

GENERAL MOTORS ACCEPTANCE CORP

Form 10-Q/A

March 28, 2006



**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.

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General Motors Acceptance Corporation

Explanatory Note

General Motors Acceptance Corporation (the Company) hereby amends the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, filed with the Securities and Exchange Commission on August 8, 2005. This amendment on Form 10-Q/A restates the Company's Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2005 and 2004 to correct the classification of certain amounts as more fully discussed in Note 1 to the accompanying Condensed Consolidated Financial Statements. In addition, the Company has amended Item 4, Controls and Procedures, to update the disclosure regarding disclosure controls and procedures and internal control over financial reporting.

All of the information in this Form 10-Q/A is as of August 8, 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.

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**Table of Contents**Condensed Consolidated Statement of Income (unaudited)  
General Motors Acceptance Corporation

Period ended June 30, (in millions)	Second Quarter		Six Months	
	2005	(As restated See Note 1) 2004	2005	(As restated See Note 1) 2004
<b>Revenue</b>				
Consumer	\$ 2,471	\$ 2,565	\$ 4,990	\$ 5,039
Commercial	748	566	1,371	1,052
Loans held for sale	347	334	728	638
Operating leases	1,751	1,593	3,416	3,263
Total revenue	5,317	5,058	10,505	9,992
Interest and discount expense	3,050	2,253	6,051	4,476
Net revenue before provision for credit losses	2,267	2,805	4,454	5,516
Provision for credit losses	201	413	530	897
Net revenue	2,066	2,392	3,924	4,619
Insurance premiums and service revenue earned	927	866	1,847	1,736
Mortgage banking income	426	511	1,121	972
Investment income	403	265	653	480
Other income	1,028	757	2,004	1,637
Total net revenue	4,850	4,791	9,549	9,444
<b>Expense</b>				
Depreciation expense on operating lease assets	1,290	1,201	2,560	2,405
Compensation and benefits expense	772	733	1,583	1,461
Insurance losses and loss adjustment expenses	597	601	1,185	1,196
Other operating expenses	979	910	1,906	1,826
Total noninterest expense	3,638	3,445	7,234	6,888
<b>Income before income tax expense</b>	<b>1,212</b>	<b>1,346</b>	<b>2,315</b>	<b>2,556</b>
Income tax expense	396	500	771	946
<b>Net income</b>	<b>\$ 816</b>	<b>\$ 846</b>	<b>\$ 1,544</b>	<b>\$ 1,610</b>

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

**Table of Contents**Condensed Consolidated Balance Sheet (unaudited)  
General Motors Acceptance Corporation

(in millions)	June 30, 2005	December 31, 2004
<b>Assets</b>		
Cash and cash equivalents	\$ 19,723	\$ 22,718
Investment securities	19,218	14,960
Loans held for sale	26,903	19,934
Finance receivables and loans, net of unearned income		
Consumer	134,728	150,449
Commercial	46,743	53,210
Allowance for credit losses	(3,220)	(3,422)
Total finance receivables and loans, net	178,251	200,237
Investment in operating leases, net	28,441	26,072
Notes receivable from General Motors	4,318	4,921
Mortgage servicing rights, net	3,836	3,890
Premiums and other insurance receivables	1,873	1,763
Other assets	27,428	29,644
Total assets	<b>\$309,991</b>	<b>\$ 324,139</b>
<b>Liabilities</b>		
Debt		
Unsecured	\$149,903	\$ 177,003
Secured	101,755	91,957
Total debt	251,658	268,960
Interest payable	3,200	3,394
Unearned insurance premiums and service revenue	4,987	4,727
Reserves for insurance losses and loss adjustment expenses	2,539	2,505
Accrued expenses and other liabilities	21,367	18,382
Deferred income taxes	3,633	3,754
Total liabilities	287,384	301,722
<b>Stockholder s equity</b>		
Common stock, \$.10 par value (10,000 shares authorized, 10 shares issued and outstanding) and paid-in capital	5,760	5,760
Retained earnings	16,035	15,491
Accumulated other comprehensive income	812	1,166



Total stockholder's equity	<u>22,607</u>	<u>22,417</u>
Total liabilities and stockholder's equity	<u>\$309,991</u>	<u>\$ 324,139</u>

