**Accounting and Reporting Treatment Made by Ford Motor Company**

**Introduction**

Intangible assets is presented under non-current/long-term assets segment in the balance sheet of a company. Intangible assets are long-term resources without physical substance (presence or attributes) that provide future benefits to the company (Kieso, Weygandt and Warfield, 2016). *ASC 350: Intangibles - Goodwill and Other* applies to accounting for intangible assets.

This paper aims to review the accounting and reporting treatment made by Ford Motor Company with respect to intangible assets in its financial statement. Ford Motor Company, founded in 1903, is an American based multinational automobile company (Ford Motor, 2019). The financial statements of Ford Motor for Financial Year 2018 has been prepared and presented accordance to Generally Accepted Accounting Principle (GAAP) (FS-8, Annual Report 2018 of Ford Motor).

**Accounting and Reporting Treatment of Intangible Assets Made by Ford Motor**

***Accounting Treatment of Intangible Assets under GAAP***

*ASC 350: Intangibles - Goodwill and Other* provides guidelines for recognition, measurement, and disclosure of intangible assets (Kieso, Weygandt and Warfield, 2016). Intangible assets as identifiable monetary assets without physical substance. Items that can be recognized as intangible assets include goodwill, brand name, patent, publishing title, franchise, import quota, marketing right etc.

An intangible asset is recognized when there be probable future economic benefits from costs that can be reliability measured (Ernst & Young*,* 2019). *ASC 350: Intangibles - Goodwill and Other* prohibits recognition of internally generated goodwill, brand, mastheads, customer lists and publishing rights. Goodwill is only recognized in business combination (covered under ASC 805- *Business Combinations*). Initial recognition of assets should be made at cost. Upon recognition, intangible assets are measured and carried out its costs less any accumulated amortization and any accumulated impairment losses. Expenditure incurred in research and development phase are expensed as incurred except development cost incurred in software development (for internal or external purpose; software development cost can be capitalized once technological feasibility is established). No revaluation of intangible assets is permitted under GAAP (Ernst & Young*,* 2019). Intangible assets with finite lives are amortized over useful life and intangible assets with infinite lives are tested for impairment. *ASC 350: Intangibles - Goodwill and Other* requires detailed disclosure of each class of intangible assets, method of amortization used, useful lives & amortization rates considered, and a reconciliation of beginning & ending carrying amount (opening carrying value, addition, disposal, amortization, impairment, and ending carrying value) (Ernst & Young*,* 2019).

***Accounting Treatment for Intangible Assets Made by Ford Motor***

Net carrying value of goodwill of the company at 31 December 2017 and 2018 were USD 75 million and USD 264 million respectively (FS-11, Annual Report 2018 of Ford Motor). Goodwill of USD 230 million resulted in from acquisition of Autonomic, TransLoc, and Skinny Labs in 2018. Goodwill impairment during period was USD 40 million as a result of decision to cease operations by Chariot (FS-11, Annual Report 2018 of Ford Motor).

Net carrying value of other intangible assets of the company at 31 December 2017 and 2018 were USD 213 million and USD 178 million respectively (FS-11, Annual Report 2018 of Ford Motor). Other intangible assets of Ford Motor comprises of licensing & advertising agreements, land rights, patents, customer contracts, and technology (FS-11, Annual Report 2018 of Ford Motor).

The company tests impairment of indefinite-lived intangible assets and goodwill annually or more frequently if required (when events and circumstances indicate possible impairment). Finite-lived intangible assets are amortized over their useful lives.

***My Judgments and Observations***

Intangible assets and goodwill of the company have been recognized as per *ASC 350: Intangibles - Goodwill and Other*. According to the requirements of standard, intangibles assets have been only recognized when – (i) there were probable future economic benefits from assets and (ii) cost of assets were measured reliably. Overall intangible assets recognition of Ford Motor seems quite ok except software. Software is supposed to recognize as intangible assets in consideration of its nonphysical nature. In consolidated balance sheet of Ford Motor, software cost has been recognized as tangible asset and shown under net property head (FS-35, Annual Report 2018 of Ford Motor). Net carrying value of software at 31 December 2017 and 2018 were USD 3118 million and USD 3349 million respectively (FS-35, Annual Report 2018 of Ford Motor). Amortization expense has been recognized on software in consideration of 8 years useful life. No justification to consider software as intangible asset is not provided in disclosure requirement. Ford Motor should reconsider recognition criteria taken into consideration during recording of software as tangible assets and provide detail disclosure regarding this issue for better understanding of users.

Intangible assets and goodwill of the company have been measured as per *ASC 350: Intangibles - Goodwill and Other*. Indefinite-lived intangible assets and goodwill were subject to impairment test. Amortization expense has been charged on Finite-lived intangible assets. Intangible assets are at carrying value (costs less any accumulated amortization and any accumulated impairment losses). No revaluation of intangible assets has been made.

Proper disclosures have not been made with respect to intangible assets and goodwill accordance to *ASC 350: Intangibles - Goodwill and Other*. In consolidated Balance sheet Intangible assets and goodwill is reported under ‘Other Assets’ in non-current assets segment of consolidated balance sheet of Ford Motor. In consideration of the significance of the item, intangible assets should be disclosed as a separate line item in the consolidated balance sheet. As well, no detailed disclosure each class of intangible assets, method of amortization used, useful lives & amortization rates considered, and a reconciliation of beginning & ending carrying amount (opening carrying value, addition, disposal, amortization, impairment, and ending carrying value) has not been made. Reporting standard always provide emphasis on detailed and extensive disclosure for more communicative value of financial statements to its users (Kieso, Weygandt and Warfield, 2016). Ford Motor should consider to improve disclosure of the intangible assets.

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| **Judgment Criteria** | **Remark** |
| Recognition as per standard | Ok except software |
| Measurement as per standard | Ok |
| Disclosure as per standard | Need more detailed and extensive disclosure. |

**Conclusion**

Intangible assets are non-physical assets having maturity of more than one years. *ASC 350: Intangibles - Goodwill and Other* guides the recognition, measurement, and disclosure of intangible assets. Intangible assets of Ford Motor include licensing & advertising agreements, land rights, patents, customer contracts, technology, and goodwill. Recognition of intangible assets is as per accounting principle except software. Measurement is done according to prescribed rules under principle. Disclosures made with respect to intangible assets are not extensive and detailed.

**References**

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