Accounts Receivable:
During 2000, the Company entered into a receivables securitization program and sold trade receivables in securitization transactions to a special purpose subsidiary with principal aggregating $741 million. The subsidiary transfers positions in these receivables to conduits as the basis for issuing commercial paper. The subsidiary obtains receivables from the conduit for approximately 15 percent of a transferred position and receives cash for the remainder of the position. The Company receives annual servicing fees approximating .5 percent of the sold accounts receivable. The conduit investors and the special purpose subsidiary have no recourse to the Company's other assets for failure of debtors to pay when due. For the marketed receivables, the Company's retained interests are subordinated to the conduit's interests. The sold receivables servicing portfolio amounted to $355 million at December 31, 2000.

The table below summarizes certain cash flows received from and paid to the special purpose subsidiary for the year ended December 31, 2000:

$ Millions	
Proceeds from new securitizations	$219
Proceeds from collections reinvested in securitizations	385
Servicing fees received	2
Servicing advances	(12)

Inventories:
Inventories are stated at the lower of cost or net realizable value. Approximately 22 percent of domestic inventories (primarily heavy-duty and high horsepower engines and engine parts) are valued using the last-in, first-out (LIFO) cost method. All other inventories are valued using the first-in, first-out (FIFO) method. Inventories at December 31 were as follows:

$ Millions	2000	1999
Finished products	$404	$402
Work-in-process and raw materials	420	440
Inventories at FIFO cost	824	842
Excess of FIFO over LIFO	(54)	(55)
	$770	$787

Property, Plant and Equipment:
Property, plant and equipment are stated at cost. A modified units-of-production method, which is based upon units produced subject to a minimum level, is used to depreciate substantially all engine production equipment. The straight-line depreciation method is used for all other equipment. The estimated depreciable lives range from 20 to 40 years for buildings and 3 to 20 years for machinery, equipment and fixtures.

Long-Lived Assets:
The Company evaluates the carrying value of its long-lived assets for impairment whenever adverse events or changes in circumstances indicate that the carrying value of an asset may be impaired. In accordance with SFAS No. 121, if the quoted market price or, if not available, the undiscounted cash flows are not sufficient to support the recorded asset value, an impairment loss is recorded to reduce the carrying value of the asset to the amount of expected discounted cash flows. This same policy is followed for goodwill.

Software:
Internal and external software costs (excluding research, reengineering and training) are capitalized and amortized generally over 5 years. Capitalized software, net of amortization, was $110 million at December 31, 2000, $110 million at December 31, 1999 and $75 million at December 31, 1998. Total software amortization expense was $27 million in 2000, $18 million in 1999 and $8 million in 1998.

Earnings Per Share:
Basic earnings per share of common stock are computed by dividing net earnings by the weighted-average number of shares outstanding for the period. Diluted earnings per share are computed by dividing net earnings by the weighted-average number of shares, assuming the exercise of stock options when the effect of their exercise is dilutive. Shares of stock held by the employee benefits trust are not included in outstanding shares for EPS until distributed from the trust.

Millions, except per share amounts	Net Earnings (Loss)	Weighted Average Shares	Per Share
2000			
Basic	$ 8	38.2	$0.20
Options	-	-	
Diluted	$ 8	38.2	$0.20
1999			
Basic	$160	38.3	$4.16
Options	-	.3	
Diluted	$160	38.6	$4.13
1998			
Basic	$ (21)	38.5	$ (.55)
Options	-	-	
Diluted	$ (21)	38.5	$ (.55)