

Stay informed Retail & Consumer 2013 Financial Reporting Trends

*Current trends in
SEC reporting*

February 2014

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The content of this publication is based on information available as of July 31, 2013. Accordingly, certain aspects of this publication may be superseded as new guidance or interpretations emerge. Financial statement preparers and other users of this publication are therefore cautioned to stay abreast of and carefully evaluate subsequent authoritative and interpretive guidance that is issued.

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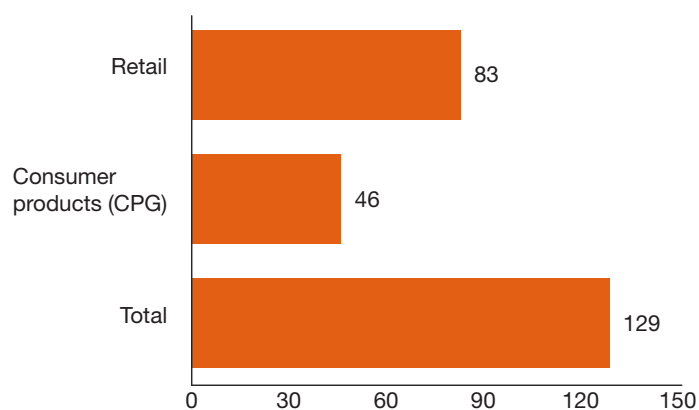
Overview



The retail and consumer (R&C) practice of PwC is pleased to present our first report on financial reporting trends for the R&C industry. Financial statement users, audit committees and other stakeholders continue to focus on the appropriateness and transparency of financial reporting disclosures made by management. With this in mind, the purpose of this publication is to benchmark selected accounting policies with industry practices, identify reporting trends within the industry (covering both financial statement and non-financial statement presentation and disclosures) and facilitate discussions on certain aspects of industry practice. Also, we encourage you to read this report in conjunction with our recently released publication, *Stay informed: Retail & Consumer 2013 SEC comment letter trends*.

The information contained in this publication was obtained from Form 10-K filings available on the SEC's EDGAR database. The benchmarking study is based on the most recent annual reports on Form 10-K filed on or before July 31, 2013. The companies analyzed included SEC registrants in the R&C industry¹ with annual revenues greater than \$5 billion that apply U.S. GAAP, as summarized below:

Number of companies analyzed by sub-sector



¹ The population was analyzed based on the following SIC codes indicated on the SEC's EDGAR website:

• Retail—3942–3950, 5000, 5020, 5040–5047, 5063–5099, 5130–5150, 5180–5990 and 7600

• Consumer products (CPG)—100, 200, 700, 900, 2000–2390, 2510–2531, 2590, 2670, 2840–2844, 3021, 3089–3140, 3420, 3630, 3634, 3651, 3652 and 3873–3931

Management's discussion & analysis

Critical accounting policies

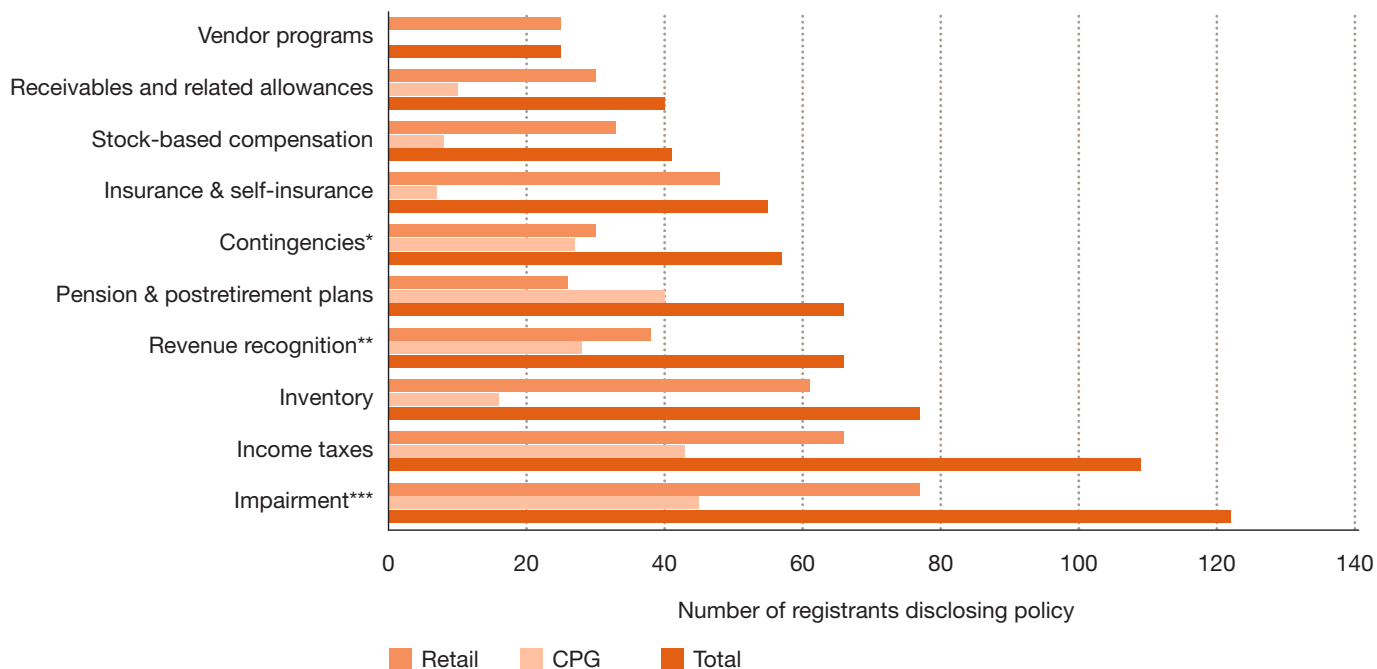
The SEC staff has issued a variety of guidance around critical accounting policies. Financial Reporting Release (FRR) 60 highlights the need for robust and transparent disclosures within Management's Discussion & Analysis (MD&A) about the accounting policies management believes are most critical, including a discussion of preparer judgments and risks and uncertainties. Additional guidance on critical accounting estimates related to goodwill impairment can be found in Section 9500 of the SEC's Division of Corporation Finance Financial Reporting Manual (FRM).

We analyzed the most common and total number of critical accounting policies disclosed by registrants. The results indicated that the nature of policies disclosed was fairly consistent among R&C registrants, with the most commonly disclosed policies being impairments and income taxes. Of the registrants analyzed, the total number of critical accounting policies disclosed ranged between one and 14, with an average of seven.

While there were many consistencies in the nature of critical accounting policies disclosed among R&C registrants, there were some variations between sub-sectors. As a percentage of registrants benchmarked, retail registrants more commonly disclosed policies related to inventory, insurance and self-insurance, stock-based compensation, and vendor programs, while consumer products registrants more commonly disclosed policies related to pension and post retirement plans and contingencies. Also of note, while not in the combined top 10, approximately 22% of retail registrants included a critical accounting policy related to restructuring and store closure costs, and approximately 12% included a policy related to leases. For consumer products registrants, approximately 22% included a critical accounting policy related to fair value measurements, and approximately 20% included a policy related to principles of consolidation.

