MOODYS CORP /DE/
Form 10-K/A
February 27, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

(MARK ONE)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

OR

¨ **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 1-14037

MOODY S CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**13-3998945**
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

7 World Trade Center at 250 Greenwich Street, NEW YORK, NEW YORK 10007

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 553-0300.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01 PER SHARE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

Indicate by check mark whether the Registrant: (1) has filed all reports required 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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Exchange Act Rule 12b-2).

Large Accelerated Filer þ Accelerated Filer ¨ Non-accelerated Filer ¨ Small reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of Moody s Corporation Common Stock held by nonaffiliates* on June 30, 2013 (based upon its closing transaction price on the Composite Tape on such date) was approximately $13.4 billion.

As of January 31, 2014, 213.7 million shares of Common Stock of Moody s Corporation were outstanding.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the Amendment) amends Moody s Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the Form 10-K), as filed with the Securities and Exchange Commission on February 26, 2014, and is being filed solely to amend the Report of Independent Registered Public Accounting Firm (the Audit Report) contained in Item 8 of the Form 10-K to correct a typographical error in the date of the Audit Report from February 26, 2013 to February 26, 2014.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Item 8 of the Form 10-K in this Amendment. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Form 10-K.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other item of the Form 10-K or reflect any events that have occurred after the filing of the original Form 10-K.

MOODY S CORPORATION

INDEX TO FORM 10-K/A

Exhibits filed Herewith

31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ITEM 8. FINANCIAL STATEMENTS

Index to Financial Statements

Schedules are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Moody s Corporation is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company s Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Moody s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Moody s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has undertaken an assessment of the design and operational effectiveness of the Company s internal control over financial reporting as of December 31, 2013 based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework is based upon five integrated components of control: risk assessment, control activities, control environment, information and communications and ongoing monitoring.

Based on the assessment performed, management has concluded that Moody s maintained effective internal control over financial reporting as of December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.

President and Chief Executive Officer

/s/ LINDA S. HUBER

Linda S. Huber

Executive Vice President and Chief Financial Officer

February 26, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Moody s Corporation:

We have audited the accompanying consolidated balance sheets of Moody s Corporation (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2013. We also have audited Moody s Corporation s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Moody s Corporation s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moody s Corporation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Moody s Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway

Commission (COSO).

/s/ KPMG LLP

New York, New York

February 26, 2014

MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in millions, except per share data)

	Year Ended December 31,		
	2013	**2012**	**2011**
Revenue	**$ 2,972.5**	$ 2,730.3	$ 2,280.7
Expenses			
Operating	**822.4**	795.0	683.5
Selling, general and administrative	**822.1**	752.2	629.6
Goodwill impairment charge		12.2	
Depreciation and amortization	**93.4**	93.5	79.2
Total expenses	**1,737.9**	1,652.9	1,392.3
Operating income	**1,234.6**	1,077.4	888.4
Interest income (expense), net	**(91.8)**	(63.8)	(62.1)
Other non-operating income (expense), net	**26.5**	10.4	13.5
Non-operating income (expense), net	**(65.3)**	(53.4)	(48.6)
Income before provision for income taxes	**1,169.3**	1,024.0	839.8
Provision for income taxes	**353.4**	324.3	261.8
Net income	**815.9**	699.7	578.0
Less: Net income attributable to noncontrolling interests	**11.4**	9.7	6.6
Net income attributable to Moody s	**$ 804.5**	$ 690.0	$ 571.4
Earnings per share			
Basic	**$ 3.67**	$ 3.09	$ 2.52
Diluted	**$ 3.60**	$ 3.05	$ 2.49
Weighted average shares outstanding			
Basic	**219.4**	223.2	226.3
Diluted	**223.5**	226.6	229.4

The accompanying notes are an integral part of the consolidated financial statements.

MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in millions)

	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31, 2011		
	Pre-tax Amounts	**Tax Amounts**	**After-tax Amounts**	**Pre-tax Amounts**	**Tax Amounts**	**After-tax Amounts**	**Pre-tax Amounts**	**Tax Amounts**	**After-tax Amounts**
Net income			**$ 815.9**			$ 699.7			$ 578.0
Other Comprehensive Income (loss):									
Foreign currency adjustments:									
Foreign currency translation adjustments	**$ (15.8)**	**$ 0.6**	**(15.2)**	$ 35.4	$ (0.2)	35.2	$ (50.3)	$ 1.6	(48.7)
Foreign currency translation adjustments reclassification of losses included in net income due to liquidation of foreign subsidiaries	**1.4**		**1.4**						
Cash flow and net investment hedges:									
Net realized and unrealized (loss) gain on cash flow and net investment hedges	**6.3**	**(2.6)**	**3.7**	(3.9)	1.6	(2.3)	(1.0)	0.4	(0.6)
Reclassification of losses included in net income	**1.2**	**(0.5)**	**0.7**	4.1	(1.7)	2.4	5.3	(2.1)	3.2
Pension and Other Retirement Benefits:									
Amortization of actuarial losses and prior service costs included in net income	**11.9**	**(4.9)**	**7.0**	10.0	(4.1)	5.9	7.4	(3.0)	4.4
Net actuarial gains (losses) and prior service costs	**50.9**	**(21.0)**	**29.9**	(26.0)	11.2	(14.8)	(56.3)	22.1	(34.2)
Total other comprehensive income (loss)	**$ 55.9**	**$ (28.4)**	**27.5**	$ 19.6	$ 6.8	26.4	$ (94.9)	$ 19.0	(75.9)
Comprehensive Income			**843.4**			726.1			502.1
Less: comprehensive income attributable to noncontrolling interests			**11.4**			10.7			4.8

and redeemable noncontrolling interest			
Comprehensive income attributable to Moody s	**$ 832.0**	$ 715.4	$ 497.3

The accompanying notes are an integral part of the consolidated financial statements.

MOODY S CORPORATION

CONSOLIDATED BALANCE SHEETS

(amounts in millions, except share and per share data)

	December 31,	
	2013	**2012**
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,919.5**	$ 1,755.4
Short-term investments	**186.8**	17.9
Accounts receivable, net of allowances of $28.9 in 2013 and $29.1 in 2012	**694.2**	621.8
Deferred tax assets, net	**53.9**	38.7
Other current assets	**114.4**	91.9
Total current assets	**2,968.8**	2,525.7
Property and equipment, net	**278.7**	307.1
Goodwill	**665.2**	637.1
Intangible assets, net	**221.6**	226.5
Deferred tax assets, net	**148.7**	168.5
Other assets	**112.1**	96.0
Total assets	**$ 4,395.1**	$ 3,960.9
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 538.9**	$ 555.3
Deferred tax liabilities, net	**4.0**	
Current portion of long-term debt		63.8
Deferred revenue	**598.4**	545.8
Total current liabilities	**1,141.3**	1,164.9
Non-current portion of deferred revenue	**109.2**	94.9
Long-term debt	**2,101.8**	1,607.4
Deferred tax liabilities, net	**59.1**	58.1
Unrecognized tax benefits	**195.6**	156.6
Other liabilities	**360.2**	410.1
Total liabilities	**3,967.2**	3,492.0
Contingencies (Note 18)		
Redeemable noncontrolling interest	**80.0**	72.3

Shareholders equity:

Preferred stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Series common stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value $.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at December 31, 2013 and December 31, 2012, respectively.	**3.4**	3.4
Capital surplus	**405.8**	365.1
Retained earnings	**5,302.1**	4,713.3
Treasury stock, at cost; 128,941,621 and 119,650,254 shares of common stock at December 31, 2013 and December 31, 2012, respectively	**(5,319.7)**	(4,614.5)
Accumulated other comprehensive loss	**(54.6)**	(82.1)
Total Moody s shareholders equity	**337.0**	385.2
Noncontrolling interests	**10.9**	11.4
Total shareholders equity	**347.9**	396.6
Total liabilities, redeemable noncontrolling interest and shareholders equity	**$ 4,395.1**	$ 3,960.9

The accompanying notes are an integral part of the consolidated financial statements.

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in millions)

	Year Ended December 31,		
	2013	**2012**	**2011**
Cash flows from operating activities			
Net income	**$ 815.9**	$ 699.7	$ 578.0
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	**93.4**	93.5	79.2
Stock-based compensation expense	**67.1**	64.5	56.7
Goodwill impairment charge		12.2	
Deferred income taxes	**(27.2)**	36.1	10.3
Excess tax benefits from settlement of stock-based compensation awards	**(38.8)**	(15.7)	(7.4)
Legacy Tax Matters	**(19.2)**	(12.8)	(6.4)
Changes in assets and liabilities:			
Accounts receivable	**(67.0)**	(128.2)	17.1
Other current assets	**(21.7)**	(14.1)	53.5
Other assets	**(0.7)**	5.1	7.5
Accounts payable and accrued liabilities	**(2.9)**	101.7	23.9
Deferred revenue	**66.1**	20.9	8.8
Unrecognized tax benefits	**30.9**	(49.2)	3.9
Other liabilities	**30.9**	9.4	(21.8)
Net cash provided by operating activities	**926.8**	823.1	803.3
Cash flows from investing activities			
Capital additions	**(42.3)**	(45.0)	(67.7)
Purchases of short-term investments	**(225.9)**	(56.2)	(43.3)
Sales and maturities of short-term investments	**57.0**	54.5	40.9
Cash paid for acquisitions and investment in affiliates, net of cash acquired	**(50.7)**	(3.5)	(197.5)
Net cash used in investing activities	**(261.9)**	(50.2)	(267.6)
Cash flows from financing activities			
Issuance of notes	**497.2**	496.1	
Repayment of notes	**(63.8)**	(71.3)	(11.3)
Net proceeds from stock plans	**136.0**	116.7	46.4
Excess tax benefits from settlement of stock-based compensation awards	**38.8**	15.7	7.4
Cost of treasury shares repurchased	**(893.1)**	(196.5)	(333.8)
Payment of dividends	**(197.3)**	(143.0)	(121.0)

