

MINUTES



MEMORANDUM

To: Board Members

From: Simplifying the Subsequent Measurement of Inventory Team

Subject: Minutes of May 13, 2015, Board Meeting **Date:** May 20, 2015

cc: Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Simplifying the Subsequent Measurement of Inventory

Basis for Discussion: FASB Memo 6—Comment Letter Summary and Redeliberations

Length of Discussion: 9:25 to 10:10 a.m.

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Siegel, and Schroeder

Board members absent: Smith

Staff in charge of topic: Hillenmeyer

Other staff at Board table: Cospers, Walsh, and Kennedy

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board discussed the results of outreach performed on the July 2014 proposed Accounting Standards Update, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, and made the following decisions.

Tentative Board Decisions:

Scope

The Board decided to exclude inventory measured using the last-in, first-out (LIFO) and retail inventory methods from the scope of the proposed changes. There is no change to the accounting for inventory measured using the LIFO or retail inventory methods.

Lower of Cost and Net Realizable Value

The Board affirmed its proposal to require that inventory within the scope of the amendments be measured at the lower of cost and net realizable value. As a result, a reporting entity would no longer be required to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory within the scope of the amendments.

(Vote to affirm proposal with limited scope: 5 to 2)

Method of Transition and Disclosures in the Period of Transition

The Board affirmed its proposal that entities should apply the amendments prospectively and disclose in the period of adoption the nature of and reason for the accounting change.

(Vote: 7 to 0)

Disclosures

The Board affirmed that the amendments would not require additional disclosures in periods after the amendments are adopted.

(Vote: 7 to 0)

Effective Date

The Board decided that public business entities would be required to apply the amendments in annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual reporting periods.

The Board decided that entities other than public business entities would be required to apply the amendments in annual reporting periods beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning after December 15, 2017.

(Vote: 5 to 2)

The Board decided to allow all entities the option of early adopting the changes as of the beginning of any interim or annual reporting period.

(Vote: 4 to 2; no proxy vote obtained from L. Smith)

Permission to Ballot

The Board decided that it has received sufficient information and analysis on the proposed amendments to make an informed decision on the issues presented and that the expected benefits of those amendments justify the perceived cost of change. The Board directed the staff to draft a final Update for vote by written ballot.

(Vote: 5 to 2; two Board members plan to dissent on the basis of cost-benefit concerns)

General Announcements:

None.