board of Directors. Securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market.

The Income Funds record investment transactions generally one day after the trade date, except for short-term investment transactions which are recorded generally on the trade date. The identified cost basis has been used in determining the net realized gain or loss from investment transactions and unrealized appreciation or depreciation on investments. Dividends are taken into income on an accrual basis as of the ex-dividend date and interest income is recognized on an accrual basis.

Dividends and distributions to shareholders are recorded on the ex-dividend date.

Dividends and distributions to shareholders from net investment income and net realized gain from investments are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. To the extent these "book/tax" differences are permanent in nature (i.e. that they result from other than timing of recognition - "temporary"), such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Reclassifications made for the years ended October 31, 1996 and 1995 were not material.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 -- Federal Income Taxes

No provision for federal income taxes is considered necessary because each fund is qualified as a "regulated investment company" under the Internal Revenue Code

and intends to distribute each year substantially all of its net investment income and realized capital gains to shareholders. The cost of investments for federal income tax reporting purposes is approximately the same as that for financial reporting purposes.

At October 31, 1996, the following Income Funds had net capital loss carryforwards as follows:

<TABLE>  
<CAPTION>

	Princor Bond Fund, Inc.	Princor Government Securities Income Fund, Inc.	Princor High Yield Fund, Inc.	Princor Limited Term Bond Fund, Inc.	Princor Tax-Exempt Bond Fund, Inc.
<S>	<C>	<C>	<C>	<C>	<C>
Net Capital Loss Carryforward Expires In:					
1998			\$ 793,000		
1999			784,000		
2000			561,000		
2001			409,000		
2002		\$ 400,000	323,000		
2003	\$385,000	1,075,000	106,000		\$1,653,000
2004	609,000			\$4,000	
	\$994,000	\$1,475,000	\$2,976,000	\$4,000	\$1,653,000

</TABLE>

Note 3 -- Management Agreement and Transactions With Affiliates

The Income Funds have agreed to pay investment advisory and management fees to Princor Management Corporation (wholly owned by Princor Financial Services Corporation, a subsidiary of Principal Mutual Life Insurance Company) (the "Manager") computed at an annual percentage rate of each fund's average daily net assets. The annual rate used in this calculation for the Income Funds is as follows:

Fund	Net Asset Value of Funds (in millions)				
	First \$100	Next \$100	Next \$100	Next \$100	Over \$400
Princor Bond Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%
Princor Government Securities Income Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%
Princor High Yield Fund, Inc.	0.60%	0.55%	0.50%	0.45%	0.40%
Princor Limited Term Bond Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%
Princor Tax-Exempt Bond Fund, Inc.	0.50%	0.45%	0.40%	0.35%	0.30%

The Income Funds also reimburse the Manager for transfer and administrative services, including the cost of accounting, data processing, supplies and other services rendered.

The Manager has agreed to reimburse the Income Funds annually for their total expenses (excluding brokerage commissions, interest and taxes) in excess of limits prescribed by any state in which the Income Funds' shares are offered for sale (currently 2 1/2% of the first \$30 million of each fund's average annual net assets, 2% of the next \$70 million of such assets and 1 1/2% of such assets in excess thereof).

The Manager voluntarily waives a portion of its fee for some of the Income Funds. The waivers are in amounts that maintain total operating expenses for each fund within certain limits. The limits are expressed as a percentage of average daily net assets attributable to each class on an annualized basis during the reporting period. The amounts waived and the operating expense limits, which were maintained at or below those shown, are as follows:

	Year Ended October 31, 1996	Year Ended October 31, 1995	Expense Limit
Princor Bond Fund, Inc.			
Class A	\$22,536	\$86,018	0.95%
Class B	5,874	300 (a)	1.70
Class R	3 (c)	--	1.45
Princor Limited Term Bond Fund, Inc.			
Class A	25,651 (b)	--	0.90
Class B	259 (b)	--	1.15
Class R	60 (c)	--	1.40

- (a) Period from December 9, 1994, date Class B shares first offered to the public, through October 31, 1995.
- (b) Period from February 29, 1996, date Class A and Class B shares first offered to the public through October 31, 1996.
- (c) Period from February 29, 1996, date Class R shares first offered to the eligible purchasers, through October 31, 1996.

The Manager intends to continue its voluntary waiver and, if necessary, pay expenses normally payable by each of the Funds through February 28, 1998.

Princor Financial Services Corporation, as principal underwriter, receives proceeds of any CDSC on certain Class A and Class B share redemptions. The charge is based on declining rates, which for Class A shares begin at .75% and for Class B shares at 4.00% (.25% and 1.25% for Princor Limited Term Bond Fund, respectively) of the lesser of the current market value or the cost of shares being redeemed. Princor Financial Services Corporation also retains sales charges on sales of Class A shares based on declining rates which begin at 4.75% of the offering price (1.50% for Princor Limited Term Bond Fund, Inc.). The aggregate amount of these charges retained, by fund, for the period ended October 31, 1996 were as follows:

	Class A	Class B
Princor Bond Fund, Inc.	\$ 629,234	\$ 8,715
Princor Government Securities Income Fund, Inc.	1,209,612	24,199
Princor High Yield Fund, Inc.	157,115	7,572
Princor Limited Term Bond Fund, Inc.	56,766	--
Princor Tax-Exempt Bond Fund, Inc.	682,986	15,744

No brokerage commissions were paid by the Income Funds to Princor Financial Services Corporation during the periods.

The Income Funds bear distribution and shareholder servicing fees with respect to Class A shares computed at an annual rate of up to .25% (.15% for the Princor Limited Term Bond Fund, Inc.) of the average daily net assets attributable to Class A shares of each fund. Each of the Income Funds adopted a distribution plan with respect to Class B shares that provides for distribution and shareholder servicing fees computed at an annual rate of up to 1.00% of the average daily net assets attributable to Class B shares of each fund (.50% for the Princor Limited Term Bond Fund, Inc.). Effective February 1996, each of the Income Funds, with the exception of Princor Tax-Exempt Bond Fund, Inc., adopted a distribution plan with respect to Class R shares that provides for distribution and shareholder servicing fees computed at an annual rate of up to .75% of the average daily net assets attributable to Class R shares of each fund. Distribution and shareholder servicing fees are paid to Princor Financial Services Corporation; a portion of the fees are subsequently remitted to retail dealers. Pursuant to the distribution agreements, fees unused by the principal underwriter at the end of the fiscal year are returned to the Income Funds.

At October 31, 1996 Principal Mutual Life Insurance Company and subsidiaries of Principal Mutual Life Insurance Company owned shares of the Income Funds as follows:

	Class A	Class B	Class R
Princor Bond Fund, Inc.	178,252	111	93
Princor Government Securities Income Fund, Inc.	94,035	109	93
Princor High Yield Fund, Inc.	1,116,209	151	4,365
Princor Limited Term Bond Fund, Inc.	1,036,215	105	4,243
Princor Tax-Exempt Bond Fund, Inc.	92,516	103	N/A

#### Note 4 -- Investment Transactions

For the period ended October 31, 1996, the cost of investment securities purchased and proceeds from investment securities sold (not including short-term investments and U. S. government securities) by the Income Funds were as follows:

	Purchases	Sales
Princor Bond Fund, Inc.	\$17,064,005	\$ 2,336,443
Princor High Yield Fund, Inc.	10,072,168	4,730,813
Princor Limited Term Bond Fund, Inc.	17,480,974	830,765
Princor Tax-Exempt Bond Fund, Inc.	25,855,920	17,839,491

#### Note 4 -- Investment Transactions (Continued)

At October 31, 1996, net unrealized appreciation (depreciation) of investments by the Income Funds was composed of the following:

<TABLE>  
<CAPTION>

Net Unrealized



	Gross Unrealized		Appreciation (Depreciation)
	Appreciation (Depreciation)		of Investments
<S>	<C>	<C>	<C>
Princor Bond Fund, Inc.	\$5,525,357	\$ (1,027,639)	\$4,497,718
Princor Government Securities Income Fund, Inc.	3,150,964	(3,943,732)	(792,768)
Princor High Yield Fund, Inc.	1,062,021	(293,229)	768,792
Princor Limited Term Bond Fund, Inc.	85,067	(195,752)	(110,685)
Princor Tax-Exempt Bond Fund, Inc.	7,196,152	(829,781)	6,366,371

</TABLE>

Princor Government Securities Income Fund, Inc. may trade portfolio securities on a "to-be-announced" (TBA) basis. In a TBA transaction, the fund commits to purchase or sell securities for which all specific information is not known at the time of the trade. Securities purchased on a TBA basis are not settled until they are delivered to the fund, normally 15 to 30 days later. These transactions are subject to market fluctuations and their current value is determined in the same manner as for other portfolio securities. As of October 31, 1996, the Fund had TBA purchase commitments involving securities with a face amount of \$3,495,155, cost of \$3,243,510 and market value of \$3,262,823. Princor Government Securities Income Fund, Inc. has set aside investment securities and other assets in excess of the commitments to serve as collateral.

At October 31, 1996, Princor High Yield Fund, Inc., Princor Limited Term Bond Fund, Inc. and Princor Tax-Exempt Bond Fund, Inc. held the following securities which may require registration under the Securities Act of 1933, or an exemption therefrom, in order to effect a sale in the ordinary course of business.

<TABLE>		<CAPTION>					
Fund	Security Description	Date of Acquisition	Cost	Value at October 31, 1996	Value as a Percentage of Net Assets		
<S>		<C>	<C>	<C>	<C>		
Princor High Yield Fund, Inc.	Brown Group; Senior Notes	10/2/96	\$450,000	\$ 451,125	1.47%		
	California Energy Casecan Water & Energy Co., Inc.; Senior Secured	6/26/96	700,000	777,000	2.53		
	Euramax International PLC; Senior Subordinated Notes	9/18/96	200,000	203,000	.66		
	U.S. Can Corp.; Senior Subordinated Notes	10/10/96	100,000	103,250	.34		
				1,534,375	5.00		
Princor Limited Term Bond Fund, Inc.	B.A.T. Capital Corp.; Medium-Term Note	7/25/96	583,584	589,534	3.38		
Princor Tax-Exempt Bond Fund, Inc.	Eddyville, Iowa, IDR Ref. Bonds; Cargill Inc. Project	1/11/95	859,910	996,250	.52		

</TABLE>

The Income Funds' investments are with various issuers in various industries. The Schedules of Investments contained herein summarize concentration of credit risk by issuer and industry.

Note 5 -- Capital Share Transactions

Transactions in Capital Stock by fund were as follows:

<TABLE>		<CAPTION>					
		Princor Bond Fund, Inc.	Princor Government Securities Income Fund, Inc.	Princor High Yield Fund, Inc.			
Year Ended October 31, 1996:							
Shares sold:							
<S>		<C>	<C>	<C>			
Class A	.....	1,970,454	3,321,877	768,505			
Class B	.....	523,960	722,764	207,062			
Class R*	.....	47,584	42,812	14,977			
Shares issued in reinvestment of dividends and distributions:							
Class A	.....	448,289	1,164,488	121,239			
Class B	.....	24,582	33,968	6,991			
Class R*	.....	318	266	140			
Shares redeemed:							
Class A	.....	(1,629,399)	(4,575,851)	(354,640)			
Class B	.....	(70,602)	(141,657)	(35,769)			
Class R*	.....	(808)	(156)	--			

Net Increase 1,314,378 568,511 728,505

Year Ended October 31, 1995:

Shares sold:			
Class A .....	1,706,844	2,679,878	489,469
Class B** .....	247,333	431,102	78,379
Shares issued in reinvestment of dividends and distributions:			
Class A .....	439,527	1,196,621	162,114
Class B** .....	4,196	7,084	812
Shares redeemed:			
Class A .....	(1,429,838)	(5,051,162)	(275,812)
Class B** .....	(14,158)	(21,972)	(521)
	Net Increase (Decrease)	953,904	(758,449)
			454,441

<FN>  
 \* Period from February 27, 1996 (date operations commenced) through October 31, 1996.  
 \*\* Period from December 5, 1994 (date operations commenced) through October 31, 1995.

</FN>  
 </TABLE>

Note 5 -- Capital Share Transactions (Continued)

<TABLE>  
 <CAPTION>

	Princor Limited Term Bond Fund, Inc. (1)	Princor Tax-Exempt Bond Fund, Inc.
Year Ended October 31, 1996, Except as Noted:		
Shares sold:		
<S>	<C>	<C>
Class A .....	1,762,547	1,994,928
Class B .....	11,158	225,823
Class R* .....	8,387	N/A
Shares issued in reinvestment of dividends and distributions:		
Class A .....	43,053	563,980
Class B .....	139	13,120
Class R* .....	54	N/A
Shares redeemed:		
Class A .....	(62,056)	(2,011,737)
Class B .....	(15)	(48,315)
	Net Increase	737,799

Year Ended October 31, 1995:

Shares sold:		
Class A .....	N/A	1,625,100
Class B** .....	N/A	293,841
Shares issued in reinvestment of dividends and distributions:		
Class A .....	N/A	590,347
Class B** .....	N/A	4,276
Shares redeemed:		
Class A .....	N/A	(2,897,205)
Class B** .....	N/A	(6,673)
	Net Decrease	(390,314)

<FN>  
 (1) Period from February 13, 1996 (February 27, 1996 -- Princor Limited Term Bond Fund, Inc. Class B and Class R) date operations commenced through October 31, 1996.  
 \* Period from February 27, 1996 (date operations commenced) through October 31, 1996.  
 \*\* Period from December 5, 1994 (date operations commenced) through October 31, 1995.

</FN>  
 </TABLE>

Note 6 -- Line of Credit

The Income Funds have an unsecured line of credit with a bank which allows each fund to borrow up to \$500,000. Borrowings are made solely to facilitate the handling of unusual and/or unanticipated short-term cash requirements. Interest

is charged to each fund, based on its borrowings, at a rate equal to the bank's Fed Funds Unsecured Rate plus 100 basis points. Additionally, a commitment fee is charged at the annual rate of .25% of the line of credit. At October 31, 1996, the Income Funds had no outstanding borrowings under the line of credit.

SCHEDULES OF INVESTMENTS

INCOME FUNDS

PRINCOR BOND FUND, INC.

	Principal Amount	Value
Bonds (96.05%)		
Air Transportation, Scheduled (2.14%)		
Federal Express Corp. 1994 Pass Through Cert., Series A310-A3; 8.40%; 3/23/10	\$1,500,000	\$ 1,630,251
Federal Express Corp. Pass Through Cert.; 7.58%; 7/2/19	1,000,000	981,360
		2,611,611
Aircraft & Parts (0.91%)		
Textron, Inc. Medium-Term Notes, Series C;		
9.80%; 1/10/00	500,000	548,264
9.55%; 3/19/01	500,000	555,485
		1,103,749
Auto & Home Supply Stores (1.23%)		
Pep Boys-Manny, Moe & Jack Notes; 7.00%; 6/1/05	1,500,000	1,505,727
Beverages (1.84%)		
Joseph E. Seagram & Sons Guaranteed Debentures;		
8.38%; 2/15/07	1,000,000	1,100,487
8.88%; 9/15/11	1,000,000	1,148,211
		2,248,698
Cable & Other Pay TV Services (1.87%)		
Tele-Communications, Inc. Notes; 7.25%; 8/1/05		
	2,000,000	1,835,792
Tele-Communications, Inc. Senior Debentures; 7.88%; 8/1/13	500,000	442,541
		2,278,333
Cash Grains (2.10%)		
Aktiebolaget SKF Senior Notes; 7.63%; 7/15/03	2,500,000	2,564,580
Combination Utility Services (1.54%)		
PG Energy, Inc. First Mortgage Bonds; 8.38%; 12/1/02		
	500,000	523,455
Public Service Electric & Gas Medium-Term Notes; 8.16%; 5/26/09	1,250,000	1,357,626
		1,881,081
Construction & Related Machinery (1.00%)		
Caterpillar, Inc. Global Debentures; 9.38%; 8/15/11	1,000,000	1,218,767
Consumer Products (0.82%)		
RJR Nabisco Capital Corp. Senior Notes; 8.75%; 4/15/04	1,000,000	996,250
Copper Ores (2.27%)		
Asarco, Inc. Debentures; 7.88%; 4/15/13		
	1,500,000	1,525,683
Asarco, Inc. Notes; 7.38%; 2/1/03	1,200,000	1,238,024
		2,763,707
Crude Petroleum & Natural Gas (0.46%)		
Occidental Petroleum Corp. Medium-Term Notes; 9.73%; 6/15/01		
	\$ 500,000	\$ 561,168
Department Stores (2.75%)		