Payment of dividends to noncontrolling interests	**(12.2)**	(8.3)	(5.1)
Contingent consideration paid	**(0.3)**	(0.5)	(0.3)
Debt issuance costs and related fees	**(4.1)**	(6.3)	
Net cash provided by (used in) financing activities	**(498.8)**	202.6	(417.7)
Effect of exchange rate changes on cash and cash equivalents	**(2.0)**	19.9	(17.6)
Increase in cash and cash equivalents	**164.1**	995.4	100.4
Cash and cash equivalents, beginning of period	**1,755.4**	760.0	659.6
Cash and cash equivalents, end of period	**$ 1,919.5**	$ 1,755.4	$ 760.0

The accompanying notes are an integral part of the consolidated financial statements

MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT)

(amounts in millions)

			Shareholders of Moody s Corporation					
ommon Stock				**Treasury Stock**		**Accumulated Other Comprehensive Income (Loss)**	**Total Moody s Shareholders Equity (Deficit)**	**Contr Int**
ares	**Amount**	**Capital Surplus**	**Retained Earnings**	**Shares**	**Amount**			
342.9 $	**3.4 $**	**391.5 $**	**3,736.2**	**(112.1) $**	**(4,407.3) $**	**(33.4) $**	**(309.6) $**	
			571.4				571.4	
			(131.5)				(131.5)	
		56.9					56.9	
		(59.2)		2.6	105.6		46.4	
		7.2					7.2	
		(1.9)					(1.9)	
				(11.0)	(333.8)		(333.8)	

						(46.9)	(46.9)	
						(34.2)	(34.2)	
						4.4	4.4	
						2.6	2.6	
342.9	**$ 3.4**	**$ 394.5**	**$ 4,176.1**	**(120.5)**	**$ (4,635.5)**	**$ (107.5)**	**$ (169.0)**	**$**

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) *continued*

(amounts in millions)

Shareholders of Moody s Corporation								
ommon Stock				**Treasury Stock**		**Accumulated Other Comprehensive Income (Loss)**	**Total Moody s Shareholders Equity (Deficit)**	**Contr Int**
hares	**Amount**	**Capital Surplus**	**Retained Earnings**	**Shares**	**Amount**			
342.9	**$ 3.4**	**$ 394.5**	**$ 4,176.1**	**(120.5)**	**$ (4,635.5)**	**$ (107.5)**	**$ (169.0)**	**$**
			690.0				690.0	
			(152.8)				(152.8)	
		64.6					64.6	
		(100.9)		5.6	217.5		116.6	
		10.3					10.3	
		(3.4)					(3.4)	
				(4.8)	(196.5)		(196.5)	
						34.2	34.2	
						(14.8)	(14.8)	

						5.9	5.9
						0.1	0.1
342.9 $	**3.4 $**	**365.1 $**	**4,713.3**	**(119.7) $**	**(4,614.5) $**	**(82.1) $**	**385.2 $**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) *continued*

(amounts in millions)

		Shareholders of Moody s Corporation						
ommon Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody s Shareholders Equity	Contr Int
hares	Amount	Capital Surplus	Retained Earnings	Shares	Amount			
342.9	**$ 3.4**	**$ 365.1**	**$ 4,713.3**	**(119.7)**	**$ (4,614.5)**	**$ (82.1)**	**$ 385.2**	**$**
			804.5				804.5	
			(215.7)				(215.7)	
		67.2					67.2	
		(51.9)		5.0	187.9		136.0	
		33.3					33.3	
		(7.9)					(7.9)	
				(14.2)	(893.1)		(893.1)	
						(13.8)	(13.8)	
						29.9	29.9	

											7.0		7.0	
											4.4		4.4	
342.9	**$**	**3.4**	**$**	**405.8**	**$**	**5,302.1**	**(128.9)**	**$**	**(5,319.7)**	**$**	**(54.6)**	**$**	**337.0**	**$**

The accompanying notes are an integral part of the consolidated financial statements.

MOODY S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular dollar and share amounts in millions, except per share data)

NOTE 1 **DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

Moody s is a provider of (i) credit ratings, (ii) credit, capital markets and economic research, data and analytical tools, (iii) software solutions and related risk management services, (iv) quantitative credit risk measures, financial services training and certification services and (v) outsourced research and analytical services to institutional customers. Moody s has two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors.

MA, which includes all of the Company s non-rating commercial activities, develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its Research, Data and Analytics business, MA distributes research and data developed by MIS as part of its ratings process, including in-depth research on major debt issuers, industry studies and commentary on topical credit-related events. The RD&A business also produces economic research as well as data and analytical tools such as quantitative credit risk scores. Within its Enterprise Risk Solutions business (formerly referred to as Risk Management Software), MA provides software solutions as well as related risk management services. The Professional Services business provides outsourced research and analytical services along with financial training and certification programs.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Consolidation

The consolidated financial statements include those of Moody s Corporation and its majority- and wholly-owned subsidiaries. The effects of all intercompany transactions have been eliminated. Investments in companies for which the Company has significant influence over operating and financial policies but not a controlling interest are accounted for on an equity basis whereby the Company records its proportional share of the investment s net income or loss as part of other non-operating income (expense), net and any dividends received reduce the carrying amount of the investment. The Company applies the guidelines set forth in Topic 810 of the ASC in assessing its interests in variable interest entities to decide whether to consolidate that entity. The Company has reviewed the potential variable interest entities and determined that there are no consolidation requirements under Topic 810 of the ASC.

Cash and Cash Equivalents

Cash equivalents principally consist of investments in money market mutual funds and high-grade commercial paper with maturities of three months or less when purchased.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Expenditures for maintenance and repairs that do not extend the economic useful life of the related assets are charged to expense as incurred.

Research and Development Costs

All research and development costs are expensed as incurred. These costs primarily reflect the development of credit processing software and quantitative credit risk assessment products sold by the MA segment.

Research and development costs were $22.8 million, $16.1 million, and $29.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, and are included in operating expenses within the Company s consolidated statements of operations. These costs generally consist of professional services provided by third parties and compensation costs of employees.

Costs for internally developed computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These costs primarily relate to the development or enhancement of credit processing software and quantitative credit risk assessment products sold by the MA segment, to be licensed to customers and generally consist of professional services provided by third parties and compensation costs of employees that develop the software. Judgment is required in determining when technological feasibility of a product is established and the Company believes that technological feasibility for its software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to customers. Accordingly, costs for internally developed computer software that will be sold, leased or otherwise marketed that were eligible for capitalization under Topic 985 of the ASC as well as the related amortization expense related to such costs were immaterial for the years ended December 31, 2013, 2012 and 2011.

Computer Software Developed or Obtained for Internal Use

The Company capitalizes costs related to software developed or obtained for internal use. These assets, included in property and equipment in the consolidated balance sheets, relate to the Company s accounting, product delivery and other systems. Such costs generally consist of direct costs for third-party license fees, professional services provided by third parties and employee compensation, in each case incurred either during the application development stage or in connection with upgrades and enhancements that increase functionality. Such costs are depreciated over their estimated useful lives on a straight-line basis. Costs incurred during the preliminary project stage of development as well as maintenance costs are expensed as incurred.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

Moody s evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment, annually as of July 31 or more frequently if impairment indicators arise in accordance with ASC Topic 350.

The Company evaluates the recoverability of goodwill using a three-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made that, based on the qualitative factors, an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company must perform a third step of the impairment test to determine the implied fair value of the reporting unit s goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than its carrying value, the difference is recognized as an impairment charge. For the reporting units where the Company is consistently able to conclude on impairment using only a qualitative approach, the Company s accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. Goodwill is assigned to a reporting unit at the date when an acquisition is integrated into one of the established reporting units, and is based on which reporting unit is expected to benefit from the synergies of the acquisition.

For purposes of assessing the recoverability of goodwill, the Company has five reporting units at December 31, 2013: one in MIS that encompasses all of Moody s ratings operations and four reporting units within MA: RD&A, ERS, Financial Services Training and Certifications and Copal Amba. The RD&A reporting unit encompasses the distribution of investor-oriented research and data developed by MIS as part of its ratings process, in-depth research on major debt issuers, industry studies, economic research and commentary on topical events and credit analytic tools. The ERS reporting unit consists of credit risk management and compliance software that is sold on a license or subscription basis as well as related advisory services for implementation and maintenance. The FSTC reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training and certification services. The Company acquired Copal and Amba in the fourth quarter of 2011 and 2013, respectively. On the date of the acquisition of Amba, it was combined with the Copal reporting unit to form the new Copal Amba reporting unit.

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Rent Expense

The Company records rent expense on a straight-line basis over the life of the lease. In cases where there is a free rent period or future fixed rent escalations the Company will record a deferred rent liability. Additionally, the receipt of any lease incentives will be recorded as a deferred rent liability which will be amortized over the lease term as a reduction of rent expense.

Stock-Based Compensation

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes shares issued under stock option and restricted stock plans. The Company has also established a pool of additional paid-in capital related to the tax effects of employee share-based compensation, which is available to absorb any recognized tax deficiencies.

Derivative Instruments and Hedging Activities

Based on the Company s risk management policy, from time to time the Company may use derivative financial instruments to reduce exposure to changes in foreign exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes. All derivative financial instruments are recorded on the balance sheet at their respective fair values. The changes in the value of derivatives that qualify as fair value hedges are recorded currently into earnings. Changes in the derivative s fair value that qualify as cash flow hedges are recorded to other comprehensive income or loss, to the extent the hedge is effective, and such amounts are reclassified from accumulated other comprehensive income or loss to earnings in the same period or periods during which the hedged transaction affects income. Changes in the derivative s fair value that qualify as net investment hedges are recorded to other comprehensive income or loss, to the extent the hedge is effective.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided and accepted by the customer when applicable, fees are determinable and the collection of resulting receivables is considered probable.

Pursuant to ASC Topic 605, when a sales arrangement contains multiple deliverables, the Company allocates revenue to each deliverable based on its relative selling price which is determined based on its vendor specific objective evidence if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available.