Management's discussion & analysis

Top 10 critical accounting policies disclosed

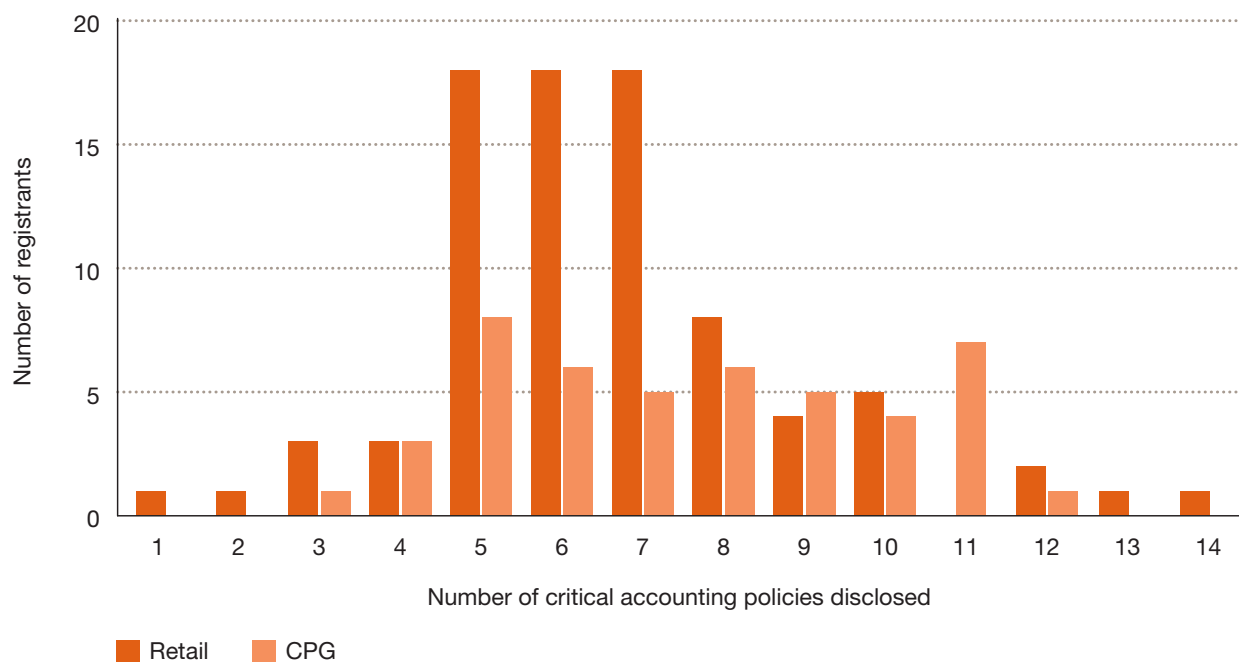


* Includes litigation and environmental matters, product warranties and certain other liabilities/reserves.

** Includes policies related to revenue recognition, sales promotional and incentive programs, rebate accounting, loyalty programs, unredeemed gift cards, gift certificates, credit vouchers, etc.

*** Includes impairment policies related to goodwill, intangibles and long-lived assets.

How many critical accounting policies do registrants disclose?

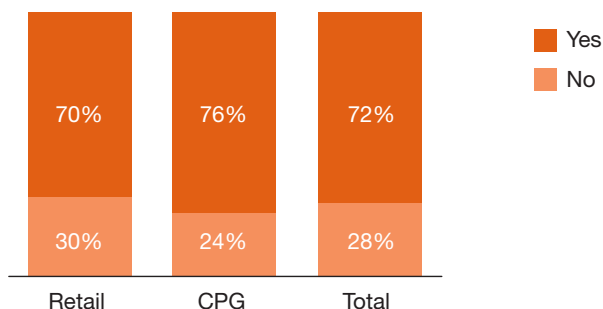


Non-GAAP measures

Non-GAAP measures are used frequently by registrants in the R&C industry. Authoritative guidance around the use of non-GAAP measures is provided in Regulation G, Item 10(e) of Regulation S-K, and Exchange Act Release No. 47226, *Conditions for Use of Non-GAAP Financial Measures*. Additional guidance can be found in a series of Compliance and Disclosure Interpretations (CD&Is) issued by the SEC's Division of Corporation Finance. While there is no new recent authoritative guidance in this area, the use of non-GAAP measures remains a recurring theme and area of focus in SEC comment letters.

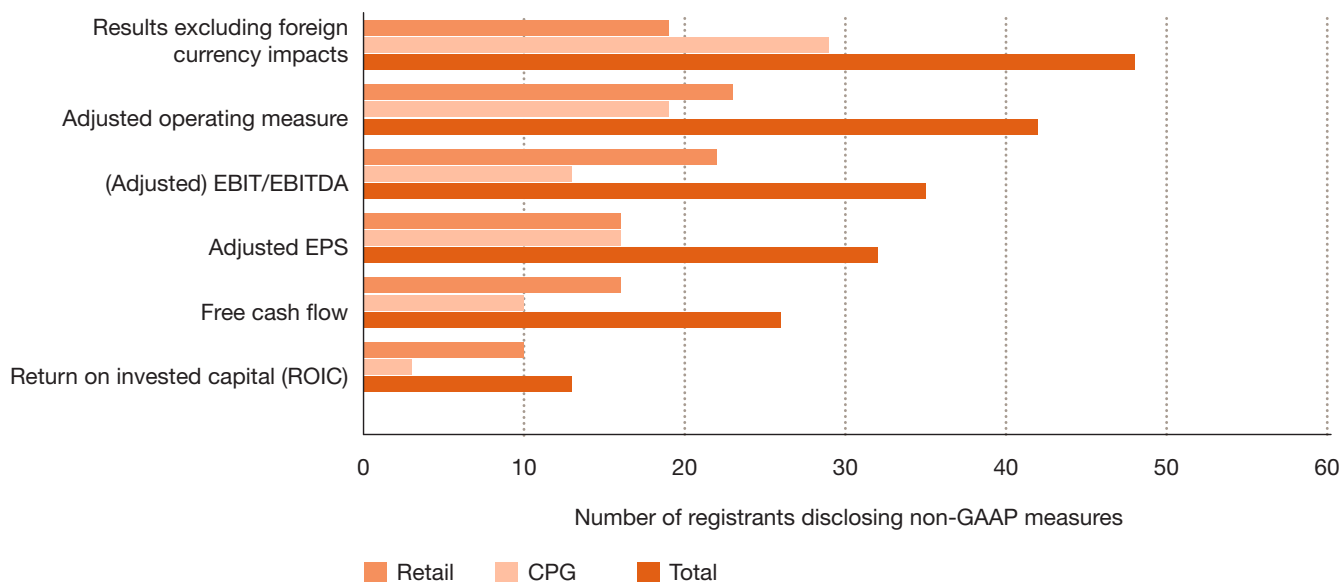
The results of our benchmarking study indicated that the majority of retail (approximately 70%) and consumer products (approximately 76%) registrants disclosed non-GAAP measures in their filings. Some of the most commonly reported non-GAAP measures were operating measures excluding foreign currency impacts and operating measures excluding specific items (e.g., impairment charges, restructuring charges, store closing costs, and legal or tax settlements). In addition, retail registrants often excluded the impact of a 53rd week in their non-GAAP measures. The types of non-GAAP measures used were generally consistent among R&C registrants, with the exception that a significantly larger percentage of consumer products registrants disclosed operating measures excluding the impact of foreign currency.

