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March 13, 2017

Via email to director@fasb.org

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

Re: Proposed Accounting Standards Update, Disclosure Framework—Changes to the Disclosure Requirements for Inventory (File Reference No. 2017-210)

Dear Ms. Cosper:

We are pleased to provide comments on the proposed changes to the disclosure requirements for inventory.

BDO supports the Board's initiative to improve the effectiveness of disclosures in the notes to the financial statements. We believe that the majority of the amendments in the proposed Update would result in effective, decision-useful information about inventory. From our experience, many of these disclosures are already provided in practice, either based on the guidance related to significant accounting disclosures or due to requirements in other Topics of the Codification, as further discussed in our responses to the Board's specific questions in the Appendix to this letter. However, we would not object to finalization of the proposed Update as we believe that providing more specific requirements related to inventory, and capturing inventory-related disclosures in one location within the Codification enhances the usefulness of the Codification.

Conversely, we disagree with the proposed amendments to Subtopic 280-10. While we acknowledge that the proposed requirement to include inventory balances by reporting segment is only applicable if that information is reviewed by or regularly provided to the chief operating decision maker (CODM), we believe that as drafted, the requirement would result in disclosures that in some cases are not decision-useful. For example, it is our experience that many CODM packages include consolidating balance sheets which would contain inventory balances. Given the proposed language, simply including that information in a periodic CODM package would result in disclosure, regardless of whether the information is relevant or useful to a financial statement user. In addition, currently the only balance sheet information that is required to be presented on a segment basis is total assets and equity method investments. We believe that requiring disclosure of inventory balances by segment, and in particular by major component, would place undue emphasis on inventory.

As such, we recommend eliminating the amendments to Subtopic 280-10 from the proposed Update. If the Board declines to eliminate the segment reporting changes, then we would recommend eliminating the reference to "regularly provided to" and eliminate the requirement to disclose information by major component.

Our responses to the Board's specific questions are provided in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 or Adam Brown at (214)665-0673.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Appendix

Question 1: Would the amendments in this proposed Update result in more effective, decision-useful information about inventory? Please explain why or why not.

As noted in our attached letter, we believe that the majority of the amendments in the proposed Update would result in effective, decision-useful information about inventory. In addition, we believe that capturing those requirements in a single location within the Codification enhances its usefulness.

However, also as discussed in our attached letter, we disagree with the proposed amendments to Subtopic 280-10, and believe that they would result in the disclosure of information that in some cases is not relevant or useful to a financial statement user. As such, we recommend eliminating the amendments to Subtopic 280-10 from the proposed Update. If the Board declines to eliminate the segment reporting changes, then we would recommend eliminating the reference to "regularly provided to" and eliminate the requirement to disclose information by major component.

Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability concerns and why?

In general, we agree that the proposed disclosure requirements are operable and auditable. As noted previously, we believe that the amendments to Subtopic 280-10 could be problematic; however, we do not believe that they would be any less operable or auditable than other segment disclosures.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

No. As previously noted, it is our understanding that the majority of the information required to comply with the proposed Update is already readily available to most preparers.

Question 4: Paragraph 330-10-50-7 proposes a requirement to disclose certain specific changes in the inventory balance. Is this requirement sufficiently operable? Why or why not? Would a requirement to include a rollforward of inventory impose significantly greater costs? If so, please describe the nature and extent of the additional costs. Would the informational benefit of a rollforward be sufficient to justify the additional costs? Are there other ways to provide users with this information without imposing significant incremental costs, and, if so, what are they?

We believe that the requirement to disclose certain specific changes in the inventory balance is mostly duplicative. Most of the information required by this amendment is already available in various other footnotes to the financial statements. For example, ASC 330-10-50-7(a) primarily replicates the existing guidance in ASC 330-10-50-2, while the requirements in ASC 330-10-50-7(c) are already required in accordance with ASC 805-20-50-1 and the requirements in ASC 330-10-55-7(d) are included in ASC 360-10-45-14 for inventory that is part of a disposal group.

As a result, we agree that the requirement is generally operable, with one exception. While not specifically required by proposed paragraph 330-10-50-7, Example 3 includes permanent markdowns as an example of an atypical loss requiring disclosure. We encourage the Board to reconsider its inclusion of markdowns as an atypical loss, or at least clarify under what circumstances permanent markdowns would be deemed atypical. Markdowns are an important part of business strategy in the retail industry. As such, it is often difficult to determine when markdowns are part of the typical business cycle versus those that are atypical due to unexpected factors.

We would not object to a requirement to include a rollforward of inventory balances. We do not believe that it would impose significantly greater costs.

Question 5: The proposed amendments would apply to all entities, except for the requirements in paragraphs 280-10-50-25 and 280-10-50-32, which apply only to those public entities subject to the guidance in Topic 280. Is it appropriate to exclude entities that are not public business entities from this guidance? Are there other disclosures for which entities other than public business entities should be allowed a modification?

As mentioned in our response to question 1 above, we do not believe the amendments to ASC 280 would be meaningful, regardless of whether the preparer is a public business entity or not, and thus recommend removing them from the final Update. However, there are no other recommended disclosures for which entities other than public business entities should be allowed a modification.

Question 6: Paragraph 330-10-50-11 proposes a requirement to disclose a qualitative description of types of costs that an entity capitalizes into inventory. Would this requirement provide useful information to users?

While we believe this requirement would provide useful information to users, we would encourage the Board to specifically solicit feedback from users and preparers. However, we note that this requirement might be less meaningful for entities outside of manufacturing and other industries that construct inventory from raw materials.

Question 7: Paragraph 330-10-50-12 proposes a requirement for entities that record inventory using the RIM to disclose qualitative and quantitative information about the critical assumptions used under that method. Is this disclosure requirement incremental to existing guidance for critical accounting estimates and significant accounting policies? Would it be operable and provide useful information to users?

We believe that requiring qualitative and quantitative information for entities using the RIM method is useful to users. While we do not believe that the disclosure is incremental to that already provided in conjunction with significant accounting policies, we would not object to finalizing the RIM disclosures because they are more specific than existing guidance, and would consolidate all inventory related disclosures into one location in the codification, which we believe enhances the usefulness of the Codification.

Question 8: Are there any other disclosures that should be required by Topic 330 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

No.

Question 9: Should the proposed disclosures be required only for the fiscal year in which the requirements are effective and years after that fiscal year, or should prior periods be restated in the year in which the requirements are effective? Please explain why.

While we would not object to prospective adoption, we believe that retrospective adoption for all periods presented would be more meaningful and would require minimal incremental costs as the majority of the information is already readily available. Additionally, the presentation of the rollforward proposed by this Update would be less useful if the Update was adopted on a prospective basis.

Question 10: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? Please explain why.

As previously discussed, we believe that the majority of the Board's proposals are either already being disclosed by preparers in practice or would require information that is readily available and thus the amount of time needed to adopt the Board's proposals would be minimal, and could be as short as one year. We believe that providing additional time to entities other than public business entities would be appropriate given the recent pace of updates to accounting standards and would be consistent with the Board's previous updates. We also believe that early adoption should be permitted. However, we would not object to a deferred adoption date for all preparers given the efforts required to adopt the new revenue, leasing and credit impairment standards.