

GENERAL MOTORS ACCEPTANCE CORP

Form 10-Q/A

March 28, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549-1004

FORM 10-Q/A

- x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended March 31, 2005, or
- o TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934
 For the transition period from _____ to _____.

Commission file number: 1-3754

GENERAL MOTORS ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	38-0572512
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)

(313) 556-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Act). Yes o No x

As of March 31, 2005, there were outstanding 10 shares of the issuer's \$.10 par value common stock.

Reduced Disclosure Format

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

Explanatory Note

General Motors Acceptance Corporation (the Company) hereby amends the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, filed with the Securities and Exchange Commission on May 10, 2005. This amendment on Form 10-Q/A restates the Company's Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2005 and 2004 to correct the classification of certain amounts as more fully discussed in Note 1 to the accompanying Condensed Consolidated Financial Statements. The Company has amended Item 4, Controls and Procedures, to update the disclosure regarding disclosure controls and procedures and internal control over financial reporting. In addition, the Company has made certain modifications in Footnote 1 to the table Restatement of Condensed Consolidated Financial Statements.

All of the information in this Form 10-Q/A is as of May 10, 2005, the filing date of the original report on Form 10-Q and does not reflect events occurring since this date. However, all prior references to the 2004 Annual Report on Form 10-K, in the original report on Form 10-Q, have been modified in this report to reference the Company's most recent information which is filed in its 2005 Annual Report on Form 10-K.

Except for the matters discussed above, no other information included in the original report on Form 10-Q is amended by this Form 10-Q/A.

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* Item is omitted pursuant to the Reduced Disclosure Format, as set forth on the cover page of this filing.

Table of ContentsCondensed Consolidated Statement of Income (unaudited)
General Motors Acceptance Corporation

Three months ended March 31, (in millions)	2005	(As restated See Note 1) 2004
Revenue		
Consumer	\$2,519	\$ 2,474
Commercial	623	485
Loans held for sale	381	304
Operating leases	1,665	1,671
	<hr/>	<hr/>
Total revenue	5,188	4,934
Interest and discount expense	3,001	2,223
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Net revenue before provision for credit losses	2,187	2,711
Provision for credit losses	329	484
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Net revenue	1,858	2,227
Insurance premiums and service revenue earned	920	870
Mortgage banking income	695	462
Investment income	250	214
Other income	976	880
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Total net revenue	4,699	4,653
Expense		
Depreciation expense on operating lease assets	1,270	1,203
Compensation and benefits expense	811	729
Insurance losses and loss adjustment expenses	589	595
Other operating expenses	926	916
	<hr/>	<hr/>
Total noninterest expense	3,596	3,443
Income before income tax expense	1,103	1,210
Income tax expense	375	446
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Net income	\$ 728	\$ 764
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The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Table of ContentsCondensed Consolidated Balance Sheet (unaudited)
General Motors Acceptance Corporation

(in millions)	March 31, 2005	December 31, 2004
Assets		
Cash and cash equivalents	\$ 16,060	\$ 22,718
Investment securities	20,643	14,960
Loans held for sale	22,569	19,934
Finance receivables and loans, net of unearned income		
Consumer	145,414	150,449
Commercial	48,738	53,210
Allowance for credit losses	(3,390)	(3,422)
	<hr/>	<hr/>
Total finance receivables and loans, net	190,762	200,237
Investment in operating leases, net	27,027	26,072
Notes receivable from General Motors	3,446	4,921
Mortgage servicing rights, net	4,247	3,890
Premiums and other insurance receivables	1,894	1,763
Other assets	28,580	29,644
	<hr/>	<hr/>
Total assets	\$315,228	\$324,139
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Liabilities		
Debt		
Unsecured	\$163,917	\$177,003
Secured	95,878	91,957
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Total debt	259,795	268,960
Interest payable	2,792	3,394
Unearned insurance premiums and service revenue	4,918	4,727
Reserves for insurance losses and loss adjustment expenses	2,543	2,505
Accrued expenses and other liabilities	18,891	18,382
Deferred income taxes	3,821	3,754
	<hr/>	<hr/>
Total liabilities	292,760	301,722
Stockholder s equity		
Common stock, \$.10 par value (10,000 shares authorized, 10 shares issued and outstanding) and paid-in capital	5,760	5,760
Retained earnings	15,719	15,491
Accumulated other comprehensive income	989	1,166
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Total stockholder's equity	<u>22,468</u>	<u>22,417</u>
Total liabilities and stockholder's equity	<u>\$315,228</u>	<u>\$324,139</u>