Dillard Investment Co. Notes; 9.25%; 5/1/97	200,000	203,348
Harcourt General, Inc. Subordinated Notes; 9.50%; 3/15/00	400,000	434,194
J.C. Penney Co., Inc. Debentures; 7.13%; 11/15/23	1,000,000	952,107
Sears Roebuck Co. Medium-Term Notes; 9.05%; 2/6/12	500,000	586,562
9.12%; 2/13/12	1,000,000	1,179,204
		3,355,415
Drug Stores & Proprietary Stores (1.51%) Rite Aid Corp. Senior Debentures; 6.88%; 8/15/13	2,000,000	1,841,486
Eating & Drinking Places (1.91%) Marriott International, Inc. Notes; 6.75%; 12/15/03	1,300,000	1,287,582
Marrriott International, Inc. Senior Notes; 7.88%; 4/15/05	1,000,000	1,046,727
		2,334,309
Electric Services (4.48%) Cleveland Electric Illuminating Co. First Mortgage Medium-Term Notes; 7.85%; 7/30/02	1,500,000	1,486,729
Ohio Edison Co. First Mortgage Bonds; 8.25%; 4/1/02	2,000,000	2,073,252
Southern California Edison Co. Notes; 6.38%; 1/15/06	1,000,000	961,250
Toledo Edison Co. Debentures; 8.70%; 9/1/02	1,000,000	945,926
		5,467,157
Engines & Turbines (0.80%) Brunswick Corp. Debentures; 7.38%; 9/1/23	1,000,000	981,492
Fabricated Rubber Products, NEC (1.39%) M. A. Hanna Co. Senior Notes; 9.38%; 9/15/03	1,500,000	1,697,530
Farm & Garden Machinery (2.12%) Case Corp. Notes; 7.25%; 1/15/16	1,000,000	966,973
Tenneco, Inc. Notes; 9.88%; 2/1/01	500,000	558,760
7.88%; 10/1/02	1,000,000	1,053,517
		2,579,250
Gas Production & Distribution (1.00%) Transco Energy Co. Notes; 9.38%; 8/15/01	1,100,000	1,221,017
General Government, NEC (3.46%) Ontario Hydro Debentures; 7.45%; 3/31/13	2,000,000	2,066,300
Province of Saskatchewan, Canada Global Notes; 8.00%; 2/1/13	2,000,000	2,153,100
		4,219,400
Gold & Silver Ores (1.02%) Placer Dome, Inc. Notes; 7.13%; 6/15/07	\$1,250,000	\$ 1,245,971
Grain Mill Products (0.83%) Ralston Purina Co. Debentures; 7.75%; 10/1/15	1,000,000	1,008,486
Grocery Stores (0.91%) Food Lion, Inc. Medium-Term Notes; 8.67%; 8/28/06	1,000,000	1,105,421
Household Furniture (1.61%) Masco Corp. Debentures; 7.13%; 8/15/13	2,000,000	1,960,464
Industrial Inorganic Chemicals (4.44%) Dow Chemical Co. Debentures; 7.38%; 3/1/23	1,000,000	986,673
Dow Chemical Co. Medium-Term Notes; 7.75%; 9/15/20	1,000,000	1,038,469
FMC Corp. Senior Notes; 6.38%; 9/1/03	750,000	722,594

Grace, (W.R.) & Co. Guaranteed Notes; 8.00%; 8/15/04	2,500,000	2,661,482
		5,409,218
Machinery, Equipment, & Supplies (0.20%) AAR Corp. Notes; 7.25%; 10/15/03	250,000	244,979
Metalworking Machinery (1.06%) Black & Decker Corp. Notes; 7.00%; 2/1/06	1,300,000	1,298,272
Millwork, Plywood & Structural Members (1.40%) Georgia-Pacific Corp. Debentures; 9.50%; 12/1/11	600,000	715,329
Georgia-Pacific Corp. Senior Debentures; 7.70%; 6/15/15	1,000,000	997,798
		1,713,127
Miscellaneous Chemical Products (1.25%) Cabot Corp. Notes; 10.25%; 12/15/97	400,000	417,735
Ferro Corp. Senior Debentures; 7.63%; 5/1/13	1,100,000	1,107,899
		1,525,634
Miscellaneous Equipment Rental & Leasing (0.87%) McDonnell Douglas Finance Corp. Medium-Term Notes, Series 9; 9.94%; 6/11/98	1,000,000	1,058,832
Miscellaneous Investing (1.04%) Weingarten Realty Investors Medium-Term Notes; 7.29%; 5/23/05	1,250,000	1,273,835
Miscellaneous Metal Ores (2.36%) Amax, Inc. Notes; 9.88%; 6/13/01	\$ 900,000	\$ 1,012,114
Cyprus Amax Minerals Notes; 7.38%; 5/15/07	1,100,000	1,118,567
Cyprus Minerals Co. Notes; 10.13%; 4/1/02	650,000	746,406
		2,877,087
Motion Picture Production & Services (0.34%) Columbia Pictures Entertainment, Inc. Senior Subordinated Notes; 9.88%; 2/1/98	400,000	418,242
Motor Vehicles & Equipment (2.69%) Ford Motor Co. Debentures; 8.88%; 1/15/22	1,000,000	1,160,146
7.50%; 8/1/26	1,000,000	1,003,986
General Motors Corp. Global Medium-Term Notes; 8.88%; 5/15/03	1,000,000	1,111,772
		3,275,904
Newspapers (1.99%) News America Holdings, Inc. Guaranteed Senior Notes; 8.50%; 2/15/05	2,250,000	2,424,487
Operative Builders (1.25%) Pulte Corp. Senior Notes; 8.38%; 8/15/04	500,000	531,640
7.30%; 10/24/05	1,000,000	990,774
		1,522,414
Paper Mills (7.58%) Boise Cascade Corp. Notes; 9.90%; 3/15/00	500,000	548,852
9.85%; 6/15/02	1,000,000	1,137,734
Bowater, Inc. Debentures; 9.50%; 10/15/12	1,000,000	1,186,704
9.38%; 12/15/21	1,500,000	1,802,424
Champion International Corp. Notes; 9.88%; 6/1/00	750,000	831,093
Chesapeake Corp. Notes; 9.88%; 5/1/03	1,000,000	1,157,890
7.20%; 3/15/05	600,000	605,543

James River Corp. Notes; 6.70%; 11/15/03	2,000,000	1,972,238
		9,242,478
Paperboard Mills (1.43%) Federal Paper Board Co., Inc. Debentures; 8.88%; 7/1/12	1,500,000	1,746,711
Personal Credit Institutions (3.65%) Coastal Corp. Senior Notes; 9.75%; 8/1/03	1,500,000	1,725,460
General Motors Acceptance Corp. Global Notes; 8.50%; 1/1/03	2,000,000	2,173,088
Household Finance Corp. Senior Subordinated Notes; 9.63%; 7/15/00	500,000	550,710
		4,449,258
Petroleum Refining (7.49%) Ashland, Inc. Medium-Term Notes; 7.71%; 5/11/07	\$ 500,000	\$ 522,936
7.72%; 7/15/13	1,000,000	1,023,691
7.73%; 7/15/13	750,000	768,494
Mapco, Inc. Medium-Term Notes; 8.48%; 8/5/13	1,000,000	1,044,674
Pennzoil Co. Debentures; 10.13%; 11/15/09	1,675,000	2,069,894
Sun Co., Inc. Debentures; 9.00%; 11/1/24	2,000,000	2,315,942
Sun Co., Inc. Notes; 7.13%; 3/15/04	300,000	304,371
Ultramar Credit Corp. Guaranteed Notes; 8.63%; 7/1/02	1,000,000	1,079,911
		9,129,913
Photographic Equipment & Supplies (0.85%) Xerox Corp. Notes; 9.63%; 9/1/97	1,000,000	1,030,496
Primary Nonferrous Metals (2.53%) Reynolds Metals Co. Medium-Term Notes; 8.22%; 5/30/07	2,000,000	2,168,916
7.65%; 2/4/08	875,000	912,700
		3,081,616
Pulp Mills (2.30%) ITT Rayonier, Inc. Notes; 7.50%; 10/15/02	1,875,000	1,913,478
International Paper Co. Medium-Term Notes; 9.70%; 8/15/00	800,000	885,404
		2,798,882
Refrigeration & Service Machinery (2.11%) Westinghouse Electric Corp. Debentures; 8.63%; 8/1/12	1,000,000	996,077
Westinghouse Electric Corp. Global Notes; 8.88%; 6/1/01	1,500,000	1,575,123
		2,571,200
Rental of Railroad Cars (2.52%) Gatx Capital Corp. Medium-Term Notes; Series B; 9.50%; 1/10/02	1,500,000	1,676,723
Series C; 6.86%; 10/13/05	1,000,000	980,385
General American Transportation Corp. Medium-Term Notes; 10.65%; 11/14/97	400,000	418,229
		3,075,337
Sanitary Services (1.51%) Laidlaw, Inc. Notes; 7.70%; 8/15/02	1,000,000	1,047,317
Laidlaw, Inc. Senior Notes; 7.88%; 4/15/05	750,000	790,392
		1,837,709
Telephone Communication (2.12%) Sprint Corp. Notes; 8.13%; 7/15/02	\$1,500,000	\$ 1,608,642
U.S. West Capital Funding, Inc. Notes; 6.80%; 11/23/07	1,000,000	981,660
		2,590,302
Variety Stores (3.10%) Dayton-Hudson Corp. Debentures;		

9.25%; 8/15/11 Dayton-Hudson Corp. Sinking Fund Debentures; 9.50%; 10/15/16	1,000,000	1,180,784
Shopko Stores, Inc. Senior Notes; 9.00%; 11/15/04	2,500,000	2,414,829
		3,782,691
Total Bonds		117,129,693

Commercial Paper (1.98%)

Business Credit Institutions (1.98%)

General Electric Capital Corp.;	2,410,000	2,410,000
5.75%; 11/1/96		

Total Portfolio Investments (98.03%) 119,539,693

Cash, receivables and other assets, net of liabilities (1.97%)		2,399,276
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Total Net Assets (100.00%) \$121,938,969

PRINCOR GOVERNMENT SECURITIES INCOME  
FUND, INC.

Type	Description of Issue Rate	Maturity	Principal Amount	Value
Government National Mortgage Association (GNMA) Certificates (100.33%)				
GNMA I	6.00%	10/15/23-4/15/26	\$31,210,327	\$ 29,210,122
GNMA I	6.50	9/15/23-11/1/26	50,442,101	48,560,459
GNMA I	7.00	10/15/22-4/15/26	62,033,845	61,271,329
GNMA I	7.25	9/15/25-10/15/25	5,798,548	5,766,135
GNMA I	7.50	4/15/17-8/15/24	50,358,279	50,845,673
GNMA I	8.00	8/15/16-2/15/22	14,178,902	14,674,171
GNMA II	6.00	1/20/24-7/20/26	51,485,535	47,593,742
GNMA II	6.50	3/20/24-8/20/26	14,733,359	14,059,720
Total GNMA Certificates				271,981,351

Federal Agency Short-Term Obligations (0.46%)

Federal Home Loan Mortgage Corporation;	1,250,000	1,250,000
5.53%; 11/1/96		

Total Portfolio Investments (100.79%) 273,231,351

Liabilities, net of cash, receivables and other assets (-0.79%)		\$ (2,135,555)
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Total Net Assets (100.00%) \$271,095,796

PRINCOR HIGH YIELD FUND, INC.

	Principal Amount	Value
Bonds (92.79%)		
Agricultural Chemicals (2.65%)		
IMC Fertilizer Group, Inc. Senior Debentures; 9.45%; 12/15/11	\$ 700,000	\$ 812,733
Aircraft & Parts (2.15%)		
Rohr Industries, Inc. Subordinated Debentures; 9.25%; 3/1/17	700,000	658,000
Automotive Rentals, No Drivers (1.26%)		
Alamo Rent-A-Car, Inc. Senior Notes;		

11.75%; 1/31/06	350,000	385,000
Blast Furnace & Basic Steel Products (2.37%)		
Ivaco Senior Notes; 11.50%; 9/15/05	350,000	348,250
Weirton Steel Corp. Senior Notes; 10.75%; 6/1/05	400,000	380,000
		728,250
Broadwoven Fabric Mills, Cotton (2.27%)		
J.P. Stevens & Co., Inc. Sinking Fund Debentures; 9.00%; 3/1/17	700,000	696,500
Cable & Other Pay TV Services (2.35%)		
Jones Intercable, Inc. Senior Notes; 9.63%; 3/15/02	700,000	721,000
Cogeneration - Small Power Producer (3.60%)		
AES Corporation Senior Subordinated Notes; 10.25%; 7/15/06	700,000	744,625
California Energy Co., Inc. Limited Resource Senior Secured Notes; 9.88%; 6/30/03	350,000	360,500
		1,105,125
Computer & Data Processing Services (2.50%)		
Tenet Healthcare Corp. Senior Subordinated Notes; 10.13%; 3/1/05	700,000	768,250
Consumer Products (1.95%)		
RJR Nabisco, Inc. Senior Notes; 8.75%; 8/15/05	600,000	597,750
Crude Petroleum & Natural Gas (3.16%)		
Chesapeake Energy Corp. Senior Notes; 9.13%; 4/15/06	\$ 350,000	\$ 351,750
Nuevo Energy Co. Senior Subordinated Notes; 9.50%; 4/15/06	600,000	617,250
		969,000
Electric Services (1.17%)		
El Paso Electric Co. First Mortgage Bonds, Series D; 8.90%; 2/1/06	350,000	358,312
Electric Components & Accessories (2.38%)		
Advanced Micro Devices, Inc. Senior Secured Notes; 11.00%; 8/1/03	700,000	731,500
Engines & Turbines (2.10%)		
Outboard Marine Corp. Debentures; 9.13%; 4/15/17	700,000	644,000
Footwear, Except Rubber (1.47%)		
Brown Group, Inc. Senior Notes; 9.50%; 10/15/06	450,000 (a)	451,125
Forest Products (2.15%)		
Doman Industries Ltd. Senior Notes; 8.75%; 3/15/04	700,000	658,000
Fuel Dealers (2.29%)		
Petroleum Heat & Power Co., Inc. Subordinated Notes; 10.13%; 4/1/03	700,000	700,875
General Government, NEC (1.01%)		
Republic of Argentina Global Bonds; 8.38%; 12/20/03	350,000	310,188
Groceries & Related Products (2.10%)		
Rykoff-Sexton, Inc. Senior Subordinated Notes; 8.88%; 11/1/03	700,000	644,000
Grocery Stores (3.54%)		
Dominick's Finer Foods, Inc. Senior Subordinated Notes; 10.88%; 5/1/05	350,000	385,875
Ralph's Grocery Co. Senior		



Subordinated Notes; 11.00%; 6/15/05	700,000	700,000
		1,085,875
Hotels & Motels (4.70%)		
Bally's Grand, Inc. First Mortgage Notes; 10.38%; 12/15/03	700,000	773,500
John Q. Hammons Hotels, L.P. & Finance Corp. First Mortgage Notes; 8.88%; 2/15/04	700,000	669,375
		1,442,875
Knitting Mills (2.43%)		
Tultex Corp. Senior Notes; 10.63%; 3/15/05	700,000	746,375
Metal Cans & Shipping Containers (0.34%)		
U.S. Can Corp. Senior Subordinated Notes; 10.13%; 10/15/06	\$ 100,000 (a)	\$ 103,250
Miscellaneous Amusement, Recreation Service (1.19%)		
Rio Hotel & Casino, Inc. Senior Subordinated Notes; 10.63%; 7/15/05	350,000	364,000
Miscellaneous Converted Paper Products (2.09%)		
Drypers Corp. Senior Notes; 12.50%; 11/1/02	700,000	640,500
Miscellaneous Plastics Products, NEC (3.29%)		
Congoleum Corp. Senior Notes; 9.00%; 2/1/01	700,000	693,000
Plastic Containers, Inc. Senior Secured Notes; 10.75%; 4/1/01	300,000	315,750
		1,008,750
Motor Vehicles & Equipment (2.27%)		
Lear Seating Corp. Subordinated Notes; 8.25%; 2/1/02	700,000	694,750
Nonferrous Foundries (Casting) (1.23%)		
Howmet Corp. Senior Subordinated Notes; 10.00%; 12/1/03	350,000	376,250
Nursing & Personal Care Facilities (2.21%)		
Mariner Health Group, Inc. Senior Subordinated Notes; 9.50%; 4/1/06	700,000	679,000
Petroleum Refining (2.32%)		
Crown Central Petroleum Corp. Senior Notes; 10.88%; 2/1/05	700,000	712,250
Primary Nonferrous Metals (0.66%)		
Euramax International PLC Senior Subordinated Notes; 11.25%; 10/1/06	200,000 (a)	203,000
Pulp Mills (2.18%)		
Magnetek, Inc. Senior Subordinated Debentures; 10.75%; 11/15/98	650,000	669,500
Radio, Television, & Computer Stores (2.34%)		
CompUSA, Inc. Senior Subordinated Notes; 9.50%; 6/15/00	700,000	716,625
Radio & Television Broadcasting (4.30%)		
American Radio Systems Senior Subordinated Notes; 9.00%; 2/1/06	700,000	662,375
EZ Communications, Inc. Senior Subordinated Notes; 9.75%; 12/1/05	300,000	303,000
Sullivan Broadcasting, Inc. Senior Subordinated Notes; 10.25%; 12/15/05	\$ 350,000	\$ 353,500
		1,318,875
Soap, Cleaners, & Toilet Goods (2.43%)		
Coty, Inc. Senior Subordinated Notes; 10.25%; 5/1/05	700,000	745,500
Telephone Communication (11.51%)		
360 Communications Co. Senior Notes; 7.50%; 3/1/06	350,000	344,031

Paging Network, Inc. Senior Debentures; 8.88%; 2/1/06	700,000	654,500
Rogers Cablesystems Ltd. Senior Secured Second Priority Notes; 9.63%; 8/1/02	750,000	763,125
Rogers Cantel, Inc. Senior Secured Debentures; 9.75%; 6/1/16	700,000	698,250
Telecom Argentina Stet-France Telecom SA Senior Notes; 12.00%; 11/15/02	350,000	377,125
Vanguard Cellular Systems, Inc. Senior Debentures; 9.38%; 4/15/06	700,000	693,000
		3,530,031
Textile Finishing, Except Wool (2.30%) Dominion Textile (USA), Inc. Guaranteed Senior Notes; 9.25%; 4/1/06	700,000	704,375
Water Supply (2.53%) California Energy Casecnan Water & Energy Co., Inc. Senior Secured, Series B Bonds; 11.95%; 11/15/10	700,000 (a)	777,000
	Total Bonds	28,458,389
Commercial Paper (4.50%)		
Business Credit Institutions (4.50%) General Electric Capital Corp.; 5.75%; 11/1/96	1,380,000	1,380,000
	Total Portfolio Investments (97.29%)	29,838,389
Cash, receivables and other assets, net of liabilities (2.71%)		831,072
	Total Net Assets (100.00%)	\$30,669,461

(a) Restricted security - See Note 4 to the financial statements.

