

Highlights of FASB's ASU 2015-11



ARTICLE 09.25.15 DEAN DORTON

Inventory (Topic 300): Simplifying the Measurement of Inventory

In July, the Financial Accounting Standards Board (FASB) issued ASU 2015-11, *Inventory (Topic 300): Simplifying the Measurement of Inventory*, which requires entities to measure inventories at the lower of cost and net realizable value. The amendment is expected to increase comparability and reduce costs. ASU 2015-11 applies to all inventory measured using first-in, first out (FIFO) and average cost, but does not apply to inventories accounted for under last-in, first-out (LIFO) or the retail inventory method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

The FASB has issued this update as part of its Simplification Initiative which is intended to “identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements.”

Except for public entities, the ASU is effective for periods beginning after December 15, 2016, including interim periods within fiscal years beginning after December 15, 2017. The amendment is effective for periods beginning after December 15, 2016, including interim periods within those fiscal years for public entities. Early adoption is permitted, and the ASU should be applied prospectively as of the beginning of an interim or annual reporting period.

ASU 2015-11

Dean Dorton would be happy to discuss implications for your business. For more information, please contact Lance Mann at lmann@deandorton.com.

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