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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(AMENDMENT NO. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the Quarterly Period Ended September 30, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 0-14278

MICROSOFT CORPORATION
(Exact name of registrant as specified in its charter)

Washington	91-1144442
(State or other	(I.R.S. Employer
jurisdiction of	Identification No.)
incorporation or	
organization)	

One Microsoft Way, Redmond, Washington 98052-6399
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (425) 882-8080

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 preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

The number of shares outstanding of the registrant's common stock as of
February 28, 2002 was 5,416,006,543.

Pursuant to this Form 10-Q/A, the registrant amends "Item 1. Financial
Statements--Cash Flows Statement for the Three Months Ended September 30, 2001"
of Part I--Financial Information of its Quarterly Report on Form 10-Q for the
quarterly period ended September 30, 2001 to correct a clerical error in the
amount of Unearned revenue formerly reported as \$1,104 million and the amount
of Recognition of unearned revenue formerly reported as \$(914) million for the
Three Months Ended September 30, 2001. This change had no impact on Net cash
from operations. Besides the changes to the Cash Flows Statement and the number
of shares outstanding listed above, no other changes have been made to the Form
10-Q for the quarterly period ended September 30, 2001.

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Part I. Financial Information

Item 1. Financial Statements

MICROSOFT CORPORATION

Income Statements

(In millions, except earnings per share) (Unaudited)

	Three Months Ended Sept. 30	
	2000	2001
Revenue	\$5,766	\$6,126
Operating expenses:		
Cost of revenue	825	884
Research and development	956	1,013
Sales and marketing	1,038	1,145
General and administrative	170	187
Total operating expenses	2,989	3,229
Operating income	2,777	2,897
Losses on equity investees and other	(52)	(30)
Investment income/(loss)	1,127	(980)
Income before income taxes	3,852	1,887
Provision for income taxes	1,271	604
Income before accounting change	2,581	1,283
Cumulative effect of accounting change (net of income taxes of \$185)	(375)	-
Net income	\$2,206	\$1,283
Basic earnings per share:		
Before accounting change	\$ 0.49	\$ 0.24
Cumulative effect of accounting change	(0.07)	-
	\$ 0.42	\$ 0.24
Diluted earnings per share:		
Before accounting change	\$ 0.46	\$ 0.23
Cumulative effect of accounting change	(0.06)	-
	\$ 0.40	\$ 0.23
Weighted average shares outstanding:		
Basic	5,299	5,398
Diluted	5,557	5,567

See accompanying notes.

MICROSOFT CORPORATION

Balance Sheets
(In millions)

	June 30 2001	Sept. 30 2001 (1)
Assets		
Current assets:		
Cash and equivalents	\$ 3,922	\$ 3,113
Short-term investments	27,678	33,050
Total cash and short-term investments	31,600	36,163
Accounts receivable	3,671	3,615
Deferred income taxes	1,949	1,993
Other	2,417	2,561
Total current assets	39,637	44,332
Property and equipment, net	2,309	2,261
Equity investments	14,361	12,035
Goodwill	1,511	1,511
Intangible assets, net	401	394
Other assets	1,038	834
Total assets	\$59,257	\$61,367
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,188	\$ 1,143
Accrued compensation	742	586
Income taxes	1,468	2,131
Unearned revenue	5,614	5,849
Other	2,120	3,153
Total current liabilities	11,132	12,862
Deferred income taxes	836	-
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital - shares authorized 12,000; outstanding 5,383 and 5,386	28,390	29,296
Retained earnings, including accumulated other comprehensive income of \$587 and \$621	18,899	19,209
Total stockholders' equity	47,289	48,505
Total liabilities and stockholders' equity	\$59,257	\$61,367

(1) Unaudited

See accompanying notes.

