In December 1993, in conjunction with the acquisition of DCBU, the Company recorded a $55 million acquisition integration charge ($34 million after income tax credits, or $.49 per Common Share). Part of a comprehensive business plan, the charge addressed the costs of integrating the ICPDO product lines and manufacturing operations with DCBU, related workforce reductions and a $9 million write-down of assets, largely in the United States. To date, expenditures and charges total $20 million with the remaining $35 million expected to occur primarily over the next three years. The remaining expenditures will be funded through cash flow from the combined operations.

On November 16, 1994, the Company acquired the common stock of Lectron Products, Inc. (Lectron) through the issuance of 1.6 million Common Shares. Lectron, a privately-held manufacturer of electronic and precision electromechanical controls for automotive manufacturers, had annual sales of $128 million for the most recent fiscal year. This acquisition was accounted for as a pooling-of-interests. Financial statements for periods prior to the acquisition were not restated for the acquisition since the effect would not be material.

During 1994, in conjunction with the acquisition of DCBU, the Company sold certain DCBU operations to Thomas & Betts Corporation (T&B) in exchange for cash aggregating $61 million and $14 million of T&B common stock. These divestitures resulted in no gain or loss.

During 1994, 1993 and 1992, the Company acquired and divested other smaller operations.

EXTRAORDINARY ITEM

During 1993, the Company called for redemption $74 million of 9% debentures and $89 million of 8.5% debentures. The extraordinary loss on these redemptions, including the write-off of unamortized debt issuance costs, was $11 million ($7 million after income tax credits, or $.10 per Common Share).

ACCOUNTING CHANGES

In 1992, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109, "Accounting for Income Taxes."

SFAS No. 106 requires accrual of postretirement benefits other than pensions, primarily postretirement health care and life insurance for retirees in the United States, over the working lives of employees rather than recognition of expenses as claims are incurred. Net income for 1992 was reduced by the cumulative effect of this accounting change for prior years of $442 million ($274 million after income tax credits, or $3.97 per Common Share). SFAS No. 106 has no effect on cash flows since claims will continue to be paid as incurred.

The adoption of SFAS No. 109 changed the method of accounting for income taxes to the liability method from the deferred method. The liability method requires recognition of deferred income taxes based on temporary differences between the financial reporting and income tax bases of assets and liabilities, using currently-enacted income tax rates and regulations. Net income for 1992 was increased by the cumulative effect of this accounting change for prior years of $6 million, or $.09 per Common Share. SFAS No. 109 has no effect on cash flows.

ACCOUNTS RECEIVABLE AND INVENTORIES

Accounts receivable are net of an allowance for doubtful accounts (in millions) of $14 and $10 at the end of 1994 and 1993, respectively.

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

	1994	*1993*
Raw materials	$213	$141
Work in process	358	238
Finished goods	216	139
Gross inventories at FIFO	787	518
Excess of current cost over LIFO cost	(89)	(84)
Net inventories at LIFO	$698	$434

Gross inventories accounted for using the LIFO method (in millions) were $367 and $314 at the end of 1994 and 1993, respectively.

INVESTMENT IN LIFE INSURANCE

In 1993, the Company purchased 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, 1994 and 1993, the investment in the policies included in other assets (in millions) was $10 and $7, net of policy loans of $226 and $110, respectively. Net life insurance expense (in millions) of $5 and $2, including interest expense of $15 and $4 in 1994 and 1993, respectively, was included in selling and administrative expense.

DEBT AND OTHER FINANCIAL INSTRUMENTS

The Company's subsidiaries outside the United States have lines of credit, primarily short-term, aggregating $115 million from various banks worldwide. Most of these arrangements are reviewed periodically for renewal. At December 31, 1994, the Company had $19 million outstanding under these lines of credit with banks. The weighted average interest rate on short-term debt, excluding immaterial amounts for highly inflationary countries, at December 31, 1994 and 1993 was 6.8% and 8.1%, respectively.

Long-term debt at December 31, excluding the current portion, follows (in millions):

	1994	*1993*
Notes of Employee Stock Ownership Plan due through 1999	$ 66	$ 82
6-3/8% notes due 1999	100	
9% notes due 2001	100	100
8% debentures due 2006 (due 1996 at option of debenture holders)	86	86
8.9% debentures due 2006	100	100
7% debentures due 2011, net of unamortized discount of $93 million in 1994 and $95 million in 1993 (effective interest rate 14.6%)	107	105
8-7/8% debentures due 2019 (due 2004 at option of debenture holders)	38	38
8.1% debentures due 2022	100	100
7-5/8% debentures due 2024	100	
Unsecured notes (6% to 6.4%)	210	
Other	46	38
	$1,053	$ 649