PRINCOR LIMITED TERM BOND FUND, INC.

	Principal Amount	Value
Bonds (69.35%)		
Combination Utility Services (6.30%) Consolidated Edison Co. Debentures, Series 92-D; 6.50%; 9/1/99	\$100,000	\$ 100,656
Consolidated Edison Co. Debentures, Series 93-B; 6.50%; 2/1/01	730,000	729,898
Pacificorp First Mortgage Medium-Term Notes; 9.50%; 5/20/99	\$250,000	\$ 269,228
		1,099,782
Consumer Products (7.76%) B.A.T. Capital Corp. Medium-Term Notes; 5.32%; 10/28/98	600,000 (a)	589,534
Philip Morris Cos. Notes; 7.13%; 12/1/99	750,000	764,472
		1,354,006
Department Stores (9.48%) J. C. Penney Co., Inc. Notes; 9.05%; 3/1/01	770,000	841,311
Sears Roebuck Acceptance Corp. Medium-Term Notes, Series II; 6.69%; 8/13/01	450,000	452,789
Sears Roebuck Co. Medium-Term Notes; 6.46%; 5/12/00	100,000	100,264
Sears Roebuck Co. Notes; 8.20%; 4/15/99	250,000	259,801
		1,654,165
Electric Services (3.48%) Southern California Edison Co. First Mortgage Refunding Bonds; 6.75%; 1/15/00	600,000	606,605
Miscellaneous Food & Kindred		

Products (1.21%)				
General Mills, Inc. Medium-Term Notes;				
	9.00%; 11/30/98		200,000	211,195
Mortgage Bankers & Brokers (4.83%)				
Countrywide Funding Corp.				
	Medium-Term Notes;			
	6.05%; 3/1/01		860,000	842,318
Motor Vehicles & Equipment (3.17%)				
General Motors Corp. Medium-Term				
	Notes; 9.20%; 7/2/01		500,000	552,425
Paper Mills (4.68%)				
International Paper Co. Notes;				
	7.00%; 6/1/01		800,000	816,113
Paperboard Mills (2.51%)				
Temple-Inland, Inc. Notes;				
	9.00%; 5/1/01		400,000	437,599
Personal Credit Institutions (12.17%)				
American General Finance Corp. Notes;				
	7.25%; 4/15/00		500,000	514,443
Chrysler Financial Corp.				
	Medium-Term Notes;			
	8.45%; 1/28/00		500,000	530,887
Chrysler Financial Corp. Notes;				
	5.88%; 2/7/01		300,000	292,956
Ford Motor Credit Co. Notes;				
	6.85%; 8/15/00		775,000	784,947
				2,123,233
Security Brokers & Dealers (4.71%)				
Lehman Brothers, Inc. Senior				
	Subordinated Notes;			
	5.75%; 11/15/98		830,000	821,228
Telephone Communication (9.05%)				
Nynex Capital Funding Medium-Term				
	Notes, Series A; 9.40%; 6/1/00	\$670,000	\$	733,834
U. S. West Capital Funding, Inc.				
	Medium-Term Notes;			
	6/13%; 11/30/99		850,000	845,383
				1,579,217
			Total Bonds	12,097,886

Federal Home Loan Mortgage Corporation (FHLMC)  
Certificates (20.77%)

Type	Description of Issue	Principal Amount	Value
	Rate            Maturity		
FHLMC	7.25%    12/1/07	\$ 799,189	\$ 802,554
FHLMC	8.00    12/1/11	419,631	433,911
FHLMC	8.25    1/1/12	154,491	158,832
FHLMC Gold	8.00    10/1/22	325,014	335,538
FHLMC Gold	8.50    1/1/00-4/1/00	1,146,246	1,188,863
FHLMC Gold	9.00    9/1/09	667,108	702,811
	Total FHLMC Certificates		3,622,509

Federal National Mortgage Association (FNMA)  
Certificates (1.08%)

FNMA	8.00    10/1/06	180,805	187,554
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Government National Mortgage Association (GNMA)  
Certificates (3.34%)

GNMA I	9.00    7/15/17	154,213	165,138
GNMA II	8.00    1/20/16	403,812	417,206

Total GNMA Certificates            582,344

Principal Amount            Value

Asset-Backed Securities (3.46%)

Personal Credit Institutions (3.46%)		
Union Acceptance Corp. 1996-B Auto Trust		
Pass-Through Certificates, Class A;		
6.45%; 7/8/03	\$600,306	\$ 604,310
Total Portfolio Investments (98.00%)		17,094,603
Cash and receivables, net of liabilities (2.00%)		349,561
Total Net Assets (100.00%)		\$17,444,164

(a) Restricted security - See Note 4 to the financial statements.

PRINCOR TAX-EXEMPT BOND FUND, INC.

	Principal Amount	Value
Long-Term Tax-Exempt Bonds (96.70%)		
Alabama (2.14%)		
Courtland, Alabama IDB IDR Series A		
Bonds for Champion International;		
7.20%; 12/1/13	\$3,815,000	\$ 4,139,275
Arizona (3.24%)		
Navajo County, Arizona Pollution Control		
Corp. Rev. Ref. Bonds, Arizona Public		
Service Co., Series 1993A;		
5.88%; 8/15/28	4,100,000	4,053,875
Pinal County, Arizona Industrial Dev.		
Authority Browning-Ferris		
Industries, Inc. Proj., Series 1996;		
5.00%; 2/1/06	2,250,000	2,199,375
		6,253,250
Arkansas (2.54%)		
City of Blytheville, Arkansas Solid Waste		
Recycling & Sewer Treatment Rev.		
Bonds, Series 1992, Nucor Corp.		
Project; 6.90%; 12/1/21	4,610,000	4,892,362
California (4.71%)		
ABAG Finance Authority for Nonprofit		
Corp., Cert. of Participation,		
Stanford University Hospital;		
5.00%; 11/1/04	750,000	739,687
5.50%; 11/1/13	1,250,000	1,202,763
5.25%; 11/1/20	1,750,000	1,577,188
California Pollution Control Funding		
Authority Pollution Control Rev. Ref.		
Bonds; for San Diego Gas & Electric,		
Series A; 5.90%; 6/1/14	1,000,000	1,040,000
California Pollution Control Funding		
Authority Rev. Bonds, Atlantic		
Richfield Co. Project; 5.00%; 4/1/08	2,500,000	2,450,000
City of Upland, California San Antonio		
Comm. Hospital Cert. of Participation;		
5.25%; 1/1/04	2,080,000	2,074,800
		9,084,438
Colorado (2.72%)		
City & County of Denver, Colorado, Airport		
System Rev. Bonds, Series 1991D;		
7.75%; 11/15/13	3,185,000	3,822,000
Colorado Health Fac. Authority Rev. Bonds		
for Sisters of Charity Healthcare		
Systems, Series 1994; 5.25%; 5/15/14	1,500,000	1,430,625
		5,252,625
Florida (0.97%)		
Nassau County, Florida Pollution Control		
Ref. Bonds; ITT Rayonier, Inc. Project;		
6.10%; 6/1/05	500,000	518,125
Nassau County, Florida Pollution Control		
Rev. Ref., ITT Rayonier, Inc. Project;		
7.65%; 6/1/06	\$1,265,000	\$ 1,350,387
		1,868,512
Georgia (3.13%)		
Coweta County, Georgia Dev. Authority		

Pollution Control Rev. Bonds, Georgia Power Co., Yates Project; 6.00%; 3/1/18	2,500,000	2,518,750
Fulco, Georgia, Hospital Authority Rev. Anticipation Cert. for St. Joseph's Hospital of Atlanta, Inc.; 5.50%; 10/1/14	2,000,000	1,917,500
Municipal Electric Authority of Georgia Power Rev. Bonds, Series R; 7.30%; 1/1/09	1,505,000	1,599,063
		6,035,313
Illinois (15.27%)		
Chicago, Illinois O'Hare International Airport Special Fac. Rev. Bonds for American Airlines, Inc. Project-A; 7.88%; 11/1/25	6,010,000	6,468,262
City of Chicago, Illinois Adj. Rate Gas Supply Rev. Bonds, Series 1985A, Peoples Gas Light & Coke Project; 6.88%; 3/1/15	3,800,000	4,132,500
Illinois Dev. Financial Authority Pollution Control Rev. Bonds for Illinois Power Co.; 7.63%; 12/1/16	2,050,000	2,137,371
Illinois Health Fac. Authority for Sarah Bush Lincoln Health Center Area E-7 Hospital Association Bonds, Series 1987; 7.20%; 4/1/01 7.38%; 4/1/17	150,000 850,000	155,100 879,495
Illinois Health Fac. Authority Ref. Rev. Bonds for OSF Healthcare System; 6.00%; 11/15/10 6.00%; 11/15/13	500,000 500,000	499,375 499,375
Illinois Health Fac. Authority Ref. Rev. Bonds for OSF Healthcare System, Series 1993; 5.75%; 11/15/07	1,000,000	998,750
Illinois Health Fac. Authority Rev. Bonds for Sarah Bush Lincoln Health Center, Series 1992; 7.25%; 5/15/12 7.25%; 5/15/22	2,950,000 1,515,000	3,071,688 1,566,131
Illinois Health Fac. Authority Rev. Bonds for South Suburban Hospital, Series 1992; 7.00%; 2/15/09 7.00%; 2/15/18	500,000 1,250,000	522,500 1,307,813
Illinois Health Fac. Authority Rev. Bonds, Northwestern Memorial Hospital, Series 1994A; 5.60%; 8/15/06 5.75%; 8/15/08 5.80%; 8/15/09 6.10%; 8/15/14	500,000 615,000 840,000 1,000,000	511,250 626,531 849,450 1,017,500
Illinois Health Fac. Authority Rev. Ref. Bonds for Advocate Healthcare, Series A; 6.75%; 4/15/12	2,000,000	2,110,000
Regional Transportation Authority, Illinois General Obligation Bonds, Series 1994A; 6.25%; 6/1/15	\$2,000,000	\$ 2,105,000
		29,458,091
Indiana (6.20%)		
City of Mount Vernon, Indiana, Pollution Control Rev. Bonds for Southern Indiana Gas & Electric Co. Project; 7.25%; 3/1/14	700,000	764,750
City of Petersburg, Indiana, Pollution Control Rev. Bonds, for Indianapolis Power & Light Co. Project, Series 1993A; 6.10%; 1/1/16	4,000,000	4,100,000
Indiana Health Fac. Financing Authority Hospital Rev. Ref. Bonds, Welborn Memorial Baptist Hospital, Series 1993; 5.63%; 7/1/23	1,860,000	1,715,850
Lawrenceburg, Indiana Pollution Control Rev. Ref. Bonds, Indiana Michigan Power Co. Project, Series D; 7.00%; 4/1/15 Series E; 5.90%; 11/1/19	1,000,000 3,220,000	1,062,500 3,119,375
Warrick County, Indiana Environmental Improvement Rev. Bonds, Southern Indiana Gas & Electric, Series 1993B; 6.00%; 5/1/23	1,190,000	1,210,825

Iowa (4.37%)		11,973,300
City of Muscatine, Iowa, Electric Rev. Ref. Bonds, Series 1986;		
6.00%; 1/1/06	160,000	160,086
5.00%; 1/1/07	1,665,000	1,565,100
Eddyville, Iowa, IDR Ref. Bonds, Cargill, Inc. Project; 5.63%; 12/1/13	1,000,000(a)	996,250
Iowa Finance Authority Hospital Fac. Ref. Rev. Bonds for Jennie Edmundson Memorial Hospital;		
7.40%; 11/1/06	550,000	586,438
7.65%; 11/1/16	4,900,000	5,126,625
		8,434,499
Kentucky (0.97%)		
City of Ashland, Kentucky, Solid Waste Rev. Bonds for Ashland Oil, Inc. Project, Series 1991; 7.20%; 10/1/20	1,000,000	1,063,750
City of Ashland, Kentucky Sewage and Solid Waste Rev. Bonds for Ashland, Inc. Project, Series 1995; 7.13%; 2/1/22	750,000	802,500
		1,866,250
Louisiana (1.08%)		
St. Charles Parish, Louisiana Pollution Control Rev. Bonds for Louisiana Power & Light Co. Project;		
7.50%; 6/1/21	1,950,000	2,079,187
Maine (1.04%)		
Skowhegan, Maine, Pollution Control Rev. Ref. Bonds for Scott Paper Co. Project, Series 1993;		
5.90%; 11/1/13	2,000,000	2,010,000
Michigan (2.30%)		
Michigan State Hospital Financing Authority Hospital Rev. Bonds for Detroit Medical Center, Series 1993B;		
5.75%; 8/15/13	\$ 600,000	\$ 589,500
5.50%; 8/15/23	2,000,000	1,865,000
Michigan State Hospital Financing Authority Rev. Ref. Bonds, Daughters of Charity Hospital; 5.25%; 11/1/05	1,000,000	943,750
Michigan State Hospital Financing Authority Rev. Ref. Bonds, Daughters of Charity Natl. Health System;		
5.50%; 11/1/05	1,000,000	1,031,250
		4,429,500
Minnesota (1.55%)		
City of Bass Brook, Minnesota Pollution Control Rev. Ref. Bonds for Minnesota Power & Light Project; 6.00%; 7/1/22	3,000,000	3,000,000
Missouri (1.17%)		
Missouri State Health & Educational Fac. Authority Health Fac. Rev. Bonds, BJC Health System, Series 1994A;		
6.75%; 5/15/12	2,000,000	2,262,500
Montana (1.04%)		
Forsyth, Montana Pollution Control Rev. Ref. Bonds, Montana Power Co., Colstrip Project, Series 1993A;		
6.13%; 5/1/23	2,000,000	2,002,500
Nebraska (1.87%)		
Nebraska Public Power Dist. Power Supply System Rev. Bonds;		
5.30%; 1/1/02	1,000,000	1,026,250
5.40%; 1/1/03	1,500,000	1,545,000
5.50%; 1/1/04	1,000,000	1,035,000
		3,606,250
Nevada (1.98%)		
Clark County, Nevada, IDR Ref. Bonds, Nevada Power Co. Project, Series 1992C; 7.20%; 10/1/22	3,600,000	3,811,500
New Mexico (1.09%)		
City of Lordsburg, New Mexico Pollution Control Rev. Bonds for Phelps Dodge Corp. Project;		

