

Cloud Computing Implementation Costs

Standard/Description—Issuance date: August 2018. This guidance relates to a customer's accounting for implementation costs incurred in cloud-computing arrangements that are hosted by a vendor. Certain types of implementation costs should be capitalized and amortized over the term of the hosting arrangement.

Effective Date and Adoption Considerations—The guidance is effective January 1, 2020 and early adoption is permitted. The company adopted the guidance on January 1, 2019 on a prospective basis.

Effect on Financial Statements or Other Significant Matters—The guidance did not have a material impact in the consolidated financial results.

Reclassification of Certain Tax Effects from AOCI

Standard/Description—Issuance date: February 2018. In accordance with its accounting policy, the company releases income tax effects from AOCI once the reason the tax effects were established cease to exist (e.g., when available-for-sale debt securities are sold or if a pension plan is liquidated). This guidance allows for the reclassification of stranded tax effects as a result of the change in tax rates from U.S. tax reform to be recorded upon adoption of the guidance rather than at the actual cessation date.

Effective Date and Adoption Considerations—The guidance was effective January 1, 2019 with early adoption permitted. The company adopted the guidance effective January 1, 2018 and elected not to reclassify prior periods.

Effect on Financial Statements or Other Significant Matters—At adoption on January 1, 2018, \$2.4 billion was reclassified from AOCI to retained earnings, primarily comprised of amounts relating to retirement-related benefit plans.

Hedge Accounting

Standard/Description—Issuance date: August 2017. This guidance simplifies the application of hedge accounting in certain areas, better portrays the economic results of an entity's risk management activities in its financial statements and makes targeted improvements to presentation and disclosure requirements.

Effective Date and Adoption Considerations—The guidance was effective January 1, 2019 with early adoption permitted. The company adopted the guidance as of January 1, 2018.

Effect on Financial Statements or Other Significant Matters—The guidance did not have a material impact in the consolidated financial results.

Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

Standard/Description—Issuance date: March 2017. This guidance impacts the presentation of net periodic pension and postretirement benefit costs (net benefit cost). The service cost component of net benefit cost continues to be presented within

Cost, SG&A expense and RD&E expense in the Consolidated Income Statement, unless eligible for capitalization. The other components of net benefit cost are presented separately from service cost within other (income) and expense in the Consolidated Income Statement.

Effective Date and Adoption Considerations—The guidance was effective January 1, 2018 with early adoption permitted. The company adopted the guidance as of the effective date. This presentation change was applied retrospectively upon adoption.

Effect on Financial Statements or Other Significant Matters—The guidance is primarily a change in financial statement presentation and did not have a material impact in the consolidated financial results.

Financial Instruments—Recognition and Measurement

Standard/Description—Issuance date: January 2016. This guidance addresses aspects of recognition, measurement, presentation and disclosure of financial instruments. It requires certain equity investments to be measured at fair value with changes recognized in net income. The amendment also simplifies the impairment test of equity investments that lack readily determinable fair value.

Effective Date and Adoption Considerations—The guidance was effective January 1, 2018 and early adoption was not permitted except for limited provisions. The company adopted the guidance on the effective date.

Effect on Financial Statements or Other Significant Matters—The guidance did not have a material impact in the consolidated financial results.

Revenue Recognition—Contracts with Customers

Standard/Description—Issuance date: May 2014 with amendments in 2015 and 2016. Revenue recognition depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires specific disclosures relating to revenue recognition.

Effective Date and Adoption Considerations—The company adopted the guidance on its effective date of January 1, 2018 using the modified retrospective transition method.

Effect on Financial Statements or Other Significant Matters—At adoption, \$557 million was reclassified from notes and accounts receivable—trade and deferred income-current to prepaid expenses and other current assets to establish the opening balance for net contract assets. In-scope sales commission costs previously recorded in the Consolidated Income Statement were capitalized in deferred costs in the amount of \$737 million. Deferred income of \$29 million was recorded for certain software licenses that will be recognized over time versus at point in time under previous guidance. Additionally, net deferred taxes were reduced by \$184 million in the Consolidated Balance Sheet, resulting in a cumulative-effect net increase to retained earnings of \$524 million. In the fourth quarter of 2018, the company recognized an additional