

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

CUMMINS INC.

For the Quarter Ended March 31, 2002

Commission File Number 1-4949

Indiana

35-0257090

(State or Other Jurisdiction of Incorporation
or Organization)

(IRS Employer Identification No.)

500 Jackson Street, Box 3005

Columbus, Indiana

47202-3005

(Address of Principal Executive Offices) (Zip code)

812-377-5000

(Registrants Telephone Number)

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 proceeding 12 months and (2) has been subject to such filing requirements for the past 90 days:

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

As of March 31, 2002, there were 41.4 million shares of \$2.50 par value common stock outstanding.

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Description of Amendment

Footnote 1. to the consolidated financial statements, Goodwill and Other Intangible Assets has been amended to exclude any reference to the independent appraisal firm that we engaged to provide valuation services for our reporting units.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

CUMMINS INC.

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

Three Months Ending

<u>\$ Millions, except per share amounts</u>	<u>March 31 2002</u>	<u>March 25 2001</u>
Net sales	\$ 1,333	\$ 1,349
Cost of goods sold	<u>1,107</u>	<u>1,117</u>
Gross margin	<u>226</u>	<u>232</u>
Selling and administrative expenses	186	183
Research and engineering expenses	56	53
Joint ventures and alliances (income) expense	-	(2)
Other (income) expense, net	<u>(1)</u>	<u>4</u>
Earnings (loss) before interest and income taxes	<u>(15)</u>	<u>(6)</u>
Interest expense	14	23
Income tax benefit	(9)	(7)
Minority interest	3	4
Dividends on preferred securities of subsidiary trust	<u>6</u>	<u>-</u>
Net earnings (loss)	\$ (29) =====	\$ (26) =====
Basic earnings (loss) per share	\$ (.75)	\$ (.68)
Diluted earnings (loss) per share	(.75)	(.68)
Cash dividends declared per share	.30	.30

The accompanying notes are an integral part of the consolidated financial statements.

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CUMMINS INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

<u>\$ Millions</u>	<u>March 31 2002</u>	<u>December 31* 2001</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 93	\$ 92
Receivables, net of allowance of \$9	742	656
Inventories	708	688
Other current assets	<u>199</u>	<u>199</u>
	<u>1,742</u>	<u>1,635</u>
Investments and other assets		
Investments in and advances to joint ventures & alliances	214	216
Other assets	<u>118</u>	<u>125</u>
	<u>332</u>	<u>341</u>
Property, plant and equipment	2,980	3,008
Less accumulated depreciation	<u>1,612</u>	<u>1,603</u>
	<u>1,368</u>	<u>1,405</u>
Goodwill	343	343

Deferred income taxes	422	422
Other intangibles and deferred charges	<u>184</u>	<u>189</u>
Total assets	<u>\$4,391</u> =====	<u>\$4,335</u> =====
Liabilities and shareholders' investment		
Current liabilities		
Loans payable	\$ 101	\$ 21
Current maturities of long-term debt	134	9
Accounts payable	433	366
Other accrued expenses	<u>522</u>	<u>574</u>
	<u>1,190</u>	<u>970</u>
Long-term debt	<u>784</u>	<u>915</u>
Other liabilities	<u>1,053</u>	<u>1,051</u>
Minority interest	<u>85</u>	<u>83</u>
Cummins obligated mandatorily redeemable convertible preferred securities of subsidiary trust holding solely convertible subordinated debentures of Cummins	<u>291</u>	<u>291</u>
Shareholders' investment		
Common stock, \$2.50 par value, 150 million shares authorized 48.4 and 48.6 million shares issued	121	121
Additional contributed capital	1,125	1,131
Retained earnings	525	567
Accumulated other comprehensive income	(331)	(326)
Common stock in treasury, at cost, 7.0 and 7.2 million shares	(281)	(289)
Common stock held in trust for employee benefit plans, 2.8 and 2.9 million shares	(137)	(140)
Unearned compensation	<u>(34)</u>	<u>(39)</u>
	<u>988</u>	<u>1,025</u>
Total liabilities and shareholders' investment	<u>\$4,391</u> =====	<u>\$4,335</u> =====

**Derived from audited financial statements.*

The accompanying notes are an integral part of the consolidated financial statements.