Percentage of registrants disclosing non-GAAP measures

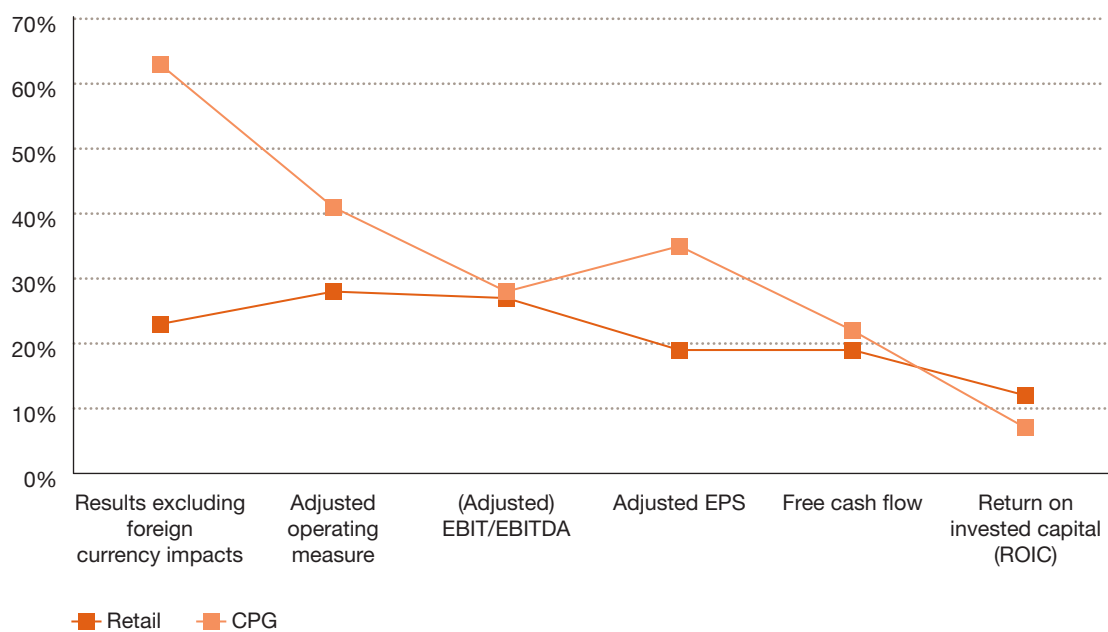


Management's discussion & analysis

Most common types of non-GAAP measures disclosed



Percentage of registrants disclosing each type of non-GAAP measure



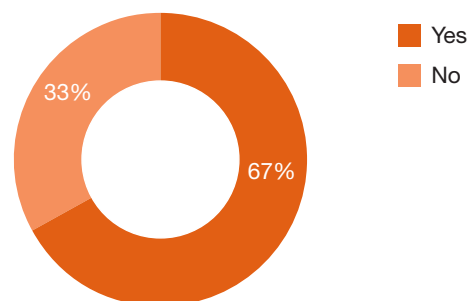
Comparable store sales and e-commerce disclosures

Comparable store sales (CSS) is a productivity measure of revenue used to compare sales of retail stores that have generally been open for a year or more. The CSS disclosures are provided to help differentiate between revenue growth that comes from new or significantly remodeled/expanded stores and revenue growth resulting from improved performance at existing stores. There are no governing rules or prescriptive guidelines on the calculation or presentation of CSS. As a consequence, there is diversity in practice in how registrants present CSS. When key performance indicators such as CSS are reported, the SEC staff has issued comments asking registrants to disclose how the metrics were determined.

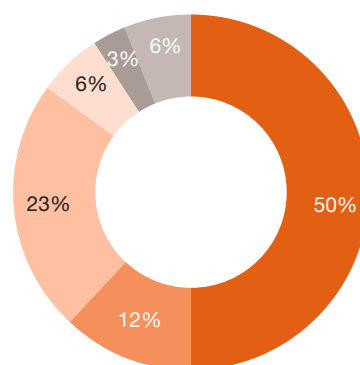
There is also diversity in practice in how registrants present e-commerce results within CSS measures. The presentation depends on each registrant's specific facts and circumstances, including the significance of e-commerce sales, how the e-commerce business is managed, and how e-commerce sales are fulfilled. Given the disparity in practice in this area, and given recent growth trends in the e-commerce sales channel for many registrants, the SEC staff in recent comment letters has frequently asked registrants to disclose whether e-commerce results were included in key performance indicators, such as CSS. At times, the SEC staff also requested that registrants disclose comparable sales data for e-commerce and other sales channels separately.

The results of our benchmarking study indicated that the majority of retail registrants (approximately 67%) disclosed a comparable store sales (or similar) metric in their filings. Of the retail registrants analyzed that disclosed a CSS metric and have e-commerce operations, approximately 41% included e-commerce in their primary CSS metric (including those that presented two CSS metrics — one including e-commerce and one excluding e-commerce), and approximately 32% included some level of separate disclosure of e-commerce results (whether or not included in the CSS metric).

Did the retail registrant disclose a comparable store sale metric?



Disclosure of e-commerce impact on comparable store sales (CSS)



- No disclosure of e-commerce impact on CSS
- E-commerce sales are included in CSS but not separately disclosed
- E-commerce sales are included in CSS and separately disclosed
- E-commerce sales are excluded from CSS but not separately disclosed
- E-commerce sales are excluded from CSS and separately disclosed
- Two CSS metrics are presented—one including e-commerce and one excluding e-commerce

Management's discussion & analysis

Cost of goods sold and gross profit

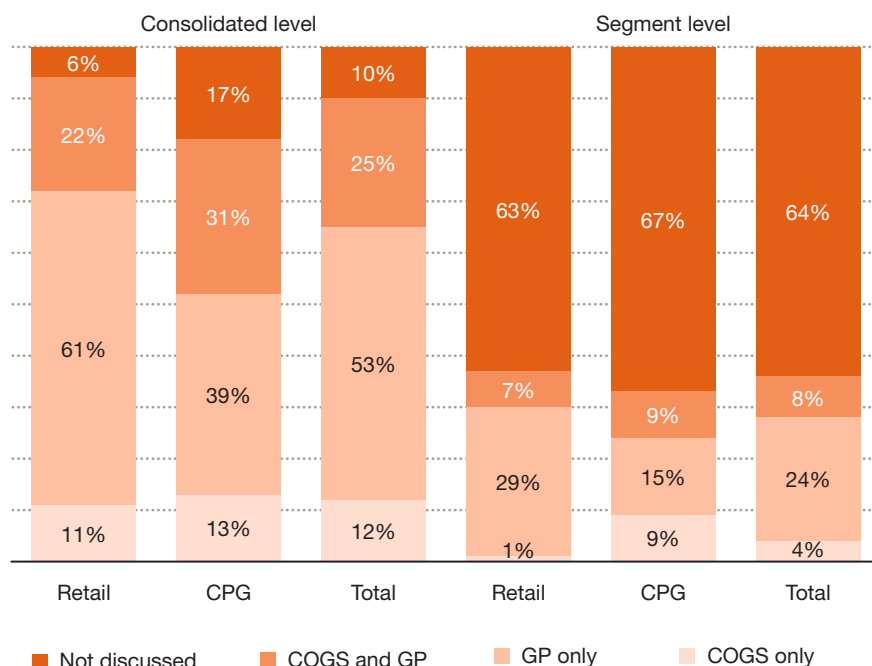
Item 303(a)(3) of Regulation S-K contains the requirements for registrants to discuss results of operations in MD&A. Additional guidance is contained in FRR 36 and FRR 72. The discussion of results of operations should include an analysis of the key factors that caused material changes in line items on the income statement. Registrants should ensure the results of operations section provides readers with a clear understanding of the significant components of revenues and expenses that, in management's judgment, facilitate an understanding of the registrant's results of operations.

