



# Differences in Depre Convertible Bonds U and IFRS

# Depreciation overview under

	GAAP	IFRS
Relevant guidance	ASC 360	IAS 16 and 40
Depreciation	Component depreciation is permitted, but is not used often	Depreciation of individual components is required when the components' lives are different

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# Audi's financial statement (IFRS) company treat Depreciati

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payment on account and assets under construction	Total
<b>Cost</b>					
Balance at Jan. 1, 2015	28,489	37,873	53,922	5,607	126,890
Foreign exchange differences	35	22	56	113	226
Changes in consolidated Group	129	37	44	0	210
Additions	992	1,777	4,283	5,748	12,800
Transfers	1,565	1,746	383	-4,713	-18
Disposals	173	1,622	1,216	38	3,277
<b>Balance at Dec. 31, 2015</b>	<b>31,036</b>	<b>39,866</b>	<b>58,243</b>	<b>7,717</b>	<b>136,832</b>
<b>Depreciation and impairment Balance at Jan. 1, 2015</b>	<b>11,906</b>	<b>26,722</b>	<b>42,000</b>	<b>36</b>	<b>80,721</b>
Foreign exchange differences	12	21	35	-6	69
Changes in consolidated Group	4	23	38	-	115
Additions to cumulative depreciation	108	2,691	4,539	-	8,178
Additions to cumulative impairment losses	6	107	382	58	553
Transfers	-1	71	-65	-1	3
Disposals	125	1,561	1,284	0	2,970
Reversal of impairment losses	0	1	1	7	10
<b>Balance at Dec. 31, 2015</b>	<b>12,789</b>	<b>28,148</b>	<b>45,645</b>	<b>79</b>	<b>86,661</b>
<b>Carrying amount at Dec. 31, 2015</b>	<b>18,247</b>	<b>11,688</b>	<b>12,597</b>	<b>7,638</b>	<b>50,171</b>
of which assets leased under finance leases Carrying amount at Dec. 31, 2015	345	12	36	-	393

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# Ford's financial statement (GAAP)

## how the company treat Depre

Assets					
Fiscal year is January-December. All values USD Millions.					
	2017	2016	2015	2014	2013
Cash & Short Term Investments	38,927	38,827	35,176	31,156	16,569
Cash Only	18,492	15,905	14,272	11,757	14,468
Short-Term Investments	20,435	22,922	20,904	20,000	22,100
Cash & Short Term Investments Growth	0.26%	10.38%	12.92%	-14.82%	-
Cash & ST Investments / Total Assets	15.10%	16.32%	15.41%	14.93%	18.10%
Total Accounts Receivable	63,049	57,591	101,975	92,819	87,309
Accounts Receivables, Net	62,809	57,368	97,975	92,819	87,309
Accounts Receivables, Gross	63,818	58,714	102,343	93,140	87,666
Bad Debt/Doubtful Accounts	(1,009)	(81)	(373)	(321)	(357)
Other Receivables	240	223	-	-	-
Accounts Receivable Growth	9.48%	-43.52%	9.86%	6.31%	-
Accounts Receivable Turnover	1.47	1.44	1.47	1.55	1.68
Inventories	10,277	8,854	8,319	7,870	7,708
Finished Goods	6,717	5,943	5,254	5,026	5,058
Raw Materials	4,397	3,843	4,005	3,859	3,613
Progress Payments & Other	(899)	(888)	(940)	(1,015)	(963)
Other Current Assets	3,649	3,145	-	-	-
Miscellaneous Current Assets	3,649	3,145	-	-	-
Total Current Assets	115,902	108,461	145,470	131,839	131,585
Net Property, Plant & Equipment	63,562	60,901	57,256	53,343	47,600



# Disclosure of Depre

## ○ GAAP requires the following:

- Depreciation expense for the period
- Balance of major classes of depreciable assets, by nature of assets
- Accumulated depreciation, by the main classes of depreciable assets, at the balance sheet date
- A broad explanation of the method or methods applied in computing depreciation for the important classes of depreciable assets

## ○ IFRS require that:

- depreciation be “systematic,” rather than “systematic and rational”
- the estimated useful lives and residual values, and the depreciation expense for each year.

