SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended December 31, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-3295

KOSS CORPORATION
(Exact Name of Registrant as Specified in its Charter)

A DELAWARE CORPORATION	39-1168275
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4129 North Port Washington Avenue, Milwaukee, Wisconsin	53212
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (414) 964-5000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

At December 31, 1996, there were 3,273,791 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
December 31, 1996

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1996 (Unaudited)	June 30, 1996 (*)
ASSETS		
Current Assets:		
Cash	$ 12,407	$ 27,001
Accounts receivable	11,264,104	8,965,213
Inventories	12,199,585	8,777,216
Prepaid expenses	603,500	382,137
Deferred income taxes	517,946	517,946

Total current assets	24,597,542	18,669,513
Property and Equipment, net	2,429,165	2,344,341
Deferred Income Taxes	422,603	422,603
Intangible and Other Assets	542,886	568,800
	$27,992,196	$22,005,257
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 2,166,611	$ 1,327,915
Accrued liabilities	1,064,802	786,353
Income taxes payable	389,626	361,855
Total current liabilities	3,621,039	2,476,123
Long-Term Debt	3,286,000	470,000
Deferred Compensation and Other Liabilities	1,079,884	1,022,344
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	18,515,273	16,546,790
	$27,992,196	$22,005,257

* The balance sheet at June 30, 1996, has been prepared from the audited financial statements at that date.

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months		Six Months	
Period Ended December 31	1996	1995	1996	1995
Net sales	$13,320,166	$9,870,439	$23,182,969	$19,458,983
Cost of goods sold	8,776,051	6,988,367	15,351,176	13,432,290
Gross profit	4,544,115	2,882,072	7,831,793	6,026,693
Selling, general and administrative expense	2,394,291	2,227,795	4,490,960	4,368,540
Income from operations	2,149,824	654,277	3,340,833	1,658,153
Other income (expense)				
Royalty income	427,890	679,737	696,375	1,068,729
Interest income	55,082	4,323	59,116	8,448
Interest expense	(135,149)	(33,181)	(177,428)	(60,349)
Income before income tax provision	2,497,647	1,305,156	3,918,896	2,674,981
Provision for income taxes	1,015,169	534,750	1,597,428	1,096,463
Net income	$ 1,482,478	$ 770,406	$ 2,321,468	$ 1,578,518

Number of common and common equivalent shares used in computing earnings per share	3,321,602	3,575,094	3,335,631	3,570,142
Net income per common share	$ 0.45	$ 0.22	$ 0.70	$ 0.44
Dividends per common share	None	None	None	None

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six Months Ended December 31	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,321,468	$ 1,578,518
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	439,078	341,874
Deferred compensation and other liabilities	57,540	140,088
Net changes in operating assets and liabilities	(4,818,836)	(2,305,514)
Net cash used in operating activities:	(2,000,750)	(245,034)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(495,902)	(165,483)
Net cash used in investing activities	(495,902)	(165,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under line of credit agreements	(9,659,000)	(8,384,000)
Borrowings under line of credit agreements	12,475,000	8,743,948
Purchase and retirement of common stock	(352,692)	--
Exercise of stock options	18,750	66,250
Net cash provided by financing activities	2,482,058	426,198
Net increase (decrease) in cash	(14,594)	15,681
Cash at beginning of year	27,001	49,227
Cash at end of period	$ 12,407	$ 64,908

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
December 31, 1996
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements presented herein are based on interim figures and are subject to audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at December 31, 1996, and for all periods presented have been made. The income from operations for the quarter and six months ended December 31, 1996 is not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Registrant's June 30, 1996, Annual Report on Form 10-K.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Earnings per share are computed based on the average number of common and common share equivalents outstanding. When dilutive, stock options are included as share equivalents using the treasury stock method. Common stock equivalents of 38,939 and 64,014 related to stock option grants were included in the computation of the average number of shares outstanding for the quarter ended December 31, 1996 and 1995, respectively.