For example, in comment letters, the SEC staff commonly requested that registrants provide a more comprehensive analysis of factors that impact cost of good sold (COGS) and gross profit (GP). Recent SEC staff comments have also encouraged the use of a segment analysis to provide a reader with a more in-depth understanding of the operating results of each segment. The segment analysis may be integrated with the discussion of the consolidated results to avoid unnecessary duplication.

While recognizing that the level of disaggregation and detail provided in MD&A is based on the specific facts and circumstances of each registrant, we analyzed whether registrants provided a discussion and analysis of key changes in cost of goods sold versus at the gross profit level or both. Where the registrant reported more than one reportable segment, we also analyzed the disclosure trend at the segment level.

We found that a majority (approximately 78%) of R&C registrants provided a discussion of material changes in consolidated gross profit, more than a third (approximately 37%) included a discussion of material changes in consolidated cost of goods sold, and approximately 25% included a discussion of both line items. With respect to segment disclosures, approximately 36% of R&C registrants in our sample with more than one reportable segment included a segment level analysis of one or both line items. For registrants in both sub-sectors that included segment level analysis, a discussion of changes to gross profit was most common.

Financial statement line items discussed in MD&A



Note: Of the registrants in our sample, approximately 1% and 7% of retail and consumer products registrants, respectively, did not discuss cost of goods sold or gross profit at the consolidated or segment level. Instead, these registrants discussed operating income or operating profit.

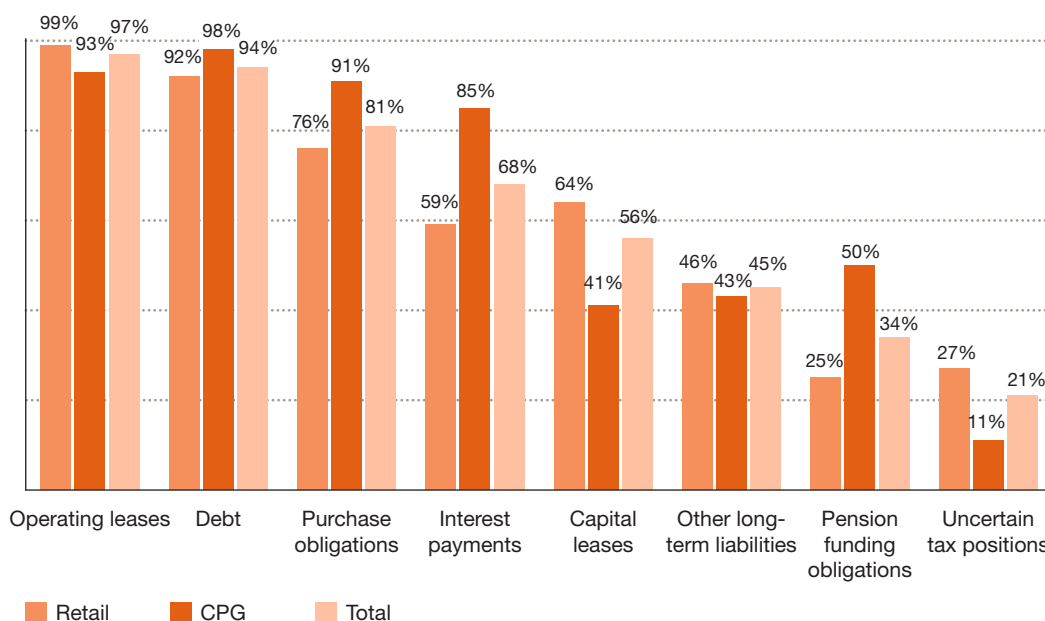
Contractual obligations

Item 303(a)(5) of Regulation S-K contains disclosure requirements related to contractual obligations. Additional guidance can be found in FRR 67 and FRR 83. These disclosures are designed to provide a meaningful snapshot of a registrant's future cash requirements arising from contractual payment obligations.

The guidance in FRR 83 indicates that registrants should determine how best to present the information that is relevant to their business in a manner that is clear, consistent with the purpose of the disclosure and not misleading. Additional disclosure should be provided where necessary (e.g., through the use of footnotes to the table) to discuss the uncertainties underlying contractual obligations and to explain what the tabular data includes or does not include. Areas commonly disclosed supplementally within the footnotes to the contractual obligations table include uncertain tax positions, pension funding obligations, and interest payments on long-term debt. The discussion of tabular information should also be consistent with other liquidity disclosures.

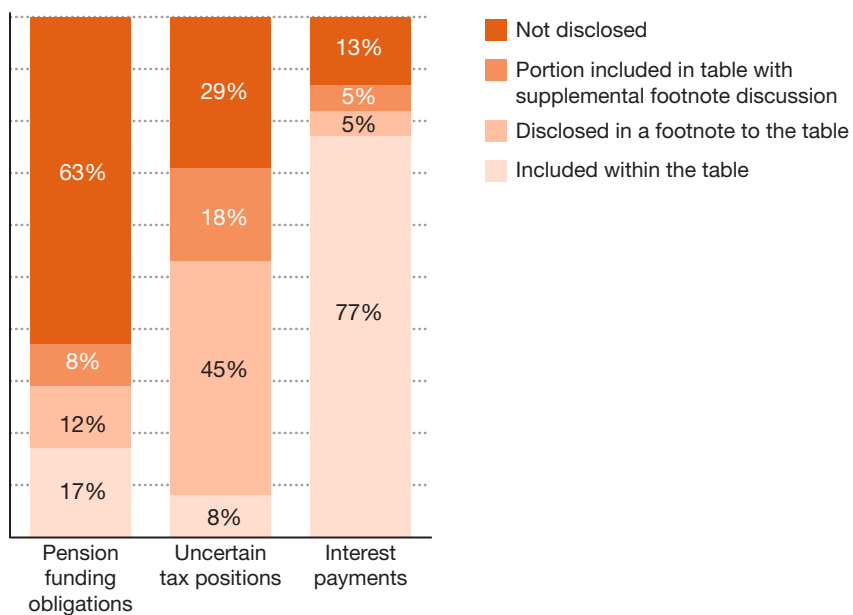
As there is diversity in the nature of items included in the contractual obligations table, we analyzed the types of items commonly included within the table as well as the type of information commonly disclosed within the footnotes to the table. The analysis revealed that the overall nature of items disclosed within the contractual obligations table was consistent among R&C registrants. However, there was variation between retail and consumer products registrants in their use of supplemental footnote disclosures. For example, the results of our benchmarking study indicated that the majority of R&C registrants included estimated interest payments on long-term debt within the contractual obligations table (most often disclosed as a separate line item and in certain instances with supplemental footnote disclosure of how such amounts were estimated). With respect to disclosure of uncertain tax positions, the largest percentage of both retail and consumer products registrants disclosed such obligations solely within the footnotes to the table. There was mixed practice with respect to the disclosure of pension funding obligations by consumer products registrants, while the majority of retail registrants did not include disclosure of pension funding obligations within the contractual obligations section of the filing.

