**Property, Plant, and Equipment & Intangible Assets**

**Real-World Company Examples of Financial Accounting Concepts**

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The purpose of this paper is to highlight differences in the accounting treatment of Property, Plant, and Equipment & Intangible assets among different companies in a particular sector. Each section of this paper will be broken up by sector and will continue until all sectors are represented, or the paper is cut short due to limitations of space or time.

**Energy**: Schlumberger (SLB) and Baker Hughes (BKR) will represent the energy sector. These were selected using Fidelity’s Stock Screener Database tool (Fidelity Management & Research Company 2024). PWC LLP is listed as the auditor for Schlumberger, is listed on the NYSE, and has 5 locations in 4 different countries listed as principal offices and documents its assets on the Consolidated Balance Sheet (Schlumberger, 10-K. 2024). KPMG LLP is listed as the auditor for Baker Hughes and is publicly listed on the Nasdaq and has 2 locations, both in the United States, listed as principal offices and documents it’s assets on the Consolidated Statement of Financial Position (Baker Hughes, 10-K. 2024). When looking at how both companies treat intangible assets there aren’t any differences that seem substantially material. They cite different portions of the FASB codification for guidance over how they treat the “Other Intangibles” category, with Schlumberger citing **FASB 350-30-50-**1, which deals with the treatment of other intangibles acquired through an acquisition, and Baker Hughes Citing **350-30-45-1** which deals with how other intangibles should be amortized.

**Materials**: Packaging Corporation of America (PKG) and International Paper Company (IP) will represent the materials sector. These were selected using the same tool listed above (Fidelity 2024). Both companies have 2 offices listed as principal locations with all office locations listed inside the United States, both companies are publicly listed on the NYSE Packaging Corporation of America lists KPMG as their auditor (Packaging Corporation of America, 10-K, 2024) and International Paper lists Deloitte as their auditor (International Paper Company, 10-K. 2024). One accounting concept that I was hoping to find on their balance sheets was how they treat timberland resources and the relevant depletion of those timberland resources, however, this wasn’t from either company’s balance sheets, notes to financial statements, notes details, or notes tables. **FASB 93X Extractive Activities** only lists accounting guidance for Mining, Oil, and Gas. **FASB 905 Agriculture** specifically excludes “growers of timber” at 905-10-15-4 for application of this codification. When looking for guidance regarding depletion of timberland resources from the textbook, Weyerhaeuser Company is listed as an example of a forest products company (Spiceland 2023 p. 567). So, it’s possible that International Paper Company, and Packaging Corporation of America do not actually deal with their own timberland resources themselves, and instead buy these products from a company like Weyerhaeuser Company.

**Industrials**: Transunion (TRU) and Equifax (EFX) were selected to represent the Industrial categories from the companies listed under the Research & Consulting Services sub-industry (Fidelity 2024). Both companies are based in the United States and Listed on the NYSE. Experian was the original pick, along with Equifax, however, Experian’s 5 letter ticker symbol (EXPGY) followed by the letters ADR gave it away as being a security that would potentially be difficult to analyze; and in spite of being a well known company, it’s ADR’s are not listed on either the NYSE, or Nasdaq, meaning it’s a pink-sheet security, and there are no 10-K filings listed (Fidelity 2024). This is potentially the most interesting accounting deviation between the 3 different firms: most consumers would think of Experian, Transunion, and Equifax as being substantially similar institutions, however Experian seems to avoid many of the reporting requirements that Equifax and Transunion are subject to. This doesn’t necessarily result in a good thing: Experian’s top 10 owners appear to be private equity firms (“Experian ADR: Ownership Summary,” Fidelity 2024), which are thought of as being very active, aggressive, and extractive owners, Equifax (“Equifax: Ownership Summary,” Fidelity 2024) and TransUnion (“Transunion: Ownership Summary,” Fidelity 2024) top 10 owners appear to be companies like BlackRock, Vanguard, State Street, Fidelity, ETF issuers that take a mostly passive interest in companies they hold shares in.