The Company s products and services will generally continue to qualify as separate units of accounting under ASC Topic 605. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customers and if the arrangement includes a customer refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in the Company s control. In instances where the aforementioned criteria are not met, the deliverable is combined with the undelivered items and revenue recognition is determined as one single unit.

The Company determines whether its selling price in a multi-element transaction meets the VSOE criteria by using the price charged for a deliverable when sold separately. In instances where the Company is not able to establish VSOE for all deliverables in a multiple element arrangement, which may be due to the Company infrequently selling each element separately, not selling products within a reasonably narrow price range, or only having a limited sales history, the Company attempts to establish TPE for deliverables. The Company determines whether TPE exists by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. However, due to the difficulty in obtaining third party pricing, possible differences in its market strategy from that of its peers and the potential that products and services offered by the Company may contain a significant level of differentiation and/or customization such that the comparable pricing of products with similar functionality cannot be obtained, the Company generally is unable to reliably determine TPE. Based on the selling price hierarchy established by ASC Topic 605, when the Company is unable to establish selling price using VSOE or TPE, the Company will establish an ESP. ESP is the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company establishes its best estimate of ESP considering internal factors relevant to is pricing practices such as costs and margin objectives, standalone sales prices of similar products, percentage of the fee charged for a primary product or service relative to a related product or service, and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trend. The Company reviews its determination of VSOE, TPE and ESP on an annual basis or more frequently as needed.

In the MIS segment, revenue attributed to initial ratings of issued securities is recognized when the rating is issued. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of commercial mortgage-backed securities, derivatives, international residential mortgage-backed and asset-backed securities, issuers can elect to pay the monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities, which was approximately 30 years on a weighted average basis at December 31, 2013. At December 31, 2013, 2012 and 2011, deferred revenue related to these securities was approximately $97 million, $82 million, and $79 million.

Multiple element revenue arrangements in the MIS segment are generally comprised of an initial rating and the related monitoring service. Beginning January 1, 2010, in instances where monitoring fees are not charged for the first year monitoring effort, fees are allocated to the initial rating and monitoring services based on the relative selling price of each service to the total arrangement fees. The Company generally uses ESP in determining the selling price for its initial ratings as the Company rarely sells initial ratings separately without providing related monitoring services and thus is unable to establish VSOE or TPE for initial ratings. Prior to January 1, 2010 and pursuant to the previous accounting standards, for these types of arrangements the initial rating fee was first allocated to the monitoring service determined based on the estimated fair market value of monitoring services, with the residual amount allocated to the initial rating. Under ASU 2009-13 this practice can no longer be used for non-software deliverables upon the adoption of ASU 2009-13.

MIS estimates revenue for ratings of commercial paper for which, in addition to a fixed annual monitoring fee, issuers are billed quarterly based on amounts outstanding. Revenue is accrued each quarter based on estimated amounts outstanding and is billed when actual data is available. The estimate is determined based on the issuers most recent reported quarterly data. At December 31, 2013, 2012 and 2011, accounts receivable included approximately $21 million, $22 million, and $24 million, respectively, related to accrued commercial paper revenue. Historically, MIS has not had material differences between the estimated revenue and the actual billings. Furthermore, for certain annual monitoring services, fees are not invoiced until the end of the annual monitoring period and revenue is accrued ratably over the monitoring period.

In the MA segment, products and services offered by the Company include software licenses and related maintenance, subscriptions, and professional services. Revenue from subscription based products, such as research and data subscriptions and certain software-based credit risk management subscription products, is recognized ratably over the related subscription period, which is principally one year. Revenue from sale of perpetual licenses of credit processing software is generally recognized at the time the product master or first copy is delivered or transferred to and accepted by the customer. If uncertainty exists regarding customer acceptance of the product or service, revenue is not recognized until acceptance occurs. Software maintenance revenue is recognized ratably over the annual maintenance period. Revenue from services rendered within the professional services line of business is generally recognized as the services are performed. A large portion of annual research and data subscriptions and annual software maintenance are invoiced in the months of November, December and January.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where a multiple element arrangement includes software and non-software deliverables, revenue is allocated to the non-software deliverables and to the software deliverables, as a group, using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. Revenue is recognized for each element based upon the conditions for revenue recognition noted above.

If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is allocated to each software deliverable using VSOE. In the instances where the Company is not able to determine VSOE for all of the deliverables of an arrangement, the Company allocates the revenue to the undelivered elements equal to its VSOE and the residual revenue to the delivered elements. If the Company is unable to determine VSOE for an undelivered element, the Company defers all revenue allocated to the software deliverables until the Company has delivered all of the elements or when VSOE has been determined for the undelivered elements. In cases where software implementation services are considered essential and VSOE of fair value exists for post-contract customer support (PCS), once the delivery criteria has been met on the standard software, license and service revenue is recognized on a percentage-of-completion basis as implementation services are performed, while PCS is recognized over the coverage period. If VSOE of fair value does not exist for PCS, once the delivery criteria has been met on the standard software, service revenue is recognized on a zero profit margin basis until essential services are complete, at which point total arrangement revenue is then spread ratably over the remaining PCS coverage period.

Accounts Receivable Allowances

Moody s records an allowance for estimated future adjustments to customer billings as a reduction of revenue, based on historical experience and current conditions. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments and uncollectible account write-offs are recorded against the allowance. Moody s evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current status of customer accounts. Moody s also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody s adjusts its allowance as considered appropriate in the circumstances.

Contingencies

From time to time, Moody s is involved in legal and tax proceedings, governmental investigations and inquiries, claims and litigation that are incidental to the Company s business, including claims based on ratings assigned by MIS. Moody s is also subject to ongoing tax audits in the normal course of business. Management periodically assesses the Company s liabilities and contingencies in connection with these matters based upon the latest information available. Moody s discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

For claims, litigation and proceedings and governmental investigations and inquires not related to income taxes, where it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company records liabilities in the consolidated financial statements and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In other instances, because of uncertainties related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if significant. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. In view of the inherent difficulty of predicting the outcome of litigation, regulatory, governmental investigations and inquiries, enforcement and similar matters , particularly where the claimants seek large or indeterminate damages or where the parties assert novel legal theories or the matters involve a large number of parties, the Company cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also cannot predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition. However, in light of the large or indeterminate damages sought in some of them, the absence of similar court rulings on the theories of law asserted and uncertainties regarding apportionment of any potential damages, an estimate of the range of possible losses cannot be made at this time.

The Company s wholly-owned insurance subsidiary insures the Company against certain risks including but not limited to deductibles for worker s compensation, employment practices litigation and employee medical claims and terrorism, for which the claims are not material to the Company. In addition, for claim years 2008 and 2009, the insurance subsidiary insured the Company for defense costs related to professional liability claims. For matters insured by the Company s insurance subsidiary, Moody s records liabilities based on the estimated total claims expected to be paid and total projected costs to defend a claim through its anticipated conclusion. The Company determines liabilities based on an assessment of management s best estimate of claims to be paid and legal defense costs as well as actuarially determined estimates. The Cheyne SIV and Rhinebridge SIV matters more fully discussed in Note 18 are both cases from the 2008/2009 claims period, and accordingly these matters are covered by the Company s insurance subsidiary. Defense costs for matters not self-insured by the Company s wholly-owned insurance subsidiary are expensed as services are provided.

For income tax matters, the Company employs the prescribed methodology of Topic 740 of the ASC which requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Operating Expenses

Operating expenses include costs associated with the development and production of the Company s products and services and their delivery to customers. These expenses principally include employee compensation and benefits and travel costs that are incurred in connection with these activities. Operating expenses are charged to income as incurred, except for certain costs related to software implementation services which are deferred until related revenue is recognized. Additionally, certain costs incurred to develop internal use software are capitalized and depreciated over their estimated useful life.

Selling, General and Administrative Expenses

SG&A expenses include such items as compensation and benefits for corporate officers and staff and compensation and other expenses related to sales of products. They also include items such as office rent, business insurance, professional fees and gains and losses from sales and disposals of assets. SG&A expenses are charged to income as incurred, except for certain expenses incurred to develop internal use software are capitalized and depreciated over their estimated useful life.

Redeemable Noncontrolling Interest

The Company records its redeemable noncontrolling interest at fair value on the date of the related business combination transaction. The redeemable noncontrolling interest represents noncontrolling shareholders interest in entities which are controlled but not wholly-owned by Moody s and for which Moody s obligation to redeem the minority shareholders interest is governed by a put/call relationship. Subsequent to the initial measurement, the redeemable noncontrolling interest is recorded at the greater of its redemption value or its carrying value at the end of each reporting period. If the redeemable noncontrolling interest is carried at its redemption value, the difference between the redemption value and the carrying value would be adjusted through capital surplus at the end of each reporting period. The Company also performs a quarterly assessment to determine if the aforementioned redemption value exceeds the fair value of the redeemable noncontrolling interest. If the redemption value of the redeemable noncontrolling interest were to exceed its fair value, the excess would reduce the net income attributable to Moody s shareholders.

Foreign Currency Translation

For all operations outside the U.S. where the Company has designated the local currency as the functional currency, assets and liabilities are translated into U.S. dollars using end of year exchange rates, and revenue and expenses are translated using average exchange rates for the year. For these foreign operations, currency translation adjustments are accumulated in a separate component of shareholders equity.

Comprehensive Income

Comprehensive income represents the change in net assets of a business enterprise during a period due to transactions and other events and circumstances from non-owner sources including foreign currency translation impacts, net actuarial losses and net prior service costs related to pension and other retirement plans and gains and losses on derivative instruments.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company classifies interest related to unrecognized tax benefits as a component of interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. For UTPs, the Company first determines whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

For certain of its non-U.S. subsidiaries, the Company has deemed the undistributed earnings relating to these subsidiaries to be indefinitely reinvested within its foreign operations. Accordingly, the Company has not provided deferred income taxes on these indefinitely reinvested earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future due to complexities in the tax laws and in the hypothetical calculations that would have to be made.

