Deloitte & Touche LLP
10 Westport Road
P.O. Box 820
Wilton, CT 06897-0820

Tel: +1 203 761 3000
Fax: +1 203 834 2200
www.deloitte.com

September 30, 2014

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2014-210
Re: Proposed Accounting Standards Update, *Simplifying the Measurement of Inventory*

Dear Ms. Cosper:

Deloitte & Touche LLP appreciates the opportunity to comment on the FASB's proposed Accounting Standards Update (ASU) *Simplifying the Measurement of Inventory*.

We support the Board's efforts to quickly make improvements to areas of U.S. GAAP that are unnecessarily complex and costly as part of its simplification initiative. In our December 19, 2013, comment letter to the FASB about narrow issues involving unnecessary complexity, we discussed the exceptions to the general guidance on using the lower of cost or market under ASC 330-10-15 and noted that determining market under the guidance requires the use of a complex set of paths involving ceilings and floors. Accordingly, we suggested that inventories be subsequently measured at the lower of cost or net realizable value (as defined in the Codification Master Glossary) to eliminate the complex analyses and exceptions to general principles. Accordingly, we agree with the updates in the proposed ASU, and we appreciate that they will achieve greater convergence between U.S. GAAP and IFRSs.

The appendix of this letter contains our responses to the proposed ASU's questions for respondents.

*****

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please feel free to contact Mark Crowley at (203) 563-2518.

Yours truly,

Deloitte & Touche LLP
cc: Robert Uhl

Appendix
Deloitte & Touche LLP
Responses to Questions for Respondents

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?

We believe that inventory should subsequently be measured at the lower of cost and net realizable value for the reasons described above in our cover letter. This view is consistent with the dissent in ARB No. 29,[1] in which dissenter Virgil Tilly stated that "cost is a proper measure of the amount [of inventory] to be carried forward, irrespective of the cost to replace, provided cost does not exceed the net realizable value."

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

We believe that the guidance in the proposed ASU should be applied prospectively.

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?

We believe that the proposed ASU's effective date is appropriate because the information entities would need to apply the guidance is readily available. As stated in paragraph BC11 of the proposed ASU, "current inventory measurement guidance involves estimating replacement cost, net realizable value, and net realizable value less an approximately normal profit margin." Thus, entities would be able to continue using net realizable value under the proposed ASU.

For similar reasons, we believe that delaying the effective date for entities other than public business entities is unnecessary. Such entities would not need to make significant changes to systems or controls or learn from the experiences of public business entities. However, the Board should consider preparers' feedback on this question.

[1] Accounting Research Bulletin No. 29, *Inventory Pricing* (July 1947).