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Table of ContentsCondensed Consolidated Statement of Changes in Stockholder's Equity (unaudited)
General Motors Acceptance Corporation

Three months ended March 31, (in millions)	2005	(As restated See Note 1) 2004
Common stock and paid-in capital		
Balance at beginning of year	\$ 5,760	\$ 5,641
Increase in paid-in capital		129
	<u>5,760</u>	<u>5,770</u>
Retained earnings		
Balance at beginning of year	15,491	14,078
Net income	728	764
Dividends paid	(500)	
	<u>15,719</u>	<u>14,842</u>
Accumulated other comprehensive income (loss)		
Balance at beginning of year	1,166	517
Other comprehensive loss	(177)	(23)
	<u>989</u>	<u>494</u>
Total stockholder's equity		
Balance at beginning of year	22,417	20,236
Increase in paid-in capital		129
Net income	728	764
Dividends paid	(500)	¾
Other comprehensive loss	(177)	(23)
	<u>22,468</u>	<u>21,106</u>
Total stockholder's equity at March 31,	<u>\$22,468</u>	<u>\$21,106</u>
Comprehensive income		
Net income	\$ 728	\$ 764
Other comprehensive loss	(177)	(23)

Comprehensive income	\$ 551	\$ 741
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The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Table of ContentsCondensed Consolidated Statement of Cash Flows (unaudited)
General Motors Acceptance Corporation

Three months ended March 31, (in millions)	(As restated See Note 1) 2005	(As restated See Note 1) 2004
Operating activities		
Net cash (used in) provided by operating activities	<u>(\$6,729)</u>	<u>\$ 1,111</u>
Investing activities		
Purchases of available for sale securities	(6,041)	(1,838)
Proceeds from sales of available for sale securities	1,230	809
Proceeds from maturities of available for sale securities	1,901	1,076
Net maturities (purchases) of held to maturity securities	7	(7)
Net increase in finance receivables and loans	(19,253)	(33,801)
Proceeds from sales of finance receivables and loans	29,681	25,034
Purchases of operating lease assets	(3,672)	(3,153)
Disposals of operating lease assets	1,395	2,015
Change in notes receivable from General Motors	1,450	31
Purchases of mortgage servicing rights, net	(104)	(71)
Acquisitions of subsidiaries, net of cash acquired	21	21
Other, net (a)	(2,068)	(2,153)
Net cash provided by (used in) investing activities	<u>4,526</u>	<u>(12,037)</u>
Financing activities		
Net change in short-term debt	150	2,824
Proceeds from issuance of long-term debt	10,532	20,653
Repayments of long-term debt	(16,127)	(15,042)
Other financing activities	1,566	1,730
Dividends paid	(500)	
Net cash (used in) provided by financing activities	<u>(4,379)</u>	<u>10,165</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(76)</u>	<u>(5)</u>
Net decrease in cash and cash equivalents	(6,658)	(766)
Cash and cash equivalents at beginning of year	<u>22,718</u>	<u>17,976</u>

Cash and cash equivalents at March 31,	\$ 16,060	\$ 17,210
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(a) Includes \$586 and \$414 for the three months ended March 31, 2005 and 2004, respectively, related to securities lending transactions where cash collateral is received and a corresponding liability is recorded, both of which are presented in investing activities.

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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Notes to Condensed Consolidated Financial Statements (unaudited)
General Motors Acceptance Corporation

1 Basis of Presentation

General Motors Acceptance Corporation (GMAC or the Company) is a wholly-owned subsidiary of General Motors Corporation (General Motors or GM). The Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries and those variable interest entities (VIEs) where GMAC is the primary beneficiary, after eliminating all significant intercompany balances and transactions.

The Condensed Consolidated Financial Statements as of March 31, 2005 and for the three months ended March 31, 2005 and 2004 are unaudited but, in management's opinion, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. Certain prior period amounts have been reclassified to conform to the current period presentation. The most significant reclassification relates to depreciation expense on operating lease assets, which was previously netted against operating lease revenue and now is reflected as a separate component of noninterest expense.