Percentage of registrants disclosing each type of item within the contractual obligations table

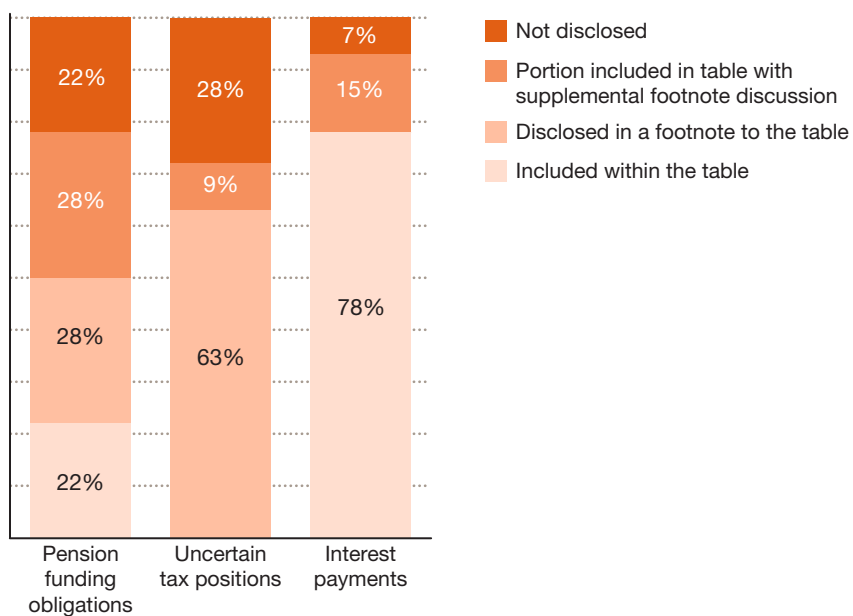


Management's discussion & analysis

Retail registrants: tabular versus footnote disclosures



Consumer products registrants: tabular versus footnote disclosures



Risk factors

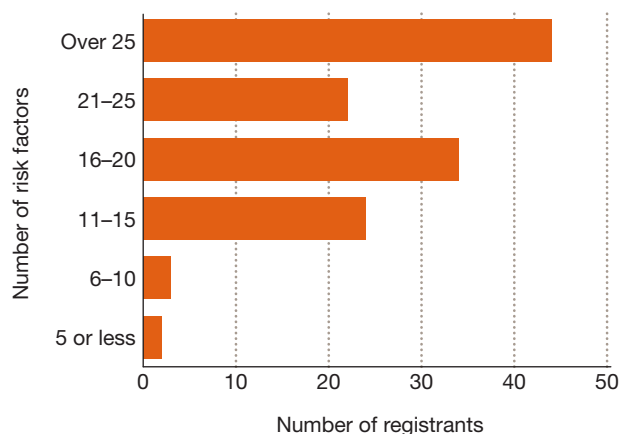
The business environment has become increasingly complex and, as a result, has increased the number of risks registrants have to manage. This has also manifested in the increase in the number of risk factors disclosed by registrants in their SEC filings over the past several years. Item 503(c) of Regulation S-K outlines the requirements for risk factor disclosures. Effective risk factor disclosures should provide timely and meaningful information about the significant factors that make an investment in a specific company risky or speculative.

The results of our benchmarking study indicated that a majority (approximately 96%) of the R&C registrants disclosed more than 10 risk factors, with the largest percentage of registrants disclosing more than 25 risk factors.

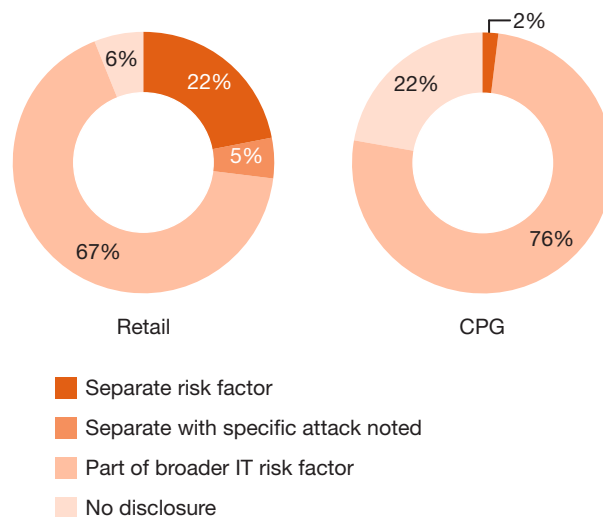
In 2011, the SEC's Division of Corporation Finance issued disclosure guidance on cybersecurity. The guidance was intended to clarify whether and how registrants should disclose the impact of the risk and cost of cybersecurity incidents.

Given the recent focus of the SEC on cybersecurity, we analyzed whether registrants disclosed a specific risk factor pertaining to cyber threats and attacks. The majority of R&C registrants analyzed disclosed cybersecurity as part of a broader information technology-related risk factor. Nineteen registrants included a specific risk factor on cybersecurity, of which all but one was in the retail sub-sector. In addition, there were four registrants in the retail sub-sector that disclosed specific cyber incidents.

Number of risk factors disclosed



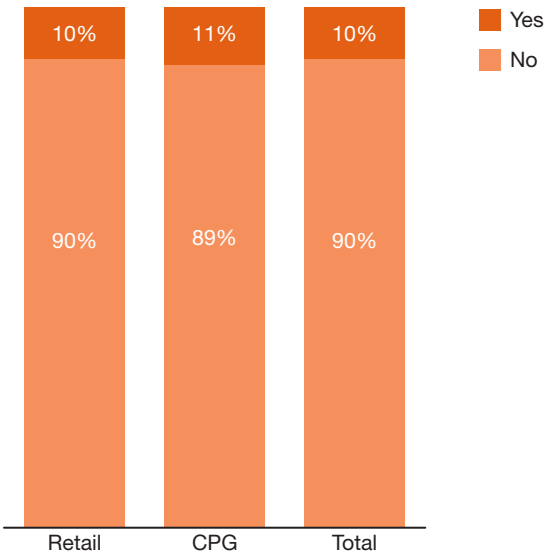
Disclosure of cybersecurity as a specific risk factor



Risk factors

Additionally, with the recent adoption of the conflict minerals rule as mandated by the Dodd-Frank Act, we analyzed which of the registrants included a risk factor related to conflict minerals. The majority of registrants analyzed did not include a risk factor regarding the rule. However, for the registrants that did include a risk factor, we noted that the disclosures primarily related to the time, effort and costs involved in implementing the rule.

Disclosure of conflict minerals as a risk factor?



Financial statement presentation and disclosures

Segment reporting

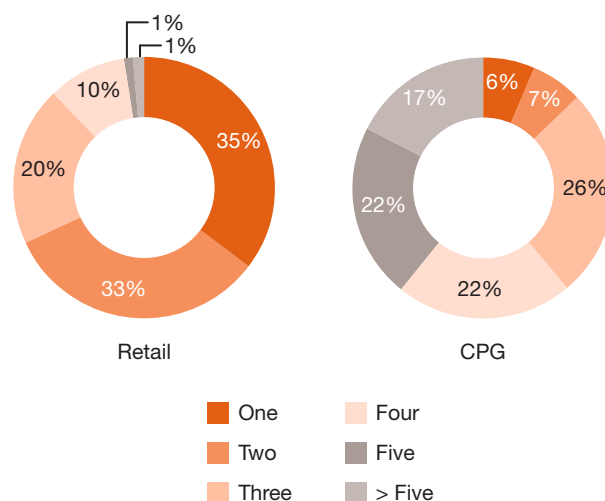
As highlighted in our analysis of recent comment letter trends in the R&C sector, segment reporting continues to be an area of focus for the SEC staff. The SEC staff most frequently commented on the determination of operating segments and the aggregation of operating segments into reportable segments.

