

# ACCOUNTING in the headlines

## Will Uber capitalize or expense the renovations to its headquarters in San Francisco?

Uber, is a startup with a mobile app for connecting passengers with drivers of vehicles for hire. Uber arranges rides in several North American cities (for example, New York, Chicago, and San Francisco) and has recently expanded to include countries outside of North America (for example, United Kingdom and France).

Recently, it was reported that Uber has spent more than \$12 million to renovate the space (88,134 square feet – the entire 4th floor of the building on Market Street) that it occupies as its headquarters in San Francisco. (The same building also houses Square, a mobile payments startup.) Renovations included room dividers, millwork, fire sprinklers, and other improvements.

Uber signed a 10-year lease for its headquarters in July 2013.

### Questions

1. Would the \$12 million that Uber spent on renovations during 2013 have been capitalized or expensed by Uber? Why?
2. Assume that the \$12 million was capitalized by Uber. What balance sheet account would have been increased by the renovation expenditures?
3. Now let's assume that the renovations to the building are expected to last 25 years. However, the lease covers a 10-year period. What would be the useful life of the renovations for the purpose of depreciation calculations? What assumptions or additional information might you need to answer this question?