The interim period Consolidated Financial Statements, including the related notes, are condensed and in accordance with interim generally accepted accounting principles in the United States of America (GAAP). These interim period Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements, which are included in GMAC's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the United States Securities and Exchange Commission (SEC).

Restatements of Condensed Consolidated Financial Statements

GMAC's quarterly information for the three months ended March 31, 2004 has been restated from previously reported results to adjust for certain amounts that were recognized in the incorrect 2004 quarterly period. These adjustments did not impact GMAC's 2004 annual results, financial condition as of December 31, 2004 or cash flows for the year ended December 31, 2004 (see 2005 Annual Report on Form 10-K for restated 2004 Consolidated Statement of Cash Flows and also see restated cash flow information elsewhere in this Note), nor were these adjustments individually material to GMAC's quarterly Consolidated Financial Statements. Most of the adjustments relate to items detected and recorded in the fourth quarter of 2004 at GMAC's residential mortgage businesses (GMAC Residential and GMAC-RFC) that related to earlier 2004 quarters. More specifically, certain of the adjustments were identified and corrected through internal control remediation that occurred in connection with GMAC's Corporate Sarbanes-Oxley Section 404 program. The most significant of these adjustments involved the valuation of certain interests in securitized assets, accounting for deferred income taxes related to certain secured financing transactions and the income statement effects of consolidating certain mortgage transfers previously recognized as sales. The effects of the restatements are as follows:

Three months ended March 31, 2004 (in millions)	As previously reported (a)	As restated
Total financing revenue	\$4,894	\$4,934(d)
Interest and discount expense	2,206	2,223
Provision for credit losses	457	484(d)
Total net revenue	4,716	4,653(d)
Net income	\$ 786	\$ 764

Net income by reporting segment		
North American Operations (b)	\$ 294	\$ 294
International Operations (b)	132	132
GMAC Residential	40	24
GMAC-RFC	180	174
GMAC Commercial Mortgage	33	33
Insurance Operations	91	91
Other (c)	16	16
	<hr/>	<hr/>
Net income	\$ 786	\$ 764
	<hr/>	<hr/>

- (a) Certain amounts have been reclassified to conform to the annual presentation, refer to Note 1 to GMAC's 2005 Annual Report on Form 10-K.
- (b) North American Operations consist of automobile financing in the U.S. and Canada. International Operations consist of automotive financing and full service leasing in all other countries and Puerto Rico.
- (c) Represents the Company's Commercial Finance Group, certain corporate activities related to the Mortgage Group and reclassifications and eliminations between the reporting segments
- (d) These amounts have been modified from the original report on Form 10-Q dated May 10, 2005, to conform to the corresponding amounts in our Condensed Consolidated Statement of Income.

Subsequent to the issuance of the Company's Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2005, the Company discovered that cash outflows related to certain mortgage loan originations and purchases were not appropriately classified as either operating cash flows or investing cash flows consistent with the original designation as loans held for sale or loans held for investment. In addition, proceeds from sales and repayments related to certain mortgage loans, which initially were classified as mortgage loans held for investment and subsequently transferred to mortgage loans held for sale, were reported as operating cash flows instead of investing cash flows in the Condensed Consolidated Statement of Cash Flows, as required by Statement of Financial Accounting Standards No. 102 *Statement of Cash Flows - Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale*. Finally, certain non-cash proceeds and transfers were not appropriately presented in the Condensed Consolidated Statement of Cash Flows. The Company has restated its Condensed Consolidated Statement of Cash Flows for these amounts. The restatement of this information does not change total cash and cash equivalents. Furthermore, the restatement has no effect on the Company's Condensed Consolidated Statement of Income, Condensed Consolidated Balance Sheet or Condensed Consolidated Statement of Changes in Stockholder's Equity. The effect of the restatement on the Company's previously reported Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2005 and 2004 is as follows:

(\$ in millions)	Three months ended March 31, 2005	Three months ended March 31, 2004
Net cash (used in) provided by operating activities:		
As previously reported	(\$4,718)	\$1,674
As restated	(6,729)	1,111

Net cash provided by (used in) investing activities:		
As previously reported	\$2,515	(\$12,600)
As restated	4,526	(12,037)
Net cash (used in) provided by financing activities:		
As previously reported	(\$4,379)	\$10,165
As restated	(4,379)	10,165

