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Director:

Footnote 2 to your ED, "Inventory Costs: An Amendment of ARB No. 43, Chapter 4," states that in the case of goods which have been written down below cost at the close of a fiscal period, such reduced amount is to be considered the costs for subsequent accounting purposes."

I suggest that "fiscal period" should be changed to "fiscal year." This way, the ED will not contradict FASB Interpretation No. 28 which calls for interim write-ups for recoveries of previous interim write-downs within the same fiscal year.

I also suggest that footnote 2 needs clarification to the effect that the reduced amount is to be considered the cost for subsequent fiscal years regardless of whether the write-down was effected directly to the inventory account or to a contra valuation inventory allowance account. Presently, the most prominent intermediate accounting textbook claims that write-ups are permitted to the extent of previous write-downs in prior years under the allowance method; see Kieso, Weygant, and Warfield, Intermediate Accounting, Wiley & Sons, 11th ed., 2004, pp. 427-428).

Please let me know if you have any questions.

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