3. INVENTORIES

The classification of inventories is as follows:

	December 31, 1996	June 30, 1996
Raw materials and work in process	$ 6,990,887	$4,751,156
Finished goods	5,846,480	4,663,842
	12,837,367	9,414,998
LIFO Reserve	(637,782)	(637,782)
	$12,199,585	$8,777,216

4. STOCK PURCHASE AGREEMENT

The Company has an agreement with its Chairman to repurchase stock from his estate in the event of his death. The repurchase price is 95% of the fair market value of the common stock on the date that notice to repurchase is provided to the Company. The total number of shares to be repurchased shall be sufficient to provide proceeds which are the lesser of $2,500,000 or the amount of estate taxes and administrative expenses incurred by his estate. The Company is obligated to pay in cash 25% of the total amount due and to execute a promissory note at a prime rate of interest for the balance. The Company maintains a $1,150,000 life insurance policy to fund a substantial portion of this obligation. At December 31, 1996 and June 30, 1996, $1,490,000 has been classified as a Contingently Redeemable Equity Interest reflecting the estimated obligation in the event of execution of the agreement.

5. DEFERRED COMPENSATION

In 1991, the Board of Directors agreed to continue John C. Koss' current base salary in the event he becomes disabled prior to age 70. After age 70, Mr. Koss shall receive his current base salary for the remainder of his life, whether or not he becomes disabled. The Company is currently recognizing an annual expense of $115,080 in connection with this agreement, which represents the present value of the anticipated future payments. At December 31, 1996 and June 30, 1996, respectively, the related liabilities in the amounts of $593,760 and $536,220 have been included in deferred compensation on the accompanying balance sheets.

KOSS CORPORATION AND SUBSIDIARIES
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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash used by operating activities during the six months ended December 31, 1996 amounted to $2,000,750. Working capital was $20,976,503 at December 31, 1996. The increase of $4,783,113 from the balance at June 30, 1996 reflects the net effect of an increase in receivables, inventory and payables. These increases are the result of higher sales volume in the current quarter and anticipated higher sales volume in the coming quarter. The cash necessary to fund the Company's operating activities fluctuates from time to time; however, as a general rule the Company expects to generate adequate amounts of cash to meet future operating needs. The Company maintains sufficient borrowing capacity to fund any shortfall.

Capital expenditures for new property and equipment (including production tooling) were $495,902 for the six months ended December 31, 1996. Depreciation and amortization aggregated $439,078 for the six months. For the fiscal year ending June 30, 1997, the Company expects its capital expenditures to be approximately $1,500,000. The Company expects to generate sufficient operating funds to fulfill these expenditures.

Stockholders' investment increased to $18,515,273 at December 31, 1996, from

$16,546,790 at June 30, 1996. The increase reflects primarily the income for the six month period ending December 31, 1996. No cash dividends have been paid since the first quarter of fiscal 1984.

The Company has an unsecured working capital credit facility with a bank, which runs through March 15, 1998. This credit facility provides for borrowings up to a maximum of $8,000,000. Borrowings under this credit facility bear interest at the bank's prime rate, or LIBOR plus 2.25%. This credit facility includes certain covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage and leverage ratios. Utilization of this credit facility as of December 31, 1996 totaled $3,379,602, consisting of $3,286,000 in borrowings and $93,602 in commitments for foreign letters of credit. Utilization of this credit facility as of June 30, 1996 was $944,784, consisting of $470,000 in borrowings and $474,784 in foreign letters of credit. The increase as of December 31, 1996 is the result of an increase in inventory due to anticipated higher sales volume for the upcoming quarter. The Company also has a $2,000,000 credit facility which can be used by the Company in the event the Company desires to purchase shares of its own stock. This credit facility runs through March 15, 1997 and the Company is in the process of attempting to extend the term of this facility. The Company can also use up to $1,000,000 of its working capital credit facility to purchase shares of its own stock.

The Company's Canadian subsidiary has a line of credit of $550,000, which is guaranteed by the Company. Borrowings under this credit facility bear interest at the bank's prime rate plus 1.5%. The credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. As of December 31, 1996, there were no borrowings outstanding against this line of credit. The due date for the line is October 31, 1997.