MICROSOFT CORPORATION

CASH FLOWS STATEMENTS
(In millions) (Unaudited)

	Three Months Ended Sept. 30	
	2000	2001
Operations		
Net income.....	\$ 2,206	\$ 1,283
Cumulative effect of accounting change, net of tax....	375	--
Depreciation, amortization, and other noncash items...	250	282
Net recognized (gains)/ losses on investments.....	(599)	1,517
Stock option income tax benefits.....	453	415
Deferred income taxes.....	734	(839)
Unearned revenue.....	1,457	2,069
Recognition of unearned revenue.....	(1,507)	(1,879)
Accounts receivable.....	116	69
Other current assets.....	(211)	(39)
Other long-term assets.....	(61)	122
Other current liabilities.....	(253)	389
Net cash from operations.....	2,960	3,389
Financing		
Common stock issued.....	375	391
Common stock repurchased.....	(1,752)	(1,125)
Put warrant proceeds.....	81	--
Net cash used for financing.....	(1,296)	(734)
Investing		
Additions to property and equipment.....	(245)	(150)
Purchases of investments.....	(13,723)	(16,020)
Maturities of investments.....	1,570	861
Sales of investments.....	8,462	11,840
Net cash used for investing.....	(3,936)	(3,469)
Net change in cash and equivalents.....	(2,272)	(814)
Effect of exchange rates on cash and equivalents.....	67	5
Cash and equivalents, beginning of period.....	4,846	3,922
Cash and equivalents, end of period.....	\$ 2,641	\$ 3,113

MICROSOFT CORPORATION

Stockholders' Equity Statements
(In millions) (Unaudited)

	Three Months Ended Sept. 30	
	2000	2001

Common stock and paid-in capital		
Balance, beginning of period	\$23,195	\$28,390
Common stock issued	3,055	609
Common stock repurchased	(123)	(118)
Proceeds from sale of put warrants	81	-
Stock option income tax benefits	453	415

Balance, end of period	26,661	29,296

Retained earnings		
Balance, beginning of period	18,173	18,899

Net income	2,206	1,283
Other comprehensive income:		
Cumulative effect of accounting change	(75)	-
Net gains/(losses) on derivative instruments	432	(51)
Net unrealized investment gains/(losses)	(484)	46
Translation adjustments and other	59	39

Comprehensive income	2,138	1,317
Common stock repurchased	(1,629)	(1,007)

Balance, end of period	18,682	19,209

Total stockholders' equity	\$45,343	\$48,505
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See accompanying notes.

Basis of Presentation

In the opinion of management, the accompanying balance sheets and related interim statements of income, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring items, as well as the accounting changes to adopt Statement of Financial Accounting Standards (SFAS) 133, Accounting for Derivative Instruments and Hedging Activities, SFAS 141, Business Combinations, and SFAS 142, Goodwill and Other Intangible Assets, necessary for their fair presentation in conformity with U.S. generally accepted accounting principles. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples include provisions for returns, concessions and bad debts, and the length of product life cycles and buildings' lives. Actual results may differ from these estimates. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Microsoft Corporation 2001 Form 10-K. Certain reclassifications have been made for consistent presentation.

Accounting Changes

Effective July 1, 2000, Microsoft adopted SFAS 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The adoption of SFAS 133 resulted in a pre-tax reduction to income of \$560 million (\$375 million after-tax) and a pre-tax reduction to other comprehensive income (OCI) of \$112 million (\$75 million after-tax).

Effective July 1, 2001, Microsoft adopted SFAS 141 and SFAS 142. SFAS 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. It also specifies the types of acquired intangible assets that are required to be recognized and reported separate from goodwill. SFAS 142 requires that goodwill and certain intangibles no longer be amortized, but instead tested for impairment at least annually. There was no impairment of goodwill upon adoption of SFAS 142.

