

Disclosure analysis paper essay sample



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Disclosures are an important part of the financial reporting for publically traded corporations. The following analysis will look at the Ford Motor Company's disclosures relating to the company's current assets of cash equivalents, inventory, and receivables. Disclosures can be found in the Ford Motor Company's financial statements and they will help the readers to have a better understanding of the financial data. The sections of the company's disclosures will be analyzed in detail throughout this paper.

The Ford Motor Company uses a table of contents titled Financial Content for their significant disclosures so that the reader of the financial statements can easily find whatever he or she may be looking for. The type of disclosure is listed along with a page number where the precise information can be found. The disclosures for the Ford Motor Company's assets are very precise. In 2013, Ford Motor had a historical year with advancing every part of the long-term strategy for a profitable growth and winning more than three dozen awards for performance, design, value and innovation in 2013. In 2013, Ford Motor was able to deliver solid earnings, made many strategic investments around the world, and strengthened the balance sheet. The first note to the reader talks about reconciliations between consolidated and sector financial statements, which is the difference between the total assets and total liabilities that are presented on the sector balance sheet and the consolidated balance sheet by netting the deferred income tax assets and liabilities.

Ford Motor gives information about the accounting standards that have been issued. The standard deals with business combinations, a standard that is issued by the Financial Accounting Standards Board (FASB). The standard

for business combinations according to Ford Motors Company's Annual Report deals with " the disclosure of supplemental pro forma information for business combinations that occur during the current year" (Ford Motor Company Annual Report, 2013). Another accounting standard that is used deals with financial services-insurance. This standard was put into place by the FASB and it addresses the deferral of acquisition costs within the insurance industry. Basically the standard changed or modified the type of costs in a company that can be capitalized in the renewal and acquisition of insurance industry. In section four of the notes, it contains information regarding the Fair Value Measurements.

According to Ford Motor Company/Annual Report, " Cash equivalents, marketable securities, and derivative financial instruments are presented on our financial statements at fair value" (Ford Motor Company Annual Report, 2013). The note continues to explain where the reader of the Ford Motor Company financial statements would be able to find the fair value of debt, finance receivables, along with the carrying value related to these receivables and debt. According to Ford Motor Company/Annual Report (2013), " High liquid investments with a maturity of 90 days or less at date of purchase are classified as cash and cash equivalents. Investments in securities with a maturity date of greater than 90 days at date of purchase are classified as marketable securities" (Ford Motor Company annual report, 2013).

Note five deals with restricted cash disclosures. This note informs the reader of the financial statements that restricted cash would not include cash used to secure debt set up because of securitization business deals. According to <https://assignbuster.com/disclosure-analysis-paper-essay-sample/>

Ford Motor Company/Annual Report (2013) “ the financial services sector restricted cash balances primarily to include cash held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements” (Ford Motor Company, 2013). Also discussed in this section is how restricted cash does not include the required minimum balances or cash securing debt through a transaction of securitization.

On the Ford Motor Company financial statements commercial paper, bank accounts, marketable securities, money market funds, and treasury bills are elements in the cash and cash equivalent sections of the financial statements. All of these elements are considered highly liquid and are to be used by the Ford Motor Company for short-term needs, if required. The last note, note nine, deals with inventories. This disclosure states that the company’s inventories are stated at what is lower between market and cost. Also stated is that a large part of the United States inventories cost are determined by a last-in, first-out (LIFO) inventory method. First-in, first-out (FIFO) inventory method is used for determining cost for their other inventories.

In conclusion the Ford Motor Company’s financial statements contain a great deal of information and included in this information are the disclosures. All the company’s disclosures were placed in their financial statements to help the reader with understanding the financial statements, as well as, making an educated evaluation and informed decisions about the Ford Motor Company and their financial statements.

References

Ford Motor Company Annual Report, (2013). Retrieved from
<http://corporate.ford.com/annual-report-2013/index>