6.50%; 4/1/13	2,000,000	2,102,500
North Carolina (2.01%)		
Martin County, North Carolina Industrial Fac. & Pollution Control Finance Authority Solid Waste Rev. Bonds, Weyerhaeuser; 6.80%; 5/1/24	2,000,000	2,157,500
North Carolina Medical Care Hospital Rev. Bonds for Rex Hospital Project; 6.13%; 6/1/10	1,700,000	1,729,750
		3,887,250
North Dakota (1.08%)		
Mercer County, North Dakota, Pollution Control Rev. Bonds, Ottertail Power Co. Project, Series 1991; 6.90%; 2/1/19	1,950,000	2,086,500
Ohio (5.24%)		
Cuyahoga County, Ohio, Hospital Rev. Bonds for Meridia Health Systems, Series 1991; 7.25%; 8/15/19	\$1,445,000	\$ 1,535,313
7.00%; 8/15/23	250,000	264,062
Lorain County, Ohio Hospital Ref. Bonds, Humility Mary Health Care, Series A; 5.90%; 12/15/08	3,270,000	3,372,188
Ohio Air Quality Dev. Rev. Bonds, Columbus Southern Power Co. Project, Series 1985B; 6.25%; 12/1/20	4,900,000	4,942,875
		10,114,438
Oklahoma (1.22%)		
Tulsa Industrial Authority Rev. Bonds, St. John Medical Center Project, Series 1994; 6.25%; 2/15/14	1,280,000	1,321,600
6.25%; 2/15/17	1,000,000	1,028,750
		2,350,350
Rhode Island (1.54%)		
Rhode Island State Industrial Facilities Corp. Marine Term Rev. Bonds, Mobile Oil Refining; 6.00%; 11/1/14	2,900,000	2,979,750
South Carolina (2.53%)		
Oconee County, South Carolina Pollution Control Rev. Ref. Bonds, Duke Power Co. Project, Series 1993; 5.80%; 4/1/14	1,000,000	1,017,500
York County, South Carolina Exempt Fac. Industrial Rev. Bonds for Hoechst Celanese Project, Series 1994; 5.70%; 1/1/24	2,000,000	1,942,500
York County, South Carolina Pollution Control Rev. Bonds, Bowater, Inc. Project; 7.63%; 3/1/06	1,700,000	1,923,125
		4,883,125
South Dakota (0.56%)		
Pennington County, South Dakota Pollution Control Rev. Ref. Bonds for Black Hills Power & Light Co. Project; 6.70%; 6/1/10	1,000,000	1,071,250
Texas (6.15%)		
Brazos River Authority, Texas, Pollution Control Rev. Bonds for Houston Lighting & Power; 8.25%; 5/1/15	820,000	875,350
7.75%; 10/1/15	855,000	915,919
8.25%; 5/1/19	500,000	533,750
Guadalupe-Blanco River Authority, Texas, Industrial Dev. Corp. Pollution Control Rev. E I Du Pont 1982 Series A; 6.35%; 7/1/22	2,500,000	2,640,625
Matagorda County, Texas, Navigational District No. 1 Pollution Control Rev. Bonds for Central Power & Light Co.; 7.50%; 12/15/14	\$2,585,000	\$ 2,843,500
6.00%; 7/1/28	1,000,000	1,006,250
Milam County, Texas Industrial Dev. Corp. Pollution Control Rev. Ref. Bonds, Alcoa Project; 5.65%; 12/1/12	2,000,000	2,015,000
Tarrant County, Texas, Health Fac. Dev. Corp., Harris Methodist Health System		

Rev. Bonds; 5.90%; 9/1/06	1,000,000	1,042,500
		11,872,894
Utah (0.74%)		
Intermountain Power Agency, Utah Power Supply, Rev. Ref. Bonds, Series 1993A; 5.50%; 7/1/20	1,500,000	1,430,625
Virginia (2.95%)		
Albemarle County, Virginia IDA Hospital Rev. Ref. Bonds, Martha Jefferson Hospital; 5.50%; 10/1/15	1,900,000	1,838,250
Arlington County, Virginia, IDA Hospital Fac. Rev. Ref. Bonds, Arlington Hospital, Series 1993; 5.00%; 9/1/21	2,715,000	2,406,169
Chesapeake, Virginia IDA Rev. Ref. Bond for Cargill, Inc. Project; 5.88%; 3/1/13	1,410,000	1,445,250
		5,689,669
Washington (4.16%)		
City of Seattle, Washington Municipal Light and Power Rev. Bonds; 1993; 5.10%; 11/1/05	1,950,000	1,962,187
	1,000,000	1,076,250
Pilchuck Dev. Public Corp., State of Washington, Special Fac. Airport Rev. Bonds, Series 1993, Tramco, Inc. Project for BF Goodrich; 6.00%; 8/1/23	3,155,000	3,048,519
Washington Health Care Fac. Authority Rev. Bonds; Series 1989, Sisters of Providence; 7.88%; 10/1/10	1,800,000	1,937,250
		8,024,206
West Virginia (6.20%)		
Marshall County, West Virginia, Pollution Control Rev. Bonds for Ohio Power Co. Project; Series C; 6.85%; 6/1/22	1,200,000	1,278,000
	4,500,000	4,573,125
Pleasants County, West Virginia Pollution Control Rev. Bonds for Potomac Edison Co.; 6.15%; 5/1/15	2,000,000	2,047,500
Putnam County, West Virginia, Pollution Control Rev. Bonds for Appalachian Power Co. Project, Series C; 6.60%; 7/1/19	3,875,000	4,073,594
		11,972,219
Wisconsin (2.94%)		
Kaukauna, Wisconsin Pollution Control Rev. Ref. Bonds for Intl. Paper Co. Project, Series A; 5.40%; 5/1/04	\$3,610,000	\$ 3,641,587
Wisconsin Health & Educational Fac. Authority Rev. Bonds; Series 1995; Franciscan Skemp Medical Center, Inc.;		
5.88%; 11/15/10	1,000,000	1,015,000
6.13%; 11/15/15	1,000,000	1,018,750
		5,675,337
		186,599,465
Total Long-Term Tax-Exempt Bonds		
Short-Term Tax-Exempt Bonds (1.40%)		
Massachusetts (0.88%)		
Commonwealth of Massachusetts, Dedicated Income Tax Bonds, Series B, LOC National Westminster; 3.60%; 11/1/96*; 12/1/97	1,700,000	1,700,000
Pennsylvania (0.47%)		
Delaware County, Pennsylvania, Fac. Rev., Tax and Rev. Anticipation Notes, Series 1985, Guaranteed by United Parcel Service; 3.60%; 11/1/96*;12/1/15	900,000	900,000
Wyoming (0.05%)		
Uinta County, Wyoming Pollution Control Ref. Rev. Bonds, Series 1992 Guaranteed by Chevron Corp.;		



3.55%; 11/1/96\*;12/1/22 100,000 100,000

Total Short-Term Tax-Exempt Bonds 2,700,000

Total Portfolio Investment (98.10%) 189,299,465

Cash, receivables and other assets, net of liabilities (1.90%) 3,674,190

Total Net Assets (100.00%) \$192,973,655

\* Demand Date

(a) Restricted security - See Note 4 to the financial statements.

<TABLE>  
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FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

	Income from Investment Operations				Less Distributions		
			Net Realized and				
	Net Asset Value at Beginning of Period	Net Investment Income	Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Capital Gains	Total Distributions
PRINCOR BOND FUND, INC.							
Class A:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	1996	\$11.42	\$.76 (b)	\$(.25)	\$.51	\$(.76)	\$ --
	1995	10.27	.78 (b)	1.16	1.94	(.78)	(.01)
	1994	11.75	.78 (b)	(1.47)	(.69)	(.78)	(.01)
	1993	10.97	.81 (b)	.79	1.60	(.81)	(.01)
	1992	10.65	.85 (b)	.32	1.17	(.85)	--
Class B:							
	Year Ended October 31, 1996	11.41	.67 (b)	(.25)	.42	(.68)	--
	Period Ended October 31, 1995 (c)	10.19	.63 (b)	1.19	1.82	(.60)	--
Class R:							
	Period Ended October 31, 1996 (f)	11.27	.51 (b)	(.13)	.38	(.49)	--
PRINCOR GOVERNMENT SECURITIES INCOME FUND, INC.							
Class A:							
	Year Ended October 31, 1996	11.31	.70	(.05)	.65	(.70)	--
	1995	10.28	.71	1.02	1.73	(.70)	--
	1994	11.79	.69	(1.40)	(.71)	(.68)	(.12)
	1993	11.44	.74	.55	1.29	(.74)	(.20)
	1992	11.36	.81	.12	.93	(.81)	(.04)
Class B:							
	Year Ended October 31, 1996	11.29	.61	(.05)	.56	(.62)	--
	Period Ended October 31, 1995 (c)	10.20	.56	1.07	1.63	(.54)	--
Class R:							
	Period Ended October 31, 1996 (f)	11.27	.47	(.08)	.39	(.45)	--
PRINCOR HIGH YIELD FUND, INC.							
Class A:							
	Year Ended October 31, 1996	8.06	.68	.23	.91	(.70)	--
	1995	7.83	.68	.20	.88	(.65)	--
	1994	8.36	.63	(.51)	.12	(.65)	--
	1993	8.15	.71	.21	.92	(.71)	--
	1992	7.86	.79	.29	1.08	(.79)	--
Class B:							
	Year Ended October 31, 1996	8.05	.61	.20	.81	(.63)	--
	Period Ended October 31, 1995 (c)	7.64	.53	.38	.91	(.50)	--
Class R:							
	Period Ended October 31, 1996 (f)	8.21	.46	(.03)	.43	(.44)	--

<FN>

See accompanying notes.

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Ratios/Supplemental Data

	Net Asset Value at End of Period	Total Return(a)	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate	
PRINCOR BOND FUND, INC.							
Class A:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
	Year Ended October 31,						
	1996	\$11.17	4.74%	\$113,437	.95% (b)	6.85%	3.4%
	1995	11.42	19.73%	106,962	.94% (b)	7.26%	5.1%
	1994	10.27	(6.01)%	88,801	.95% (b)	7.27%	8.9%
	1993	11.75	15.22%	85,015	.92% (b)	7.19%	9.3%
	1992	10.97	11.45%	62,534	.88% (b)	7.95%	8.4%
Class B:							
	Year Ended October 31, 1996	11.15	3.91%	7,976	1.69% (b)	6.14%	3.4%
	Period Ended October 31, 1995 (c)	11.41	17.98% (d)	2,708	1.59% (b) (e)	6.30% (e)	5.1% (e)
Class R:							
	Period Ended October 31, 1996 (f)	11.16	3.75% (d)	525	1.28% (b) (e)	6.51% (e)	3.4% (e)

PRINCOR GOVERNMENT SECURITIES INCOME FUND, INC.

Class A:							
	Year Ended October 31,						
	1996	11.26	6.06%	259,029	.81%	6.31%	25.9%
	1995	11.31	17.46%	261,128	.87%	6.57%	10.1%
	1994	10.28	(6.26)%	249,438	.95%	6.35%	24.8%
	1993	11.79	11.80%	236,718	.93%	6.38%	52.6%
	1992	11.44	8.49%	161,565	.95%	7.04%	54.3%
Class B:							
	Year Ended October 31, 1996	11.23	5.17%	11,586	1.60%	5.53%	25.9%
	Period Ended October 31, 1995 (c)	11.29	16.07% (d)	4,699	1.53% (e)	5.68% (e)	10.1% (e)
Class R:							
	Period Ended October 31, 1996 (f)	11.21	3.76% (d)	481	1.18% (e)	5.84% (e)	25.9% (e)

PRINCOR HIGH YIELD FUND, INC.

Class A:							
	Year Ended October 31,						
	1996	8.27	11.88%	28,432	1.26%	8.49%	18.8%
	1995	8.06	11.73%	23,396	1.45%	8.71%	40.3%
	1994	7.83	1.45%	19,802	1.46%	7.82%	27.2%
	1993	8.36	11.66%	19,154	1.35%	8.57%	23.4%
	1992	8.15	14.35%	16,359	1.41%	9.69%	28.2%
Class B:							
	Year Ended October 31, 1996	8.22	10.46%	2,113	2.38%	7.39%	18.8%
	Period Ended October 31, 1995 (c)	8.05	12.20% (d)	633	2.10% (e)	7.78% (e)	40.3% (e)
Class R:							
	Period Ended October 31, 1996 (f)	8.20	5.60% (d)	124	1.59% (e)	7.84% (e)	18.8% (e)

<FN>  
See accompanying notes.

</FN>  
</TABLE>

<TABLE>  
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FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

Net Asset Value at Beginning of Period	Income from Investment Operations			Less Distributions		
	Net Investment Income	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Capital Gains	Total Distributions

PRINCOR LIMITED TERM  
BOND FUND, INC.

Class A:								
<S>	Period Ended October 31, 1996(g)	<C> \$ 9.90	<C> \$.38 (b)	<C> \$ (.04)	<C> \$ .34	<C> \$ (.35)	<C> \$ --	<C> \$ (.35)
Class B:								
	Period Ended October 31, 1996(g)	9.90	.36 (b)	(.05)	.31	(.32)	--	(.32)
Class R:								
	Period Ended October 31, 1996(f)	9.90	.36 (b)	(.06)	.30	(.32)	--	(.32)

PRINCOR TAX-EXEMPT BOND  
FUND, INC.

Class A:								
Year Ended October 31,								
	1996	11.98	.64	.07	.71	(.65)	--	(.65)
	1995	10.93	.65	1.05	1.70	(.65)	--	(.65)
	1994	12.62	.64	(1.54)	(.90)	(.63)	(.16)	(.79)
	1993	11.62	.66	1.11	1.77	(.66)	(.11)	(.77)
	1992	11.47	.68	.19	.87	(.69)	(.03)	(.72)
Class B:								
	Year Ended October 31, 1996	11.96	.55	.06	.61	(.55)	--	(.55)
	Period Ended October 31, 1995(c)	10.56	.50	1.38	1.88	(.48)	--	(.48)

<FN>  
See accompanying notes.  
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Ratios/Supplemental Data

Net Asset Value at End of Period	Total Return (a)	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
---	---------------------	--	--	--	-------------------------------

PRINCOR LIMITED TERM  
BOND FUND, INC.

Class A:							
<S>	Period Ended October 31, 1996(g)	<C> \$ 9.89	<C> 3.62% (d)	<C> \$ 17,249	<C> .89% (b) (e)	<C> 6.01% (e)	<C> 16.5% (e)
Class B:							
	Period Ended October 31, 1996(g)	9.89	3.32% (d)	112	1.15% (b) (e)	5.75% (e)	16.5% (e)
Class R:							
	Period Ended October 31, 1996(f)	9.88	3.24% (d)	83	1.40% (b) (e)	5.64% (e)	16.5% (e)

PRINCOR TAX-EXEMPT BOND  
FUND, INC.

Class A:							
Year Ended October 31,							
	1996	12.04	6.08%	187,180	.78%	5.34%	9.8%
	1995	11.98	16.03%	179,715	.83%	5.67%	17.6%
	1994	10.93	(7.41)%	171,425	.91%	5.49%	20.6%
	1993	12.62	15.70%	177,480	.89%	5.45%	20.3%
	1992	11.62	7.76%	106,661	.99%	5.96%	22.9%
Class B:							
	Year Ended October 31, 1996	12.02	5.23%	5,794	1.52%	4.59%	9.8%
	Period Ended October 31, 1995(c)	11.96	17.97% (d)	3,486	1.51% (e)	4.78% (e)	17.6% (e)

<FN>  
See accompanying notes.  
</FN>  
</TABLE>

Notes to Financial Highlights

- (a) Total return is calculated without the front-end sales charge or contingent deferred sales charge.
- (b) Without the Manager's voluntary waiver of a portion of certain of its expenses (see Note 3 to the financial statements) for the periods indicated, the following funds would have had per share net investment

income and the ratios of expenses to average net assets as shown:

Fund	Year, Except as Noted	Per Share Net Investment Income	Ratio of Expenses to Average Net Assets	Amount Waived
Princor Bond Fund, Inc.				
Class A	1996	\$.76	.97%	\$ 22,536
	1995	.77	1.02%	86,018
	1994	.77	1.09%	120,999
	1993	.79	1.07%	111,162
	1992	.82	1.11%	110,868
Class B	1996	.67	1.79%	5,874
	1995(c)	.62	1.62%(e)	300
Class R	1996(f)	.51	1.28%(e)	3
Princor Limited Term Bond Fund, Inc.				
Class A	1996(g)	.37	1.16%(e)	22,716
Class B	1996(g)	.34	1.94%(e)	259
Class R	1996(f)	.35	1.79%(e)	60

(c) Period from December 9, 1994, date Class B shares first offered to the public, through October 31, 1995. Certain of the Income Funds Class B shares recognized net investment income as follows, for the period from the initial purchase of Class B shares on December 5, 1994 through December 8, 1994, none of which was distributed to the sole shareholder, Princor Management Corporation. Additionally, the Income Funds Class B shares incurred unrealized losses on investments during the initial interim period as follows. This represents Class B share activities of each fund prior to the initial public offering of Class B shares:

Fund	Per Share Net Investment Income	Per Share Unrealized (Loss)
Princor Bond Fund, Inc.	\$.01	\$ -
Princor Government Securities Income Fund, Inc.	.01	(.02)
Princor High Yield Fund, Inc.	.01	(.03)
Princor Tax-Exempt Bond Fund, Inc.	-	(.05)

(d) Total return amounts have not been annualized.

(e) Computed on an annualized basis.