Recently Issued Accounting Standards

Statement of Position 03-3 In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* (SOP 03-3), that addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. SOP 03-3 does not apply to loans originated by the entity. SOP 03-3 limits the accretable yield to the excess of the investor's estimate of undiscounted expected principal, interest and other cash flows (expected at acquisition to be collected) over the investor's initial investment in the loan and it prohibits carrying over or creating a valuation allowance for the excess of contractual cash flows over cash flows expected to be

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Notes to Condensed Consolidated Financial Statements (unaudited)

General Motors Acceptance Corporation

collected in the initial accounting of a loan acquired in a transfer. SOP 03-3 and the required disclosures were effective for loans acquired in fiscal years beginning after December 15, 2004. Adoption of SOP 03-3 did not have a material impact on the Company's financial condition or results of operations.

2 Mortgage Banking Income

The following table presents the components of mortgage banking income.

Three months ended March 31, (in millions)	2005	2004
Mortgage servicing fees	\$ 397	\$ 354
Amortization and impairment of mortgage servicing rights (a)	(165)	(340)
Net (losses) gains on derivatives related to MSR's (b)	(24)	131
Net loan servicing income	208	145
Gains from sales of loans	395	220
Mortgage processing fees	30	23
Other	62	74
Mortgage banking income (c)	\$ 695	\$ 462

- (a) Includes additions to the valuation allowance representing impairment considered to be temporary.
- (b) Includes Statement of Financial Accounting Standards 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) hedge ineffectiveness, amounts excluded from the hedge effectiveness calculation and the change in value of derivative financial instruments not qualifying for hedge accounting.
- (c) Excludes net gains realized upon the sale of investment securities used to manage risk associated with mortgage servicing rights, which are reflected as a component of investment income.

3 Other Income

Three months ended March 31, (in millions)	2005	2004
Automotive receivable securitizations and sales		
Gains (losses) on sales:		
Wholesale securitizations	\$145	\$133

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Retail automotive portfolio sales transactions	(29)	45
Retail automotive securitizations	(1)	7
Interest on cash reserves deposits	24	14
Service fees	23	15
Other	22	64
	<u> </u>	<u> </u>
Total automotive receivable securitizations and sales	184	278
Real estate services	131	78
Interest and service fees on transactions with GM	110	85
Other interest revenue	94	71
Interest on cash equivalents	98	39
Full service leasing fees	44	40
Insurance service fees	37	34
Late charges and other administrative fees	42	43
Factoring commissions	19	19
Specialty lending fees	14	12
Fair value adjustment on certain derivatives (a)	(8)	(1)
Other	211	182
	<u> </u>	<u> </u>
Total other income	\$976	\$880
	<u> </u>	<u> </u>

- (a) Refer to Note 8 to the Condensed Consolidated Financial Statements for a description of the Company's derivative and hedging activities.

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Notes to Condensed Consolidated Financial Statements (unaudited)

General Motors Acceptance Corporation

4 Other Operating Expenses

Three months ended March 31, (in millions)	2005	2004
Insurance commissions	\$235	\$223
Technology and communications	139	122
Advertising and marketing	103	71
Professional services	104	106
Premises and equipment depreciation	73	68
Rent and storage	67	60
Full service leasing vehicle maintenance costs	61	54
Lease and loan administration	43	59
Auto remarketing and repossession	29	29
Amortization of intangible assets	3	3
Operating lease disposal gain	(96)	(66)
Other	165	187
	—————	—————
Total other operating expenses	\$926	\$916
	—————	—————

5 Finance Receivables and Loans

The composition of finance receivables and loans outstanding was as follows:

(in millions)	March 31, 2005			December 31, 2004		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer						
Retail automotive	\$ 71,252	\$18,175	\$ 89,427	\$ 73,911	\$18,829	\$ 92,740
Residential mortgages	53,109	2,878	55,987	54,643	3,066	57,709
	—————	—————	—————	—————	—————	—————
Total consumer	124,361	21,053	145,414	128,554	21,895	150,449
Commercial						
Automotive:						
Wholesale	14,940	8,819	23,759	19,154	8,752	27,906
Leasing and lease financing	462	943	1,405	466	1,000	1,466

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Term loans to dealers and other	2,834	717	3,551	2,890	787	3,677
Commercial and industrial	11,913	2,237	14,150	12,019	2,184	14,203
Real estate construction	2,629	294	2,923	2,658	152	2,810
Commercial mortgage &n						