Fair Value of Financial Instruments

The Company s financial instruments include cash, cash equivalents, trade receivables and payables, all of which are short-term in nature and, accordingly, approximate fair value. Additionally, the Company invests in short-term investments that are carried at cost, which approximates fair value due to their short-term maturities. Also, the Company uses derivative instruments, as further described in Note 5, to manage certain financial exposures that occur in the normal course of business. These derivative instruments are carried at fair value on the Company s consolidated balance sheets. The Company also is subject to contingent consideration obligations related to certain of its acquisitions as more fully discussed in Note 9. These obligations are carried at their estimated fair value within the Company s consolidated balance sheets.

Fair value is defined by the ASC as the price that would be received from selling an asset or paid to transfer a liability (i.e., an exit price) in an orderly transaction between market participants at the measurement date. The determination of this fair value is based on the principal or most advantageous market in which the Company could commence transactions and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance. Also, determination of fair value assumes that market participants will consider the highest and best use of the asset.

The ASC establishes a fair value hierarchy whereby the inputs contained in valuation techniques used to measure fair value are categorized into three broad levels as follows:

Level 1: quoted market prices in active markets that the reporting entity has the ability to access at the date of the fair value measurement;

Level 2: inputs other than quoted market prices described in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk principally consist of cash and cash equivalents, short-term investments, trade receivables and derivatives.

Cash equivalents consist of investments in high quality investment-grade securities within and outside the U.S. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds and issuers of high- grade commercial paper. Short-term investments primarily consist of certificates of deposit as of December 31, 2013 and 2012. The Company manages its credit risk exposure on cash equivalents and short-term investments by limiting the amount it can invest with any single issuer. No customer accounted for 10% or more of accounts receivable at December 31, 2013 or 2012.

Earnings per Share of Common Stock

Basic shares outstanding is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted shares outstanding is calculated giving effect to all potentially dilutive common shares, assuming that such shares were outstanding during the reporting period.

Pension and Other Retirement Benefits

Moody s maintains various noncontributory DBPPs as well as other contributory and noncontributory retirement plans. The expense and assets/liabilities that the Company reports for its pension and other retirement benefits are dependent on many assumptions concerning the outcome of future events and circumstances. These assumptions represent the Company s best estimates and may vary by plan. The differences between the assumptions for the expected long-term rate of return on plan assets and actual experience is spread over a five-year period to the market related value of plan assets which is used in determining the expected return on assets component of annual pension expense. All other actuarial gains and losses are generally deferred and amortized over the estimated average future working life of active plan participants.

The Company recognizes as an asset or liability in its consolidated balance sheet the funded status of its defined benefit retirement plans, measured on a plan-by-plan basis. Changes in the funded status due to actuarial gains/losses are recorded as part of other comprehensive income during the period the changes occur.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates are used for, but not limited to, revenue recognition, accounts receivable allowances, income taxes, contingencies, valuation of long-lived and intangible assets, goodwill, pension and other retirement benefits, stock-based compensation, and depreciation and amortization rates for property and equipment and computer software.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income . The objective of this ASU is to improve reporting by requiring entities to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in the statement of operations. The amendments in this ASU are required to be applied prospectively and are effective for reporting periods beginning after December 15, 2012. The Company has fully adopted all provisions of this ASU as of January 1, 2013, and the implementation did not have any impact on the Company s consolidated financial statements other than to provide additional footnote disclosure which in included in Note 11.

NOTE 3 **RECONCILIATION OF WEIGHTED AVERAGE SHARES OUTSTANDING**

Below is a reconciliation of basic to diluted shares outstanding:

	Year Ended December 31,

	2013	**2012**	**2011**
Basic	**219.4**	223.2	226.3
Dilutive effect of shares issuable under stock-based compensation plans	**4.1**	3.4	3.1
Diluted	**223.5**	226.6	229.4
Antidilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	**4.0**	7.5	10.6

The calculation of diluted EPS requires certain assumptions regarding the use of both cash proceeds and assumed proceeds that would be received upon the exercise of stock options and vesting of restricted stock outstanding as of December 31, 2013, 2012 and 2011. These assumed proceeds include Excess Tax Benefits and any unrecognized compensation on the awards.

NOTE 4 **SHORT-TERM INVESTMENTS**

Short-term investments are securities with maturities greater than 90 days at the time of purchase that are available for use in the Company s operations in the next twelve months. The short-term investments, primarily consisting of certificates of deposit, are classified as held-to-maturity and therefore are carried at cost. The remaining contractual maturities of the short-term investments were one to nine months and one to 11 months as of December 31, 2013 and 2012, respectively. Interest and dividends are recorded into income when earned.

NOTE 5 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to global market risks, including risks from changes in FX rates and changes in interest rates. Accordingly, the Company uses derivatives in certain instances to manage the aforementioned financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for speculative purposes.

Interest Rate Swaps

In the fourth quarter of 2010, the Company entered into interest rate swaps with a total notional amount of $300 million to convert the fixed interest rate on the Series 2005-1 Notes to a floating interest rate based on the 3-month LIBOR. The purpose of this hedge was to mitigate the risk associated with changes in the fair value of the Series 2005-1 Notes, thus the Company has designated these swaps as fair value hedges. The fair value of the swaps is adjusted quarterly with a corresponding adjustment to the carrying value of the Series 2005-1 Notes. The changes in the fair value of the hedges and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest income (expense), net in the Company s consolidated statements of operations.

In May 2008, the Company entered into interest rate swaps with a total notional amount of $150 million to protect against fluctuations in the LIBOR-based variable interest rate on the 2008 Term Loan further described in Note 15. These interest rate swaps were designated as cash flow hedges. Accordingly, changes in the fair value of these swaps were recorded to other comprehensive income or loss, to the extent that the hedge was effective, and such amounts were reclassified to earnings in the same period during which the hedged transaction affected income. The 2008 Term Loan was repaid in full in May 2013 and the interest rate swaps have matured. Accordingly, all amounts in AOCI have been reclassified to interest income (expense), net in the Company s consolidated statements of operations.

Foreign Exchange Forwards

The Company also enters into foreign exchange forwards to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than the subsidiary s functional currency. These forward contracts are not designated as hedging instruments under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating income (expense), net in the Company s consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary s functional currency. These contracts have expiration dates at various times through March 2014.

The following table summarizes the notional amounts of the Company s outstanding foreign exchange forwards:

		December 31, 2013		**December 31, 2012**
Notional amount of Currency Pair:				
Contracts to purchase USD with euros	**$**	**14.2**	$	34.3
Contracts to sell USD for euros	**$**	**53.2**	$	48.4
Contracts to purchase USD with GBP	**$**		$	2.1
Contracts to sell USD for GBP	**$**		$	1.7
Contracts to purchase USD with other foreign currencies	**$**		$	6.7
Contracts to sell USD for other foreign currencies	**$**		$	5.1
Contracts to purchase euros with other foreign currencies		**13.1**		14.4

Contracts to purchase euros with GBP	**22.1**	
Contracts to sell euros for GBP		8.9

Net Investment Hedges

The Company enters into foreign currency forward contracts to hedge the exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against adverse changes in foreign exchange rates. These forward contracts are designated as hedging instruments under the applicable sections of Topic 815 of the ASC. Hedge effectiveness is assessed based on the overall changes in the fair value of the forward contracts on a pre-tax basis. For hedges that meet the effectiveness requirements, any change in fair value for the hedge is recorded in OCI. Any change in the fair value of these hedges that is the result of ineffectiveness would be recognized immediately in other non-operating (expense) income in the Company s consolidated statements of operations. These outstanding contracts expire in March 2014 for contracts to sell euros for USD and in November 2014 for contracts to sell Japanese yen for USD.

The following table summarizes the notional amounts of the Company s outstanding foreign exchange forward contracts that are designated as net investment hedges:

		December 31, 2013		December 31, 2012
Notional amount of Currency Pair:				
Contracts to sell euros for USD		**50.0**		50.0
Contracts to sell Japanese yen for USD	**¥**	**19,700**	¥	

The table below shows the classification between assets and liabilities on the Company s consolidated balance sheets for the fair value of the derivative instruments:

	Fair Value of Derivative Instruments				
	Balance Sheet Location		**December 31, 2013**		**December 31, 2012**
Assets:					
Derivatives designated as accounting hedges:					
Interest rate swaps	Other assets	**$**	**10.3**	$	13.8
FX forwards on net investment in certain foreign subsidiaries	Other current assets		**9.3**		
Total derivatives designated as accounting hedges			**19.6**		13.8
Derivatives not designated as accounting hedges:					
FX forwards on certain assets and liabilities	Other current assets		**0.9**		1.4
Total		**$**	**20.5**	$	15.2
Liabilities:					
Derivatives designated as accounting hedges:					
Interest rate swaps	Accounts payable and accrued liabilities	**$**		$	0.7
FX forwards on net investment in certain foreign subsidiaries	Accounts payable and accrued liabilities		**1.0**		1.0
Total derivatives designated as accounting hedges			**1.0**		1.7
Derivatives not designated as accounting hedges:					
			0.7		0.7

FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities				
Total		**$**	**1.7**	$	2.4

The following table summarizes the net gain (loss) on the Company s foreign exchange forwards which are not designated as hedging instruments as well as the gain (loss) on the interest rate swaps designated as fair value hedges:

		Amount of Gain (Loss) Recognized in Consolidated Statement of Operations Year Ended December 31,					
			2013		**2012**		**2011**
Derivatives designated as accounting hedges	**Location on Consolidated Statements of Operations**						
Interest rate swaps	Interest Expense (expense), net	**$**	**4.2**	$	3.6	$	4.1
Derivatives not designated as accounting hedges							
Foreign exchange forwards	Other non-operating (expense) income	**$**	**2.1**	$	0.9	$	(1.4)

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The following table provides information on gains (losses) on the Company s cash flow hedges:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain/(Loss) Recognized in AOCI on Derivative (Effective Portion)			Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)			Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	Year Ended December 31,				Year Ended December 31,				Year Ended December 31,		
	2013	**2012**	**2011**		**2013**	**2012**	**2011**		**2013**	**2012**	**2011**
FX options	**$**	$	$	Revenue	**$**	$	$ (0.2)	Revenue	**$**	$	$
Interest rate swaps		(0.1)	(0.6)	Interest income (expense), net	**(0.7)**	(2.4)	(3.0)	N/A			
Total	**$**	$ (0.1)	$ (0.6)		**$ (0.7)**	$ (2.4)	$ (3.2)		**$**	$	$

All gains and losses on derivatives designated as cash flow hedges are initially recognized through OCI. Realized gains and losses reported in AOCI are reclassified into earnings (into revenue for FX options and into interest income (expense), net for the interest rate swaps) as the underlying transaction is recognized.