Net income and earnings per share for the first quarter of fiscal 2001 adjusted to exclude amortization expense (net of taxes) is as follows:

(In millions, except earnings per share)	Three Months Ended Sept. 30, 2000

Net income:	
Reported net income	\$2,206
Goodwill amortization	56
Equity method goodwill amortization	5

Adjusted net income	\$2,267
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Basic earnings per share:	
Reported basic earnings per share	\$0.42
Goodwill amortization	0.01
Equity method goodwill amortization	-

Adjusted basic earnings per share	\$0.43
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Diluted earnings per share:	
Reported diluted earnings per share	\$0.40
Goodwill amortization	0.01
Equity method goodwill amortization	-

Adjusted diluted earnings per share	\$0.41
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During the first quarter of fiscal 2002, no goodwill was acquired, impaired, or

written off. As of September 30, 2001, Desktop and Enterprise Software and Services goodwill was \$1.10 billion, Consumer Software, Services, and Devices goodwill was \$256 million, and Consumer Commerce Investments goodwill was \$151 million.

All of Microsoft's acquired intangible assets are subject to amortization. During the first quarter of fiscal 2002, the Company acquired \$35 million in contract-based intangible assets and \$13 million in technology-based intangible assets, which will be amortized over approximately 3 years. No

significant residual value is estimated for these intangible assets. Intangible assets amortization expense for the first quarter of fiscal 2002 was \$55 million. The components of intangible assets were as follows:

(In millions)	June 30, 2001		Sept. 30, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract-based	\$407	\$ (177)	\$442	\$ (215)
Technology-based	157	(27)	170	(38)
Marketing-related and other	83	(42)	83	(48)
Intangible assets	\$647	\$ (246)	\$695	\$ (301)

Intangible assets amortization expense is estimated to be \$142 million for the remainder of fiscal 2002, \$125 million in fiscal 2003, \$87 million in fiscal 2004, \$38 million in fiscal 2005, and \$2 million in fiscal 2006.

Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of outstanding put warrants using the "reverse treasury stock" method and outstanding stock options using the "treasury stock" method.

The components of basic and diluted earnings per share were as follows:

Earnings Per Share

(In millions, except earnings per share)

	Three Months Ended	
	2000	2001
Income before accounting change (A)	\$2,581	\$1,283
Cumulative effect of accounting change	(375)	-
Net income available for common shareholders	\$2,206	\$1,283
Weighted average outstanding shares of common stock (B)	5,299	5,398
Dilutive effect of:		
Put warrants	10	-
Employee stock options	248	169
Common stock and common stock equivalents (C)	5,557	5,567
Earnings per share before accounting change:		
Basic (A/B)	\$ 0.49	\$ 0.24
Diluted (A/C)	\$ 0.46	\$ 0.23

Unearned Revenue

A portion of Microsoft's revenue is earned ratably over the product life cycle or, in the case of subscriptions, over the period of the license agreement.

End users receive certain elements of the Company's products over a period of time. These elements include browser technologies and technical support. Consequently, Microsoft's earned revenue reflects the recognition of the fair value of these elements over the product's life cycle. The percentage of revenue recognized ratably ranges from approximately 15% to 25% of Windows desktop operating systems and approximately 10% to 20% of desktop applications, depending on the terms and conditions of the license and prices of the elements.

Product life cycles are currently estimated at three years for Windows operating systems and 18 months for desktop applications. The Company also sells subscriptions to certain products via maintenance and certain organization license agreements. At September 30, 2001, unearned revenue was \$5.85 billion, compared to \$4.77 billion at September 30, 2000. Desktop Applications unearned revenue was \$2.39 billion, compared to \$1.68 billion at September 30, 2000. Desktop Platforms unearned revenue was \$2.66 billion, compared to \$2.36 billion at September 30, 2000.

Enterprise Software and Services unearned revenue was \$470 million, compared to \$400 million at September 30, 2000. Unearned revenue associated with Consumer Software, Services, and Devices and Other was \$325 million, compared to \$328 million a year ago.

Stockholders' Equity

The Company repurchases its common shares in the open market to provide shares for issuance to employees under stock option and stock purchase plans. During the first quarter of fiscal 2001 and 2002, the Company repurchased 25.5 million and 21.6 million shares of Microsoft common stock.

