CISCO SYSTEMS, INC.
Form 10-Q
February 21, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended January 28, 2012

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 0-18225

CISCO SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

California	**77-0059951**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

170 West Tasman Drive

San Jose, California 95134

(Address of principal executive office and zip code)

(408) 526-4000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

Number of shares of the registrant s common stock outstanding as of February 14, 2012: 5,385,938,187

Table of Contents

Cisco Systems, Inc.

FORM 10-Q for the Quarter Ended January 28, 2012

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CISCO SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except par value)

(Unaudited)

	January 28, 2012	July 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,561	$ 7,662
Investments	38,181	36,923
Accounts receivable, net of allowance for doubtful accounts of $229 at January 28, 2012 and $204 at July 30, 2011	3,876	4,698
Inventories	1,590	1,486
Financing receivables, net	3,547	3,111
Deferred tax assets	2,102	2,410
Other current assets	1,441	941
Total current assets	59,298	57,231
Property and equipment, net	3,711	3,916
Financing receivables, net	3,472	3,488
Goodwill	16,841	16,818
Purchased intangible assets, net	2,236	2,541
Other assets	3,701	3,101
TOTAL ASSETS	$ 89,259	$ 87,095
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 605	$ 588
Accounts payable	791	876
Income taxes payable	495	120
Accrued compensation	2,561	3,163
Deferred revenue	8,534	8,025
Other current liabilities	4,612	4,734
Total current liabilities	17,598	17,506
Long-term debt	16,299	16,234
Income taxes payable	1,556	1,191
Deferred revenue	3,928	4,182
Other long-term liabilities	613	723

Total liabilities	39,994	39,836
Commitments and contingencies (Note 12)		
Equity:		
Cisco shareholders equity:		
Preferred stock, no par value: 5 shares authorized; none issued and outstanding		
Common stock and additional paid-in capital, $0.001 par value: 20,000 shares authorized; 5,378 and 5,435 shares issued and outstanding at January 28, 2012 and July 30, 2011, respectively	38,906	38,648
Retained earnings	9,490	7,284
Accumulated other comprehensive income	850	1,294
Total Cisco shareholders equity	49,246	47,226
Noncontrolling interests	19	33
Total equity	49,265	47,259
TOTAL LIABILITIES AND EQUITY	$ 89,259	$ 87,095

See Notes to Consolidated Financial Statements.

Table of Contents

CISCO SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per-share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	January 28, 2012	January 29, 2011	January 28, 2012	January 29, 2011
NET SALES:				
Product	$ 9,118	$ 8,236	$ 18,070	$ 16,936
Service	2,409	2,171	4,713	4,221
Total net sales	11,527	10,407	22,783	21,157
COST OF SALES:				
Product	3,650	3,382	7,213	6,631
Service	812	764	1,615	1,510
Total cost of sales	4,462	4,146	8,828	8,141
GROSS MARGIN	7,065	6,261	13,955	13,016
OPERATING EXPENSES:				
Research and development	1,339	1,478	2,714	2,909
Sales and marketing	2,395	2,444	4,847	4,846
General and administrative	497	452	1,049	910
Amortization of purchased intangible assets	97	203	196	316
Restructuring and other charges	3		205	
Total operating expenses	4,331	4,577	9,011	8,981
OPERATING INCOME	2,734	1,684	4,944	4,035
Interest income	158	156	322	316
Interest expense	(150)	(161)	(298)	(327)
Other income, net	7	51	26	131
Interest and other income, net	15	46	50	120
INCOME BEFORE PROVISION FOR INCOME TAXES	2,749	1,730	4,994	4,155
Provision for income taxes	567	209	1,035	704
NET INCOME	$ 2,182	$ 1,521	$ 3,959	$ 3,451
Net income per share:				
Basic	$ 0.41	$ 0.27	$ 0.74	$ 0.62
Diluted	$ 0.40	$ 0.27	$ 0.73	$ 0.61

Shares used in per-share calculation:				
Basic	5,368	5,531	5,381	5,563
Diluted	5,401	5,587	5,404	5,630
Cash dividends declared per common share	$ 0.06	$	$ 0.12	$

See Notes to Consolidated Financial Statements.

