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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via e-mail – **director@fasb.org**

Re: File Reference No. 2014-210. Proposed Accounting Standards Update: Inventory (Topic 330): *Simplifying the Measurement of Inventory*

Plante & Moran PLLC is the 13th largest public accounting firm in the United States and serves a wide range of public and non-public entities in multiple industries. We appreciate the efforts of the Financial Accounting Standards Board (Board) to reduce the cost and complexity associated with the measurement of inventory. Following, please find our responses to the specific Questions for Respondents in the above referenced Exposure Draft, along with other comments for the Board's consideration.

**Question 1:** Should inventory be measured at the lower of cost and net realizable value? If not, what other measurement is more appropriate and why?

**Response 1:** Yes, we agree with the Proposed Update that inventory should be measured at the lower of cost and net realizable value. We believe the concept of inventory utility that was the basis for inventory measurement guidance in the past is not consistent with the use of fair value that is generally used in measuring asset impairments in current GAAP. This change will bring inventory measurement in line with most other assets on the balance sheet. We also agree that net realizable value is more appropriate for measuring inventory than fair value for the reasons described in paragraph BC4 in the Basis for Conclusions to the proposed Update.

**Question 2:** Should the proposed Update be applied prospectively to the measurement of inventory after the date of adoption?

**Response 2:** No, we believe reporting entities should be given the option to apply the proposed Update either prospectively after the date of adoption or retrospectively. We agree that for some entities the effect of applying the proposed Update will not be significant, in which case prospective application is appropriate. However, there are other reporting entities where the effect of applying the proposed Update could be significant and we believe the benefits of improved comparability resulting from retrospective application outweigh the costs, including any concerns over the use of hindsight in developing estimates of net realizable value.

Should the Board include a retrospective application option, disclosure of the effect of the change in accounting principle should be required. These disclosures should be generally consistent with those required by Topic 250 for other accounting changes.

**Question 3:** Should the proposed Update be effective in annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted? Should there be a delay in the effective date for entities other than public business entities and why?

**Response 3:** Yes, we agree the Proposed Update should be effective for interim and annual periods in years beginning after December 15, 2015. We do not believe there should be a delay in the effective date for non-public entities. As there is not expected to be any incremental costs to preparers of financial statements, we do not believe there is a reason to delay the effective date for non-public entities.

**Other Comments:** We also offer the following additional comments for consideration by the Board:

- We recommend the Board consider simplifying the language in ASC 330-10-35-8 related to the level at which the lower of cost and net realizable value adjustment is applied. While the language in this paragraph has long been in use, we believe it can be simplified without changing application of the guidance as follows:

  > **330-10-35-8** Depending on the character and composition of the inventory, the ~~rule of~~ lower of cost and net realizable value guidance ~~or market may properly be~~ is generally applied ~~either~~ directly to each item ~~or to the total of the inventory (or, in some cases, to the total of the components of each major category)~~; however, in some circumstances it may be appropriate to group similar or related items. The method shall be that which most clearly reflects periodic income.

- We recommend the Board consider modifying ASC 330-10-50-2 to use the term "significant" rather than "substantial." As modified, the first sentence of paragraph 50-2 would read (in part) "Significant and unusual losses from the application of the lower of cost and net realizable value guidance…" We believe the term significant is more consistent with the threshold used for disclosure purposes in GAAP and would not result in a change in how the guidance is applied.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to David Grubb at **david.grubb@plantemoran.com** or 248.223.3745.

Very truly yours,

**PLANTE & MORAN, PLLC**

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