The identification of operating segments is important in determining the reportable segments to be disclosed as well as in identifying the reporting units to be tested for goodwill impairment. When identifying operating segments, registrants should be assessing (among other factors) their organizational structure and the information regularly reviewed by the chief operating decision maker (CODM). Aggregation of operating segments into reportable segments should be supported by a robust analysis of economic similarities along with consideration of the other aggregation criteria in ASC 280, *Segment Reporting*. If segments do not have similar economic characteristics, e.g., the segments do not display similar long-term financial performance, this may indicate that aggregation is not appropriate. Companies should monitor the facts and circumstances of their business and consider if there has been a divergence in economic performance such that aggregation is no longer appropriate.

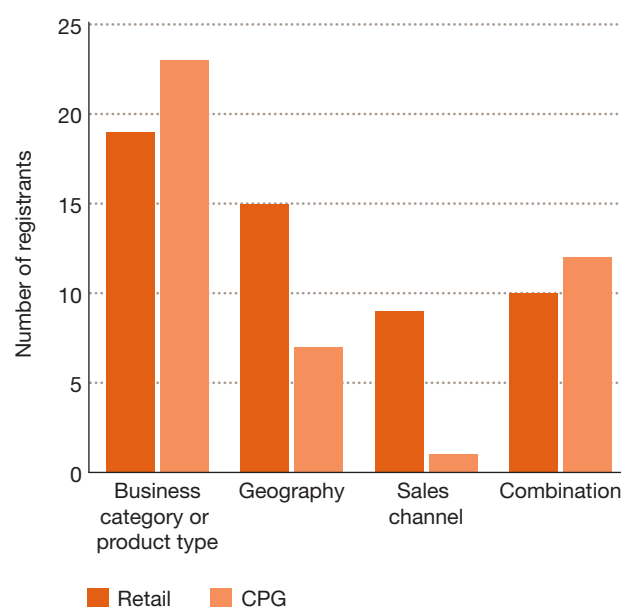
In our benchmarking study, we analyzed the number of reportable segments disclosed by each registrant. The majority of retail registrants reported three or fewer segments, with more than a third having one segment. The opposite was observed for consumer products registrants, where the majority of registrants reported three or more segments.

Depending on how the CODM assesses operating performance and allocates resources, the basis of segmentation used by registrants may vary, for example, based on geography, business category or product type, sales channel or a combination thereof. Of those registrants that reported more than one segment, the majority of consumer product registrants reported segments based on business category or product type, whereas the highest percentage of retail registrants reported segments either based on business category or product type or based on geography.

Number of segments (percentage of registrants)



Basis of segmentation



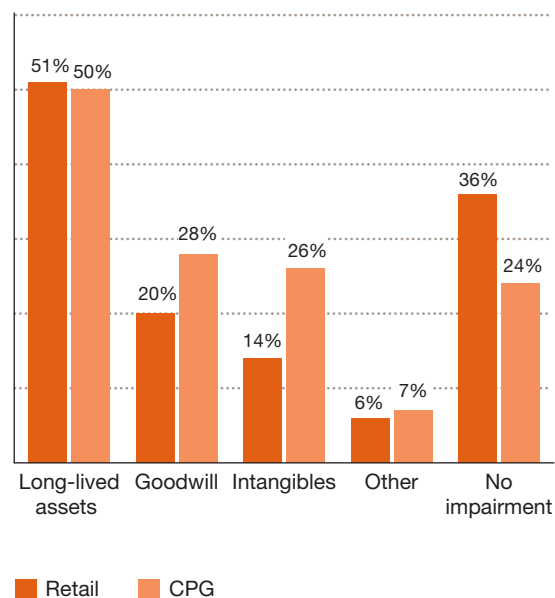
Impairments

Given the slow and uneven economic recovery as well as the high degree of judgment involved in impairment assessments, recent SEC staff comment letters have focused on the transparency of disclosures when an impairment charge is recorded. In addition, the SEC staff has requested foreshadowing disclosures when assets, especially goodwill, are at risk of being impaired.

When an impairment charge is recognized, registrants should consider disclosing a description of the facts and circumstances that gave rise to the impairment, such as changes in the underlying business, economic environment or expected use of the asset; the amount of the impairment loss; and the method of determining fair value. These disclosures should provide sufficient information to answer the question of why the charge belongs in the current period and should not have been recorded earlier. In our benchmarking study, we analyzed the number of registrants that recorded an impairment charge during any of the latest three annual periods (68% of the registrants sampled disclosed an impairment) and also noted which asset(s) were impaired. A majority of registrants analyzed recorded impairments of long-lived assets, including retail stores, some in conjunction with restructuring activities initiated during the economic downturn.

Of the registrants in our sample, 13 (seven in consumer products and six in retail) disclosed the presence of “at risk” reporting units. Each of these registrants included additional disclosures, such as the percentage by which the fair value of the reporting unit exceeded its carrying value, the carrying value of the reporting unit’s goodwill, key assumptions and inputs used in the impairment test, a description of potential events and circumstances that could have an effect on the reporting unit’s fair value and a discussion of the degree of uncertainty associated with key assumptions. All 13 registrants included the foreshadowing disclosures in MD&A, while six of these registrants also included similar disclosures within the footnotes to the financial statements.

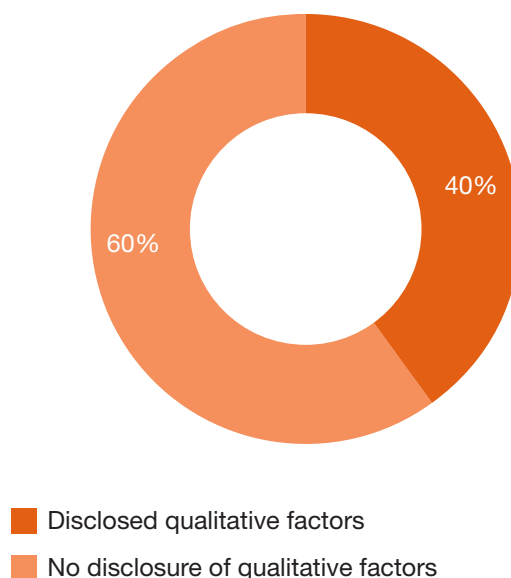
Type of impairment disclosed as a % of registrants analyzed



Recognizing the complexity and costs associated with performing the annual impairment assessment of goodwill, the FASB issued Accounting Standards Update (ASU) 2011–08, *Testing Goodwill for Impairment*. This update provides companies with the option of performing a “qualitative” assessment to determine whether further impairment testing is necessary. In testing goodwill reporting units for impairment, an entity is no longer required to calculate the fair value of a goodwill reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that the fair value of the goodwill reporting unit is less than its carrying amount. ASU 2011–08 was effective for fiscal years beginning after December 15, 2011. While this update did not add new disclosure requirements, registrants should consider disclosing their rationale for using a qualitative assessment in the critical accounting policies section of MD&A. Also, in recent comment letters, the SEC staff has sometimes asked registrants to expand their disclosure of the qualitative factors evaluated.

The results of our benchmarking study indicated that 30 of the retail registrants and 23 of the consumer products registrants analyzed used the qualitative assessment, or “step zero,” for their annual goodwill impairment test in the most recent annual period. Of those that utilized step zero, less than half of registrants in both sub-sectors disclosed the qualitative factors considered in their assessment.