The following table provides information on gains (losses) on the Company s net investment hedges:

Derivatives in Net Investment Hedging Relationships	Amount of Gain/(Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness

	Year Ended December 31,			Excluded from Effectiveness Testing) Year Ended December 31,			Testing) Year Ended December 31,	
	2013	**2012**		**2013**	**2012**		**2013**	**2012**
FX forwards	**$ 3.7**	$ (2.2)	N/A	**$**	$	N/A	**$**	$
Total	**$ 3.7**	$ (2.2)		**$**	$		**$**	$

All gains and losses on derivatives designated as net investment hedges are recognized through OCI.

The cumulative amount of hedge gain (losses) recorded in AOCI relating to derivative instruments is as follows:

	Gains (Losses), net of tax	
	December 31, 2013	**December 31, 2012**
FX forwards on net investment hedges	**$ 1.5**	$ (2.2)
Interest rate swaps		(0.7)
Total	**$ 1.5**	$ (2.9)

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NOTE 6 **PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of:

	December 31, 2013		2012
Office and computer equipment (2 20 year estimated useful life)	**$**	**129.7**	$ 119.7
Office furniture and fixtures (5 10 year estimated useful life)		**40.6**	40.3
Internal-use computer software (3 5 year estimated useful life)		**284.9**	263.9
Leasehold improvements (3 20 year estimated useful life)		**199.2**	197.5
Total property and equipment, at cost		**654.4**	621.4
Less: accumulated depreciation and amortization		**(375.7)**	(314.3)
Total property and equipment, net	**$**	**278.7**	$ 307.1

Depreciation and amortization expense related to the above assets was $65.4 million, $63.4 million, and $58.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 7 **ACQUISITIONS**

All of the acquisitions described below were accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at their acquisition date fair value. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill. For all of the acquisitions described below, the Company has not presented proforma combined results for the acquisitions because the impact on previously reported statements of operations would not have been material. Furthermore, for all acquisitions described below, the amount of revenue and expenses in the year of acquisition from the acquisition date through the end of the year was not material. These acquisitions are discussed below in more detail.

Amba Investment Services

On December 10, 2013, Copal Partners Limited, a majority-owned subsidiary of the Company, acquired 100% of Amba Investment Services, a provider of investment research and quantitative analytics for global financial institutions. Amba currently operates within the PS LOB of MA and will bolster the research and analytical capabilities offered by MA through Copal, a majority of which was acquired in December 2011.

The table below details the total consideration transferred to the sellers of Amba:

Cash paid	$	67.2
Contingent consideration liability assumed		4.3
Additional purchase price to be paid in 2014 based on final working capital acquired		0.1
Total fair value of consideration transferred	$	71.6

The cash payment to the sellers was funded by using Moody s non-U.S. cash on hand.

The purchase agreement contains a provision for a contingent cash payment to the sellers valued at $4.3 million at the acquisition date. This contingent cash payment is dependent on Amba achieving certain revenue targets for the period from the acquisition date through March 31, 2014. At December 31, 2013, financial projections for Amba indicate that it will achieve the revenue targets set forth in the purchase agreement. Any contingent consideration arising from the acquisition of Amba will be paid to the sellers during 2014.

The Company incurred approximately $1 million of costs directly related to the acquisition of Amba during the year ended December 31, 2013. These costs, which primarily consist of consulting and legal fees, are recorded within selling, general and administrative expenses in the Company s consolidated statements of operations.

Shown below is the purchase price allocation, which summarizes the fair value of the assets acquired and the liabilities assumed, at the date of acquisition:

Current assets			$	23.7
Property and equipment, net				0.4
Intangible assets:				
Trade name (7 year weighted average life)	$	3.3		
Client relationships (12 year weighted average life)		26.7		
Other (3 year weighted average life)		1.6		
Total intangible assets (11 year weighted average life)				31.6
Goodwill				34.5
Indemnification asset				10.4
Other assets				2.0
Liabilities assumed				(31.0)
Net assets acquired			$	71.6

Current assets include acquired cash of approximately $16 million. Additionally, current assets includes gross accounts receivable of approximately $6 million, of which an immaterial amount is not expected to be collectible. The acquired goodwill, which has been assigned to the MA segment, will not be deductible for tax.

In connection with the acquisition, the Company assumed liabilities relating to certain UTPs. These UTPs are included in the liabilities assumed in the table above. The sellers have contractually indemnified the Company against any potential payments that may have to be made regarding these UTPs. Accordingly, the Company carries an indemnification asset on its consolidated balance sheet at December 31, 2013.

As of the date of the acquisition, Amba was integrated with Copal to form the Copal Amba reporting unit.

Barrie & Hibbert, Limited

On December 16, 2011, a subsidiary of the Company acquired Barrie & Hibbert Limited, a provider of risk management modeling tools for insurance companies worldwide. B&H operates within the ERS LOB of MA, broadening MA s suite of software solutions for the insurance and pension sectors.

The aggregate purchase price was $79.5 million in cash payments to the sellers and was funded by using Moody s non-U.S. cash on hand.

Shown below is the purchase price allocation, which summarizes the fair values of the assets acquired, and liabilities assumed, at the date of acquisition:

Current assets			$	15.2
Property and equipment, net				0.7
Intangible assets:				

Trade name (5 year weighted average life)	$ 1.9	
Client relationships (18 year weighted average life)	8.3	
Software (7 year weighted average life)	16.8	
Other intangibles (2 year weighted average life)	0.1	
Total intangible assets (12 year weighted average life)		27.1
Goodwill		54.6
Liabilities assumed		(18.1)
Net assets acquired		$ 79.5

Current assets include acquired cash of approximately $10 million. The acquired goodwill will not be deductible for tax. B&H operates within the ERS reporting unit and goodwill associated with the acquisition was part of the ERS reporting unit within the MA segment as of the acquisition date.

The Company incurred approximately $1 million of costs directly related to the acquisition of B&H during the year ended December 31, 2011. These costs, which primarily consisted of consulting and legal fees, are recorded within selling, general and administrative expenses in the Company s consolidated statements of operations.

Copal Partners

On November 4, 2011, subsidiaries of the Company acquired a 67% interest in Copal Partners Limited and a 100% interest in two related entities that were wholly-owned by Copal Partners Limited (together herein referred to as Copal). These acquisitions resulted in the Company obtaining an approximate 75% economic ownership interest in the Copal group of companies. Copal is a provider of outsourced research and consulting services to the financial services industry. Copal operates within the PS LOB of MA and complements the other product and services offered by MA. The table below details the total consideration transferred to the sellers of Copal:

Cash paid	$	125.0
Put/call option for non-controlling interest		68.0
Contingent consideration liability assumed		6.8
Total fair value of consideration transferred	$	199.8

In conjunction with the purchase, the Company and the non-controlling shareholders entered into a put/call option agreement whereby the Company has the option to purchase from the non-controlling shareholders and the non-controlling shareholders have the option to sell to the Company the remaining 33% ownership interest of Copal Partners Limited based on a strike price to be calculated on pre-determined formulas using a combination of revenue and EBITDA multiples when exercised. The value of the estimated put/call option strike price on the date of acquisition was based on a Monte Carlo simulation model. This model contemplated multiple scenarios which simulated certain of Copal s revenue, EBITDA margins and equity values to estimate the present value of the expected strike price of the option. In connection with the acquisition of Amba in December 2013, which was combined with Copal to form the Copal Amba reporting unit, the aforementioned revenue and EBITDA multiples set forth in the original put/call option agreement were modified to include the results of Amba. The option is subject to a minimum exercise price of $46 million. There is no limit as to the maximum amount of the strike price on the put/call option.

Additionally, as part of the consideration transferred, the Company issued a note payable of $14.2 million to the sellers which is more fully discussed in Note 15. The Company has a right to reduce the amount payable under this note in accordance with certain indemnification arrangements which are more fully discussed below. Accordingly, this note payable is not carried on the consolidated balance sheet as of December 31, 2013 and 2012 in accordance with these indemnification arrangements.

Also, the purchase agreement contains several different provisions for contingent cash payments to the sellers valued at $6.8 million at the acquisition date. A portion of the contingent cash payments are based on revenue and EBITDA growth for certain of the acquired Copal entities. This growth is calculated by comparing revenue and EBITDA in the year immediately prior to the exercise of the aforementioned put/call option to revenue and EBITDA in the year ended December 31, 2011. There are no limitations set forth in the acquisition agreement relating to the amount payable under this contingent payment arrangement. Payments under this arrangement, if any, would be made upon the exercise of the put/call option. Other contingent cash payments, which have been fully settled as of December 31, 2013, were based on the achievement of revenue targets for 2012 and 2013, with certain limits on the amount of revenue that can be applied to the calculation of the contingent payment. Further information on the inputs and methodologies utilized to derive the fair value of these contingent consideration liabilities outstanding at December 31, 2013 are discussed in Note 9.

The Company incurred approximately $7 million of costs directly related to the acquisition of Copal during the year ended December 31, 2011. These costs, which primarily consist of consulting and legal fees, are recorded within selling, general and administrative expenses in the Company s consolidated statements of operations.