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CUMMINS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

<u>\$ Millions</u>	<u>March 31 2002</u>	<u>March 25 2001</u>
Cash flows from operating activities		
Net earnings (loss)	<u>\$ (29)</u>	<u>\$ (26)</u>
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:		
Depreciation and amortization	54	59
Restructuring and other actions	(7)	(12)
Equity in losses of joint ventures and alliances	7	2
Changes in assets and liabilities:		

Receivables	(105)	(47)
Net proceeds from (reduction of) receivables sold	35	(26)
Inventories	(31)	(3)
Accounts payable and accrued expenses	45	93
Income taxes payable	(18)	(10)
Other	<u>6</u>	<u>13</u>
Net cash provided by (used in) operating activities	<u>(43)</u>	<u>43</u>
Cash flows provided by (used in) financing activities		
Property, plant and equipment:		
Additions	(18)	(62)
Disposals	2	1
Investments in and advances to joint ventures and alliances	(6)	(23)
Other	<u>-</u>	<u>1</u>
Net cash used in investing activities	<u>(22)</u>	<u>(83)</u>
Net cash used in operating and investing activities	<u>(65)</u>	<u>(40)</u>
Cash flows provided by (used in) financing activities		
Payments on borrowings	(1)	(4)
Net borrowings under short-term credit agreements	81	96
Dividend payments on common stock	(12)	(12)
Other	<u>(1)</u>	<u>(8)</u>
Net cash provided by financing activities	<u>67</u>	<u>72</u>
Effect of exchange rate changes on cash & cash equivalents	<u>(1)</u>	<u>-</u>
Net change in cash and cash equivalents	1	32
Cash and cash equivalents at beginning of year	<u>92</u>	<u>62</u>
Cash and cash equivalents at the end of quarter	\$ 93	\$ 94
	=====	=====
Cash payments during the quarter		
Interest	\$ 26	\$ 34
Income taxes	10	2

The accompanying notes are an integral part of the consolidated financial statements.

CUMMINS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Note 1. Summary of Accounting Policies:

The consolidated financial statements for the interim periods ended March 31, 2002 and March 25, 2001 have been prepared in conformity with accounting principles generally accepted in the United States. The interim period financial statements include estimates and assumptions that affect reported amounts based upon currently available information and management's judgment of current conditions and circumstances. Management believes the statements and disclosures include all adjustments of a normal recurring nature necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. It is recommended interim financial statements be read in conjunction with the consolidated financial statements that are included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2001. Certain amounts for prior periods have been reclassified to conform to the current period financial statements. Results for the interim periods presented are not necessarily indicative of those to be expected for the fiscal year.

Income Tax Accounting:

The Company determines its provision for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits of tax loss and credit carryforwards are also recognized as deferred tax assets. Deferred tax assets are reduced by a valuation allowance to the extent the Company concludes there is uncertainty as to their ultimate realization. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that the change is enacted. The provision for income taxes during interim reporting periods is based upon the estimated annual effective tax rate for the taxable jurisdictions in which the Company operates.

Inventories:

Inventories are stated at the lower of cost or net realizable value. At December 31, 2001, approximately 22 percent of domestic inventories (primarily heavy-duty and high-horsepower engines and parts) were valued using the last-in, first-out (LIFO) cost method. Other inventories are generally valued using the first-in, first-out (FIFO) cost method. Inventories at interim reporting dates include estimates for adjustments related to the Company's annual physical inventory and for the change in the cost of inventories valued using the LIFO cost method.

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Goodwill and Other Intangible Assets - Recently Adopted Accounting Standard:

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets" concurrent with SFAS No. 141, "Business Combinations". SFAS No. 142 addresses financial accounting and reporting for goodwill and intangible assets. The Statement requires Cummins to discontinue the amortization of goodwill and other intangible assets having indefinite useful lives and establishes criteria in which existing goodwill is reallocated to applicable reporting units for purposes of performing annual impairment tests using a fair-value-based analysis.

As required by SFAS No. 142, the Company applied this new accounting standard on January 1, 2002 to its previously recognized goodwill and intangible assets. At December 31, 2001, the Company's net goodwill related to consolidated entities was approximately \$343 million. For purposes of impairment testing, goodwill was assigned to the following reporting units: \$332 million to a component within the Filtration and Other reporting segment, \$6 million to a component within the Engine Business reporting segment and \$5 million to the International Distributor reporting segment. During the first quarter 2002, the Company completed the first step of the transitional goodwill impairment test which compares the fair value of the Company's reporting units to the carrying value of the net assets of the reporting units as of January 1, 2002. For each of our reporting units, the estimated fair value was determined utilizing the expected present value of the future cash flows of the units. Based upon the results of this analysis, the Company has concluded that the fair value of each of the reporting units exceeded its carrying, or book value, including goodwill, and no impairment existed at the time of adopting SFAS No. 142. As a result, the Company has not recognized any transitional impairment loss. The provisions of SFAS No. 142 that apply to other intangible assets were not material to the Company.