Disclosure of qualitative factors when using step zero for goodwill impairment testing



Sales incentives and returns

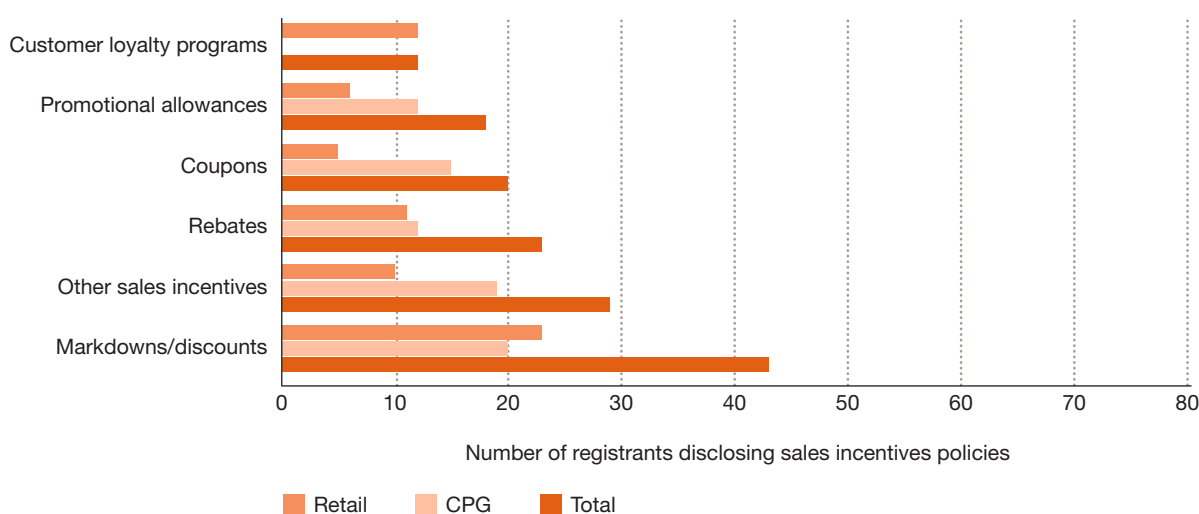
R&C registrants often offer a wide array of customer incentives to increase demand for their product. Retail registrants commonly offer coupons; rebates issued at point of sale; free products, including buy-one-get-one-free; price protection; price matching and discount programs; and customer loyalty programs, including discounts for achieving a certain level of purchases and point programs. Consumer products registrants commonly provide vendor allowances, including volume rebates and cooperative advertising allowances; market development allowances; and mark-down allowances (compensation for poor sales levels of vendor merchandise). Consumer products registrants also may offer product placement or slotting fees to retailers. Issues related to recording sales incentives typically include the classification, timing and measurement of the consideration provided. ASC 605–50, *Customer Payments and Incentives*, codifies the guidance relating to customer payments and incentives.

Another area common to R&C registrants that requires judgment and estimation is accounting for sales returns. ASC 605–15–25 specifies the conditions to be met before revenue may be recognized, one of which is that the amount of returns

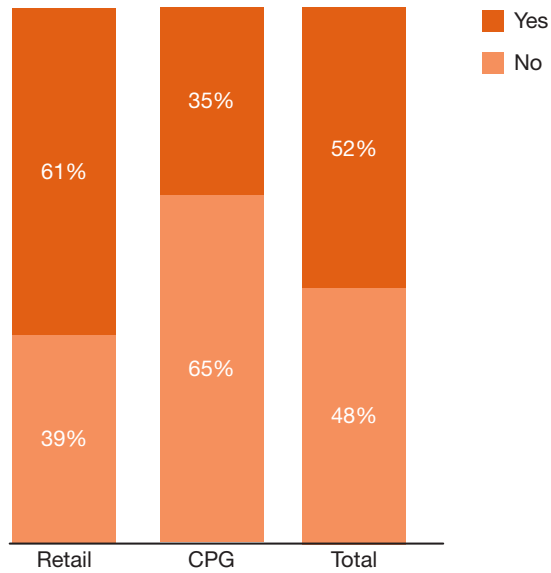
can be reasonably estimated. The SEC staff also provides additional guidance in Staff Accounting Bulletin Topic 13, *Revenue Recognition* (SAB Topic 13). When recording estimated sales returns, revenue and cost of sales reported in the income statement should be reduced to reflect estimated returns. If a reliable estimate cannot be made, a registrant should delay recognizing revenue until such estimate can be made or the return right expires. There are many factors that may impact a registrant's ability to make a reasonable estimate of returns, and as such, many registrants consider this area to be a significant accounting estimate.

Our benchmarking study analyzed the disclosure practices around sales incentives and sales returns in total and by sub-sector, including where such policies are most commonly disclosed within the filing. Results indicated that markdowns/ discounts were the most commonly disclosed type of sales incentive among R&C registrants, and just over half of the registrants analyzed disclosed sales returns policies (with a higher percentage among retail versus consumer products registrants disclosing sales returns). Retail registrants included policy disclosures more often within the footnotes, while consumer products registrants included policy disclosures most often within both MD&A and the footnotes.

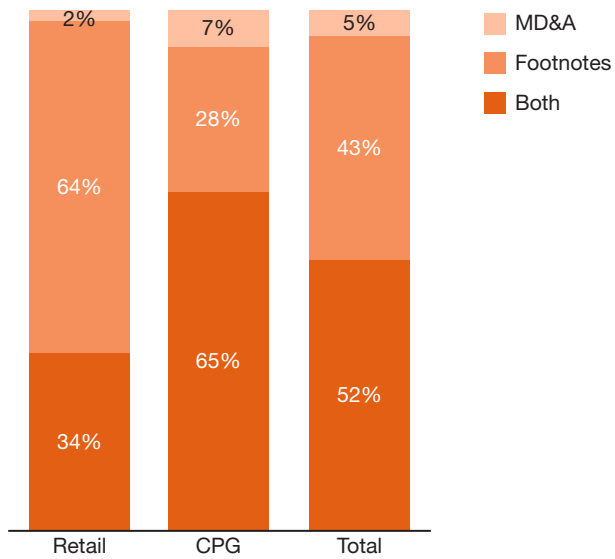
Common types of sales incentives



Percentage of registrants disclosing a sales returns policy



Location of sales incentives and sales returns policy disclosures



Gift card breakage

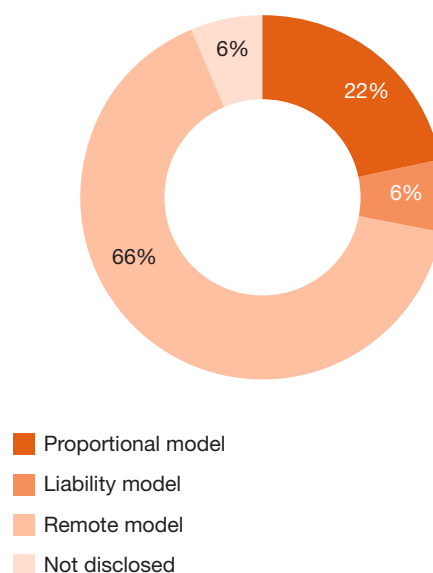
The use of gift cards and gift certificates is common in the retail environment. Such arrangements frequently give rise to the need to establish a liability for a future obligation of the retailer, which is relieved when the certificate or card is presented for redemption. Frequently, not all gift cards and gift certificates are fully redeemed. The portion that is not redeemed is referred to as “breakage.” Recognizing the income on breakage immediately is not appropriate. The way a registrant recognizes the income on these items that are not expected to be redeemed depends on features of the program and the registrant’s ability to reliably estimate breakage.