Table of Contents

CISCO SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(Unaudited)

	Six Months Ended	
	January 28, 2012	**January 29, 2011**
Cash flows from operating activities:		
Net income	$ 3,959	$ 3,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	1,185	1,240
Share-based compensation expense	695	837
Provision for doubtful accounts	30	
Deferred income taxes	29	64
Excess tax benefits from share-based compensation	(32)	(45)
Net gains on investments	(11)	(154)
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable	761	343
Inventories	(194)	(270)
Financing receivables, net	(538)	(770)
Other assets	(505)	130
Accounts payable	(78)	(105)
Income taxes, net	146	(317)
Accrued compensation	(508)	(568)
Deferred revenue	304	686
Other liabilities	191	(246)
Net cash provided by operating activities	5,434	4,276
Cash flows from investing activities:		
Purchases of investments	(17,810)	(17,632)
Proceeds from sales of investments	12,291	9,394
Proceeds from maturities of investments	4,039	8,357
Acquisition of property and equipment	(549)	(652)
Acquisition of businesses, net of cash and cash equivalents acquired	(109)	(94)
Change in investments in privately held companies	(107)	(50)
Other	160	28
Net cash used in investing activities	(2,085)	(649)
Cash flows from financing activities:		
Issuances of common stock	653	1,158
Repurchases of common stock	(2,355)	(4,550)
Short-term borrowings, maturities less than 90 days, net	17	23
Excess tax benefits from share-based compensation	32	45
Dividends paid	(644)	
Other	(153)	40
Net cash used in financing activities	(2,450)	(3,284)

Net increase in cash and cash equivalents	899	343
Cash and cash equivalents, beginning of period	7,662	4,581
Cash and cash equivalents, end of period	$ 8,561	$ 4,924
Cash paid for:		
Interest	$ 340	$ 388
Income taxes	$ 860	$ 957

See Notes to Consolidated Financial Statements.

Table of Contents

CISCO SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(in millions)

(Unaudited)

Six Months Ended January 28, 2012	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Cisco Shareholders Equity	Noncontrolling Interests	Total Equity
BALANCE AT JULY 30, 2011	5,435	$ 38,648	$ 7,284	$ 1,294	$ 47,226	$ 33	$ 47,259
Net income			3,959		3,959		3,959
Change in:							
Unrealized gains and losses on investments, net				(59)	(59)	(14)	(73)
Derivative instruments				(68)	(68)		(68)
Cumulative translation adjustment and other				(317)	(317)		(317)
Comprehensive income (loss)					3,515	(14)	3,501
Issuance of common stock	78	653			653		653
Repurchase of common stock	(135)	(1,046)	(1,109)		(2,155)		(2,155)
Cash dividends declared			(644)		(644)		(644)
Tax effects from employee stock incentive plans		(48)			(48)		(48)
Purchase acquisitions		4			4		4
Share-based compensation expense		695			695		695
BALANCE AT JANUARY 28, 2012	5,378	$ 38,906	$ 9,490	$ 850	$ 49,246	$ 19	$ 49,265

Six Months Ended January 29, 2011	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Cisco Shareholders Equity	Noncontrolling Interests	Total Equity
BALANCE AT JULY 31, 2010	5,655	$ 37,793	$ 5,851	$ 623	$ 44,267	$ 18	$ 44,285
Net income			3,451		3,451		3,451
Change in:							
Unrealized gains and losses on investments, net				89	89	27	116
Derivative instruments				19	19		19
Cumulative translation adjustment and other				245	245		245
Comprehensive income					3,804	27	3,831
Issuance of common stock	87	1,158			1,158		1,158
Repurchase of common stock	(209)	(1,489)	(2,939)		(4,428)		(4,428)
Tax effects from employee stock incentive plans		(3)			(3)		(3)
Purchase acquisitions		6			6		6
Share-based compensation expense		837			837		837
BALANCE AT JANUARY 29, 2011	5,533	$ 38,302	$ 6,363	$ 976	$ 45,641	$ 45	$ 45,686

In September 2001, the Company s Board of Directors authorized a stock repurchase program. As of January 28, 2012, the Company s Board of Directors had authorized an aggregate repurchase of up to $82 billion of common stock under this program with no termination date. For additional information regarding stock repurchases, see Note 13 to the Consolidated Financial Statements. The stock repurchases since the inception of this program and the related impact on Cisco shareholders equity are summarized in the following table (in millions):

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Total Cisco Shareholders Equity
Repurchases of common stock under the repurchase program	3,604	$ 16,052	$ 57,731	$ 73,783