(f) Period from February 29, 1996, date Class R shares first offered to eligible purchasers, through October 31, 1996. The Income Funds Class R shares recognized no net investment income for the period from the initial purchase by Princor Management Corporation of Class R shares on February 27, 1996 through February 28, 1996. Certain of the Income Funds Class R shares incurred unrealized losses on investments during the initial interim period as follows. This represents Class R share activities of each fund prior to the initial public offering of Class R shares:

Fund	Per Share Unrealized (Loss)
Princor Bond Fund, Inc.	\$(.03)
Princor Government Securities Income Fund, Inc.	(.03)
Princor Limited Term Bond Fund, Inc.	(.02)

(g) Period from February 29, 1996, date shares first offered to the public, through October 31, 1996. With respect to Class A shares, net investment income, aggregating \$.02 per share for the period from the initial purchase of shares on February 13, 1996 through February 28, 1996, was recognized, none of which was distributed to its sole stockholder, Principal Mutual Life Insurance Company during the period. Additionally, Class A shares incurred unrealized losses on investments of \$.12 per share during the initial interim period. With respect to Class B shares, no net investment income was recognized for the period from initial purchase of shares on February 27, 1996 through February 28, 1996. Additionally, Class B shares incurred unrealized losses on investments of \$.02 per share during the initial interim period. This represents Class A share and Class B share activities of the fund prior to the initial public offering of both classes of shares.

STATEMENTS OF ASSETS AND LIABILITIES

MONEY MARKET FUNDS		Princor Cash Management Fund, Inc.
Assets		
Investment in securities -- at value (approximates cost) (Note 1).....	\$695,463,151	
Cash.....	34,190	
Receivables:		
Dividends and interest .....	1,146,527	
Capital Stock sold.....	1,902,206	
Other assets.....	19,872	
<b>Total Assets</b>	<b>698,565,946</b>	
Liabilities		
Accrued expenses.....	437,315	
Payables:		
Investment securities purchased.....	1,007,550	
Capital Stock reacquired.....	--	
<b>Total Liabilities</b>	<b>1,444,865</b>	
<b>Net Assets Applicable to Outstanding Shares</b>	<b>\$697,121,081</b>	
Net Assets Consist of:		
Capital Stock.....	\$ 6,971,211	
Additional paid-in capital.....	690,149,870	
<b>Total Net Assets</b>	<b>\$697,121,081</b>	
Capital Stock (par value: \$.01 a share)		
Shares authorized.....	2,000,000,000	
Net Asset Value Per Share:		
Class A: Net Assets.....	\$694,962,013	
Shares issued and outstanding....	694,962,013	
Net asset value per share.....	\$1.000	
Class B: Net Assets.....	\$519,726	
Shares issued and outstanding....	519,726	
Net asset value per share(a)....	\$1.000	
Class R: Net Assets.....	\$1,639,342	
Shares issued and outstanding....	1,639,342	
Net asset value per share.....	\$1.000	

Princor Tax-Exempt  
Cash Management  
Fund, Inc.

Assets		
Investment in securities -- at value (approximates cost) (Note 1).....	\$98,015,003	
Cash.....	24,318	
Receivables:		
Dividends and interest .....	502,427	
Capital Stock sold.....	37,243	
Other assets.....	3,024	
<b>Total Assets</b>	<b>98,582,015</b>	
Liabilities		
Accrued expenses.....	71,208	

Payables:	
Investment securities purchased.....	--
Capital Stock reacquired.....	1,965
Total Liabilities	73,173
Net Assets Applicable to Outstanding Shares .....	\$98,508,842
Net Assets Consist of:	
Capital Stock.....	\$ 985,088
Additional paid-in capital.....	97,523,754
Total Net Assets	\$98,508,842

Capital Stock (par value: \$.01 a share) Shares authorized.....	1,000,000,000
--	---------------

Net Asset Value Per Share:	
Class A: Net Assets.....	\$98,481,773
Shares issued and outstanding....	98,481,773
Net asset value per share.....	\$1.000

Class B: Net Assets.....	\$27,069
Shares issued and outstanding....	27,069
Net asset value per share(a).....	\$1.000

Class R: Net Assets.....	N/A
Shares issued and outstanding....	N/A
Net asset value per share.....	N/A

(a) Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

See accompanying notes.

Year Ended October 31, 1996

STATEMENTS OF OPERATIONS

	Princor Cash Management Fund, Inc.	Princor Tax-Exempt Cash Management Fund, Inc.
MONEY MARKET FUNDS		
Net Investment Income		
Interest Income.....	\$38,198,478	\$3,840,280
Expenses:		
Management and investment advisory fees (Note 3).....	2,568,929	527,733
Distribution and shareholder servicing fees (Notes 1 and 3)....	2,017	207
Transfer and administrative services (Notes 1 and 3).....	1,762,455	205,099
Registration fees (Note 1).....	176,121	64,160
Custodian fees.....	22,042	10,779
Auditing and legal fees.....	8,700	7,357
Directors' fees.....	8,706	8,706
Other.....	45,687	9,232
Total Gross Expenses	4,594,657	833,273
Less: Management and investment advisory fees waived.....	13,242	76,266
Total Net Expenses	4,581,415	757,007
Net Investment Income	\$33,617,063	\$3,083,273

See accompanying notes.

Years Ended October 31, Except as Noted

STATEMENTS OF CHANGES IN NET ASSETS

	Princor Cash Management Fund, Inc.	
	1996	1995
MONEY MARKET FUNDS		
Operations		
Net investment income .....	\$ 33,617,063	\$ 26,040,525
Dividends to Shareholders from net investment income:		
Class A.....	(33,599,980)	(26,038,303)
Class B.....	(10,263)	(2,222) (a)
Class R(b) .....	(6,820)	--
Total Dividends	(33,617,063)	(26,040,525)
Capital Share Transactions (Note 4)		
Shares sold:		
Class A.....	3,094,164,602	2,636,234,604
Class B.....	913,414	281,031 (a)
Class R(b) .....	1,820,278	--
Shares issued in reinvestment of dividends:		
Class A.....	33,369,259	25,316,128
Class B.....	9,815	2,222 (a)
Class R(b) .....	6,800	--
Shares redeemed:		
Class A.....	(3,056,436,126)	(2,370,032,403)
Class B.....	(611,240)	(75,516) (a)
Class R(b) .....	(187,736)	--
Net Increase (Decrease) in Net Assets from Capital Share Transactions	73,049,066	291,726,066
Total Increase (Decrease)	73,049,066	291,726,066
Net Assets		
Beginning of year.....	624,072,015	332,345,949
End of year .....	\$697,121,081	\$ 624,072,015

	Princor Tax-Exempt Cash Management Fund, Inc.	
	1996	1995
MONEY MARKET FUNDS		
Operations		
Net investment income .....	\$ 3,083,273	\$ 3,074,990
Dividends to Shareholders from net investment income:		
Class A.....	(3,082,691)	(3,074,485)
Class B.....	(582)	(505) (a)
Class R(b) .....	N/A	N/A
Total Dividends	(3,083,273)	(3,074,990)
Capital Share Transactions (Note 4)		
Shares sold:		
Class A.....	396,446,652	391,567,743
Class B.....	41,568	26,000 (a)
Class R(b) .....	N/A	N/A
Shares issued in reinvestment of dividends:		
Class A.....	3,032,398	2,992,959
Class B.....	564	505 (a)

Class R(b) .....	N/A	N/A
Shares redeemed:		
Class A.....	(400,884,456)	(374,409,156)
Class B.....	(41,568)	--
Class R(b) .....	N/A	N/A
Net Increase (Decrease) in Net Assets from Capital Share Transactions	(1,404,842)	20,178,051
Total Increase (Decrease)	(1,404,842)	20,178,051
Net Assets		
Beginning of year.....	99,913,684	79,735,633
End of year .....	\$ 98,508,842	\$ 99,913,684

- (a) Period from December 8, 1994 (date operations commenced) through October 31, 1995.
- (b) Period from February 27, 1996 (date operations commenced) through October 31, 1996.

See accompanying notes.

#### NOTES TO FINANCIAL STATEMENTS

Princor Cash Management Fund, Inc.  
Princor Tax-Exempt Cash Management Fund, Inc.

#### Note 1 -- Significant Accounting Policies

Princor Cash Management Fund, Inc. and Princor Tax-Exempt Cash Management Fund, Inc. (the "Money Market Funds") are registered under the Investment Company Act of 1940, as amended, as open-end diversified management investment companies and operate in the mutual fund industry.

On December 8, 1994, the initial purchases of Class B shares of the Money Market Funds were made by Princor Management Corporation (see Note 3). All shares outstanding prior to the initial Class B share purchases have been classified as Class A shares. Effective December 9, 1994, the Money Market Funds also began offering Class B shares to the public. Class B shares are sold without an initial sales charge, but bear a higher ongoing distribution fee and are subject to a declining contingent deferred sales charge ("CDSC") of up to 4.00% on certain redemptions redeemed within six years of purchase. Class B shares automatically convert into Class A shares, based on relative net asset value (without a sales charge) after seven years.

On February 27, 1996, the initial purchase of Class R shares of Princor Cash Management Fund, Inc. was made by Princor Management Corporation (see Note 3). Effective February 29, 1996, Princor Cash Management Fund, Inc. began offering Class R shares to eligible purchasers. Class R shares are sold without an initial sales charge or a CDSC. Class R shares bear a higher ongoing distribution fee than Class A shares. Class R shares automatically convert to Class A shares, based on relative net asset value (without a sales charge) after four years.

All classes of shares for each fund represent interests in the same portfolio of investments, and will vote together as a single class except where otherwise required by law or as determined by the Fund's respective Boards of Directors. In addition, the Board of Directors of each fund declare separate dividends on each class of shares.

The Money Market Funds allocate all income, expenses (other than class-specific expenses), and realized gains or losses daily to each class of shares based upon the relative proportion of the number of traded shares outstanding of each class. Expenses specifically attributable to a particular class are charged directly to such class. Class-specific expenses charged to each class during the year ended October 31, 1996, which are included in the corresponding captions of the Statement of Operations, were as follows:

	Distribution and Shareholder Servicing Fees		
	Class A	Class B	Class R
Princor Cash Management Fund, Inc.	N/A	\$1,288	\$729
Princor Tax-Exempt Cash Management Fund, Inc.	N/A	207	N/A
	Transfer and Administrative Services		
	Class A	Class B	Class R



Princor Cash Management Fund, Inc.	\$537,868	\$107	\$5
Princor Tax-Exempt Cash Management Fund, Inc.	36,072	11	N/A

Registration Fees

	Class A	Class B	Class R
Princor Cash Management Fund, Inc	\$28,296	\$7,111	\$50
Princor Tax-Exempt Cash Management Fund, Inc.	32,956	7,154	N/A

The Money Market Funds value their securities at amortized cost, which approximates market. Under the amortized cost method, a security is valued by applying a constant yield to maturity of the difference between the principal amount due at maturity and the cost of the security to the fund.

The Money Market Funds record investment transactions generally on the trade date. The identified cost basis has been used in determining the net realized gain or loss from investment transactions. Dividends are taken into income on an accrual basis as of the ex-dividend date and interest income is recognized on an accrual basis.

The Money Market Funds declare all net investment income and any realized gains and losses from investment transactions as dividends daily to shareholders of record as of that day.

Dividends and distributions to shareholders from net investment income and net realized gain from investments are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. To the extent these "book/tax" differences are permanent in nature (i.e. that they result from other than timing of recognition - "temporary"), such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. There were no reclassifications made for the years ended October 31, 1996 or 1995.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Money Market Fund's investments are with various issuers in various industries. The Schedules of Investments contained herein summarize concentration of credit risk by issuer and industry.

Note 2 -- Federal Income Taxes

No provision for federal income taxes is considered necessary because each fund is qualified as a "regulated investment company" under the Internal Revenue Code and intends to distribute each year substantially all of its net investment income and realized capital gains to shareholders. The cost of investments for federal income tax reporting purposes is approximately the same as that for financial reporting purposes.

Note 3 -- Management Agreement and Transactions With Affiliates

The Money Market Funds have agreed to pay investment advisory and management fees to Princor Management Corporation (wholly owned by Princor Financial Services Corporation, a subsidiary of Principal Mutual Life Insurance Company) (the "Manager") computed at an annual percentage rate of each fund's average daily net assets. The annual rate used in this calculation for the Money market Funds is as follows:

Fund	Net Asset Value of Funds (in millions)		
	First \$100,000	Next \$100,000	Next \$100,000
Princor Cash Management Fund, Inc.	0.50%	0.45%	0.40%
Princor Tax-Exempt Cash Management Fund, Inc.	0.50%	0.45%	0.40%
Fund	Next \$100,000	Over \$400,000	
Princor Cash Management Fund, Inc.	0.35%	0.30%	
Princor Tax-Exempt Cash Management Fund, Inc.	0.35%	0.30%	

The Money Market Funds also reimburse the Manager for transfer and administrative services, including the cost of accounting, data processing, supplies and other services rendered.

The Manager has agreed to reimburse the Money Market Funds annually for their total expenses (excluding brokerage commissions, interest and taxes) in excess of limits prescribed by any state in which the Money Market Funds' shares are offered for sale (currently 2 1/2% of the first \$30 million of each fund's average annual net assets, 2% of the next \$70 million of such assets and 1 1/2% of such assets in excess thereof).

Note 3 -- Management Agreement and Transactions With Affiliates (Continued)

The Manager voluntarily waives a portion of its fee for the Princor Cash Management Fund, Inc. and Princor Tax-Exempt Cash Management Fund, Inc. The waivers are in amounts that maintain total operating expenses for each fund within certain limits. The limits are expressed as a percentage of average net assets attributable to each class on an annualized basis during the reporting period. The amounts waived and the operating expense limits are as follows:

	Amount Waived	
	Year Ended October 31, 1996	Year Ended October 31, 1995
Princor Cash Management Fund, Inc.		
Class A(a)	\$ 7,102	\$296,255
Class B(a)	6,140	104 (b)
Class R	-- (c)	--
Princor Tax-Exempt Cash Management Fund, Inc.		
Class A(a)	\$69,107	\$138,574
Class B(a)	7,160	99 (b)
	Expense Limit	
Princor Cash Management Fund, Inc.	0.75%	
Class A(a)	1.75%	
Class B(a)	1.50%	
Class R		
Princor Tax-Exempt Cash Management Fund, Inc.	0.75%	
Class A(a)	1.75%	
Class B(a)		

(a) For the period November 1, 1994 through February 28, 1995, the expense limits were .70% and 1.70% for Class A and Class B shares, respectively.

(b) Period from December 9, 1994, date Class B shares first offered to the public, through October 31, 1995.

(c) Period from February 29, 1996, date Class R shares first offered to the eligible purchasers through October 31, 1996.

The manager intends to continue its voluntary waiver and, if necessary, pay expenses normally payable by each of the Funds through February 28, 1998.

Princor Financial Services Corporation, as principal underwriter, receives proceeds of any CDSC on certain Class A and Class B share redemptions. The charge is based on declining rates, which for Class A shares begin at .75% and for Class B shares at 4.00% of the lesser of the current market value or the cost of shares being redeemed. The aggregate amount of these charges retained by Princor Financial Services Corporation for the year ended October 31, 1996, was \$1,013 for Princor Cash Management Fund, Inc., and \$1,631 for Princor Tax-Exempt Cash Management Fund, Inc.

No brokerage commissions were paid by the Money Market Funds to affiliated broker dealers during the period.

Each of the Money Market Funds adopted a distribution plan with respect to Class B shares that provides for distribution and shareholder servicing fees computed at an annual rate of up to 1.00% of the average daily net assets attributable to Class B shares of each fund. Effective February 1996, Princor Cash Management Fund, Inc., adopted a distribution plan with respect to Class R shares that provides for distribution and shareholder servicing fees computed at an annual rate of up to .75% of the average daily net assets attributable to Class R shares of the fund. Distribution and shareholder servicing fees are paid to Princor Financial Services Corporation; a portion of the fees are subsequently remitted to retail dealers. Pursuant to the distribution agreements, fees unused by the principal underwriter at the end of the fiscal year are returned to the Money Market Funds. There are no distribution or shareholder servicing fees with respect to Class A shares.

At October 31, 1996, Principal Mutual Life Insurance Company, subsidiaries of Principal Mutual Life Insurance Company, benefit plans sponsored on behalf of

Principal Mutual Life Insurance Company and several joint ventures (in each of which a subsidiary of Principal Mutual Life Insurance Company is a participant) owned shares of the Money Market Funds as follows:

	Class A	Class B	Class R
Princor Cash Management Fund, Inc.	5,838,846	28,036	25,730
Princor Tax-Exempt Cash Management Fund, Inc. Note 4 -- Capital Share Transactions	1,000,054	27,052	N/A

Transactions in Capital Stock by fund were as follows:

Princor Cash  
Management Fund, Inc

Year Ended October 31, 1996:

Shares sold:		
Class A	3,094,164,602	
Class B	913,414	
Class R*	1,820,278	
Shares issued in reinvestment of dividends:		
Class A	33,369,259	
Class B	9,815	
Class R*	6,800	
Shares redeemed:		
Class A	(3,056,436,126)	
Class B	(611,240)	
Class R*	(187,736)	
Net Increase (Decrease)	73,049,066	

Year Ended October 31, 1995:

Shares sold:		
Class A	2,636,234,604	
Class B**	281,031	
Shares issued in reinvestment of dividends:		
Class A	25,316,128	
Class B**	2,222	
Shares redeemed:		
Class A	(2,370,032,403)	
Class B**	(75,516)	
Net Increase	291,726,066	

Princor Tax-Exempt  
Cash Management  
Fund, Inc.