As required by SFAS No. 142, our *Consolidated Statement of Earnings* for periods prior to its adoption have not been restated. However, the effect on net earnings and earnings per share of excluding goodwill amortization is shown in the table below:

<u>\$ Millions, except per share amounts</u>	<u>March 31 2002</u>	<u>March 25 2001</u>
Net earnings (loss)		
As reported	\$ (29)	\$ (26)
Goodwill amortization	<u>-</u>	<u>3</u>
Net earnings (loss) as adjusted	<u>\$ (29)</u>	<u>\$ (23)</u>
Basic earnings (loss) per share		
As reported	\$ (.75)	\$ (.68)
Goodwill amortization	<u>-</u>	<u>.07</u>
As adjusted	<u>\$ (.75)</u>	<u>\$ (.61)</u>
Diluted earnings (loss) per share		
As reported	\$ (.75)	\$ (.68)
Goodwill amortization	<u>-</u>	<u>.07</u>
As adjusted	<u>\$ (.75)</u>	<u>\$ (.61)</u>

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Earnings Per Share:

Basic earnings per share (EPS) of common stock is computed by dividing net earnings (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or securities were exercised or converted into common stock and the effect of the exercise or conversion was dilutive. Shares of common stock held by the Company's Retirement Savings Plan are excluded from weighted average shares outstanding for EPS calculation until distributed from the trust.

<u>\$ Millions, except per share amounts</u>	<u>March 31 2002</u>	<u>March 25 2001</u>
Net earnings (loss)	\$ (29)	\$ (26)
Weighted average shares outstanding		
Basic	38.5	38.2
Dilutive effect of options	-	-
Diluted	<u>38.5</u>	<u>38.2</u>
Net earnings (loss) per share		
Basic	\$ (.75)	\$ (.68)
Diluted	<u>(.75)</u>	<u>(.68)</u>

For the three months ended March 31, 2002, and March 25, 2001, approximately .2 million and .1 million shares, respectively, attributable to the exercise of outstanding common stock options were excluded from the calculation of diluted EPS because the effect was antidilutive. In addition, 6.3 million shares attributable to the conversion of the Company's Preferred Securities of Subsidiary Trust, issued in June 2001, were also excluded from the calculation of diluted EPS for the three months ended March 31, 2002 because the effect was antidilutive.

The weighted average diluted common shares outstanding for March 31, 2002 and March 25, 2001 excludes the effect of approximately 2.6 million and 5.9 million common stock options, respectively, since such options have an exercise price in excess of the average market value of Cummins common stock for the quarters ending March 31, 2002 and March 25, 2001.

Note 2. Restructuring, Asset Impairment and Other Charges:

During the fourth quarter of 2000, the Company announced restructuring plans in response to the downturn in the North American heavy-duty truck market and related conditions and recorded restructuring charges of \$160 million (\$103 million after tax). The charges included workforce reduction costs of \$42 million related to approximately 1,430 employees, \$102 million for asset impairments (including \$30 million for internally developed software) and \$16 million associated with exit costs to close or consolidate a number of small business operations. In the fourth quarter 2001, the Company realigned its workforce reduction plan and reallocated \$3 million of excess liabilities for workforce reduction actions to recent workforce reduction actions committed during that quarter. As of March 31, 2002, \$23 million of restructuring charges remained in accrued liabilities. The Company expects to complete this restructuring action in 2002.

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In the second quarter of 2001, as a result of the continuing downturn in the North American heavy-duty truck market and related conditions, the Company announced further restructuring actions and recorded charges of \$125 million (\$84 million after tax). The charges included \$14 million attributable to workforce reduction actions, \$110 million for asset impairment and \$1 million attributed to the divestiture of a small business operation. Of this charge, \$118 million was associated with the Engine Business, \$5 million with the Power Generation Business and \$2 million with the Filtration and Other Business. The asset impairment charge was for equipment, tooling and related investment supporting a new engine development program that was cancelled during the quarter. The charges included the investment in manufacturing equipment previously capitalized and cancellation charges for outstanding capital and tooling purchase commitments. The charge was reduced by the estimated salvage value related to the planned equipment disposals. Workforce reduction actions included overall reductions in staffing levels and the impact of divesting a small business operation. The charges included severance costs and related benefits of terminating approximately 400 salaried and 150 hourly employees and were based on amounts pursuant to established benefit programs or statutory requirements of the affected operations. As of March 31, 2002, \$2 million remained in accrued liabilities for this action. The Company expects to complete this restructuring in 2002.

