

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

An analysis of the allowance for credit losses related to finance receivables for the years ended December 31 was as follows (in millions):

	2021		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	\$ 1,245	\$ 60	\$ 1,305
Charge-offs	(272)	(3)	(275)
Recoveries	202	8	210
Provision for/(Benefit from) credit losses	(270)	(40)	(310)
Other (a)	(2)	(3)	(5)
Ending balance	\$ 903	\$ 22	\$ 925

	2022		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	\$ 903	\$ 22	\$ 925
Charge-offs	(278)	(1)	(279)
Recoveries	165	5	170
Provision for/(Benefit from) credit losses	56	(17)	39
Other (a)	(8)	(2)	(10)
Ending balance	\$ 838	\$ 7	\$ 845

(a) Primarily represents amounts related to translation adjustments.

Note: On January 1, 2020, we adopted ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments, which had an impact on the 2020 opening balance of Retained earnings of \$ 202 million.

For the year ended December 31, 2022, the allowance for credit losses decreased \$ 80 million primarily due to Ford Credit's current expectation that COVID-related losses have been largely avoided, offset partially by deterioration in the macroeconomic outlook that was reflected in the reserve balance in the fourth quarter of 2022. Although net charge-offs for the year ended December 31, 2022 remained low due, in part, to high vehicle auction values, the impact of higher inflation and higher interest rates on future credit losses remains uncertain. Ford Credit will continue to monitor economic trends and conditions and portfolio performance and will adjust the reserve accordingly.

NOTE 11. INVENTORIES

All inventories are stated at the lower of cost or net realizable value. Cost of our inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis. Inventories at December 31 were as follows (in millions):

	2021	2022
Raw materials, work-in-process, and supplies	\$ 5,785	\$ 5,997
Finished products	6,280	8,083
Total inventories	\$ 12,065	\$ 14,080

Our finished product inventory at December 31, 2022 was higher year over year due to production and release scheduling, which resulted in higher sales inventory, in-transit inventory, and units awaiting upfit.