Operational Transactions

On July 16, 2001, USA Networks, Inc. (USA) announced an agreement to acquire a controlling interest in Expedia, Inc. through the purchase of up to 37.5 million shares, approximately 75% of the current outstanding shares. If holders of more than 37.5 million Expedia shares elect to sell their shares to USA, there will be a pro rata reduction among all of those electing shareholders. Microsoft has agreed to transfer all of its 33.7 million shares and warrants, subject to pro-ration. It is expected that the transaction will close by December 31, 2001.

Investment Income/(Loss)

The components of investment income/(loss) are as follows:

(In millions)	Three Months Ended	
	2000	2001
		Sept. 30
-----	-----	-----
Dividends	\$ 97	\$ 88
Interest	431	449
Recognized net gains/(losses) on investments	599	(1,517)
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Investment income/(loss)	\$1,127	\$ (980)
=====	=====	=====

Contingencies

The Company is a defendant in U.S. v. Microsoft, a lawsuit filed by the Antitrust Division of the U.S. Department of Justice (DOJ) and a group of eighteen state Attorneys General alleging violations of the Sherman Act and various state antitrust laws. After the trial, the District Court entered Findings of Fact and Conclusions of Law stating that Microsoft had violated Sections 1 and 2 of the Sherman Act and various state antitrust laws. A Judgment was entered on June 7, 2000 ordering, among other things, the breakup of Microsoft into two companies. The Judgment was stayed pending an appeal. On June 28, 2001, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part, reversed in part, and vacated the Judgment in its entirety and remanded the case to the District Court for a new trial on one Section 1 claim and for entry of a new judgment consistent with its ruling. In its ruling, the Court of Appeals substantially narrowed the bases of liability found by the District Court, but affirmed some of the District Court's conclusions that Microsoft had violated Section 2. On September 6, 2001, the plaintiffs announced that on remand they will not ask the Court to break Microsoft up, that they will seek imposition of conduct remedies, and that they will not retry the one Section 1 claim returned to the District Court by the Court of Appeals. On August 7, 2001, Microsoft petitioned the Supreme Court for a writ of certiorari to review the appellate court's ruling concerning its disqualification of the District Court judge. The Supreme Court denied the petition on October 9, 2001. Microsoft may petition the Supreme Court to review other aspects of the appellate court's decision after final judgment is entered. On October 12, 2001, the trial court held a status conference and entered orders requiring the parties to engage in settlement discussions until November 2, 2001. If no settlement is reached by that date, the parties will begin discovery leading to an evidentiary hearing on remedies on March 11, 2002.

In other ongoing investigations, the DOJ and several state Attorneys General have requested information from Microsoft concerning various issues. In addition, the European Commission has instituted proceedings in which it alleges that Microsoft has failed to disclose information that Microsoft competitors claim they need to interoperate fully with Windows 2000 clients and servers and has engaged in discriminatory licensing of such technology. The remedies sought, though not fully defined, include mandatory disclosure of Microsoft Windows operating system technology and imposition of fines. Microsoft denies the European Commission's allegations and intends to contest the proceedings.

vigorously.

A large number of overcharge class action lawsuits have been initiated against Microsoft. These cases allege that Microsoft has competed unfairly and unlawfully monopolized alleged markets for operating systems and certain software applications and seek to recover alleged overcharges that the complaints contend Microsoft charged for these products. Microsoft believes the claims are without merit and is vigorously defending the cases. To date, Microsoft has won dismissals of all claims for damages by indirect purchasers under Federal law and in 15 separate state court proceedings. Claims on behalf of foreign purchasers have also been dismissed. Plaintiffs have appealed most of these rulings. While no trials or other proceedings have been held concerning any liability issues, courts in several states have ruled that these cases may proceed as class actions, while one court has denied class certification status to the claims in that state proceeding.