Year Ended October 31, 1996:

Shares sold:		
Class A	396,446,652	
Class B	41,568	
Class R*	N/A	
Shares issued in reinvestment of dividends:		
Class A	3,032,398	
Class B	564	
Class R*	N/A	
Shares redeemed:		
Class A	(400,884,456)	
Class B	(41,568)	
Class R*	N/A	
Net Increase (Decrease)	(1,404,842)	

Year Ended October 31, 1995:

Shares sold:		
Class A	391,567,743	
Class B**	26,000	
Shares issued in reinvestment of dividends:		
Class A	2,992,959	
Class B**	505	
Shares redeemed:		
Class A	(374,409,156)	
Class B**	--	
Net Increase	20,178,051	

\* Period from February 27, 1996 (date operations commenced) through October 31, 1996.

\*\* Period from December 8, 1994 (date operations commenced) through October 31, 1995.

Note 5 -- Line of Credit

The Money Market Funds have an unsecured line of credit with a bank which allows each fund to borrow up to \$500,000. Borrowings are made solely to facilitate the handling of unusual and/or unanticipated short-term cash requirements. Interest is charged to each fund, based on its borrowings, at a rate equal to the bank's Fed Funds Unsecured Rate plus 100 basis points. Additionally, a commitment fee is charged at the annual rate of .25% of the line of credit. At October 31, 1996, the Money Market Funds had no outstanding borrowings under the line of credit.

SCHEDULES OF INVESTMENTS

PRINCOR CASH MANAGEMENT FUND, INC.

	Principal Amount	Value
Commercial Paper (89.00%)		
Advertising (1.13%)		
Omnicom Finance, Inc.;		
LOC ABN-ARMO Bank N.V.;		
5.27%; 11/15/96	\$2,900,000	\$ 2,894,057
5.27%; 11/19/96	5,000,000	4,986,825
		7,880,882
Asset Backed Securities (13.19%)		
Corporate Receivables Corp.;		
5.26%; 11/14/96	7,500,000	7,485,754
5.26%; 11/25/96	4,450,000	4,434,395
5.26%; 11/26/96	5,450,000	5,430,092
5.30%; 12/3/96	2,500,000	2,488,222
5.30%; 12/4/96	3,300,000	3,283,968
5.32%; 12/4/96	6,000,000	5,970,740
5.27%; 12/11/96	5,000,000	4,970,722
CXC Inc.;		
5.26%; 11/26/96	5,500,000	5,479,910
5.26%; 12/10/96	2,925,000	2,908,332
5.25%; 12/11/96	5,000,000	4,970,833
5.26%; 12/12/96	7,250,000	7,206,569
5.26%; 12/16/96	2,500,000	2,483,563
5.26%; 12/17/96	5,000,000	4,966,394
Retailer Funding Corp.;		
5.26%; 11/15/96	6,000,000	5,987,727
5.26%; 11/18/96	7,993,000	7,973,146
5.27%; 12/4/96	6,500,000	6,468,600
5.28%; 12/5/96	5,500,000	5,472,573
5.27%; 12/6/96	4,000,000	3,979,506
		91,961,046
Business Credit Institutions (1.11%)		
American Express Credit Corp.;		
5.30%; 11/19/96	6,000,000	5,984,100
General Electric Capital Corp.;		
5.75%; 11/1/96	1,785,000	1,785,000
		7,769,100
Combination Utility Services (0.93%)		
South Carolina Fuel Co.;		
5.28%; 11/13/96	6,500,000	6,488,560
Commercial Banks (0.43%)		
Norwest Corp.;		
5.42%; 11/4/96	3,000,000	2,998,645
Computer & Office Equipment (0.28%)		
Xerox Corp.;		
5.42%; 5/8/97	2,000,000	1,943,391
Department Stores (3.76%)		
Sears Roebuck Acceptance Corp.;		
5.42%; 11/5/96	7,000,000	6,995,785
5.43%; 11/6/96	9,350,000	9,342,949
5.41%; 11/8/96	4,000,000	3,995,792
5.25%; 12/17/96	1,000,000	993,291
5.39%; 5/13/97	\$ 5,000,000\$	4,855,518
		26,183,335
Drugs (2.00%)		
American Home Products Corp.;		
5.26%; 11/20/96	3,000,000	2,991,672
5.26%; 11/26/96	7,000,000	6,974,431
Warner-Lambert Co.;		
4.76%; 11/12/96	4,000,000	3,994,182

		13,960,285	
Electric Services (10.12%)			
AES Shady Point, Inc.;			
LOC Bank of Tokyo-			
Mitsubishi, Ltd.;			
5.47%; 1/7/97	4,000,000	3,959,279	
5.42%; 1/10/97	1,500,000	1,484,192	
5.45%; 1/10/97	500,000	494,701	
5.42%; 1/13/97	7,350,000	7,269,219	
5.40%; 1/14/97	2,700,000	2,670,030	
5.40%; 1/28/97	2,400,000	2,368,320	
CommEd Fuel Co., Inc.;			
LOC Canadian Imperial			
Bank of Commerce;			
5.40%; 11/19/96	4,000,000	3,989,200	
5.36%; 11/21/96	5,550,000	5,533,473	
CommEd Fuel Co., Inc. ;			
LOC Credit Suisse;			
5.32%; 11/12/96	7,198,000	7,186,299	
Connecticut Yankee Atomic Power Co.;			
LOC Toronto Dominion Bank;			
5.30%; 11/4/96	2,000,000	1,999,117	
Transmission Agency-Northern			
California; LOC Industrial			
Bank of Japan Ltd.;			
5.45%; 11/4/96	8,000,000	7,996,367	
5.40%; 11/6/96	1,049,000	1,048,213	
5.50%; 11/6/96	4,000,000	3,996,944	
5.50%; 11/7/96	5,049,000	5,044,372	
5.45%; 12/2/96	4,000,000	3,981,228	
5.55%; 12/10/96	5,071,000	5,040,511	
5.48%; 1/31/97	6,594,000	6,502,659	
			70,564,124
Farm & Garden Machinery (0.71%)			
Caterpillar Financial Services Corp.;			
5.40%; 2/20/97	5,000,000	4,916,750	
Finance Services (3.46%)			
Mitsubishi International Corp.;			
5.34%; 11/5/96	1,500,000	1,499,110	
5.42%; 11/8/96	5,700,000	5,693,993	
5.33%; 11/12/96	2,250,000	2,246,336	
5.47%; 12/3/96	3,500,000	3,482,982	
5.37%; 12/5/96	5,000,000	4,974,642	
5.53%; 12/13/96	3,250,000	3,229,032	
5.35%; 3/3/97	3,025,000	2,970,155	
			24,096,250
Fire, Marine, & Casualty Insurance (0.57%)			
General RE Corp.;			
5.25%; 12/24/96	4,000,000	3,969,083	
Horticultural Specialties (0.24%)			
Pioneer Hi-Bred International, Inc.;			
5.25%; 11/12/96	1,665,000	1,662,329	
Investment Offices (0.43%)			
Morgan Stanley Group Inc.;			
5.70%; 11/1/96	\$ 2,965,000	\$ 2,965,000	
Life Insurance (1.76%)			
American General Corp.;			
5.25%; 12/6/96	5,850,000	5,820,141	
5.25%; 12/11/96	6,500,000	6,462,083	
			12,282,224
Miscellaneous Electrical Equipment & Supplies (3.51%)			
General Electric Co.;			
5.25%; 11/21/96	5,500,000	5,483,958	
5.25%; 11/22/96	5,600,000	5,582,850	
5.25%; 11/27/96	6,000,000	5,977,250	
5.25%; 12/31/96	7,500,000	7,434,375	
			24,478,433
Miscellaneous Investing (3.84%)			
Delaware Funding Corp.;			
5.45%; 11/18/96	2,900,000	2,892,536	
5.25%; 12/5/96	5,000,000	4,975,208	
5.26%; 12/6/96	7,000,000	6,964,203	
5.26%; 12/10/96	3,000,000	2,982,905	
5.25%; 12/13/96	7,000,000	6,957,125	
MLTC Funding, Inc.;			

LOC Citibank, N.A.;			
5.26%; 11/25/96	2,000,000	1,992,987	
			26,764,964
Miscellaneous Manufacturers (1.29%)			
Dover Corp.;			
5.26%; 11/19/96	3,000,000	2,992,110	
5.25%; 11/21/96	2,000,000	1,994,167	
5.27%; 12/2/96	4,000,000	3,981,848	
			8,968,125
Mortgage Bankers & Brokers (3.93%)			
Countrywide Home Loan, Inc.;			
5.48%; 11/1/96	6,000,000	6,000,000	
5.33%; 11/5/96	2,500,000	2,498,519	
5.30%; 11/18/96	7,000,000	6,982,481	
5.35%; 11/20/96	7,000,000	6,980,235	
5.27%; 12/2/96	5,000,000	4,977,309	
			27,438,544
Motor Vehicles & Equipment (4.88%)			
Echlin Inc.;			
5.34%; 11/22/96	5,000,000	4,984,425	
5.32%; 12/3/96	1,500,000	1,492,907	
5.33%; 12/9/96	2,000,000	1,988,748	
5.34%; 12/9/96	4,000,000	3,977,453	
5.35%; 12/9/96	3,000,000	2,983,059	
5.38%; 12/12/96	6,250,000	6,211,705	
5.35%; 12/16/96	6,000,000	5,959,875	
5.40%; 1/6/97	1,781,000	1,763,368	
5.38%; 1/16/97	4,700,000	4,646,618	
			34,008,158
Personal Credit Institutions (10.66%)			
Comoloco, Inc.;			
5.32%; 2/27/97	6,000,000	5,895,373	
5.45%; 4/1/97	5,000,000	4,885,701	
5.40%; 5/9/97	6,000,000	5,829,900	
5.50%; 5/23/97	2,500,000	2,422,465	
5.38%; 7/24/97	7,500,000	7,202,979	
Ford Motor Credit Co.;			
5.35%; 11/15/96	\$ 3,500,000\$	3,492,718	
General Motors Acceptance Corp.;			
5.30%; 12/10/96	1,300,000	1,292,536	
5.35%; 12/20/96	2,000,000	1,985,436	
5.37%; 12/27/96	5,500,000	5,454,057	
5.35%; 1/14/97	3,300,000	3,263,709	
5.35%; 1/17/97	2,150,000	2,125,398	
5.35%; 1/17/97	1,900,000	1,878,258	
5.45%; 1/24/97	4,500,000	4,442,775	
5.60%; 3/3/97	3,700,000	3,629,782	
5.67%; 3/7/97	5,300,000	5,194,822	
5.70%; 3/10/97	2,000,000	1,959,150	
5.68%; 3/14/97	2,500,000	2,447,539	
Household Finance Corp.;			
5.30%; 11/18/96	5,925,000	5,910,171	
5.34%; 11/25/96	5,000,000	4,982,200	
			74,294,969
Real Estate Operators & Lessors (3.85%)			
Towson Town Center, Inc.;			
LOC Bank of Tokyo-Mitsubishi, Ltd.;			
5.30%; 11/1/96	2,400,000	2,400,000	
5.32%; 11/7/96	4,000,000	3,996,453	
5.32%; 11/8/96	7,000,000	6,992,759	
5.45%; 11/13/96	1,575,000	1,572,139	
5.26%; 11/20/96	4,500,000	4,487,412	
5.32%; 12/2/96	7,500,000	7,465,642	
			26,914,405
Security Brokers & Dealers (9.30%)			
Bear Stearns Cos., Inc.;			
5.28%; 11/7/96	6,000,000	5,994,720	
5.35%; 11/13/96	2,000,000	1,996,433	
5.26%; 11/15/96	5,000,000	4,989,772	
5.33%; 11/20/96	5,000,000	4,985,935	
5.26%; 12/9/96	4,000,000	3,977,791	
Goldman Sachs Group L.P.;			
5.28%; 11/14/96	5,000,000	4,990,467	
5.28%; 11/22/96	2,000,000	1,993,840	
5.26%; 11/27/96	2,500,000	2,490,503	
Merrill Lynch & Co, Inc.;			
5.31%; 11/1/96	5,000,000	5,000,000	
5.35%; 11/13/96	4,500,000	4,491,975	
5.26%; 11/14/96	7,000,000	6,986,704	

5.25%; 11/27/96	7,000,000	6,973,458
5.26%; 12/3/96	5,525,000	5,499,168
5.26%; 12/3/96	1,000,000	995,324
5.33%; 1/6/97	3,500,000	3,465,799
		64,831,889
Subdividers & Developers (3.34%)		
Hartz 667 Commercial Paper Corp.;		
LOC Bank of Tokyo-Mitsubishi, Ltd.;		
5.32%; 11/8/96	9,050,000	9,040,638
5.30%; 11/25/96	11,311,000	11,271,034
5.40%; 2/3/97	3,000,000	2,957,700
		23,269,372
Telephone Communication (0.72%)		
Ameritech Corp.;		
5.40%; 11/6/96	5,000,000	4,996,250
Tires & Inner Tubes (3.56%)		
Bridgestone/Firestone, Inc.;		
LOC DAI-ICHI Kangyo Bank Ltd.;		
5.32%; 11/6/96	\$ 1,000,000\$	999,261
5.33%; 11/6/96	1,575,000	1,573,834
5.33%; 11/12/96	5,700,000	5,690,717
5.33%; 11/12/96	5,000,000	4,991,857
5.32%; 11/14/96	1,000,000	998,079
5.33%; 11/21/96	4,400,000	4,386,971
5.41%; 11/22/96	2,000,000	1,993,688
5.30%; 11/27/96	2,000,000	1,992,345
Bridgestone/Firestone, Inc.;		
LOC Sumitomo Bank Ltd.;		
5.32%; 11/12/96	1,200,000	1,198,049
5.32%; 11/15/96	1,000,000	997,931
		24,822,732
Total Commercial Paper		620,428,845
Bank Notes (4.87%)		
Commercial Banks (4.87%)		
Lasalle National Bank;		
5.56%; 3/6/97	3,000,000	3,000,000
5.47%; 3/15/97	2,500,000	2,500,000
5.60%; 4/3/97	3,500,000	3,500,000
5.77%; 4/25/97	1,450,000	1,450,000
5.75%; 4/28/97	2,000,000	2,000,000
5.72%; 4/30/97	1,000,000	1,000,000
5.99%; 6/25/97	1,500,000	1,500,000
6.04%; 7/24/97	4,000,000	4,000,000
6.20%; 8/21/97	5,000,000	5,000,000
5.85%; 9/18/97	5,000,000	5,000,000
5.74%; 9/22/97	5,000,000	5,000,000
Total Bank Notes		33,950,000
Bonds (4.64%)		
Business Credit Institutions (1.49%)		
CIT Group Holdings, Inc. Notes;		
8.75%; 7/1/97	1,360,000	1,386,176
John Deere Capital Corp.;		
Medium Term Notes, Series C;		
5.95%; 6/30/97	9,000,000	8,993,262
		10,379,438
Personal Credit Institutions (3.15%)		
Associates Corp. of North America		
Senior Notes;		
6.88%; 1/15/97	5,575,000	5,585,967
8.63%; 6/15/97	4,000,000	4,066,340
6.75%; 7/15/97	6,240,000	6,279,790
5.88%; 8/15/97	1,000,000	997,236
7.75%; 11/1/97	1,000,000	1,017,836
Household Finance Corp.;		
7.50%; 3/15/97	2,000,000	2,011,895
Norwest Financial Inc.;		
6.50%; 5/15/97	\$ 2,000,000\$	2,007,770
		21,966,834
Total Bonds		32,346,272

U.S. Government Treasury Bills (1.25%)

Treasury Bills (1.25%)

U.S. Government Treasury Bills;		
5.34%; 5/1/97	4,000,000	3,892,607
5.33%; 5/29/97	5,000,000	4,845,427

Total U.S. Government Treasury Bills 8,738,034

Total Portfolio Investments (99.76%) 695,463,151

Cash, receivables and other assets, net of liabilities (0.24%) 1,657,930

Total Net Assets (100.00%) \$697,121,081

PRINCOR TAX-EXEMPT CASH MANAGEMENT FUND, INC.