6

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The fiscal year for Cisco Systems, Inc. (the Company or Cisco) is the 52 or 53 weeks ending on the last Saturday in July. Fiscal 2012 and fiscal 2011 are each 52-week fiscal years. The Consolidated Financial Statements include the accounts of Cisco and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company conducts business globally and is primarily managed on a geographic basis. Beginning in fiscal 2012, the Company is organized into the following three geographic segments: the Americas; Europe, Middle East, and Africa (EMEA); and Asia Pacific, Japan, and China (APJC). In fiscal 2011, the Company was organized into four geographic segments, which consisted of United States and Canada, European Markets, Emerging Markets, and Asia Pacific Markets. As a result of this geographic segment change in fiscal 2012, countries within the former Emerging Markets segment were consolidated into either EMEA or the Americas segment depending on their respective geographic locations. The Company has reclassified the geographic segment data for the prior period to conform to the current period s presentation.

The accompanying financial data as of January 28, 2012 and for the three and six months ended January 28, 2012 and January 29, 2011 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. The July 30, 2011 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended July 30, 2011.

The Company consolidates its investment in a venture fund managed by SOFTBANK Corp. and its affiliates (SOFTBANK) as the Company is the primary beneficiary. The noncontrolling interests attributed to SOFTBANK are presented as a separate component from the Company s equity in the equity section of the Consolidated Balance Sheets. SOFTBANK s share of the earnings in the venture fund is not presented separately in the Consolidated Statements of Operations and is included in other income, net, as this amount is not material for any of the fiscal periods presented.

In the opinion of management, all adjustments (which include normal recurring adjustments, except as disclosed herein) necessary to present fairly each of the statement of financial position as of January 28, 2012; the results of operations for the three and six months ended January 28, 2012 and January 29, 2011; and the statement of cash flows and equity for the six months ended January 28, 2012 and January 29, 2011, as applicable, have been made. The results of operations for the three and six months ended January 28, 2012 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

In addition to the geographic segment change referred to above, certain other reclassifications have been made to prior period amounts in order to conform to the current period s presentation.

The Company has evaluated subsequent events through the date that the financial statements were issued.

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2. Summary of Significant Accounting Policies

Recent Accounting Standards or Updates Not Yet Effective

In May 2011, the Financial Accounting Standards Board (FASB) issued an accounting standard update to provide guidance on achieving a consistent definition of and common requirements for measurement of and disclosure concerning fair value as between U.S. GAAP and International Financial Reporting Standards (IFRS). This accounting standard update is effective for the Company beginning in the third quarter of fiscal 2012. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements but does not expect it will have a material impact.

In June 2011, the FASB issued an accounting standard update to provide guidance on increasing the prominence of items reported in other comprehensive income. This accounting standard update eliminates the option to present components of other comprehensive income as part of the statement of equity and requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This accounting standard update is effective for the Company beginning in the first quarter of fiscal 2013 and it will only result in changes in the Company s financial statement presentation.

In August 2011, the FASB approved a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2013 and early adoption is permitted.

In December 2011, the FASB issued an accounting standard update requiring enhanced disclosures about certain financial instruments and derivative instruments that are offset in the statement of financial position or that are subject to enforceable master netting arrangements or similar agreements. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2014, at which time the Company will include the applicable disclosures required by this accounting standard update.

3. Business Combinations

The Company completed 4 business combinations during the six months ended January 28, 2012. A summary of the allocation of the total purchase consideration is presented as follows (in millions):

	Shares Issued	Purchase Consideration	Net Liabilities Assumed	Purchased Intangible Assets	Goodwill
Total acquisitions		$ 122	$ (21)	$ 84	$ 59

The total purchase consideration related to the Company s business combinations completed during the six months ended January 28, 2012 consisted of either cash consideration or cash consideration along with vested share-based awards assumed. Total transaction costs related to business combination activities were $2 million and $7 million for the six months ended January 28, 2012 and January 29, 2011, respectively. These transaction costs were expensed as incurred as general and administrative (G&A) expenses.

The Company continues to evaluate certain assets and liabilities related to business combinations completed during the recent periods. Additional information, which existed as of the acquisition date but was at that time unknown to the Company, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Changes to amounts recorded as assets or liabilities may result in a corresponding adjustment to goodwill.

The goodwill generated from the Company s business combinations completed during the six months ended January 28, 2012 is primarily related to expected synergies. The goodwill is not deductible for U.S. federal income tax purposes.