Pursuant to the Company's stock repurchase program, for the six month period ended December 31, 1996, the Company purchased 51,629 shares of its common stock at an average price of $6.83 per share. All 51,629 shares were retired. For the quarter ended December 31, 1996, the Company purchased 14,307 shares of its common stock at an average price of $6.46 per share. Since the commencement of the Company's stock repurchase program, the Company has purchased 343,576 shares of its common stock for a total of $2,189,389, representing an average price of $6.37 per share.

For the six month period ended December 31, 1996, the Company purchased 17,371 shares of its common stock for the Company's Employee Stock Ownership Plan and Trust ("ESOP") at an average price of $6.76 per share. For the quarter ended December 31, 1996, the Company purchased 7,693 shares of its common stock for the ESOP at an average price of $6.50 per share.

Results of Operations

Net sales for the second quarter ended December 31, 1996 rose 35% to $13,320,166 from $9,870,439 for the same period in 1995. Net sales for the six months ended December 31, 1996, were $23,182,969, up 19% compared with $19,458,983 during the same six months one year ago. This increase was primarily a result of strong orders throughout the second quarter.

Gross profit as a percent of net sales was 34% for the quarter ended December 31, 1996 compared with 29% for the same period in the prior year. For the six month period ended December 31, 1996, the gross profit percentage was 34% compared with 31% for the same period in 1995. Shifts in product mix resulted in the increase in gross profit as compared to last year.

Selling, general and administrative expenses for the quarter ended December 31, 1996 were $2,394,291 or 18%, as against $2,227,795 or 23% for the same period in 1995. For the six month period ended December 31, 1996, such expenses were $4,490,960 or 19%, as against $4,368,540 or 22% for the same period in 1995. The percentage decrease is a direct result of higher sales.

For the second quarter ended December 31, 1996, income from operations was $2,149,824 versus $654,277 for the same period in the prior year. Income from operations for the six months ended December 31, 1996 was $3,340,833 as compared to $1,658,153 for the same period in 1995. The increase is primarily related to higher sales and to the increase in gross margin resulting from shifts in product mix.

Net interest expense amounted to $135,149 for the quarter as compared to $33,181 for the same period in the prior year. For the six month period, the interest expense amounted to $177,428 compared with $60,349 for the same period in the prior year. The increase is a result of the Company borrowing at much higher levels as compared to the same periods last year. The higher level of borrowing was the result of increased inventory purchases to support the increase in sales.

The Company has a License Agreement with Trabelco N.V., a subsidiary of Hagemeyer N.V. Hagemeyer N.V. is a diverse international trading company based in the Netherlands, which has business interests in food, appliances, electromechanical and automobile distribution as well as a solid base of consumer electronic distribution business in Asia, Europe and North America. Royalty income earned in connection with this License Agreement for the quarter ended December 31, 1996 was $427,890 as compared to $679,737 for the same period in 1995. For the six month period, royalty income was $696,375 compared to $1,068,729 at December 31, 1995. The Company recognizes royalty income when earned. The decrease in royalty income is the result of lower sales volume by Trabelco N.V. in products covered under this License Agreement. This License Agreement expires on December 31, 1997; however, it can be renewed for an additional 3 year period at the option of Trabelco N.V.

On September 29, 1995, the Company entered into a second License Agreement with Trabelco N.V. covering many European countries. No sales have been reported under this License Agreement to date. This License Agreement expires on December 31, 1998. Trabelco N.V. has the option to renew this License Agreement for an additional 3 year period.

PART II OTHER INFORMATION

Item 4 Submission of Matters to Vote of Security Holders

The information reported under Part II, Item 4 (Submission of Matters to Vote of Security Holders) in the Form 10-Q filed for the period ended September 30, 1996 is incorporated herein by reference.

Item 6 (a) Exhibits Filed
27 Financial Data Schedule

(b) Reports on Form 8-K
There were no reports on Form 8-K filed by the Company during the period covered by this report.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

KOSS CORPORATION

Dated: 2/13/97	/s/ Michael J. Koss Michael J. Koss, President, Chief Executive Officer, Chief Financial Officer
Dated: 2/13/97	/s/ Sue Sachdeva Sue Sachdeva Vice President -- Finance

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