Principal Amount Value

Short-Term Tax-Exempt Bonds (99.50%)

Alabama (0.30%)

City of Stevenson, Alabama, IDB Improvement Rev. Bonds, The Mead Corp., Series 1986; LOC Credit Suisse;		
3.65%; 11/1/96*; 11/1/16	\$ 300,000	\$ 300,000

Alaska (4.96%)

Alaska Industrial Dev. & Export Authority, IDB Current Ref. Bonds, Series 1988A; LOC Security Pacific Bank Washington;		
Lot #2; 3.65%; 11/6/96*; 7/1/97	40,000	40,000
Lot #3; 3.65%; 11/6/96*; 7/1/97	365,000	365,000
Lot #5; 3.65%; 11/6/96*; 7/1/98	1,455,000	1,455,000
Lot #6; 3.65%; 11/6/96*; 7/1/01	1,445,000	1,445,000
Lot #7; 3.65%; 11/6/96*; 7/1/01	150,000	150,000
Lot #8; 3.65%; 11/6/96*; 7/1/05	175,000	175,000
Lot #9; 3.65%; 11/6/96*; 7/1/05	235,000	235,000
Lot #12; 3.65%; 11/6/96*; 7/1/12	1,020,000	1,020,000
		4,885,000

Arizona (1.32%)

Chandler County, Arizona, IDA, F/R Monthly IDR, Parsons Municipal Services, Series 1983; LOC National Westminster;		
3.65%; 11/15/96*; 12/15/09	1,300,000	1,300,000

California (2.04%)

County of Los Angeles, California, Tax & Rev. Anticipation Notes		
4.50%; 6/30/97	\$ 2,000,000\$	2,008,263

Colorado (2.54%)

Adams County, Colorado, IDR Bonds, City View Park Project, Series 1985; LOC Barclays Bank;		
3.60%; 11/6/96*; 12/1/15	300,000	300,000
Arapahoe County, Colorado, F/R Monthly IDR, Beckett Aviation, Inc., Series 1983; LOC Barclays Bank;		
3.68%; 11/15/96*; 5/15/13	600,000	600,000
City of Thornton, Colorado, F/R Monthly IDR, Service Merchandise Co., Inc., Series 1984; LOC CIBC;		
3.65%; 11/15/96*; 12/15/99	100,000	100,000
South Denver Metropolis District, City & County of Denver, Colorado, General Obligation Bonds, Series 1985; LOC Barclays Bank;		
3.65%; 11/29/96**; 12/1/05	1,500,000	1,500,000
		2,500,000

Florida (4.36%)

Florida Housing Finance Agency, F/R Monthly MF Rev's., Water		
--	--	--



Apt. Project, Series 1984A; LOC Wells Fargo; 3.85%; 11/1/96*; 4/1/07	1,700,000	1,700,000
Florida Housing Finance Agency, F/R Monthly MF Rev's., Webb Road 1 Apt. Project, Series 1984; LOC Wells Fargo; 3.85%; 11/1/96*; 4/1/07	1,000,000	1,000,000
Florida Housing Finance Agency, F/R Monthly MF Rev's., Webb Road 2 Apt. Project, Series 1984C; LOC Wells Fargo; 3.85%; 11/1/96*; 4/1/07	1,600,000	1,600,000
		4,300,000
Georgia (3.86%)		
Burke County, Georgia, Dev. Authority, Adj. Tender Pollution Control Rev. Bonds, Ogelthorpe Power Corp., Vogtle Project, Series 1992A; LOC Credit Suisse; 3.60%; 11/6/96**; 1/1/25	300,000	300,000
3.45%; 11/14/96**; 1/1/25	500,000	500,000
3.45%; 11/18/96**; 1/1/25	500,000	500,000
3.55%; 1/16/97**; 1/1/25	400,000	400,000
3.50%; 1/23/97**; 1/1/25	800,000	800,000
3.50%; 2/4/97**; 1/1/25	500,000	500,000
3.55%; 2/6/97**; 1/1/25	300,000	300,000
3.50%; 2/13/97**; 1/1/25	500,000	500,000
		3,800,000
Idaho (2.04%)		
State of Idaho Tax Anticipation Notes, Series 1996; 4.50%; 6/30/97;	2,000,000	2,007,622
Illinois (8.32%)		
Chicago, Illinois, Cook County CSX Beckett Aviation, Inc., F/R Monthly Airport Rev. Bonds; LOC Barclays Bank; 3.68%; 11/15/96*; 12/15/14	\$ 1,000,000	\$1,000,000
City of Burbank, Illinois, F/R Monthly IDR, Service Merchandise Co., Inc., Series 1984; LOC CIBC; 3.65%; 11/15/96*; 9/15/24	2,100,000	2,100,000
City of Galesburg, Illinois, Knox College Project, Series 1996; LOC LaSalle National Bank; 3.65%; 11/7/96*; 3/1/31	3,700,000	3,700,000
City of Naperville, Illinois, Economic Dev. Rev. Bonds, Service Merchandise Co., Inc.; LOC CIBC; 3.65%; 11/15/96*; 11/30/24	1,400,000	1,400,000
		8,200,000
Indiana (4.26%)		
Allen County, Indiana, Econ. Dev. Rev. Bonds Golden Years Homestead, Series 1996; LOC Norwest Bank Minnesota, N.A.;		
3.65%; 11/7/96*; 8/1/21	2,000,000	2,000,000
Carmel Clay Schools Tax Anticipation Warrants of 1996; 3.75%; 12/31/96	2,200,000	2,200,698
		4,200,698
Iowa (2.64%)		
City of Storm Lake, Iowa, Private College Rev. Bonds, Buena Vista College, Series 1993; LOC Norwest Bank Minnesota, N. A.;		
3.70%; 11/7/96*; 12/1/03	400,000	400,000
Iowa Higher Education Loan Authority Fac., Rev. Bonds; Series 1995; LOC Norwest Bank Minnesota, N.A.;		
3.70%; 11/7/96*; 2/1/05	2,200,000	2,200,000
		2,600,000
Louisiana (12.65%)		
Jefferson Parish, Louisiana, Hospital Rev. Bonds, Jefferson Parish Hospital Service, District #2, Customized Purchase Program, Series 1985; Insured by FGIC; 3.55%; 11/6/96*; 12/1/15	3,300,000	3,300,000
Jefferson Parish, Louisiana, IDB Rev. Ref. Bonds, George J. Achel, Sr. Project,		

Series 1986; LOC Barclays Bank;		
3.60%; 11/6/96*; 12/1/04	1,400,000	1,400,000
Louisiana Public Fac. Authority, CP		
Program Hospital Equip. Rev.		
Bonds, Series 1985A, Pooled Project;		
LOC Sumitomo Bank;		
3.90%; 11/6/96*; 12/1/15	5,365,000	5,365,000
Parish of DeSoto, Louisiana, Adj. Tender		
Pollution Control Rev. Ref. Bonds,		
Series 1991A; LOC Swiss Bank Corp.;		
3.40%; 11/6/96*; 7/1/18	2,400,000	2,400,000
		12,465,000
Maine (1.53%)		
State of Maine General Obligation Tax		
Anticipation Notes;		
4.50%; 6/27/97	\$ 1,500,000\$	1,505,881
Maryland (0.81%)		
Montgomery County, Maryland, F/R		
Monthly IDA, Information Systems &		
Networks; LOC PNC Bank;		
3.55%; 11/1/96*; 4/1/14	800,000	800,000
Massachusetts (3.25%)		
Commonwealth of Massachusetts,		
Dedicated Income Tax Bonds, Series B;		
LOC National Westminster;		
3.60%; 11/1/96*; 12/1/97	3,100,000	3,100,000
Commonwealth of Massachusetts,		
Dedicated Income Tax Bonds, Series E;		
LOC ABN-AMRO Bank;		
3.60%; 11/1/96*; 12/1/97	100,000	100,000
		3,200,000
Michigan (0.35%)		
Township of Cornell, Michigan, The		
Economic Dev. Corp.,		
Environmental Improvement Rev.		
Ref. Bonds, Series 1986, Mead		
Esscanaba Paper Co. Project;		
LOC Suisse Bank;		
3.60%; 11/1/96*; 11/1/16	350,000	350,000
Minnesota (11.01%)		
City of Coon Rapids, Minnesota		
Rev. Bonds for Health Central		
System, Series 1985; LOC Norwest		
Bank Minnesota, N.A.;		
3.60%; 11/6/96*; 8/1/15	1,800,000	1,800,000
City of Rochester, Minnesota, Health Care		
Fac. Rev. Bonds, Mayo Foundation/		
Mayo Medical Center, Adj. Tender,		
Series 1992C;		
3.50%; 11/4/96**; 11/15/21	350,000	350,000
3.60%; 11/12/96**; 11/15/21	500,000	500,000
3.40%; 12/12/96**; 11/15/21	400,000	400,000
3.65%; 1/22/97**; 11/15/21	500,000	500,000
3.50%; 1/27/97**; 11/15/21	500,000	500,000
3.65%; 2/3/97**; 11/15/21	400,000	400,000
3.55%; 2/10/97**; 11/15/21	500,000	500,000
3.50%; 2/11/97**; 11/15/21	500,000	500,000
3.60%; 2/12/97**; 11/15/21	400,000	400,000
University of Minnesota Regents Variable		
Rate Demand Bonds;		
Series 1985F; 3.75%; 2/1/97**; 10/1/01	2,500,000	2,500,000
Series 1985G; 3.75%; 2/1/97**; 10/1/07	2,500,000	2,500,000
		10,850,000
Mississippi (0.30%)		
Jackson County, Mississippi,		
Pollution Control Ref. Rev. Bonds		
Series 1993; Guaranteed by		
Chevron Corp.;		
3.55%; 11/1/96*; 6/1/23	\$ 300,000\$	300,000
Missouri (2.04%)		
Health & Education Fac. Authority		
of Missouri School Dist. Program Notes,		
Series 1996A;		
4.50%; 9/8/97	2,000,000	2,009,687
Montana (4.97%)		
City of Forsyth, Montana, Portland General		
Electric Co.; LOC Swiss Bank Corp.;		

Series B; 3.50%; 11/6/96*; 6/1/13	2,400,000	2,400,000
Series D; 3.55%; 11/6/96*; 6/1/13	1,500,000	1,500,000
Series 1984; 3.55%; 11/6/96*; 8/1/14	1,000,000	1,000,000
		4,900,000
Nebraska (0.51%)		
Lincoln Electric System		
Commercial Paper Notes;		
3.50%; 12/6/96	500,000	500,000
New Hampshire (1.83%)		
New Hampshire IDA, F/R Monthly 1983		
Hudson, Oerlikon-Buhrle USA/Balzers;		
LOC Union Bank of Switzerland;		
3.75%; 11/1/96*; 7/1/13	1,800,000	1,800,000
New York (5.08%)		
New York State Energy Research & Dev.		
Authority Pollution Control Rev. Bonds,		
Long Island Lighting Co.; Series 1985B;		
LOC Deutsche Bank;		
3.25%; 3/1/97**; 3/1/16	4,000,000	4,000,000
New York State Energy Research &		
Dev. Authority, Series 1985 D,		
For New York State Electric & Gas Corp.;		
LOC Union Bank of Switzerland;		
3.65%; 12/2/96**; 12/1/15	1,000,000	1,000,000
		5,000,000
North Carolina (3.05%)		
North Carolina Eastern Municipal Power		
Agency, Series 1988B; LOC Morgan		
Guaranty Trust Co.; LOC Union		
Bank of Switzerland;		
3.70%; 1/24/97**; 1/1/26	500,000	500,000
University of North Carolina		
Foundation, Inc., Series 1989;		
LOC Credit Suisse;		
3.50%; 11/6/96*; 10/1/09	2,500,000	2,500,000
		3,000,000
Ohio (1.02%)		
Village of Evendale, Ohio, SHV Real Estate		
Income Project; LOC ABN-AMRO;		
3.60%; 11/6/96*; 9/1/15	1,000,000	1,000,000
Pennsylvania (7.83%)		
Bucks County, Pennsylvania, IDA SHV		
Real Estate, Inc. Project, Series 1985;		
LOC ABN-AMRO Bank;		
3.60%; 11/6/96*; 7/1/15	\$ 2,300,000\$	2,300,000
Chester, Pennsylvania, IDA, F/R Monthly		
IDR, Keystone Foods Corp.;		
LOC Bank of Scotland;		
3.95%; 11/15/96*; 10/15/99	800,000	800,000
Commonwealth of Pennsylvania		
Tax Anticipation Notes, First Series		
of 1994-1995;		
4.50%; 6/30/97	2,500,000	2,512,852
Delaware County, Pennsylvania, Fac. Rev.		
Tax & Rev. Anticipation Notes,		
Series 1985; Guaranteed by		
United Parcel Service;		
3.60%; 11/1/96*; 12/1/15	2,100,000	2,100,000
		7,712,852
Tennessee (0.51%)		
Knox, Tennessee, IDB F/R Monthly IDR		
1983, Service Merchandise Co., Inc.;		
LOC CIBC;		
3.65%; 11/15/96*; 12/15/08	500,000	500,000
Texas (3.07%)		
Cedar Hill, Texas, Industrial Dev. Corp.		
F/R Monthly IDR 1985, Minyard		
Properties Project; LOC Citibank;		
3.75%; 11/1/96*; 5/1/02	300,000	300,000
Coppell, Texas, Industrial Dev.		
Corp., IDA 1984, Minyard		
Properties Project; LOC Citibank;		
3.75%; 11/1/96*; 12/1/01	1,170,000	1,170,000
Montgomery County, Texas, Industrial		
Dev. Corp. Ref. Bonds,		
Series 1986A; Dal-Tile Corp.		
Project; LOC Credit Suisse;		

3.60%; 11/6/96*; 12/1/03	150,000	150,000
Port Arthur Navigation Dist. Industrial Dev. Corp. Adj. Tender Pollution Control Rev. Bonds, American Petrofina Co. of Texas Project, Series 1985; LOC Sumitomo Bank; 3.65%; 11/1/96*; 5/1/03		
	1,400,000	1,400,000
		3,020,000
West Virginia (1.83%)		
Putnam County, West Virginia, F/R Monthly IDR 1981, FMC Corp. Project; LOC UBS; 3.75%; 11/1/96*; 10/1/11		
	1,800,000	1,800,000
Wyoming (1.22%)		
Lincoln County, Wyoming, Pollution Control Ref. Bonds, Pacificorp Project, Series 1991; LOC Union Bank of Switzerland; 3.50%; 11/7/96**; 1/1/16		
	500,000	500,000
Uinta County, Wyoming, Pollution Control Ref. Rev. Bonds; Series 1992; Guaranteed by Chevron Corp.;		
	700,000	700,000
		1,200,000
Total Portfolio Investments (99.50%)	98,015,003	
Cash, receivables and other assets net of liabilities (0.50%)		493,839
Total Net Assets (100.00%)		\$98,508,842

\* Demand Date

\*\* Put Date

#### FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

	Income from Investment Operations				Less Distributions			Net Asset Value at End of Period
	Net Asset Value at Beginning of Period	Net Invest- ment Income (a)	Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Capital Gains	Total Distributions	
PRINCOR CASH MANAGEMENT FUND, INC.								
Class A:								
Year Ended October 31,								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996	\$1.000	\$.049	--	\$.049	\$(.049)	--	\$(.049)	\$1.000
1995	1.000	.052	--	.052	(.052)	--	(.052)	1.000
1994	1.000	.033	--	.033	(.033)	--	(.033)	1.000
1993	1.000	.026	--	.026	(.026)	--	(.026)	1.000
1992	1.000	.036	--	.036	(.036)	--	(.036)	1.000
Class B:								
Year Ended October 31, 1996	1.000	.041	--	.041	(.041)	--	(.041)	1.000
Period Ended October 31, 1995 (c)	1.000	.041	--	.041	(.041)	--	(.041)	1.000
Class R:								
Period Ended October 31, 1996 (f)	1.000	.030	--	.030	(.030)	--	(.030)	1.000
PRINCOR TAX-EXEMPT CASH MANAGEMENT FUND, INC.								
Class A:								
Year Ended October 31,								
1996	1.000	.029	--	.029	(.029)	--	(.029)	1.000
1995	1.000	.032	--	.032	(.032)	--	(.032)	1.000
1994	1.000	.021	--	.021	(.021)	--	(.021)	1.000
1993	1.000	.020	--	.020	(.020)	--	(.020)	1.000
1992	1.000	.028	--	.028	(.028)	--	(.028)	1.000
Class B:								
Year Ended October 31, 1996	1.000	.021	--	.021	(.021)	--	(.021)	1.000
Period Ended October 31, 1995 (c)	1.000	.021	--	.021	(.021)	--	(.021)	1.000

</TABLE>

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	Total Return (b)	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets (a)	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
PRINCOR CASH MANAGEMENT FUND, INC.					
Class A:					
<S> Year Ended October 31,	<C>	<C>	<C>	<C>	<C>
1996	5.00%	\$694,962	.66%	4.88%	N/A
1995	5.36%	623,864	.72%	5.24%	N/A
1994	3.40%	332,346	.70%	3.27%	N/A
1993	2.67%	284,739	.67%	2.63%	N/A
1992	3.71%	247,189	.65%	3.66%	N/A
Class B:					
Year Ended October 31, 1996	4.13%	520	1.50%	4.08%	N/A
Period Ended October 31, 1995 (c)	4.19% (d)	208	1.42% (e)	4.50% (e)	N/A
Class R:					
Period Ended October 31, 1996 (f)	2.97% (d)	1,639	.99% (e)	4.41% (e)	N/A
PRINCOR TAX-EXEMPT CASH MANAGEMENT FUND, INC.					
Class A:					
<S> Year Ended October 31,					
1996	2.92%	98,482	.71%	2.87%	N/A
1995	3.24%	99,887	.69%	3.19%	N/A
1994	2.11%	79,736	.67%	2.08%	N/A
1993	1.99%	79,223	.66%	1.96%	N/A
1992	2.86%	69,224	.65%	2.84%	N/A
Class B:					
Year Ended October 31, 1996	2.13%	27	1.47%	2.11%	N/A
Period Ended October 31, 1995 (c)	2.19% (d)	27	1.42% (e)	2.40% (e)	N/A

&lt;FN&gt;

See accompanying notes.