U.S. GAAP only requires this review when events or circumstances have changed (Cardozo, 2013).

## Convertible Bonds overview und

A conversion feature can add a lot of value for potential bondholders who can take advantage of future company growth

- ❑ Under US GAAP:
  - **Convertible bond** can be given up for a certain number of shares or dividends of common stock, typically at the option of the bondholder (Barth et al., 2013).
  - The worth of a conversion feature is not recorded alone when such bonds are distributed, which means the journal entry for the issuance is the same as the that for a straight bond, together with any discount or premium.
- ❑ Under international accounting standards (IFRS), the worth of the conversion feature is recorded alone with the bond obligation (Spiceland et al., 2016).



# Audi's financial statement (IFRS) explaining o treat Convertible Bonds

## CONVERSION PRICES AND PERIODS FOR EACH TRANCHE OF THE SHARE OPTION PLAN

in €	1st tranche	2nd tranche	3rd tranche	4th tranche	5th tranche
Base conversion price	69.48	41.82	59.43	51.52	
Conversion price					
as from June 11, 2001	76.43				
as from October 31, 2001	79.90				
as from July 14, 2002		46.00			
as from publication of quarterly report as at September 30, 2002	83.38	48.09			
as from July 14, 2003			65.37		
as from publication of quarterly report as at September 30, 2003	84.85	50.18	68.34		
as from June 19, 2004				56.67	
as from publication of quarterly report as at September 30, 2004		52.28	71.32	59.25	
as from July 12, 2005					
as from publication of quarterly report as at September 30, 2005			74.29	61.82	
as from publication of quarterly report as at September 30, 2006				64.40	
as from publication of quarterly report as at September 30, 2007					
Beginning of conversion period	June 11, 2001	July 14, 2002	July 14, 2003	June 19, 2004	July 12, 2005
End of conversion period	June 4, 2004	July 6, 2005	July 6, 2006	June 11, 2007	July 4, 2008

# Ford's financial statement (GAAP) explain company treat Convertible Bo

## FORD MOTOR COMPANY AND SUBSIDIARIES NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17. RETIREMENT BENEFITS (Continued)

The fair value of our defined benefit pension plan assets (including dividends and interest receivable and \$93 million for U.S. and non-U.S. plans, respectively) by asset category at December 31 was as follows:

Asset Category	2016							
	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Assets measured NAV (a)	Total	Level 1	Level 2	Level 3
<b>Equity</b>								
U.S. companies	\$ 2,353	\$ 6	\$ —	\$ —	\$ 2,359	\$ 1,614	\$ 93	\$ —
International companies	1,457	13	1	7	1,484	1,278	360	—
Total equity	3,810	25	1	7	3,843	2,892	453	—
<b>Fixed Income</b>								
U.S. government and agencies	5,157	3,700	—	—	8,187	433	57	—
Non-U.S. government	—	1,343	—	—	1,343	—	11,171	—
Corporate bonds	—	20,637	13	—	20,650	—	2,352	—
Mortgage/other asset-backed	—	855	—	—	855	—	242	—
Commingled funds	—	—	—	153	153	—	379	—
Derivative financial instruments, net	27	(213)	—	—	(186)	5	28	—



## Disclosure of Convertible Bonds u

Subject	GAAP
Debt — presentation of debt issue cost	For the obligations carried at paid cost, debt issue costs be benefited from an asset
Convertible debt — Separation of the conversion option	A conversion option is sepa only in specific circumstand
Written options put on an entity's own equity	Accounted for at fair value

# Conclusion

IFRS use a "trigger" value,  
which is the greater of the  
asset's fair value

GAAP uses undiscounted  
cash flows



Under IFRS, the impairment  
loss represents the difference  
between the book value  
and the "trigger" value





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