The Consolidated Financial Statements include the operating results of each business combination from the date of acquisition. Pro forma results of operations for the acquisitions completed during the six months ended January 28, 2012 have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to the Company s financial results.

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. Goodwill and Purchased Intangible Assets

(a) Goodwill

Beginning in fiscal 2012, the Company s reportable segments were changed to the following segments: the Americas, EMEA, and APJC. As a result, the Company reallocated the goodwill at July 30, 2011 to these reportable segments. The following table presents the goodwill allocated to the Company s reportable segments as of and during the six months ended January 28, 2012 (in millions):

	Balance at July 30, 2011	Acquisitions	Other	Balance at January 28, 2012
Americas	$ 11,627	$ 38	$ (4)	$ 11,661
EMEA	3,272	10	(32)	3,250
APJC	1,919	11		1,930
Total	$ 16,818	$ 59	$ (36)	$ 16,841

In the preceding table, Other includes foreign currency translation and purchase accounting adjustments.

(b) Purchased Intangible Assets

The following table presents details of the Company s intangible assets acquired through business combinations completed during the six months ended January 28, 2012 (in millions, except years):

	FINITE LIVES						INDEFINITE LIVES	
	TECHNOLOGY		CUSTOMER RELATIONSHIPS		OTHER		IN-PROCESS RESEARCH & DEVELOPMENT	TOTAL
	Weighted-Average Useful Life (in Years)	Amount	Weighted-Average Useful Life (in Years)	Amount	Weighted-Average Useful Life (in Years)	Amount	Amount	Amount
Total	3.6	$ 84		$		$	$	$ 84

The following tables present details of the Company s purchased intangible assets (in millions):

January 28, 2012	Gross	Accumulated Amortization	Net
Purchased intangible assets with finite lives:			
Technology	$ 2,187	$ (737)	$ 1,450
Customer relationships	2,263	(1,505)	758
Other	122	(103)	19

Total purchased intangible assets with finite lives	4,572	(2,345)	2,227
In-process research & development, with indefinite lives	9		9
Total	$ 4,581	$ (2,345)	$ 2,236

July 30, 2011	**Gross**	**Accumulated Amortization**	**Net**
Purchased intangible assets with finite lives:			
Technology	$ 1,961	$ (561)	$ 1,400
Customer relationships	2,277	(1,346)	931
Other	123	(91)	32
Total purchased intangible assets with finite lives	4,361	(1,998)	2,363
In-process research & development, with indefinite lives	178		178
Total	$ 4,539	$ (1,998)	$ 2,541

Purchased intangible assets include intangible assets acquired through business combinations as well as through direct purchases or licenses.

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table presents the amortization of purchased intangible assets (in millions):

	$00,00	$00,00	$00,00	$00,00
	Three Months Ended		**Six Months Ended**	
	January 28, 2012	**January 29, 2011**	**January 28, 2012**	**January 29, 2011**
Amortization of purchased intangible assets:				
Cost of sales	$ 99	$ 171	$ 195	$ 277
Operating expenses	97	203	196	316
Total	$ 196	$ 374	$ 391	$ 593

There were no impairment charges in the three and six months ended January 28, 2012. The amortization of purchased intangible assets for the three and six months ended January 29, 2011 included impairment charges of approximately $155 million, of which $63 million was recorded to product cost of sales and $92 million was recorded to operating expenses. These impairment charges were primarily due to declines in estimated fair value as a result of reductions in expected future cash flows associated with certain of the Company s consumer products. The impairment of such purchased intangible assets was categorized as $96 million in technology, $40 million in customer relationships, and $19 million in other.

The estimated future amortization expense of purchased intangible assets with finite lives as of January 28, 2012 is as follows (in millions):

Fiscal Year	**Amount**
2012 (remaining six months)	$ 399
2013	675
2014	492
2015	417
2016	191
Thereafter	53
Total	$ 2,227

5. Restructuring and Other Charges

In fiscal 2011, the Company initiated a number of key, targeted actions to address several areas in its business model. These actions are intended to simplify and focus the Company s organization and operating model; align the Company s cost structure given transitions in the marketplace; divest or exit underperforming operations; and deliver value to the Company s shareholders. The Company is taking these actions to align its business based on its five foundational priorities: leadership in its core business (routing, switching, and associated services), which includes comprehensive security and mobility solutions; collaboration; data center virtualization and cloud; video; and architectures for business transformation.