## Notes to Financial Highlights

- (a) Without the Manager's voluntary waiver of a portion of certain of its expenses (see Note 3 to the financial statements) for the periods indicated, the Money Market Funds would have had per share net investment income (loss) and the ratios of expenses to average net assets as shown:

Fund	Year, Except as Noted	Per Share Net Investment Income (Loss)	Ratio of Expenses to Average Net Assets	Amount Waived
Princor Cash Management Fund, Inc.				
Class A	1996	\$ .049	.67%	\$ 7,102
	1995	.052	.78%	296,255
	1994	.031	.90%	595,343
	1993	.025	.84%	468,387
	1992	.035	.80%	385,328
Class B	1996	.029	3.94%	6,140
	1995 (c)	.041	1.63% (e)	104
Princor Tax-Exempt Cash Management Fund, Inc.				
Class A	1996	.028	.77%	69,107
	1995	.031	.84%	138,574
	1994	.019	.85%	150,515
	1993	.018	.83%	131,442
	1992	.026	.82%	134,497
Class B	1996	(.243)	27.43%	7,160
	1995 (c)	.018	1.89% (e)	99

- (b) Total return is calculated without the front-end sales charge or contingent deferred sales charge.

- (c) Period from December 9, 1994, date Class B shares first offered to the public, through October 31, 1995.

- (d) Total return amounts have not been annualized.
  - (e) Computed on an annualized basis.
  - (f) Period from February 29, 1996, date Class R shares first offered to eligible purchasers through October 31, 1996.
- </FN>  
</TABLE>

REPORT OF INDEPENDENT AUDITORS

The Boards of Directors and Shareholders

Princor Balanced Fund, Inc.  
 Princor Blue Chip Fund, Inc.  
 Princor Capital Accumulation Fund, Inc.  
 Princor Emerging Growth Fund, Inc.  
 Princor Growth Fund, Inc.  
 Princor Utilities Fund, Inc.  
 Princor World Fund, Inc.  
 Princor Bond Fund, Inc.  
 Princor Government Securities Income Fund, Inc.  
 Princor High Yield Fund, Inc.  
 Princor Limited Term Bond Fund, Inc.  
 Princor Tax-Exempt Bond Fund, Inc.  
 Princor Cash Management Fund, Inc.  
 Princor Tax-Exempt Cash Management Fund, Inc.

We have audited the accompanying statements of assets and liabilities of The Princor Growth Funds [comprising, respectively, Princor Balanced Fund, Inc., Princor Blue Chip Fund, Inc., Princor Capital Accumulation Fund, Inc., Princor Emerging Growth Fund, Inc., Princor Growth Fund, Inc., Princor Utilities Fund, Inc., and Princor World Fund, Inc.], The Princor Income Funds (comprising, respectively, Princor Bond Fund, Inc., Princor Government Securities Income Fund, Inc., Princor High Yield Fund, Inc., Princor Limited Term Bond Fund, Inc., and Princor Tax-Exempt Bond Fund, Inc.) and The Princor Money Market Funds (comprising, respectively, Princor Cash Management Fund, Inc. and Princor Tax-Exempt Cash Management Fund, Inc.), including the schedules of investments, as of October 31, 1996, and the related statements of operations, statements of changes in net assets and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodians and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective funds constituting The Princor Growth Funds and The Princor Income Funds at October 31, 1996, and the results of their operations, the changes in their net assets and the financial highlights for each of the periods indicated therein which we audited as set forth in the first paragraph, in conformity with generally accepted accounting principles.

Des Moines, Iowa  
 November 27, 1996

ERNST & YOUNG

FEDERAL INCOME TAX INFORMATION

Information for federal income tax purposes is presented as an aid to shareholders in reporting the dividend distributions shown below. Shareholders should consult a tax adviser on how to report these distributions for state and local purposes.

<TABLE>  
<CAPTION>

Period Ended October 31, 1996

Per Share  
 Income Dividend Distributions

Per Share  
 Capital Gain Distributions  
 Total

	Payable Date	Per Share	Total Dividends	Deductible Percentage*	Payable Date	Long-Term**	Short-Term***	Total Capital Gain Distributions	Dividends and Distributions
Princor Balanced Fund, Inc.									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
A Shares	12/28/95	\$.1470		27.40%	12/01/95	\$.6225	\$.0501		
	4/1/96	.0950		26.00%					
	7/1/96	.0950		27.64%					
	10/1/96	.0950		31.04%					
			\$.4320					\$.6726	\$1.1046
B Shares	12/28/95	\$.1240		27.40%	12/01/95	\$.6225	\$.0501		
	4/1/96	.0715		26.00%					
	7/1/96	.0630		27.64%					
	10/1/96	.0649		31.04%					
			\$.3234					\$.6726	\$.9960
R Shares	4/1/96	\$.0922		26.00%					
	7/1/96	.0839		27.64%					
	10/1/96	.0876		31.04%					
			\$.2637						\$.2637
Princor Blue Chip Fund, Inc.									
A Shares	12/28/95	\$.0945		81.30%	12/01/95	\$.3518			
	4/1/96	.0550		85.02%					
	7/1/96	.0575		79.21%					
	10/1/96	.0475		76.96%					
			\$.2545					\$.3518	\$.6063
B Shares	12/28/95	\$.0679		81.30%	12/01/95	\$.3518			
	4/1/96	.0302		85.02%					
	7/1/96	.0243		79.21%					
	10/1/96	.0118		76.96%					
			\$.1342					\$.3518	\$.4860
R Shares	4/1/96	\$.0530		85.02%					
	7/1/96	.0475		79.21%					
	10/1/96	.0458		76.96%					
			\$.1463						\$.1463
Princor Capital Accumulation Fund, Inc.									
A Shares	12/28/95	\$.2370		93.30%	12/01/95	\$1.4029	\$.0640		
	7/1/96	.1944		87.76%					
			\$.4314					1.4669	\$1.8983
B Shares	12/28/95	\$.1401		93.30%	12/01/95	\$1.4029	\$.0640		
	7/1/96	.0823		87.76%					
			\$.2224					1.4669	\$1.6893
R Shares	7/1/96	\$.1555		87.76%					
			\$.1555						\$.1555

<FN>

\*Percent qualifying for deduction by shareholders who are corporations.

\*\*Taxable as long-term capital gain.

\*\*\*Taxable at ordinary income rates.

</FN>

</TABLE>

<TABLE>

<CAPTION>

Period Ended October 31, 1996

	Payable Date	Per Share	Total Dividends	Deductible Percentage*	Payable Date	Long-Term**	Short-Term***	Per Share Capital Gain Distributions	Per Share Total Dividends and Distributions
Princor Emerging Growth Fund, Inc.									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
A Shares	12/28/95	\$.0980		52.29%	12/01/95	\$.6130	\$.1366		
	7/1/96	.0457		46.73%					
			\$.1437					\$.7496	\$.8933
B Shares	12/28/95	\$.0075		52.29%	12/01/95	\$.6130	\$.1366		
	7/1/96	.0045		46.73%					
			\$.0120					\$.7496	\$.7616
R Shares	7/1/96	\$.0230		46.73%					
			\$.0230						\$.0230
Princor Growth Fund, Inc.									
A Shares	12/28/95	\$.1920		73.38%	12/01/95	\$.7991	\$.3782		
	7/1/96	.1651		62.96%					
			\$.3571					1.1773	1.5344
B Shares	12/28/95	\$.0413		73.38%	12/01/95	\$.7991	\$.3782		
	7/1/96	.0140		62.96%					
			\$.0553					1.1773	1.2326
R Shares	7/1/96	\$.0959		62.96%					

Princor Utilities Fund, Inc.

A Shares	12/28/95	\$ .1140	92.63%									
	4/1/96	.1150	84.58%									
	7/1/96	.1050	97.81%									
	10/1/96	.0950	89.50%									
				\$ .4290								\$ .4290
B Shares	12/28/95	\$ .0919	92.63%									
	4/1/96	.0945	84.58%									
	7/1/96	.0819	97.81%									
	10/1/96	.0729	89.50%									
				\$ .3412								\$ .3412
R Shares	4/1/96	\$ .1134	84.58%									
	7/1/96	.0897	97.81%									
	10/1/96	.0906	89.50%									
				\$ .2937								\$ .2937

Princor World Fund, Inc.

A Shares	12/28/95	\$ .0755	4.85%	12/01/95	\$ .2929	\$ .0367						
							\$ .3296					\$ .4051
B Shares	12/28/95	\$ .0225	4.85%	12/01/95	\$ .2929	\$ .0367						
							\$ .3296					\$ .3521
R Shares	None											

<FN>

\*Percent qualifying for deduction by shareholders who are corporations.

\*\*Taxable as long-term capital gain.

\*\*\*Taxable at ordinary income rates.

Foreign Taxes Paid

Princor World Fund, Inc. makes an election under the Internal Revenue Code Section 853 to pass through foreign taxes paid by the fund to its shareholders. The total amount of foreign taxes passed through to shareholders for the year ended October 31, 1996 totals \$.0241 per share. This information is given to meet certain requirements of the Internal Revenue Code and should not be used by shareholders for preparing their income tax returns. For tax return preparation purposes, please refer to the information supplied with the 1099 form you receive from the fund's transfer agent.

</FN>

</TABLE>

Information for federal income tax purposes is presented as an aid to shareholders in reporting the dividend distributions shown below. Shareholders should consult a tax adviser on how to report these distributions for state and local purposes.

Ordinary Income Dividends

<TABLE>

<CAPTION>

The Funds paid the following per share income dividends on the dates indicated:

Fund	Per Share Dividends/Payable Date											
	11/1/95	12/1/95	12/28/95	2/1/96	3/1/96	4/1/96	5/1/96	6/3/96	7/1/96	8/1/96	9/3/96	10/1/96
Princor Bond Fund, Inc.												
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Class A	\$ .0650	\$ .0650	\$ .0638	\$ .0638	\$ .0638	\$ .0638	\$ .0638	\$ .0638	\$ .0625	\$ .0625	\$ .0625	\$ .0625
Class B	\$ .0589	\$ .0589	\$ .0572	\$ .0572	\$ .0572	\$ .0572	\$ .0572	\$ .0572	\$ .0556	\$ .0556	\$ .0556	\$ .0556
Class R	--	--	--	--	\$ .0638	\$ .0630	\$ .0605	\$ .0605	\$ .0603	\$ .0609	\$ .0609	\$ .0609
Princor Government Securities Income Fund, Inc.												
Class A	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588	\$ .0588
Class B	\$ .0526	\$ .0526	\$ .0515	\$ .0515	\$ .0515	\$ .0515	\$ .0515	\$ .0515	\$ .0515	\$ .0515	\$ .0515	\$ .0515
Class R	--	--	--	--	\$ .0588	\$ .0575	\$ .0550	\$ .0550	\$ .0562	\$ .0572	\$ .0572	\$ .0572
Princor High Yield Fund, Inc.												
Class A	\$ .0563	\$ .0563	\$ .0800	\$ .0563	\$ .0563	\$ .0563	\$ .0563	\$ .0563	\$ .0563	\$ .0563	\$ .0563	\$ .0563
Class B	\$ .0513	\$ .0513	\$ .0750	\$ .0513	\$ .0513	\$ .0513	\$ .0513	\$ .0500	\$ .0500	\$ .0500	\$ .0500	\$ .0500
Class R	--	--	--	--	\$ .0563	\$ .0560	\$ .0540	\$ .0540	\$ .0540	\$ .0543	\$ .0543	\$ .0543
Princor Limited Term Bond Fund, Inc.												
Class A	--	--	--	--	\$ .0250	\$ .0500	\$ .0500	\$ .0475	\$ .0475	\$ .0425	\$ .0425	\$ .0425
Class B	--	--	--	--	\$ .0250	\$ .0460	\$ .0450	\$ .0426	\$ .0426	\$ .0376	\$ .0392	\$ .0410
Class R	--	--	--	--	\$ .0250	\$ .0475	\$ .0460	\$ .0435	\$ .0435	\$ .0384	\$ .0384	\$ .0384
Princor Tax-Exempt Bond Fund, Inc.*												
Class A	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538	\$ .0538



<FN>  
 \*Dividends from the Tax-Exempt Bond Fund, Inc. were exempt from federal income taxation for non-corporate shareholders.  
 </FN>  
 </TABLE>

Information for federal income tax purposes is presented as an aid to shareholders in reporting the dividend distributions shown below. Shareholders should consult a tax adviser on how to report these distributions for state and local purposes.

Ordinary Income Dividends

The Funds paid the following per share income dividends on the dates indicated:

Fund	Per Share Dividends/Payable Date				
	11/22/95	12/28/95	1/19/96	2/20/96	3/20/96
Princor Cash Management Fund, Inc.					
Class A	\$ .0039	\$ .0049	\$ .0033	\$ .0041	\$ .0038
Class B	\$ .0033	\$ .0042	\$ .0028	\$ .0034	\$ .0031
Class R	--	--	--	--	\$ .0028
Princor Tax-Exempt Cash Management Fund, Inc.*					
Class A	\$ .0024	\$ .0031	\$ .0020	\$ .0022	\$ .0021
Class B	\$ .0018	\$ .0024	\$ .0015	\$ .0016	\$ .0015

Fund	4/19/96	5/20/96	6/20/96	7/19/96	8/20/96
Princor Cash Management Fund, Inc.					
Class A	\$ .0041	\$ .0037	\$ .0040	\$ .0041	\$ .0040
Class B	\$ .0034	\$ .0031	\$ .0033	\$ .0034	\$ .0033
Class R	\$ .0038	\$ .0036	\$ .0037	\$ .0037	\$ .0036

Fund	4/19/96	5/20/96	6/20/96	7/19/96	8/20/96
Princor Tax-Exempt Cash Management Fund, Inc.*					
Class A	\$ .0024	\$ .0024	\$ .0024	\$ .0022	\$ .0024
Class B	\$ .0017	\$ .0018	\$ .0017	\$ .0015	\$ .0017

Fund	9/20/96	10/18/96
Princor Cash Management Fund, Inc.		
Class A	\$ .0043	\$ .0039
Class B	\$ .0036	\$ .0031
Class R	\$ .0040	\$ .0035
Princor Tax-Exempt Cash Management Fund, Inc.*		
Class A	\$ .0026	\$ .0023
Class B	\$ .0019	\$ .0016

\*Dividends from the Tax-Exempt Cash Management Fund, Inc. were exempt from federal income taxation for non-corporate shareholders.

<TABLE>  
 <CAPTION>

GROWTH FUNDS

INVESTMENT OBJECTIVE

<S>	<C>
Princor Balanced Fund	To seek the generation of a total return consisting of current income and capital appreciation while assuming reasonable risks in furtherance of this objective.
Princor Blue Chip Fund	To seek growth of capital and growth of income by investing primarily in common stocks of well capitalized, established companies.
Princor Capital Accumulation Fund	To seek long-term capital appreciation and a secondary objective of growth of investment income.

Princor Emerging Growth Fund	To seek capital appreciation by investing primarily in securities of emerging and other growth-oriented companies.
Princor Growth Fund	To seek growth of capital with realization of current income incidental to the objective of growth of capital.
Princor Utilities Fund	To seek current income and long-term growth of income and capital by investing primarily in equity and fixed income securities of companies in the public utilities industry.
Princor World Fund	To seek long-term growth of capital by investing in a portfolio of equity securities of companies domiciled in any of the nations of the world.
INCOME FUNDS	
Princor Bond Fund	To seek as high a level of income as is consistent with preservation of capital and prudent investment risk.
Princor Government Securities Income Fund	To seek a high level of current income, liquidity and safety of principal.
Princor High Yield Fund	To seek high current income. Capital growth is a secondary objective when consistent with seeking high current income.
Princor Limited Term Bond Fund	To seek a high level of current income consistent with a relatively high level of principal stability by investing in a portfolio of securities with a dollar weighted average maturity of five years or less.
Princor Tax-Exempt Bond Fund	To seek as high a level of current income exempt from federal taxation as is consistent with preservation of capital.
MONEY MARKET FUNDS	
Princor Cash Management Fund	To seek as high a level of current income available from short-term securities as is considered consistent with preservation of principal and maintenance of liquidity by investing in a portfolio of money market instruments.
Princor Tax-Exempt Cash Management Fund	To seek, through investment in a professionally-managed portfolio of high quality short-term Municipal Obligations, as high a level of current interest income exempt from federal income tax as is consistent with stability of principal and maintenance of liquidity.

</TABLE>