

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable Securities

Investments in debt securities with a maturity date greater than three months at the date of purchase and other debt securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified and accounted for as either trading or available-for-sale marketable securities. Equity securities with a readily determinable fair value are classified and accounted for as trading marketable securities.

Realized gains and losses, interest income, and dividend income on all of our marketable securities and unrealized gains and losses on securities not classified as available for sale are recorded in *Other income/(loss), net*. Unrealized gains and losses on available-for-sale securities are recognized in *Unrealized gains and losses on securities*, a component of *Other comprehensive income/(loss), net of tax*. Realized gains and losses and reclassifications of accumulated other comprehensive income into net income are measured using the specific identification method.

On a quarterly basis, we review our available-for-sale debt securities for credit losses. We compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, we determine if a credit loss allowance is necessary. If a credit loss allowance is necessary, we will record an allowance, limited by the amount that fair value is less than the amortized cost basis, and recognize the corresponding charge in *Other income/(loss), net*. Factors we consider include the severity of the impairment, the reason for the decline in value, interest rate changes, and counterparty long-term ratings.

Trade, Notes, and Other Receivables

Trade, notes, and other receivables consist primarily of receivables from contracts with customers for the sale of vehicles, parts, and accessories. The current portion of trade and notes receivables is reported in *Trade and other receivables, net*. The non-current portion of notes receivables is reported in *Other assets*. Trade and notes receivables are initially recorded at transaction cost. Trade receivables are typically outstanding for 30 days or less. Each reporting period, we evaluate the collectibility of the trade and notes receivables and record an allowance for credit losses representing our estimate of the expected losses that result from all possible default events over the expected life of the receivables. Additions to the allowance for credit losses are made by recording charges to bad debt expense reported in *Selling, administrative, and other expenses* and *Cost of sales*. Trade and notes receivables are written off against the allowance for credit losses when the account is deemed to be uncollectible.

Net Intangible Assets and Goodwill

Indefinite-lived intangible assets and goodwill are not amortized but are tested for impairment annually or more frequently if events or circumstances indicate the assets may be impaired. Goodwill impairment testing is also performed following an allocation of goodwill to a business to be disposed or a change in reporting units. We test for impairment by assessing qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit allocated the goodwill is less than its carrying amount. If the qualitative assessment indicates a possible impairment, the carrying value of the asset or reporting unit is compared with its fair value. Fair value is measured relying primarily on the income approach by applying a discounted cash flow method, the market approach using market values or multiples, and/or third-party valuations. We capitalize and amortize our finite-lived intangible assets over their estimated useful lives.

The carrying amount of intangible assets and goodwill is reported in *Other assets* in the non-current assets section of our consolidated balance sheets. Intangible assets are comprised primarily of advertising agreements, land rights, and technology licenses. The net carrying amount of our intangible assets was \$ 111 million and \$ 86 million at December 31, 2021 and 2022, respectively. For the periods presented, we have not recorded any material impairments for indefinite-lived intangibles. The net carrying amount of goodwill was \$ 619 million and \$ 603 million at December 31, 2021 and 2022, respectively. In 2021, we fully impaired goodwill for two investments in our Mobility segment. In 2022, we have not recorded any impairments for goodwill.