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

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

Six months ended June 30, (in millions)	<b>2005</b>	(As restated See Note 1) 2004
<b>Common stock and paid-in capital</b>		
Balance at beginning of year	\$ 5,760	\$ 5,641
Increase in paid-in capital		129
	<u>5,760</u>	<u>5,770</u>
Balance at June 30,	<b>5,760</b>	5,770
<b>Retained earnings</b>		
Balance at beginning of year	15,491	14,078
Net income	1,544	1,610
Dividends paid	(1,000)	
	<u>16,035</u>	<u>15,688</u>
Balance at June 30,	<b>16,035</b>	15,688
<b>Accumulated other comprehensive income</b>		
Balance at beginning of year	1,166	517
Other comprehensive (loss) income	(354)	108
	<u>812</u>	<u>625</u>
Balance at June 30,	<b>812</b>	625
<b>Total stockholder's equity</b>		
Balance at beginning of year	22,417	20,236
Increase in paid-in capital		129
Net income	1,544	1,610
Dividends paid	(1,000)	
Other comprehensive (loss) income	(354)	108
	<u>22,607</u>	<u>22,083</u>
Total stockholder's equity at June 30,	<b>\$22,607</b>	\$ 22,083
<b>Comprehensive income</b>		
Net income	\$ 1,544	\$ 1,610
Other comprehensive (loss) income	(354)	108

Comprehensive income	<b>\$ 1,190</b>	<b>\$ 1,718</b>
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The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents**Condensed Consolidated Statement of Cash Flows (unaudited)  
General Motors Acceptance Corporation

Six months ended June 30, (in millions)	(As restated See Note 1) 2005	(As restated See Note 1) 2004
<b>Operating activities</b>		
Net cash (used in) provided by operating activities	<b>(\$4,226)</b>	\$ 4,573
<b>Investing activities</b>		
Purchases of available for sale securities	<b>(10,514)</b>	(5,523)
Proceeds from sales of available for sale securities	<b>2,614</b>	1,668
Proceeds from maturities of available for sale securities	<b>4,509</b>	3,771
Net maturities (purchases) of held to maturity securities	<b>1</b>	(3)
Net increase in finance receivables and loans	<b>(43,950)</b>	(66,163)
Proceeds from sales of finance receivables and loans	<b>63,205</b>	51,172
Purchases of operating lease assets	<b>(8,378)</b>	(7,118)
Disposals of operating lease assets	<b>3,156</b>	4,030
Change in notes receivable from General Motors	<b>549</b>	(478)
Purchases of mortgage servicing rights, net	<b>(185)</b>	(176)
Acquisitions of subsidiaries, net of cash acquired		21
Other, net (a)	<b>(1,535)</b>	976
Net cash provided by (used in) investing activities	<b>9,472</b>	(17,823)
<b>Financing activities</b>		
Net change in short-term debt	<b>(9,022)</b>	3,055
Proceeds from issuance of long-term debt	<b>30,415</b>	37,028
Repayments of long-term debt	<b>(32,124)</b>	(30,931)
Other financing activities	<b>3,619</b>	2,805
Dividends paid	<b>(1,000)</b>	
Net cash (used in) provided by financing activities	<b>(8,112)</b>	11,957
Effect of exchange rate changes on cash and cash equivalents	<b>(129)</b>	(72)
Net decrease in cash and cash equivalents	<b>(2,995)</b>	(1,365)
Cash and cash equivalents at beginning of year	<b>22,718</b>	17,976

Cash and cash equivalents at June 30,	<b>\$ 19,723</b>	<b>\$ 16,611</b>
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- (a) Includes \$778 and \$880 for the six months ended June 30, 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 June 30, 2005 and for the second quarter and six months ended June 30, 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 gains on disposals of operating leases, which were previously netted against depreciation expense on operating lease assets and now are reflected as a separate component of other operating expenses.

The interim period Consolidated Financial Statements, including the related notes, are condensed and presented in accordance with 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 second quarter and six months ended June 30, 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 efforts 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:

Period ended June 30, 2004  (in millions)	Second Quarter		Six Months	
	As previously reported	As restated	As previously reported	As restated
	(a)		(a)	
Total revenue	\$4,974	\$ 5,058	\$9,869	\$ 9,992
Interest and discount expense	2,228	2,253	4,434	4,476
Provision for credit losses	376	413	766	897
Total net revenue	4,857	4,791	9,590	9,444

	_____	_____	_____	_____
Net income	\$ 860	\$ 846	\$ 1,646	\$ 1,610
	_____	_____	_____	_____
Net income by reporting segment (b)				
North American Operations	\$ 318	\$ 318	\$ 612	\$ 612
International Operations	117	117	249	249
GMAC Residential	76	78	116	102
GMAC-RFC	214	198	394	372
GMAC Commercial Mortgage	43	43	76	76
Insurance Operations	75	75	166	166
Other	17	17	33	33
	_____	_____	_____	_____
Net income	\$ 860	\$ 846	\$ 1,646	\$ 1,610
	_____	_____	_____	_____

- (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) Refer to Note 10 to the Condensed Consolidated Financial Statements for a description of GMAC's reporting segments.