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Shown below is the purchase price allocation, which summarizes the fair values of the assets acquired and liabilities assumed, at the date of acquisition:

Current assets			$	15.5
Property and equipment, net				0.5
Intangible assets:				
Trade name (15 year weighted average life)	$	8.6		
Client relationships (16 year weighted average life)		66.2		
Other (2 year weighted average life)		4.4		
Total intangible assets (15 year weighted average life)				79.2
Goodwill				136.9
Indemnification asset				18.8
Other assets				6.6
Liabilities assumed				(57.7)
Net assets acquired			$	199.8

Current assets include acquired cash of approximately $7 million. The acquired goodwill, which has been assigned to the MA segment, will not be deductible for tax.

In connection with the acquisition, the Company assumed liabilities relating to UTPs. These UTPs are included in the liabilities assumed in the table above. The sellers have contractually indemnified the Company against any potential payments that may have to be made regarding these UTPs. Under the terms of the acquisition agreement, a portion of the purchase price was remitted to an escrow agent for various uncertainties associated with the transaction of which a portion relates to these UTPs. Additionally, the Company is contractually indemnified for payments in excess of the amount paid into escrow via a reduction to the amount payable under the aforementioned note payable issued to the sellers. Accordingly, the Company carries an indemnification asset on its consolidated balance sheet at December 31, 2013 and 2012 for which a portion has been offset by the note payable in the amount of $14.2 million.

As of the date of this acquisition through the Amba acquisition date, Copal operated as its own reporting unit. Accordingly, goodwill associated with the acquisition was part of the Copal reporting unit within the MA segment through December 10, 2013. On December 10, 2013, Amba was combined with the Copal reporting unit to form the new Copal Amba reporting unit.

NOTE 8 **GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS**

The following table summarizes the activity in goodwill:

	Year Ended December 31, 2013								
	MIS			MA			Consolidated		
	Gross Goodwill	Accumulated Impairment	Net Goodwill	Gross Goodwill	Accumulated Impairment	Net Goodwill	Gross Goodwill	Accumulated Impairment	Net Goodwill

		Charge			Charge			Charge	
Balance at beginning of year	**$ 11.5**	**$**	**$ 11.5**	**$ 637.8**	**$ (12.2)**	**$ 625.6**	**$ 649.3**	**$ (12.2)**	**$ 637.1**
Additions/adjustments				**34.5**		**34.5**	**34.5**		**34.5**
Foreign currency translation adjustments	**(0.1)**		**(0.1)**	**(6.3)**		**(6.3)**	**(6.4)**		**(6.4)**
Ending balance	**$ 11.4**	**$**	**$ 11.4**	**$ 666.0**	**$ (12.2)**	**$ 653.8**	**$ 677.4**	**$ (12.2)**	**$ 665.2**

	Year Ended December 31, 2012								
	MIS			MA			Consolidated		
	Gross Goodwill	Accumulated Impairment Charge	Net Goodwill	Gross Goodwill	Accumulated Impairment Charge	Net Goodwill	Gross Goodwill	Accumulated Impairment Charge	Net Goodwill
Balance at beginning of year	$ 11.0	$	$ 11.0	$ 631.9	$	$ 631.9	**$ 642.9**	**$**	**$ 642.9**
Additions/adjustments				(4.4)		(4.4)	**(4.4)**		**(4.4)**
Impairment charge					(12.2)	(12.2)		**(12.2)**	**(12.2)**
Foreign currency translation adjustments	0.5		0.5	10.3		10.3	**10.8**		**10.8**
Ending balance	$ 11.5	$	$ 11.5	$ 637.8	$ (12.2)	$ 625.6	**$ 649.3**	**$ (12.2)**	**$ 637.1**

The 2013 additions for the MA segment relate to the acquisition of Amba in the fourth quarter of 2013. The 2012 additions/adjustments for the MA segment relate to the acquisitions of Copal and B&H in the fourth quarter of 2011, more fully discussed in Note 7.

The impairment charge in the table above relates to goodwill in the FSTC reporting unit within MA. The Company evaluates its goodwill for potential impairment annually on July 31 or more frequently if impairment indicators arise throughout the year. Projected operating results for the FSTC reporting unit at December 31, 2012 were lower than projections utilized for the annual impairment analysis performed at July 31, 2012 reflecting a contraction in spending for training and certification services at the time for many individuals and global financial institutions amidst macroeconomic uncertainties in the prior year. Based on this trend and overall macroeconomic uncertainties at the time, the Company lowered its cash flow forecasts for this reporting unit in the fourth quarter of 2012. Accordingly, the Company performed another goodwill impairment assessment as of December 31, 2012 which resulted in an impairment charge of $12.2 million. The fair value of the FSTC reporting unit utilized in the impairment assessment was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples. There was no goodwill impairment in 2013.

Acquired intangible assets consisted of:

	December 31,	
	2013	**2012**
Customer relationships	**$ 237.4**	$ 219.6
Accumulated amortization	**(86.6)**	(74.0)
Net customer relationships	**150.8**	145.6
Trade secrets	**31.1**	31.4
Accumulated amortization	**(18.5)**	(16.0)
Net trade secrets	**12.6**	15.4
Software	**71.0**	73.2
Accumulated amortization	**(38.8)**	(33.7)

Net software	**32.2**	39.5
Trade names	**31.3**	28.3
Accumulated amortization	**(11.7)**	(10.3)
Net trade names	**19.6**	18.0
Other	**26.1**	24.9
Accumulated amortization	**(19.7)**	(16.9)
Net other	**6.4**	8.0
Total	**$ 221.6**	$ 226.5

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Other intangible assets primarily consist of databases and covenants not to compete. Amortization expense relating to intangible assets is as follows:

	Year Ended December 31,		
	2013	**2012**	**2011**
Amortization expense	**$ 28.0**	$ 30.1	$ 20.5

Estimated future annual amortization expense for intangible assets subject to amortization is as follows:

Year Ended December 31,	
2014	$ 25.9
2015	24.3
2016	23.7
2017	21.0
2018	16.0
Thereafter	110.7

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In conjunction with the assessment of goodwill impairment at July 31, 2012, the Company reviewed the recoverability of certain customer lists within its FSTC reporting unit. This review resulted in an impairment of approximately $1 million in the third quarter of 2012 which is recorded in depreciation and amortization expense in the consolidated statement of operations. The fair value of these customer lists was determined using a discounted cash flow analysis. The Company again reviewed the recoverability of these customer lists in the fourth quarter of 2012 in conjunction with the quantitative goodwill impairment test performed at December 31, 2012 for the FSTC reporting unit. Based on this assessment, there was no further impairment of the customer lists in the fourth quarter of 2012. For all intangible assets, there were no such events or changes during 2013 that would indicate that the carrying amount of amortizable intangible assets in any of the Company s reporting units may not be recoverable. This determination was made based on improving market conditions for the reporting unit where the intangible asset resides and an assessment of projected cash flows for all reporting units. Additionally, there were no events or circumstances during 2013 that would indicate the need for an adjustment of the remaining useful lives of these amortizable intangible assets.

NOTE 9 **FAIR VALUE**

The table below presents information about items, which are carried at fair value on a recurring basis at December 31, 2013 and 2012:

		Fair Value Measurement as of December 31, 2013			
	Description	**Balance**	**Level 1**	**Level 2**	**Level 3**
Assets:					
	Derivatives [(a)]	**$ 20.5**	**$**	**$ 20.5**	**$**

	Total	$	**20.5**	$		$	**20.5**	$	
Liabilities:									
	Derivatives [a]	$	**1.7**	$		$	**1.7**	$	
	Contingent consideration arising from acquisitions [b]		**17.5**						**17.5**
	Total	$	**19.2**	$		$	**1.7**	$	**17.5**

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	Description		Fair Value Measurement as of December 31, 2012						
			Balance		Level 1		Level 2		Level 3
Assets:									
	Derivatives [a]	$	**15.2**	$		$	**15.2**	$	
	Total	$	**15.2**	$		$	**15.2**	$	
Liabilities:									
	Derivatives [a]	$	**2.4**	$		$	**2.4**	$	
	Contingent consideration arising from acquisitions [b]		**9.0**						**9.0**
	Total	$	**11.4**	$		$	**2.4**	$	**9.0**

(a) Represents interest rate swaps and FX forwards on certain assets and liabilities as well as on certain non-U.S. dollar net investments in certain foreign subsidiaries more fully discussed in Note 5

(b) Represents contingent consideration liabilities pursuant to the agreements for certain MA acquisitions
The following table summarizes the changes in the fair value of the Company s Level 3 liabilities:

	Contingent Consideration Year Ended December 31,			
		2013		**2012**
Balance as of January 1	$	**9.0**	$	9.1
Contingent consideration assumed in acquisition of Amba		**4.3**		
Contingent consideration payments		**(2.5)**		(0.5)
Losses included in earnings		**6.9**		0.1
Foreign currency translation adjustments		**(0.2)**		0.3
Balance as of December 31	$	**17.5**	$	9.0

The losses included in earnings in the table above are recorded within SG&A expenses in the Company s consolidated statements of operations and relate to contingent consideration obligations outstanding at December 31, 2013.

Of the $17.5 million of contingent consideration obligations as of December 31, 2013, $4.3 million is classified in accounts payable and accrued liabilities and $13.2 million is classified in other liabilities within the Company s consolidated balance sheet.

The following are descriptions of the methodologies utilized by the Company to estimate the fair value of its derivative contracts and contingent consideration obligations:

Derivatives:

In determining the fair value of the derivative contracts in the table above, the Company utilizes industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using spot rates, forward points, currency volatilities, interest rates as well as the risk of non-performance of the Company and the counterparties with whom it has derivative contracts. The Company established strict counterparty credit guidelines and only enters into transactions with financial institutions that adhere to these guidelines. Accordingly, the risk of counterparty default is deemed to be minimal.