**Consumer Discretionary**: Tapestry, Inc. (TPR) and V.F. Corporation (VFC) were selected to represent the consumer discretionary sector, and both belong to the Apparel, Accessories & Luxury Goods sub-industry (Fidelity 2024). Both of these companies are being selected because they have a huge portfolio of different trademarked products and they are known for being somewhat active with acquiring and divesting from their portfolio of brands: Tapestry as it expands, and VF Corporation as it restructures. The Consumer Discretionary sector seems perfect for covering all categories of intangible assets, but it will be used for understanding how different companies treat the trademark and tradename and branding category of intangible assets. The Automobiles sub-industry would be perfect for a study multiple different asset types, especially Property Plant & Equipment, but nearly anything else as well patents and so on, and restaurants would be interesting for a dive into how the franchise asset types work. After looking at the Notes to Financial Statements for both Tapestry, Inc. (Tapestry, Inc. 10-K 2024) and V.F. Corporation (V.F. Corporation, 10-K 2024), it would appear that both companies consider their trademarks to be indefinite lived assets, and therefore not subject to amortization. **FASB 350-30-55-20** outlines that it may in fact be appropriate that trademarks have an indefinite useful life and would only decrease in book value when a trademark is tested for impairment **FASB 350-30-55-22. FASB** also later states in **FASB 350-30-55-25** that even if a trademark is expected to have lower future cash flows in the future, it is still tested for impairment, rather than subject to amortization. It is only until **FASB 350-30-55-28** that the amortization of trademarks comes into play, and it’s only when a trademark is determined to have a limited useful life. The textbook also notes that a trademark “can be indefinite” (Spiceland 2023 p. 520) but based on FASB, it almost seems that trademarks never die. This issue with the subjective life of trademarks can prove to be an interesting tool within the context of an acquisitions: how much of a price paid over book value can be considered Goodwill? and how much of that price is related to the brand value of the asset purchased? There might be advantages to allocating more of that purchase price to trademark value over Goodwill, since trademark values can be reduced through impairment, seemingly on an as needed or on an as appropriate basis, Goodwill is amortized on a pre-determined schedule. For the other factoids frequently listed in companies compared: Tapestry lists Deloitte as it’s auditor (Tapestry 10-K 2024) and V.F. Corporation lists PWC as its auditor (V.F. Corporation 10-K 2024) both companies have principal offices in the United States and both companies have their shares registered on the NYSE.

**Consumer Staples**: The Procter & Gamble Company (PG) and Colgate-Palmolive (CL) as well as Unilever (UL) for good measure. Unilever is an ADR like the previously discussed Experian; however, Unilever is registered with the NYSE unlike Experian, which is a pink-sheet security. It appears would not file a 10-K report with the Securities and Exchange Commission like Proctor and Gamble and Colgate-Palmolive, but Unilever does file a 20-F report and would not file a 10-K report until the percentage ownership of Unilever reaches a threshold of 50% of outstanding voting shares of a company (Investopedia 2020). The listed auditor for Unilever PLC is KPMG (Unilever, 20-F 2024) Deloitte is the listed auditor for Proctor and Gamble (The Procter & Gamble Company, 10-K 2024) and PWC is listed as the auditor for the Colgate-Palmolive Company (Colgate-Palmolive Company 10-K 2024). One commonality among all of these three companies is that they break up intangible assets according to different lines of products belonging to different lines of business within the larger company.

**Other Points of Interest:** It may be interesting to see if there are any companies that have auditors other than the ones, we’ve become familiar with during the course of this paper. Using Fidelity’s stock screener, I’m going to see which companies use unfamiliar auditors, and my guess is that it would be companies with much smaller market caps, or companies that pink-sheet companies, or companies that are thinly traded. Aramark (ARMK) is selected for the small cap data point: Deloitte (Aramark 10-K 2023). Ambev (ABEV): PricewaterhouseCoopers (ABEV 20-F 2024). For a thinly traded stock: Lennar (LEN/B): Deloitte (Lennar 10-K 2024). The Lennar example is potentially not ideal since they have class A and class B shares. Another thinly traded company would be: Universal Logistics (UHL) Grant Thornton LLP (Universal Logistics Holdings, Inc. 10-K 2024). So we have a winner!

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