

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** Rutzen, x384  
**Subject:** Minutes of the September 19, 2016  
Disclosure Framework Board Meeting  
**Date:** October 4, 2016  
**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: Disclosure Framework: Disclosure Review—Inventory

Basis for Discussion: FASB Memo Nos. 105 and 105SUPP

Length of Discussion: 3:30 p.m. to 6:00 p.m.

Attendance:

Board members present: Golden, Kroeker, Botosan, Buck, Schroeder, Siegel, Smith

Board members absent: None

Staff in charge of topic: Creps

Other staff at Board table: Cosper, Proestakes, Brickman, Bennett, Rutzen

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss issues relating to the development of an Exposure Draft addressing disclosures related to inventory.

The Board's technical plan calls for an Exposure Draft to be issued in Q4 2016.

**Tentative Board Decisions:**

The Board decided that all entities would be required to disclose the following in annual financial statements:

1. Inventory disaggregated by component **(Vote: 4 to 3)**
2. Inventory disaggregated by measurement basis **(Vote: 4 to 3)**
3. Changes to the inventory balance that are not specifically related to the purchase, manufacture, or sale of inventory in the ordinary course of business **(Vote: 4 to 3)**
4. A qualitative description of the costs capitalized into inventory **(Vote: 4 to 3)**
5. The effect of last-in, first-out (LIFO) liquidations on income **(Vote: 6 to 1)**
6. The replacement cost for LIFO inventory. **(Vote: unanimous)**

The Board decided that public business entities would be required to disclose the following:

1. In annual and interim periods, inventory by reportable segment or by component for each reportable segment if that information is regularly provided to the chief operating decision maker. **(Vote: 4 to 3)**

The Board decided to make the following modifications to existing guidance in Topic 330, Inventory:

1. Add a requirement to disclose the facts and circumstances leading to impairment losses. **(Vote: unanimous)**
2. Remove the "substantial and unusual" threshold associated with losses from the subsequent measurement of inventory. **(Vote: unanimous)**
3. Remove the existing requirements to disclose the measurement basis of inventories and situations in which inventories are stated above cost or at sales prices, as they would be redundant with the new disclosure to disaggregate inventory by measurement basis. **(Vote: unanimous)**
4. Remove the language in paragraph 330-10-50-1 on consistent application of the measurement basis as it is duplicative of the requirements in paragraph 330-10-30-15. **(Vote: unanimous)**

5. Remove the language related to changes in the measurement basis of stating inventories in paragraph 330-10-50-1 as it is redundant with the concepts in Topic 250, Accounting Changes and Error Corrections. **(Vote: unanimous)**
6. Remove the requirement to disclose the relationship between costs under a recognized measurement method and standard costs. **(Vote: unanimous)**

The Board decided to retain the following existing disclosure requirements in Topic 330:

1. Separate income statement presentation of losses on firm purchase commitments **(Vote: unanimous)**
2. Significant estimates. **(Vote: unanimous)**

The Board decided against requiring disclosure of:

1. Inventory measured at fair value, net realizable value, or market value **(Vote: unanimous)**
2. An entity's LIFO method and computation techniques **(Vote: unanimous)**
3. Changes in market factors or sales prices **(Vote: unanimous)**
4. Internal and external factors affecting inventory **(Vote: unanimous)**
5. Inventory pledged as collateral **(Vote: unanimous)**
6. Terms of firm purchase commitments **(Vote: unanimous)**
7. Qualitative details on inventory accounting policies for entities using the retail inventory method **(Vote: unanimous)**
8. Inventory under the care, custody, or charge of an unconsolidated party **(Vote: 4 to 3)**
9. Royalty and other arrangements. **(Vote: 5 to 2)**

#### *Transition Method*

The Board discussed a proposed method of transition and decided that the proposed changes to disclosure requirements would be applied prospectively beginning in the period of adoption for all entities. **(Vote: unanimous)**

#### *Analysis of Benefits, Perceived Costs, and Complexities*

The Board concluded that it has received sufficient information and analysis on the proposed amendments to the guidance for inventory disclosures to make an informed decision on the issues presented. The Board also concluded that the expected benefits of the proposed amendments justify the costs. **(Vote: 5 to 2)**

*Next Steps*

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot, with a comment period of 60 days. The Board plans to hold a roundtable to discuss various topics within the Disclosure Framework projects. Depending on the timing of the roundtable, the Board decided that respondents to the proposed Update that would like to participate may be subject to a shorter comment period of 45 days.

**General Announcements:** None.