

# In brief

## The latest news in financial reporting



No. US 2017-03  
January 12, 2017

### At a glance

The FASB has proposed incremental inventory disclosures that include more disaggregated information.

## ***FASB proposes new inventory disclosures***

### **What happened?**

On January 10, 2017, the FASB [proposed guidance](#) that would significantly impact disclosures about inventory. The proposal is part of the Board's ongoing project to improve disclosure effectiveness.

### ***Proposed disclosure requirements***

The new proposed disclosures include:

- Inventory disaggregated by component (e.g., raw materials, work-in-process, finished goods, supplies)
- Inventory disaggregated by measurement basis (e.g., average cost, FIFO, LIFO)
- Changes to the carrying value of inventory not specifically related to the purchase, manufacture, or sale of inventory in the ordinary course of business (e.g., impairment, shrinkage, inventory obtained in a business combination)
- A qualitative description of the costs capitalized into inventory
- The effect on income from liquidating a prior year LIFO cost layer
- The replacement cost for inventory carried on a LIFO basis
- Qualitative and quantitative information about the critical assumptions used in the calculation of inventory valued using the retail inventory method
- Inventory by segment and by component for each segment for entities required to include segment disclosures, if such information is reviewed by or regularly provided to the chief operating decision maker

### **Why is this important?**

If adopted as proposed, compiling the necessary information may be challenging, particularly for multinational corporations, and may require updates to systems, processes, and controls. Companies should consider how the additional disclosures may be utilized and interpreted by various stakeholders.

### **What's next?**

Stakeholders are encouraged to provide comments on the proposal. Comments are due by March 13, 2017. The guidance would be applied on a prospective basis. The effective date will be determined after the Board considers stakeholder feedback on this and several other outstanding proposals. A roundtable for the disclosure framework initiative is planned for the spring of 2017.

## Questions?

PwC clients who have questions about this *In brief* should contact their engagement team. Engagement teams who have questions should contact the National Professional Services Group.

*Follow @CFODirect on Twitter. Subscribe to our weekly newsletter at [www.cfodirect.com](http://www.cfodirect.com).*

## Authored by:

Bud Swartz  
Partner  
Phone: 1-973-236-4172  
Email: [bud.swartz@pwc.com](mailto:bud.swartz@pwc.com)

Lindsey Morris  
Senior Manager  
Phone: 1-973-236-7866  
Email: [lindsey.morris@pwc.com](mailto:lindsey.morris@pwc.com)

Kevin Cherrstrom  
Senior Manager  
Phone: 1-408-817-7486  
Email: [kevin.cherrstrom@pwc.com](mailto:kevin.cherrstrom@pwc.com)