Subsequent to the issuance of the Company's Condensed Consolidated Financial Statements as of and for the six months ended June 30, 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 statements of cash flows.

The Company has restated its condensed consolidated statements 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 six months ended June 30, 2005 and 2004 is as follows:

(\$ in millions)	Six months ended June 30, 2005	Six months ended June 30, 2004
Net cash provided by (used in) operating activities:		
As previously reported	\$44	\$5,414
As restated	(4,226)	4,573
Net cash provided by (used in) investing activities:		
As previously reported	\$5,202	(\$18,664)

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As restated	9,472	(17,823)
Net cash (used in) provided by financing activities:		
As previously reported	\$(8,112)	\$11,957
As restated	(8,112)	11,957



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

**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 accretible 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 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.

**Statement of Financial Accounting Standards No. 154** In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 154, *Accounting Changes and Error Corrections* (SFAS 154), that addresses accounting for changes in accounting principle, changes in accounting estimates, changes required by an accounting pronouncement in the instance that the pronouncement does not include specific transition provisions and error correction. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle and error correction unless impracticable to do so. SFAS 154 states an exception to retrospective application when a change in accounting principle, or the method of applying it, may be inseparable from the effect of a change in accounting estimate. When a change in principle is inseparable from a change in estimate, such as depreciation, amortization or depletion, the change to the financial statements is to be presented in a prospective manner. SFAS 154 and the required disclosures are effective for accounting changes and error corrections in fiscal years beginning after December 15, 2005.

**Emerging Issues Task Force No. 04-5** In July 2005, the Emerging Issues Task Force released Issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). EITF 04-5 provides guidance in determining whether a general partner controls a limited partnership by determining the general partner's substantive ability to dissolve (liquidate) the limited partnership as well as assessing the substantive participating rights of the general partner within the limited partnership. EITF 04-5 states that if the general partner has substantive ability to dissolve (liquidate) or has substantive participating rights then the general partner is presumed to control that partnership and would be required to consolidate the limited partnership. EITF 04-5 is effective for all new limited partnerships and existing partnerships for which the partnership agreements are modified on June 29, 2005. This EITF is effective in fiscal periods beginning after December 15, 2005 for all other limited partnerships. Management is currently reviewing the potential impact of EITF 04-5, however, does not anticipate that adoption will 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.

	Second Quarter		Six Months	
Period ended June 30, (in millions)	2005	2004	2005	2004

Mortgage servicing fees	\$ 402	\$ 367	\$ 798	\$ 720
Amortization and impairment of mortgage servicing rights (a)	(335)	(167)	(500)	(500)
Net gains (losses) on derivatives related to MSR's (b)	117	(85)	94	46
Net loan servicing income	184	115	392	266
Gains from sales of loans	136	272	531	485
Mortgage processing fees	22	39	52	62
Other	84	85	146	159
Mortgage banking income (c)	\$ 426	\$ 511	\$ 1,121	\$ 972

- (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.

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Notes to Condensed Consolidated Financial Statements (unaudited)

General Motors Acceptance Corporation

**3 Other Income**

Period ended June 30, (in millions)	Second Quarter		Six Months	
	2005	2004	2005	2004
Automotive receivable securitizations and sales				
Gains (losses) on sales:				
Wholesale securitizations	\$ 139	\$ 111	\$ 283	\$ 244
Retail automotive portfolio sales transactions	(20)	(3)	(49)	41
Retail automotive securitizations	(18)	4	(19)	12
Interest on cash reserves deposits	25	17	49	32
Service fees	21	13	45	27
Other	20	22	42	86
	<hr/>	<hr/>	<hr/>	<hr/>
Total automotive receivable securitizations and sales	167	164	351	442
Real estate services	194	134	325	212
Interest and service fees on transactions with GM	123	83	233	170
Other interest revenue	101	75	195	145
Interest on cash equivalents	69	38	168	77
Full service leasing fees	43	35	86	76
Insurance service fees	38	33	76	67
Late charges and other administrative fees	39			