Pursuant to the restructuring that the Company announced in July 2011, the Company has incurred cumulative charges of $926 million (included as part of the charges discussed below). The Company expects that the total pre-tax charges pursuant to these restructuring actions will be approximately $1 billion and it expects the remaining charges to be incurred in the second half of fiscal 2012. The following table summarizes the activities related to the restructuring and other charges since the Company s July 2011 announcement related to the realignment and restructuring of the Company s business as well as certain consumer product lines as announced during April 2011 (in millions):

	Voluntary Early Retirement Program	Employee Severance	Goodwill Intangible Assets	Other	Total
Charges in fiscal 2011	$ 453	$ 247	$ 71	$ 28	$ 799
Cash payments	(436)	(13)			(449)
Non-cash items			(71)	(17)	(88)
Balance as of July 30, 2011	17	234		11	262
Charges		179		26	205
Cash payments	(17)	(350)		(9)	(376)
Non-cash items				(16)	(16)
Balance as of January 28, 2012	$	$ 63	$	$ 12	$ 75

10

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

During the three months ended January 28, 2012, the Company incurred restructuring charges of $3 million. During the six months ended January 28, 2012, the Company incurred total restructuring charges of $205 million consisting of $179 million of employee severance charges and $26 million of other restructuring charges. The employee severance charges consisted of $217 million of charges primarily related to impacted employees in the Company s international locations, partially offset by a reduction of $38 million related to a change in estimate regarding certain employee severance charges incurred in the fourth quarter of fiscal 2011. Other charges incurred during the six months ended January 28, 2012 were primarily for the consolidation of excess facilities, as well as an incremental charge related to the sale of the Company s Juarez, Mexico manufacturing operations, which sale was completed in the first quarter of fiscal 2012.

6. Balance Sheet Details

The following tables provide details of selected balance sheet items (in millions):

	January 28, 2012	July 30, 2011
Inventories:		
Raw materials	$ 148	$ 219
Work in process	36	52
Finished goods:		
Distributor inventory and deferred cost of sales	704	631
Manufactured finished goods	424	331
Total finished goods	1,128	962
Service-related spares	198	182
Demonstration systems	80	71
Total	$ 1,590	$ 1,486
Property and equipment, net:		
Land, buildings, and building & leasehold improvements	$ 4,608	$ 4,760
Computer equipment and related software	1,443	1,429
Production, engineering, and other equipment	5,172	5,093
Operating lease assets [1]	307	293
Furniture and fixtures	486	491
	12,016	12,066
Less accumulated depreciation and amortization [1]	(8,305)	(8,150)
Total	$ 3,711	$ 3,916

(1) Accumulated depreciation related to operating lease assets was $182 and $169 as of January 28, 2012 and July 30, 2011, respectively.

Other assets:		
Deferred tax assets	$ 2,055	$ 1,864
Investments in privately held companies	864	796
Other	782	441
Total	$ 3,701	$ 3,101
Deferred revenue:		
Service	$ 8,478	$ 8,521
Product:		
Unrecognized revenue on product shipments and other deferred revenue	3,038	3,003
Cash receipts related to unrecognized revenue from two-tier distributors	946	683
Total product deferred revenue	3,984	3,686
Total	$ 12,462	$ 12,207
Reported as:		
Current	$ 8,534	$ 8,025
Noncurrent	3,928	4,182
Total	$ 12,462	$ 12,207

11

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

7. Financing Receivables and Guarantees

(a) Financing Receivables

Financing receivables primarily consist of lease receivables, loan receivables, and financed service contracts and other. Lease receivables represent sales-type and direct-financing leases resulting from the sale of the Company s and complementary third-party products and are typically collateralized by a security interest in the underlying assets. Lease receivables consist of arrangements with terms of four years on average while loan receivables generally have terms of up to three years. The financed service contracts and other category includes financing receivables related to technical support and advanced services, as well as an insignificant amount of receivables related to financing of certain indirect costs associated with leases. Revenue related to the technical support services is typically deferred and included in deferred service revenue and is recognized ratably over the period during which the related services are to be performed, which typically ranges from one to three years.

A summary of the Company s financing receivables is presented as follows (in millions):

January 28, 2012	Lease Receivables	Loan Receivables	Financed Service Contracts & Other [1]	Total Financing Receivables
Gross	$ 3,293	$ 1,673		