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 September 30, 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 September 30, 1996, there were 3,288,098 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
September 30, 1996

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 1996 (Unaudited)	June 30, 1996 (*)
ASSETS		
Current Assets:		
Cash	$440,311	$27,001
Accounts receivable	9,413,549	8,965,213
Inventories	11,451,637	8,777,216
Prepaid expenses	516,854	382,137
Deferred income taxes	517,946	517,946
Total current assets	22,340,297	18,669,513
Property and Equipment, net	2,416,724	2,344,341
Deferred Income Taxes	422,603	422,603
Intangible and Other Assets	555,276	568,800
	$25,734,900	$22,005,257
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$1,050,200	$1,327,915
Accrued liabilities	805,073	786,353
Income taxes payable	591,806	361,855
Total current liabilities	2,447,079	2,476,123
Long-Term Debt	3,620,000	470,000
Deferred Compensation and Other Liabilities	1,051,114	1,022,344
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	17,126,707	16,546,790
	$25,734,900	$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 STATEMENTS OF INCOME
(Unaudited)

Three Months Ended September 30	1996	1995
Net sales	$9,862,803	$9,588,544
Cost of goods sold	6,575,125	6,443,923
Gross profit	3,287,678	3,144,621
Selling, general and administrative expense	2,096,669	2,140,745
Income from operations	1,191,009	1,003,876
Other income (expense)		
Royalty income	268,485	388,992
Interest income	4,034	4,125
Interest expense	(42,279)	(27,168)
Income before income tax provision	1,421,249	1,369,825
Provision for income taxes	582,259	561,713
Net income	$838,990	$808,112
Number of common and common equivalent shares used in computing earnings per share	3,350,768	3,565,202
Earnings per common and common equivalent share	$0.25	$0.23
Dividends per common share	None	None

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended September 30	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$838,990	$808,112
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	225,290	225,746
Deferred compensation and other liabilities	28,770	28,770
Net changes in operating assets and liabilities	(3,310,497)	(2,667,654)
Net cash used in operating activities:	(2,217,447)	(1,605,026)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(277,673)	(92,553)
Net cash used in investing activities	(277,673)	(92,553)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under line of credit agreements	(3,395,000)	(2,650,000)
Borrowings under line of credit agreements	6,545,000	4,255,000
Purchase and retirement of common stock	(260,320)	--
Exercise of stock options	18,750	48,750
Net cash provided by financing activities	2,908,430	1,653,750
Net increase (decrease) in cash	413,310	(43,829)
Cash at beginning of year	27,001	49,227
Cash at end of quarter	$440,311	$5,398

See accompanying notes

KOSS CORPORATION AND SUBSIDIARIES
September 30, 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 September 30, 1996, and for all periods presented have been made.

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. The income from operations for the quarter ended September 30, 1996 is not necessarily indicative of the operating results for the full year.

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 45,919 and 68,070 related to stock option grants were included in the computation of the average number of shares outstanding in 1996 and 1995 respectively.

3. INVENTORIES

The classification of inventories is as follows:

	September 30, 1996	June 30, 1996
Raw materials and work in process	$7,189,409	$4,751,156
Finished goods	4,900,010	4,663,842
	12,089,419	9,414,998
LIFO Reserve	(637,782)	(637,782)
	$11,451,637	$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 September 30, 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 September 30, 1996 and June 30, 1996, respectively, the related liabilities in the amounts of $564,990 and $536,220 have been included in deferred compensation on the accompanying balance sheets.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
September 30, 1996

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash used by operating activities during the three months ended September 30, 1996 amounted to $2,217,447. Working capital was $19,893,218 at September 30, 1996. The increase of $3,699,828 from the balance at June 30, 1996 consists primarily of an increase in inventory. This increase is the result of anticipated higher sales volume in the upcoming Christmas season. 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 $277,673 for the quarter. 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 $17,126,707 at September 30, 1996, from $16,546,790 at June 30, 1996. The increase reflects primarily the income for the quarter. 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 September 30, 1996 totaled $3,827,938, consisting of $3,620,000 in borrowings and $207,938 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 of $474,784 in foreign letters of credit. The increase as of September 30, 1996 is the result of an increase in inventory due to anticipated higher sales volume for the upcoming Christmas season. 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. 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%. This credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. As of September 30, 1996, there were no borrowings outstanding against this line of credit. The due date for the line is October 31, 1997.