Contingent Consideration:

At December 31, 2013, the Company has contingent consideration obligations related to the acquisitions of CSI, Copal and Amba which are carried at estimated fair value, and are based on certain financial and non-financial metrics set forth in the acquisition agreements. These obligations are measured using Level 3 inputs as defined in the ASC. The Company has recorded the obligations for these contingent consideration arrangements on the date of each respective acquisition based on management s best estimates of the achievement of the metrics and the value of the obligations are adjusted quarterly.

The contingent consideration obligation for CSI is based on the achievement of a certain contractual milestone by January 2016. The Company utilizes a discounted cash flow methodology to value this obligation. The future expected cash flow for this obligation is discounted using an interest rate available to borrowers with similar credit risk profiles to that of the Company. The most significant unobservable input involved in the measurement of this obligation is the probability that the milestone will be reached by January 2016. At December 31, 2013, the Company expects that this milestone will be reached by the aforementioned date.

For certain of the contingent consideration obligations relating to the acquisition of Copal, a portion of the contingent cash payments are based on revenue and EBITDA growth for certain of the Copal entities. This growth is calculated by comparing revenue and EBITDA in the year immediately prior to the exercise of the put/call option to acquire the remaining 33% ownership interest of Copal Partners Limited which the Company does not currently own, to revenue and EBITDA in Copal s fiscal year ended March 31, 2011. There are no limitations set forth in the acquisition agreement relating to the amount payable under this contingent consideration arrangement. Payments under this arrangement, if any, would be made upon the exercise of the aforementioned put/call option, which expires in November 2017. Other contingent cash payments were based on the achievement of revenue targets for Copal s fiscal year ended March 31, 2012 and 2013, with certain limits on the amount of revenue that could be applied to the calculation of these contingent payments. Each of these contingent payments had a maximum payout of $2.5 million and have been settled as of December 31, 2013. The Company utilizes discounted cash flow methodologies to value these obligations. The expected future cash flows for the outstanding obligations are discounted using a risk-free interest rate plus a credit spread based on the option adjusted spread of the Company s publicly traded debt as of the valuation date. The most significant unobservable input involved in the measurement of these obligations is the projected future financial results of the applicable Copal entities. Also, the remaining outstanding obligations are dependent upon the exercise of the call/put option and the Company has utilized a Monte Carlo simulation model to estimate when the option will be exercised, thus triggering the payment of contingent consideration.

For the contingent consideration obligations relating to the acquisition of Amba, the payment is based on the acquired entity achieving a revenue target for its fiscal year ended March 31, 2014. The Company has utilized a discounted cash flow methodology to value this obligation. Due to the short proximity from the Company s year end to the anticipated payment date in 2014, the expected gross payments of $4.3 million due to the sellers approximates fair value at December 31, 2013. The most significant unobservable input involved in the measurement of this obligation is the probability that Amba will meet the aforementioned revenue target. At December 31, 2013, the Company expects that Amba will meet this revenue target and that $4.3 million in contingent consideration payments will be made in 2014.

A significant increase or decrease in any of the aforementioned significant unobservable inputs related to the fair value measurement of the Company s contingent consideration obligations would result in a significantly higher or lower reported fair value for these obligations.

NOTE 10 **DETAIL OF CERTAIN BALANCE SHEET INFORMATION**

The following tables contain additional detail related to certain balance sheet captions:

	December 31,	
	2013	**2012**
Other current assets:		
Prepaid taxes	**$ 40.0**	$ 31.8
Prepaid expenses	**48.1**	47.3
Other	**26.3**	12.8
Total other current assets	**$ 114.4**	$ 91.9

	December 31,	
	2013	**2012**
Other assets:		
Investments in joint ventures	**$ 37.5**	$ 38.3
Deposits for real-estate leases	**10.3**	10.0
Indemnification assets related to acquisitions	**27.0**	18.7
Other	**37.3**	29.0
Total other assets	**$ 112.1**	$ 96.0

	December 31,	
	2013	**2012**
Accounts payable and accrued liabilities:		
Salaries and benefits	**$ 77.1**	$ 79.2
Incentive compensation	**135.9**	162.6
Profit sharing contribution		12.6
Customer credits, advanced payments and advanced billings	**21.7**	21.5
Self-insurance reserves	**27.6**	55.8
Dividends	**65.5**	47.7
Professional service fees	**32.9**	30.2
Interest accrued on debt	**36.3**	23.4
Accounts payable	**16.4**	14.3
Income taxes (see Note 14)	**47.5**	56.1
Pension and other retirement employee benefits (see Note 12)	**7.0**	4.4
Other	**71.0**	47.5
Total accounts payable and accrued liabilities	**$ 538.9**	$ 555.3

	December 31,	
	2013	2012
Other liabilities:		
Pension and other retirement employee benefits (see Note 12)	**$ 164.0**	$ 213.3
Deferred rent-non-current portion	**106.3**	110.2
Interest accrued on UTPs	**18.0**	10.6
Legacy and other tax matters	**15.4**	37.1
Other	**56.5**	38.9
Total other liabilities	**$ 360.2**	$ 410.1

Redeemable Noncontrolling Interest:

The following table shows changes in the redeemable noncontrolling interest related to the acquisition of Copal:

	Year Ended December 31,	
	2013	2012
(in millions)	Redeemable Noncontrolling Interest	
Balance January 1,	**$ 72.3**	$ 60.5
Adjustment due to right of offset for UTPs *		6.8
Net earnings	**5.8**	3.6
Dividends	**(6.0)**	(3.6)
FX translation		1.6
Adjustment to redemption value	**7.9**	3.4
Balance December 31,	**$ 80.0**	$ 72.3

* Relates to an adjustment for the right of offset pursuant to the Copal acquisition agreement whereby the amount due to the sellers under the put/call arrangement is reduced by the amount of UTPs that the Company may be required to pay. See Note 7 for further detail on this arrangement.

Changes in the Company s self-insurance reserves are as follows:

	Year Ended December 31,		
(in millions)	2013	2012	2011
Balance January 1,	**$ 55.8**	$ 27.1	$ 30.0
Accruals (reversals), net	**(0.9)**	38.1	10.9
Payments	**(27.3)**	(9.4)	(13.8)
Balance December 31,	**$ 27.6**	$ 55.8	$ 27.1

Refer to the Contingencies accounting policy in Note 2 for further information on the Company s self-insurance reserves. These reserves primarily relate to legal defense costs for claims from 2008 and 2009.

NOTE 11 **COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table provides details about the reclassifications out of AOCI:

	Year Ended December 31, 2013	Affected Line in the Consolidated Statement of Operation
Gains/(losses) on foreign translation adjustments		
Liquidation of foreign subsidiary	**$ (1.4)**	Other non-operating income (expense), net
Total gains/(losses) on foreign translation adjustments	**(1.4)**	
Gains/(losses) on cash flow hedges		
Interest rate swap derivative contracts	**(1.2)**	Interest income (expense), net
Income tax effect of item above	**0.5**	Provision for income taxes
Total gains/(losses) on cash flow hedges	**(0.7)**	
Pension and other retirement benefits		
Amortization of actuarial losses and prior service costs included in net income	**(7.6)**	Operating expense
Amortization of actuarial losses and prior service costs included in net income	**(4.3)**	SG&A expense
Total before income taxes	**(11.9)**	
Income tax effect of item above	**4.9**	Provision for income tax
Total pension and other retirement benefits	**(7.0)**	
Total losses included in Net Income attributable to reclassifications out of AOCI	**$ (9.1)**	

Changes in AOCI by component (net of tax) for the period ended December 31, 2013:

	Year Ended December 31, 2013			
	Gains/(losses) on Cash Flow and Net Investment Hedges	Pension and Other Retirement Benefits	Foreign Currency Translation Adjustments	Total
Balance December 31, 2012	$ (2.9)	$ (90.1)	$ 10.9	$ (82.1)
Other comprehensive income/(loss) before reclassification	3.7	29.9	(15.2)	18.4
Amounts reclassified from AOCI	0.7	7.0	1.4	9.1
Other comprehensive income/(loss)	4.4	36.9	(13.8)	27.5
Balance December 31, 2013	$ 1.5	$ (53.2)	$ (2.9)	$ (54.6)

NOTE 12 **PENSION AND OTHER RETIREMENT BENEFITS**

U.S. Plans

Moody s maintains funded and unfunded noncontributory Defined Benefit Pension Plans. The U.S. plans provide defined benefits using a cash balance formula based on years of service and career average salary or final average pay for selected executives. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The retirement healthcare plans are contributory; the life insurance plans are noncontributory. Moody s funded and unfunded U.S. pension plans, the U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the Retirement Plans . The U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the Other Retirement Plans . Effective at the Distribution Date, Moody s assumed responsibility for the pension and other retirement benefits relating to its active employees. New D&B has assumed responsibility for the Company s retirees and vested terminated employees as of the Distribution Date.

Through 2007, substantially all U.S. employees were eligible to participate in the Company s DBPPs. Effective January 1, 2008, the Company no longer offers DBPPs to employees hired or rehired on or after January 1, 2008 and new hires instead will receive a retirement contribution in similar benefit value under the Company s Profit Participation Plan. Current participants of the Company s DBPPs continue to accrue benefits based on existing plan benefit formulas.

