NYS SOCIETY OF CPAs
NYSSCPA

September 22, 2014

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Inventory (Topic 330), Simplifying the Measurement of Inventory*

File Reference No. 2014-210

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

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Scott M. Adair
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*INVENTORY (TOPIC 330), SIMPLIFYING THE MEASUREMENT OF INVENTORY*

FILE REFERENCE NO. 2014-210

September 22, 2014

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Inventory (Topic 330), Simplifying the Measurement of Inventory*

File Reference No. 2014-210

We welcome the opportunity to comment on the Financial Accounting Standards Board's (the Board) Exposure Draft of a Proposed Accounting Standards Update—*Inventory (Topic 330), Simplifying the Measurement of Inventory* (proposed Update).

General Comments

We agree with the proposed Update. Our responses to the Questions for Respondents are presented below.

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?

Response: We agree with the proposed definition of net realizable value and find the measurement to be appropriate and easier to determine than under existing GAAP. In deliberating the proposed Update, we discussed the use of estimates in developing the replacement cost and approximately normal profit margins. We focused on estimating normal profit margin in the current environment, which involves judgment and complexity as there can be variability in normal profit margin over a relatively short number of inventory cycles. For example, over the past decade, greater uncertainty has occurred in the market place, resulting in increased discounting, price reductions and chargebacks such that they have become the norm. Customers expect price reductions and producers employ "margin protection." Retailers often times expect the manufacturers to accept a chargeback for the price reductions and to take back unsold inventory. This makes it more difficult to estimate what the approximately normal profit margin is and the normal profit margin that should be realized. For this reason, we agree with the removal of both the consideration of replacement cost and an approximately normal profit margin from determining net realizable value.

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

Response: Yes, the proposed Update should be applied prospectively, and for consistency of presentation between financial statements, all companies should apply the statement prospectively. Retrospective application would be more costly and in some cases, such as those involving average inventory cost and LIFO, the information may not be readily available to perform the retrospective restatement.

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: We agree with the proposed effective dates and do not believe private companies will need a delayed implementation date.