In April, 1995 the Board of Directors authorized the Company's purchase from time to time of its common stock for its own account utilizing the aforementioned $2,000,000 credit facility. In January of 1996, the Board of Directors approved an increase in the total amount of potential stock purchases for the Company's own account from $2,000,000 to $3,000,000. The Company intends to effectuate all stock purchases either on the open market or through privately negotiated transactions, and intends to finance all stock purchases through its own cash flow or by borrowing for such purchases. For the quarter ended September 30, 1996, the Company purchased 17,000 shares of its common stock at a price of $6.975 per share, and retired all such shares. The Company also purchased 9,678 shares of its common stock for allocation to the Company's Employee Stock Ownership Plan and Trust, for the fiscal year ended June 30, 1996, at a price of $6.975 per share.

Results of Operations

Net sales for the quarter ended September 30, 1996 were $9,862,803 compared with $9,588,544 for the same period in 1995, an increase of $274,259. Strong orders primarily in August and September resulted in the increase for the quarter.

Gross profit as a percent of net sales was 33% for the quarter ended September 30, 1996 compared with 33% in the prior year.

Selling, general and administrative expenses were $2,096,669 or 21% as against $2,140,745 or 22% in 1995.

For the quarter ended September 30, 1996, income from operations was $1,191,009 versus $1,003,876 in 1995. The $187,133 increase is primarily related to the increased sales volume.

Net interest expense amounted to $42,279 for the quarter as compared to $27,168 for the same period in the prior year. This increase is a result of increased borrowing for the quarter as compared to the same period last year.

The Company has a license agreement with Trabelco N.V., a subsidiary of Hagemeyer, N.V., 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 September 30, 1996 was $268,485 as compared to $388,992 for the same period in 1995. This decrease in royalty income is a result of Trabelco N.V. experiencing lower sales volumes on products under the license agreement. The license agreement expires December 31, 1997; however, it can be renewed for additional three year periods at the option of Trabelco N.V.

On September 29, 1995, the Company entered into a second License Agreement with Trabelco N.V. covering most European countries. At this time, no sales have been reported under this License Agreement.

PART II OTHER INFORMATION

Item 4 Submission of Matters to Vote of Security-Holders

(a) On October 24, 1996 an Annual Meeting of Stockholders was held.

(b) Proxies for the election of directors were solicited pursuant to Regulation 14, there was no solicitation in opposition to management's nominees, and all such nominees were elected.

(c) There were 3,288,098 shares of common stock eligible to vote at the Annual Meeting, of which 2,845,065 shares were present at the Annual Meeting in person or by proxy, which constituted a quorum. The following is a summary of the results of the voting:

	Number of Votes		Broker
	For	Withheld	Non-Votes
Nominees for 1-year terms ending in 1997:			
John C. Koss	2,822,647	22,418	0
Thomas L. Doerr	2,818,359	26,706	0
Victor L. Hunter	2,822,947	22,118	0
Michael J. Koss	2,822,347	22,718	0
Lawrence S. Mattson	2,818,859	26,206	0
Martin F. Stein	2,822,447	22,618	0
John J. Stollenwerk	2,822,947	22,118	0

		Number of Votes		Broker
	For	Against	Abstain	Non-Votes
Appointment of Price Waterhouse L.L.P. as independent auditors for the year ended June 30, 1997	2,828,987	4,270	11,808	0

Item 6 Exhibits and Reports on Form 8-K

(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: 11/13/96	/s/ John C. Koss John C. Koss, Chairman on behalf of the Registrant
Dated: 11/13/96	/s/ Michael J. Koss Michael J. Koss, President, Chief Executive Officer, Chief Financial Officer

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