Ford Motor Company

Technical Director -- File Reference No. 2013-300
Financial Accounting Standards Board
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File Reference: Comments on Exposure Draft, Disclosure of Uncertainties about an Entity’s Going Concern Presumption

Ford Motor Company ("Ford"), a global automotive industry leader based in Dearborn, Michigan, manufactures or distributes automobiles across six continents. Ford Motor Credit Company LLC ("Ford Credit"), an indirect, 100% owned subsidiary of Ford, is one of the world’s largest automotive finance companies. We file consolidated financial statements with the SEC reflecting two business sectors, Automotive and Financial Services. Ford Credit also files financial statements as a separate SEC registrant.

We appreciate the opportunity to comment on the FASB’s Exposure Draft, "Disclosure of Uncertainties about an Entity’s Going Concern Presumption". We have responded to certain questions included in the FASB’s Exposure Draft and have provided our comments in the Attachment. Specifically,

- We believe there is considerable overlap between the proposed disclosures and the disclosures presently required to be provided in the Management’s Discussion and Analysis section of the SEC registrant’s Form 10-K and Form 10-Q.
- We are concerned about the confidentiality and auditability of the proposed disclosures, specifically as it results in disclosures of some forward-looking information.
- We urge the FASB and IASB ("Boards") to work together in developing converged accounting guidance for the disclosure of uncertainties about an entity’s going concern presumption with a consistent timeline for adoption of the final standards.

We appreciate your consideration of our comments.

Sincerely,

Susan M. Callahan
Director, Americas Accounting

Attachment
Ford Motor Company
Disclosure of Uncertainties about an Entity’s Going Concern Presumption
Responses to Selected Questions

Question 6: For SEC registrants, the proposed footnote disclosures would include aspects of reporting that overlap with certain SEC disclosure requirements (including those related to risk factors and MD&A, among others). The Board believes that the proposed footnote disclosures would have a narrower focus on going concern uncertainties compared with the SEC’s disclosure requirements. Do you agree? Why or why not? What differences, if any, will exist between the information provided in the proposed footnote disclosures and the disclosures required by the SEC? Is the redundancy that would result from this proposal appropriate? Why or why not?

While we agree that the proposed footnote disclosures would have a narrower focus on going concern uncertainties when compared with the SEC’s existing disclosure requirements, we do not believe the proposed disclosure requirements would provide an incremental benefit to users of the financial statements. We presently disclose in our Management’s Discussion and Analysis (“MD&A”) section of the Form 10-K information about trends and uncertainties that are reasonably likely to have a material effect on our liquidity, capital resources and results of operations, as required by the SEC. We also disclose our most significant risk factors in MD&A, which illustrates conditions and events that could potentially give rise to the inability for us to meet our obligations if they occur. The aforementioned disclosures we provide in our MD&A section can help our investors in their assessment of our going concern uncertainties. In the event that it is determined that an SEC registrant meets the disclosure threshold or there is substantial doubt about its going concern presumption according to the proposed amendments, the content of the proposed footnote disclosures would significantly overlap with the existing disclosures imposed by the SEC in the MD&A. We feel that it would be appropriate to continue to require that this information be disclosed by entities in the MD&A, but not in the footnotes to the financial statements.

Question 8: The proposed footnote disclosures about going concern uncertainties would result in disclosure of some forward-looking information in the footnotes. What challenges or consequences, if any, including changes in legal liability for management and its auditors, do you anticipate entities may encounter in complying with the proposed disclosure guidance? Do you foresee any limitations on the type of information that preparers would disclose in the footnotes about going concern uncertainties? Would a higher threshold for disclosures address those concerns?

We foresee an increased legal liability in disclosing forward-looking information in the footnotes as required by the FASB’s proposed guidance. Recognizing the potential pitfalls of providing forward-looking information (as opposed to reporting factual historical data), Congress passed the Private Securities Litigation Reform Act of 1995 (PSLRA) to protect registrants from baseless lawsuits premised on forward-looking statements. Although the same concerns underlying the PSLRA safe harbor provisions would arguably apply to any forward-looking statements required to be included in the financial statements by this proposed ASU, the PSLRA explicitly limited its scope to information outside of the financial statements (carving out disclosures “included in a financial statement prepared in accordance with generally accepted accounting principles” at 15 USC Section 78u-5(b)(2)(A)). We are concerned that requiring forward-looking disclosures in the financial statements, without the accompanying protection of safe harbor provisions, would undermine the PSLRA’s goal of providing a clear route to dismissal of baseless lawsuits premised upon forward-looking information.

We also foresee auditing concerns regarding the disclosure of forecast data in the footnotes to the financial statements since it would be forward-looking and subjective, especially when lengthening the auditing literature’s 12-month horizon to 24 months after the financial statement date.
Question 12: The proposed amendments would require an entity to assess its potential inability to meet its obligations as they become due for a period of 24 months after the financial statement date. Is this consideration period appropriate? Is it appropriate to distinguish the first 12 months from the second 12 months as proposed in the amendments? Why or why not?

We believe that the consideration period used in the proposed amendments should be consistent between U.S. GAAP and IFRS. Under IFRS, financial statements are prepared on a going concern basis “unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so”. Disclosures start when management is aware of material uncertainties related to events or conditions that may cast significant doubt on an entity’s ability to continue as a going concern. In addition, under IFRS, the consideration period is at least 12 months from the financial statement date with no upper time limit. We believe that the proposed amendments should converge toward existing IFRS accounting guidance for going concern uncertainty disclosures, with the exception that the required disclosures should be included in the MD&A section rather than in the footnotes to the financial statements. There should not be an upper time limit regarding the disclosure of material uncertainties, as any material uncertainty should be disclosed in the MD&A section, regardless of the consideration period that it covers. We also suggest the FASB explicitly define the term “material uncertainty” and incorporate it into the proposed amendments.