The table below summarizes the major components and activity of these restructuring actions from the fourth quarter, 2000 through March 31, 2002:

<u>\$ Millions</u>	<u>Workforce Reduction</u>	<u>Asset Impairment</u>	<u>Facility Consolidation and Exit Costs</u>	<u>Total</u>
Balance at October 25, 2000	\$ -	\$ -	\$ -	\$ -
Charged to expense	42	102	16	160

Payments	(5)	-	-	(5)
Write-off of assets	<u>-</u>	<u>(68)</u>	<u>-</u>	<u>(68)</u>
Balance at December 31, 2000	37	34	16	87
Charged to expense	14	110	1	125
Payments	(23)	(37)	(13)	(73)
Write-off of assets	<u>-</u>	<u>(107)</u>	<u>-</u>	<u>(107)</u>
Balance at December 31, 2001	28	-	4	32
Payments	<u>(5)</u>	<u>-</u>	<u>(2)</u>	<u>(7)</u>
Balance at March 31, 2002	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 25</u>
	=====	=====	=====	=====

Note 3. Other (Income) Expense:

The major components of other (income) expense included in the *Consolidated Statement of Earnings* are shown below:

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<u>\$ Millions</u>	<u>March 31</u> <u>2001</u>	<u>March 25</u> <u>2001</u>
Amortization of intangibles	\$ -	\$ 3
Interest income	(3)	(3)
Rental income	(1)	(1)
Foreign currency losses	4	3
Sale of scrap	(1)	(1)
Bank charges	1	1
Other, net	<u>(1)</u>	<u>2</u>
Total	<u>\$ (1)</u>	<u>\$ 4</u>
	=====	=====

Note 4. Derivatives and other Financial Instruments:

The Company is exposed to financial risk resulting from volatility in foreign exchange rates, commodity prices and interest rates. This risk is closely monitored and managed through the use of financial derivative contracts. As stated in the Company's policies and procedures, financial derivatives are used expressly for hedging purposes, and under no circumstances are they used for speculation or trading. Transactions are entered into only with banking institutions that have strong credit ratings, and thus the credit risk associated with these contracts is not considered significant. The status and results of hedging program activities are reported to senior management on a periodic basis. The following table summarizes the Company's outstanding derivatives by risk category and instrument type:

	<u>March 31, 2002</u>		<u>March 25, 2001</u>	
<u>\$ Millions</u>	<u>Notional</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>	<u>Notional</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Foreign Currency:				
Forward Contracts	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 197</u>	<u>\$ (1)</u>
Interest Rate:				
Swaps	<u>225</u>	<u>3</u>	<u>-</u>	<u>-</u>
Commodity Price:				
Fixed Price Swap	<u>9</u>	<u>-</u>	<u>7</u>	<u>-</u>

\$ 356	\$ 3	\$ 204	\$ (1)
=====	====	=====	=====

Foreign Exchange Contracts

Due to its international business presence, Cummins uses foreign exchange forward contracts to manage its exposure to exchange rate volatility. Foreign exchange net monetary balance sheet exposures are aggregated and hedged at the corporate level. These derivative contracts are not designated as hedges under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". The fair value gains or losses from these foreign currency derivatives are recognized directly in earnings, and generally offset foreign exchange gains or losses on the exposures being managed. Maturities on these instruments generally fall within the one-month and six-month range. As of March 31, 2002, approximately 88 percent of the notional amount of the forward contracts shown in the table above were attributable to three currencies, the British Pound (35 percent), the Euro (19 percent) and the Australian Dollar (34 percent). As of March 25, 2001, approximately 91 percent of the contracts were attributable to the same currencies, the British Pound (60 percent), the Euro (24 percent) and the Australian Dollar (7 percent).

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Interest Rate Swaps

The Company manages its exposure to interest rate fluctuations through the use of interest rate swaps. The objective of the swaps is to more effectively balance borrowing costs, interest rate risk and reduce financing costs. Currently, the Company has in place one interest rate swap relating to Cummins 6.45% Notes that mature in 2005. The swap converts \$225 million notional amount from fixed rate debt into floating rate debt and matures in 2005. The interest rate swap is designated as a fair value hedge of the fixed rate debt. As the critical terms of the swap and the debt are the same, the swap is assumed to be 100 percent effective and the fair value gains on the swap are completely offset by the fair value adjustment to the underlying debt.

