Significant components of current and long-term deferred income taxes at December 31 follow (in millions):

	Current assets	Long-term assets	Long-term liabilities
1997			
Accruals and other adjustments			
Employee benefits	$ 45	$ 225	$ (11)
Depreciation and amortization		(189)	(12)
Other	109	49	
Operating loss carryforwards of non-United States subsidiaries		58	
Other items	9	15	12
Valuation allowance		(52)	
	$ 163	$ 106	$ (11)
1996			
Accruals and other adjustments			
Employee benefits	$ 57	$ 241	$ (5)
Depreciation and amortization		(190)	(10)
Other	102	43	
Operating loss carryforwards of non-United States subsidiaries		79	
Other items	6	32	4
Valuation allowance		(56)	
	$ 165	$ 149	$ (11)

At December 31, 1997, certain non-United States subsidiaries had operating loss carryforwards aggregating $165 million. Carryforwards of $134 million have no expiration dates and the balance expires at various dates from 1998 through 2005.

The Company has manufacturing facilities in Puerto Rico which operate under tax relief and other incentives that will no longer be available after 2005.

No provision has been made for income taxes on undistributed earnings of consolidated non-United States subsidiaries of $521 million at December 31, 1997, since the earnings retained have been reinvested by the subsidiaries. If distributed, such remitted earnings would be subject to withholding taxes but substantially free of United States income taxes.

Worldwide income tax payments in 1997, 1996 and 1995 (in millions) were $163, $154 and $166, respectively.

Other Information

Accounts Receivable Accounts receivable are net of an allowance for doubtful accounts (in millions) of $15 at the end of 1997 and 1996, respectively.

Inventories The components of inventories at December 31 follow (in millions):

	1997	1996
Raw materials	$ 258	$ 270
Work in process	330	312
Finished goods	235	240
Gross inventories at FIFO	823	822
Excess of current cost over LIFO cost	(89)	(93)
Net inventories	$ 734	$ 729

Gross inventories accounted for using the LIFO method (in millions) were $422 and $431 at the end of 1997 and 1996, respectively.

Excess of Cost Over Net Assets of Businesses Acquired Accumulated amortization of excess of cost over net assets of businesses acquired (in millions) was $148 and $162 at the end of 1997 and 1996, respectively.

Investments in Life Insurance The Company has company-owned life insurance policies insuring the lives of a portion of active United States employees. The policies accumulate asset values to meet future liabilities including the payment of employee benefits such as health care. At December 31, 1997 and 1996, the investment in the policies included in other assets (in millions) was $13 and $11, net of policy loans of $346 and $347, respectively. Net life insurance expense (in millions) of $8 in 1997, $9 in 1996 and $7 in 1995, including interest expense of $33, $35 and $27 in 1997, 1996 and 1995, respectively, is included in selling and administrative expense.

Lease Commitments Minimum rental commitments for 1998 under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, are $59 million and decline substantially thereafter.

Rental expense in 1997, 1996 and 1995 (in millions) was $78, $71 and $67, respectively.

Net Income per Common Share The Company adopted SFAS No. 128, 'Earnings Per Share', at the end of 1997. The calculation of net income per Common Share and net income per Common Share-assuming dilution follows:

(Millions except for per share data)	1997	1996	1995
Net income per Common Share			
Net income	$ 410	$ 349	$ 399
Average number of Common Shares outstanding	76.8	77.4	77.8
Net income per Common Share	$5.34	$4.50	$5.13
Net income per Common Share-assuming dilution			
Net income	$ 410	$ 349	$ 399
Average number of Common Shares outstanding	76.8	77.4	77.8
Dilutive effect of stock options	1.4	.8	.8
Total average number of Common Shares outstanding	78.2	78.2	78.6
Net income per Common Share-assuming dilution	$5.24	$4.46	$5.08

Options to purchase 920,000 shares of Common Shares were outstanding at the end of 1995 but were not included in the computation of net income per Common Share—assuming dilution since they would have had an antidilutive effect on earnings per share.

Recently Issued Accounting Pronouncements In June 1997, SFAS No. 130, 'Reporting Comprehensive Income', was issued. SFAS No. 130 establishes new standards for reporting comprehensive income and its components; however, the adoption of SFAS No. 130 will have no effect on net income or shareholders' equity. The Company must adopt SFAS No. 130 in the first quarter of fiscal year 1998. The Company expects that comprehensive income will not differ materially from net income, except for foreign currency translation adjustments included in comprehensive income, the effect of which could be material depending on future changes in foreign exchange rates.