

ACCOUNTING in the headlines

Would Hyundai Motor capitalize or expense the major expenditures it plans for 2015?

In January 2015, Hyundai Motor Group (KRX), headquartered in Seoul, South Korea, announced plans to spend over \$74 billion in the next four years. This spending plan is in response to pressure from the South Korean government to stop hoarding cash and instead use the cash to make investments and to hire more workers.

Hyundai plans to:

1. Build two new factories in China
2. Purchase land for new headquarters (it is paying \$10.1 billion for 854,020 square feet of land)
3. Build new headquarters including exhibition halls, hotels, and shopping malls in Gangnam, a district in Seoul, South Korea
4. Invest in research and development for low emission vehicles and smart car technologies.

Questions

1. What does it mean to “capitalize” an expenditure?
2. What guidelines does U.S. GAAP provide for whether an expenditure should be capitalized or expensed?
3. Of the expenditures listed in the article, which one(s) would be capitalized by Hyundai Motors? Which would be expensed? Explain.