Grant Thornton

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Ms. Susan M. Cosper, Technical Director
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Via Email to director@fasb.org

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Re: File Reference No. 2014-210

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update, *Simplifying the Measurement of Inventory*. We strongly support the efforts of the FASB to simplify accounting standards, especially when simplification, or perhaps modernization, also further aligns U.S. GAAP with IFRS.

We note that in moving from three possible alternative measures to a single alternative measure, the Board elected to retain the one that is an exit value. Although this measurement may yield a similar result, the Board chose not to label this measure as fair value because that would require a reporting entity to consider all of the requirements of Topic 820, *Fair Value Measurement*. In the Basis for Conclusions, the Board noted that net realizable value could yield a different result and would potentially be more expensive to estimate. We believe that it would be useful for future application of the standard to incorporate some additional explanation of the difference between fair value and net realizable value or an explicit statement that Topic 820 shall not apply, in a manner similar to the amendment made to ASC 310-10-35-22, *Receivables*, by Accounting Standards Update 2011-04, *Fair Value Measurement*.

Responses to Invitation to Comment questions

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 agree with the Board's proposal to simplify inventory by removing references to replacement cost and cost with normal profit. We believe that net realizable value is the more relevant to the users of the financial statements. We agree with the conclusion of the Board not to require measurement at fair value for the reasons cited in the Basis for Conclusions.

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

We agree that the proposed Update should be applied prospectively due to the difficulty of estimating exit values in subsequent periods and the limited utility from remeasuring inventory of past periods that are no longer included in the financial statements of the current period.

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?

While we favor longer implementation periods for changes that require the acquisition of new skills, systems changes, and the design and implementation of new controls over the financial reporting process, we believe that this change should not require substantial changes to implement. Therefore, we believe that the proposed effective date is appropriate for all entities.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Chuck Evans or John Hepp, Partners in the Accounting Principles Consulting Group, at 832.476.3614 or 312.602.8050, respectively.

Sincerely,

/s/ Grant Thornton LLP