A purported class action employment discrimination case is pending against Microsoft, *Donaldson v. Microsoft*, a single action consolidating three separately filed class action complaints filed in October 2000 and February 2001 in Federal court in Seattle, Washington. The Donaldson plaintiffs purport to represent a nationwide class of current and former African American and female Microsoft employees and seek injunctive relief, an unspecified amount of compensatory and punitive damages, and attorneys' fees. The Donaldson plaintiffs allege that Microsoft's compensation, evaluation, and promotion policies are discriminatory with respect to the plaintiffs in violation of Title VII of the 1964 Civil Rights Act and 42 U.S.C. (S) 1981. A class certification hearing was held before the district court on October 19, 2001 and a decision is expected shortly. Microsoft denies the allegations and is vigorously defending the case.

The Securities and Exchange Commission is conducting a non-public investigation into the Company's accounting reserve practices. Microsoft is also subject to various legal proceedings and claims that arise in the ordinary course of business.

Management currently believes that resolving these matters will not have a material adverse impact on the Company's financial position or its results of operations.

Segment Information

(In millions)

Three Months Ended Sept. 30	Desktop and Enterprise Software and Services	Consumer Software, Services, and Devices	Consumer Commerce Investments	Other	Reconciling Amounts	Consolidated
2000						
Revenue	\$5,119	\$ 463	\$ 63	\$156	\$ (35)	\$5,766
Operating income (loss)	3,385	(261)	(39)	20	(328)	\$2,777
2001						
Revenue	\$5,433	\$ 484	\$ 94	\$126	\$ (11)	\$6,126
Operating income (loss)	3,413	(318)	6	16	(220)	2,897

Desktop and Enterprise Software and Services Revenue:

(In millions)	Three Months Ended Sept. 30	
	2000	2001
Desktop Applications	\$2,075	\$2,212
Desktop Platforms	1,992	2,016
Desktop Software	4,067	4,228
Enterprise Software and Services	1,052	1,205
Total Desktop and Enterprise Software and Services	\$5,119	\$5,433

Microsoft has four segments: Desktop and Enterprise Software and Services; Consumer Software, Services, and Devices; Consumer Commerce Investments; and Other. Desktop and Enterprise Software and Services operating

segment includes Desktop Applications, Desktop Platforms, and Enterprise Software and Services. Desktop Applications include Microsoft Office; Microsoft Project; Visio; client access licenses for Windows NT Server and Windows 2000 Server, Exchange, and BackOffice; Microsoft Great Plains; and bCentral. Desktop Platforms include Windows 2000 Professional, Windows NT Workstation, Windows Millennium Edition (Windows Me), Windows 98, and other desktop operating systems. Enterprise Software and Services includes Server Platforms; Server Applications; developer tools and services; and Enterprise services. Consumer Software, Services, and Devices operating segment includes MSN Internet access, MSN network services, PC and online games, Xbox, learning and productivity software, mobility and embedded systems. Consumer Commerce Investments operating segment includes Expedia, Inc., the HomeAdvisor online real estate service, and the CarPoint online automotive service. Other primarily includes Hardware and Microsoft Press.

Segment information is presented in accordance with SFAS 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company's internal organization and disclosure of revenue and operating income based upon internal accounting methods. The Company's financial reporting systems present various data for management to run the business, including internal profit and loss statements (P&Ls) prepared on a basis not consistent with generally accepted accounting principles. Assets are not allocated to segments for internal reporting presentations.

Reconciling items for revenue include certain elements of unearned revenue and the treatment of certain channel inventory amounts and estimates. In addition to the reconciling items for revenue, reconciling items for operating income/(loss) include general and administrative expenses (\$170 million in 2000 and \$187 million in 2001), certain research expenses (\$39 million in 2000 and \$37 million in 2001), and other corporate level adjustments. The internal P&Ls use accelerated methods of depreciation and amortization. Additionally, losses on equity investees and minority interest are classified in operating income for internal reporting presentations.

SIGNATURE

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.

MICROSOFT CORPORATION

By: /S/ JOHN G. CONNORS

John G. Connors
Senior Vice President; Chief
Financial Officer
(Principal Financial and
Accounting Officer
and Duly Authorized Officer)

Date: March 25, 2002