2014-210
Comment Letter No. 22

RETAIL INDUSTRY LEADERS ASSOCIATION
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September 30, 2014

Technical Director
File Reference No. 2014-220
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Inventory (Topic 330): Simplifying the Measurement of Inventory

Dear Members of the Board:

The Retail Industry Leaders Association ("RILA") and its Financial Leaders Council ("FLC") are pleased to respond to the *Proposed Accounting Standards Update, Inventory (Topic 330): Simplifying the Measurement of Inventory,* issued on July 15, 2014 (the "Exposure Draft"). RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales and millions of American jobs.

The Board's proposal attempts to simplify the measurement of inventory by requiring that it be measured at the lower of cost and net realizable value. The proposal also would eliminate the requirement that a reporting entity also consider replacement cost or net realizable value, less an approximately normal profit margin. The proposal would not change the current definition of net realizable value found in the Master Glossary. We thank you for the opportunity to comment on the Exposure Draft.

RILA and its FLC agree, in principle, with the Board's attempt to simplify the measurement of inventory. However, we disagree with the proposal because it does not adequately consider the nuanced interaction between the retail inventory method and LIFO used by our members and within the retail industry. For some of our members, the concept of net realizable value less an approximately normal profit margin dramatically affects their current accounting. While the proposal states "The methods of estimating the cost of inventory under GAAP (for example, average cost; first-in, first-out; last-in, first-out; and the retail inventory method) would not be changed by the amendments in this proposed Update," discussions by some of our members with the FASB staff make clear that the proposal, if adopted in its current form, would greatly impact their accounting. Given the significant changes that would be caused by the proposal, the desired simplification goal would not be met. For this reason, RILA and its FLC oppose the proposal in its current form. We appreciate the opportunity to comment on this proposal and our members stand willing to continue to work with the Staff to ensure that simplification does not result in unintended consequences in this important area.

Sincerely,

Sue Pifer
Vice President, Compliance
Retail Industry Leaders Association (RILA)