Following is a summary of changes in benefit obligations and fair value of plan assets for the Retirement Plans for the years ended December 31:

	Pension Plans				Other Retirement Plans			
		2013		2012		**2013**		2012
Change in benefit obligation:								
Benefit obligation, beginning of the period	**$**	**(356.3)**	$	(298.8)	**$**	**(21.8)**	$	(20.2)
Service cost		**(19.8)**		(18.9)		**(1.7)**		(1.5)
Interest cost		**(13.5)**		(13.1)		**(0.8)**		(0.7)
Plan participants contributions						**(0.3)**		(0.3)
Benefits paid		**5.3**		5.7		**0.6**		1.0
Actuarial gain (loss)		**(0.7)**		(11.0)		**1.0**		1.1
Assumption changes		**37.9**		(20.2)		**2.3**		(1.2)
Benefit obligation, end of the period		**(347.1)**		(356.3)		**(20.7)**		(21.8)
Change in plan assets:								
Fair value of plan assets, beginning of the period		**167.6**		133.0				
Actual return on plan assets		**23.0**		19.0				
Benefits paid		**(5.3)**		(5.7)		**(0.6)**		(1.0)
Employer contributions		**19.3**		21.3		**0.3**		0.7
Plan participants contributions						**0.3**		0.3
Benefit obligation, end of the period		**204.6**		167.6				
Funded Status of the plans		**(142.5)**		(188.7)		**(20.7)**		(21.8)
Amounts recorded on the consolidated balance sheets:								
Pension and retirement benefits liability current		**(6.2)**		(3.6)		**(0.8)**		(0.8)
Pension and retirement benefits liability non current		**(136.3)**		(185.1)		**(19.9)**		(21.0)
Net amount recognized	**$**	**(142.5)**	$	(188.7)	**$**	**(20.7)**	$	(21.8)
Accumulated benefit obligation, end of the period	**$**	**(298.5)**	$	(298.4)				

The following information is for those pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,			
		2013		2012
Aggregate projected benefit obligation	**$**	**347.1**	$	356.3
Aggregate accumulated benefit obligation	**$**	**298.5**	$	298.4
Aggregate fair value of plan assets	**$**	**204.6**	$	167.6

The following table summarizes the pre-tax net actuarial losses and prior service cost recognized in AOCI for the Company s Retirement Plans as of December 31:

	Pension Plans				Other Retirement Plans			
		2013		2012		2013		2012
Net actuarial losses	**$**	**(84.6)**	$	(142.7)	**$**	**(2.4)**	$	(6.0)
Net prior service costs		**(3.3)**		(4.0)				
Total recognized in AOCI- pretax	**$**	**(87.9)**	$	(146.7)	**$**	**(2.4)**	$	(6.0)

The following table summarizes the estimated pre-tax net actuarial losses and prior service cost for the Company s Retirement Plans that will be amortized from AOCI and recognized as components of net periodic expense during the next fiscal year:

	Pension Plans		Other Retirement Plans
Net actuarial losses	$	**6.0**	$
Net prior service costs		**0.7**	
Total to be recognized as components of net periodic expense	$	**6.7**	$

Net periodic benefit expenses recognized for the Retirement Plans for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Components of net periodic expense						
Service cost	**$ 19.8**	$ 18.9	$ 15.1	**$ 1.7**	$ 1.5	$ 1.1
Interest cost	**13.5**	13.1	13.1	**0.8**	0.7	0.8
Expected return on plan assets	**(12.9)**	(12.5)	(11.9)			
Amortization of net actuarial loss from earlier periods	**10.8**	9.1	5.0	**0.3**	0.3	0.3
Amortization of net prior service costs from earlier periods	**0.6**	0.7	0.6			
Settlement charges			1.6			
Net periodic expense	**$ 31.8**	$ 29.3	$ 23.5	**$ 2.8**	$ 2.5	$ 2.2

The following table summarizes the pre-tax amounts recorded in OCI related to the Company s Retirement Plans for the years ended December 31:

	Pension Plans		Other Retirement Plans	
	2013	2012	**2013**	2012
Amortization of net actuarial losses	**$ 10.8**	$ 9.1	**$ 0.3**	$ 0.3
Amortization of prior service costs	**0.6**	0.7		
Net actuarial loss arising during the period	**47.3**	(24.7)	**3.3**	(0.2)
Total recognized in OCI pre-tax	**$ 58.7**	$ (14.9)	**$ 3.6**	$ 0.1

ADDITIONAL INFORMATION:

Assumptions Retirement Plans

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Retirement Plans	
	2013	2012	**2013**	2012
Discount rate	**4.71%**	3.82%	**4.45%**	3.55%
Rate of compensation increase	**4.00%**	4.00%		

Weighted-average assumptions used to determine net periodic benefit expense for years ended December 31:

	Pension Plans			**Other Retirement Plans**		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Discount rate	**3.82%**	4.25%	5.39%	**3.55%**	4.05%	5.15%
Expected return on plan assets	**7.30%**	7.85%	8.35%			
Rate of compensation increase	**4.00%**	4.00%	4.00%			

The expected rate of return on plan assets represents the Company s best estimate of the long-term return on plan assets and is determined by using a building block approach, which generally weighs the underlying long-term expected rate of return for each major asset class based on their respective allocation target within the plan portfolio, net of plan paid expenses. As the assumption reflects a long-term time horizon, the plan performance in any one particular year does not, by itself, significantly influence the Company s evaluation. For 2013, the expected rate of return used in calculating the net periodic benefit costs was 7.30%. For 2014, the Company reduced the expected rate of return assumption to 6.80% to reflect the Company s current view of long-term capital market outlook and is commensurate with the returns expected to be generated by the plan assets under Company s current investment strategy.

Assumed Healthcare Cost Trend Rates at December 31:

	2013		**2012**		**2011**	
	Pre-age 65	**Post-age 65**	**Pre-age 65**	**Post-age 65**	**Pre-age 65**	**Post-age 65**
Healthcare cost trend rate assumed for the following year	**8.2%**	**7.3%**	6.9%	7.9%	7.4%	8.4%
Ultimate rate to which the cost trend rate is assumed to decline (ultimate trend rate)	**5.0%**		5.0%		5.0%	
Year that the rate	**2028**	**2026**	2020		2020	

reaches
the
ultimate
trend rate

The assumed health cost trend rate reflects different expectations for the medical and prescribed medication components of health care costs for pre and post-65 retirees. As the Company subsidies for retiree healthcare coverage are capped at the 2005 level, for the majority of the retirement health plan participants, retiree contributions are assumed to increase at the same rate as the healthcare cost trend rates. In 2013, the Company revised its trend rates to reflect current expectations of future health care inflation. A one percentage-point increase or decrease in assumed healthcare cost trend rates would not have affected total service and interest cost and would have a minimal impact on the retiree medical benefit obligation.

In 2012, the Company amended its retiree medical plan to modify its current design. Effective January 1, 2013, the newly implemented plan design provides current retirees age 65 and older with the option over the next three years to either enroll in a new Health Reimbursement Account (HRA) Program and receive a fixed amount annual subsidy or continue to stay in the current retiree medical plan. All future retirees age 65 and older will have to participate in the new HRA Program. There is no change to pre-65 coverage. As the new plan was designed to be cost neutral to the Company, the amendment of the plan had no significant impact to the plan.

Plan Assets

Moody s investment objective for the assets in the funded pension plan is to earn total returns that will minimize future contribution requirements over the long-term within a prudent level of risk. The Company works with its independent investment consultants to determine asset allocation targets for its pension plan investment portfolio based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics, and related risk factors. Other relevant factors, including historical and forward looking views of inflation and capital market returns, are also considered. Risk management practices include monitoring of the plan, diversification across asset classes and investment styles, and periodic rebalancing toward asset allocation targets. The Company s monitoring of the plan includes ongoing reviews of investment performance, annual liability measurements, periodic asset/liability studies, and investment portfolio reviews.

The Company s current target asset allocation is approximately 60% (range of 50% to 70%) in equity securities, 30% (range of 25% to 35%) in fixed income securities and 10% (range of 7% to 13%) in other investments and the plan will use a combination of active and passive investment strategies and different investment styles for its investment portfolios within each asset class. The plan s equity investments are diversified across U.S. and non-U.S. stocks of small, medium and large capitalization. The plan s fixed income investments are diversified principally across U.S. and non-U.S. government and corporate bonds which are expected to help reduce plan exposure to interest rate variation and to better align assets with obligations. Approximately 3% of total plan assets may be invested in funds which invest in debts rated below investment grade and 3% may be invested in emerging market debt. The plan s other investments are made through private real estate and convertible securities funds and these investments are expected to provide additional diversification benefits and absolute return enhancement to the plan assets. The Company does not use derivatives to leverage the portfolio. The overall allocation is expected to help protect the plan s funded status while generating sufficiently stable returns over the long-term.

Fair value of the assets in the Company s funded pension plan by asset category at December 31, 2013 and 2012 are as follows:

	Fair Value Measurement as of December 31, 2013				
	Balance	**Level 1**	**Level 2**	**Level 3**	**% of total assets**
Asset Category					
Cash and cash equivalent	**$ 0.4**	**$**	**$ 0.4**	**$**	
Emerging markets equity fund	**14.6**	**14.6**			**7%**
Common/collective trust funds equity securities					
U.S. large-cap	**44.5**		**44.5**		**22%**
U.S. small and mid-cap	**15.3**		**15.3**		**7%**
International	**58.2**		**58.2**		**29%**
Total equity investments	**132.6**	**14.6**	**118.0**		**65%**
Common/collective trust funds fixed income securities					
Long-term government/treasury bonds	**13.7**		**13.7**		**7%**
Long-term investment grade corporate bonds	**15.4**		**15.4**		**7%**
U.S. Treasury Inflation-Protected Securities (TIPs)	**8.7**		**8.7**		**4%**
Emerging markets bonds	**5.8**		**5.8**		**3%**
High yield bonds	**6.1**		**6.1**		**3%**
Total fixed-income investments	**49.7**		**49.7**		**24%**

Common/collective trust funds convertible securities		**6.3**				**6.3**			**3%**
Private real estate fund		**15.6**						**15.6**	**8%**
Total other investment		**21.9**				**6.3**		**15.6**	**11%**
Total Assets	**$**	**204.6**	**$**	**14.6**	**$**	**174.4**	**$**	**15.6**	**100%**

	Fair Value Measurement as of December 31, 2012				
	Balance	Level 1	Level 2	Level 3	% of Total Assets
Asset Category					
Cash and cash equivalent	**$ 0.2**	**$**	**$ 0.2**	**$**	
Emerging markets equity fund	**13.3**	**13.3**			**8%**
Common/collective trust funds equity securities					
U.S. large-cap	**32.0**		**32.0**		**19%**
U.S. small and mid-cap	**10.7**		**10.7**		**6%**
International	**44.1**		**44.1**		**27%**
Total equity investments	**100.1**				