In March 2001, the Company terminated three fixed-to-floating interest rate swap agreements related to Cummins 6.25% Notes with principal amount of \$125 million due in 2003 and 6.45% Notes with principal amount of \$225 million due in 2005. The termination of these swaps resulted in a \$9 million gain. The gain is being amortized to earnings as a reduction of interest expense over the remaining life of the debt. The amount of gain recognized in first quarter, 2002 and for the year ended December 31, 2001 was \$.7 million and \$2.5 million, respectively.

Commodity Price Swaps

Cummins is exposed to fluctuations in commodity prices due to contractual agreements with component suppliers. In order to protect itself against future price volatility and, consequently, fluctuations in gross margins, the Company enters into fixed price swaps with certain designated banks. All such derivative contracts are designated as cash flow hedges and the ineffective portion of the hedge is recognized in earnings.

Note 5. Business Segments and Geographic Information:

The Company has four reportable business segments: Engine, Power Generation, Filtration and Other and International Distributor. This reporting structure is organized according to the products and markets each segment serves and allows management to focus efforts on providing enhanced service to a wide range of customers. In the fourth quarter of 2001, the Company realigned its reporting structure and created a new business segment, International Distributor. As a result, certain historical business segment data has been reclassified to reflect this change.

	<u>Engine</u>	<u>Power Generation</u>	<u>Filtration & Other</u>	<u>International Distributor</u>	<u>Eliminations</u>	<u>Total</u>
-						
\$ Millions						
March 31, 2002						
Net sales	\$ 776	\$ 283	\$ 228	\$ 124	\$ (78)	\$ 1,333
Earnings (loss) before interest and taxes	(19)	(15)	18	1	-	(15)
Net assets	761	332	639	170	-	1,902
March 25, 2001						
Net sales	\$ 768	\$ 309	\$ 215	\$ 133	\$ (76)	\$ 1,349
Earnings (loss) before interest and taxes	(34)	8	16	4	-	(6)
Net assets	1,069	486	699	216	-	2,470

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A reconciliation of the segment information to the corresponding amounts in the Consolidated Financial Statements is shown in the table below:

<u>\$ Millions</u>	<u>March 31 2002</u>	<u>March 25 2001</u>
Earnings (loss) before interest and taxes for business segments	\$ (15)	\$ (6)
Interest expense	14	23
Income tax benefit	(9)	(7)
Minority interest	3	4
Dividends on preferred securities of subsidiary trust	<u>6</u>	<u>-</u>
Net earnings (loss)	<u>\$ (29)</u>	<u>\$ (26)</u>
Net assets for business segments	\$ 1,902	\$ 2,470
Liabilities deducted in arriving at net assets	1,910	1,683
Deferred tax assets not allocated to segments	560	423
Debt-related costs not allocated to segments	<u>19</u>	<u>19</u>
Total assets	<u>\$ 4,391</u>	<u>\$ 4,595</u>

Note 6. Comprehensive loss:

Comprehensive loss, which includes all changes in shareholders' investment during the period except transactions with shareholders, was as follows:

<u>\$ Millions</u>	<u>March 31 2002</u>	<u>March 25 2001</u>
Net earnings (loss)	\$ (29)	\$ (26)
Other comprehensive income (loss), net of tax:	(6)	(25)
Foreign currency translation adjustment	<u>1</u>	<u>-</u>
Unrealized gain (loss) on derivatives	<u>1</u>	<u>-</u>
Comprehensive income	<u>\$ (34)</u>	<u>\$ (51)</u>

Note 7. Contingencies and Environmental Compliance

The Company and its subsidiaries are defendants in a number of pending legal actions, including actions related to use and performance of the Company's products. The Company's engine products are also subject to extensive statutory and regulatory requirements that directly or indirectly impose standards with respect to emissions and noise. A more complete description of Cummins legal contingencies and environmental compliance is disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. The Company has reviewed the status of the disclosures contained in its Form 10-K and believes there are no material changes except for the following:

On April 1, 2002 the Company received certification from the U.S. Environmental Protection Agency (EPA) for its ISX diesel truck engine. The certification affirms Cummins compliance with stringent new emission standards that become effective October 1, 2002. The standards were established in a consent decree entered into by Cummins and other diesel engine manufacturers in October 1998. In issuing the certification, the EPA also affirmed the use of Auxiliary Emissions Control Devices (AECD) as submitted by Cummins. Existing law permits the use of AECD's when engine protection is necessary under certain operating conditions. AECD's are used in engines throughout the industry today and are approved as part of the EPA regulations and certification process.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: /s/Susan K. Carter
Susan K. Carter
Vice President - Corporate Controller
(Chief Accounting Officer)

October 17, 2002