There are three acceptable methods for recognizing income related to breakage: (1) proportional model—allocating a portion of the estimated breakage to each redemption or over time from when it was initially issued to when the likelihood of redemption becomes remote; (2) liability model—recording at the time when the right expires; and (3) remote model—recognizing breakage when the likelihood of redemption becomes remote.

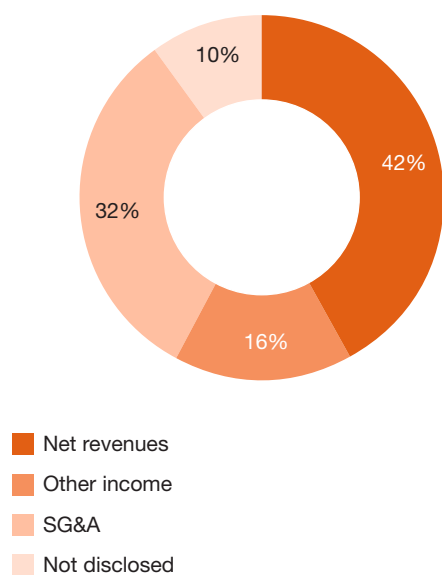
There are different ways registrants classify breakage in the income statement. It is typically recorded within net revenues, other income, or selling general & administrative expenses (SG&A). As a result of the existence of several acceptable methods of recognizing breakage, each registrant has to consider its specific facts. Given the level of judgment and diversity in practice, the SEC staff has requested that registrants include transparent disclosure of the method of recognition and classification of breakage in the income statement.

Included in our benchmarking study were 31 retail registrants who disclosed breakage policies. Of those retail registrants, the majority (approximately 66%) utilized the “remote” model. There was varied practice around the classification of breakage in the income statement, with the highest percentage of retail registrants classifying breakage within net revenues. Additionally, the majority of retail registrants disclosed either the related liability or breakage income.

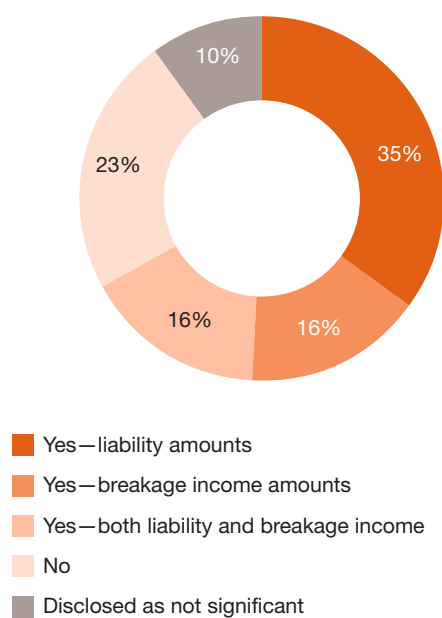
Types of recognition models used to record income from breakage



Income statement classification of breakage



Disclosure of amounts related to gift cards and other similar programs



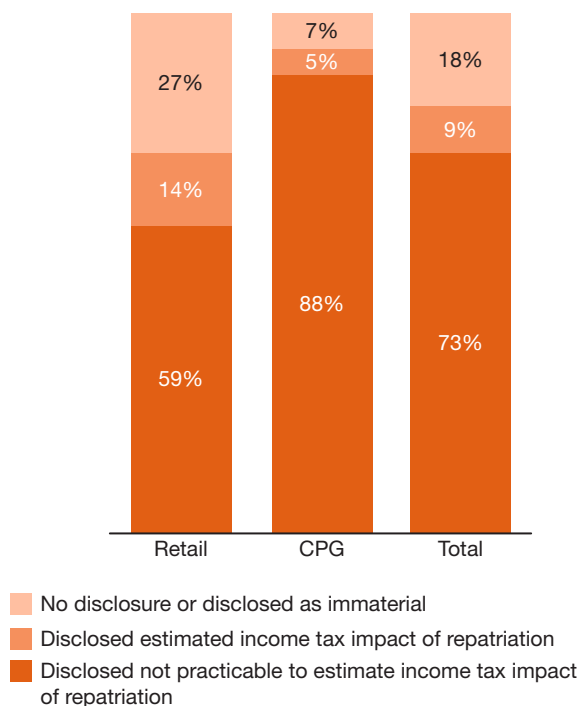
Income taxes — indefinite reinvestment assertion

The accounting for income taxes, including related disclosure requirements, is subject to significant judgment and is made even more complex when registrants have global tax structures. One area of judgment relates to the undistributed earnings of foreign subsidiaries. Under ASC 740–30–25, the establishment of deferred tax liabilities is generally required with respect to undistributed earnings of foreign subsidiaries. However, registrants are not required to provide such deferred income taxes if sufficient evidence shows that remittance of the undistributed earnings will be postponed indefinitely. When an indefinite reinvestment assertion is made, ASC 740–30–50 requires disclosure of the amount of the unrecognized deferred tax liability on undistributed earnings of foreign subsidiaries or a statement that such determination is not practicable. Additionally, as noted through recent comment letter trends, when an estimate could not be made, the SEC staff sometimes requested clarification as to why it was not practicable to determine the related unrecognized deferred tax liability.

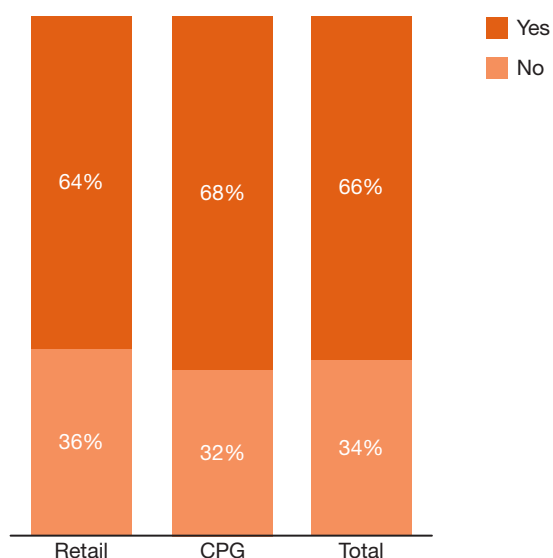
The interplay between a registrant's indefinite reinvestment assertion and liquidity also continues to attract the interest of the SEC staff. In the liquidity section in MD&A, registrants that assert indefinite reinvestment should consider disclosing the amount of cash and cash equivalents currently held outside the registrant's home country, the potential tax consequence of repatriation (e.g., consider disclosing that the registrant would have to accrue and pay taxes on repatriated earnings and the amount of deferred tax liability that would be recorded and the income tax that would be due if the cash was repatriated), and a description of events that may cause such foreign earnings to become taxable. This disclosure is intended to highlight the possibility that cash may be currently unavailable to fund domestic operations or obligations without paying a significant amount of taxes upon repatriation.

Of the registrants included in our benchmarking study with global operations (105 registrants), approximately 95% of consumer products registrants and 71% of retail registrants disclosed an indefinite reinvestment assertion with respect to undistributed earnings of foreign subsidiaries. Only a small percentage of those registrants asserting indefinite reinvestment disclosed the estimated income tax impact of repatriation (approximately 9%), while the majority of such registrants (approximately 66%) disclosed the amount of cash held domestically versus internationally.

Of registrants asserting indefinite reinvestment, % disclosing tax impact



Of registrants asserting indefinite reinvestment, % disclosing the amount of cash held domestically versus internationally

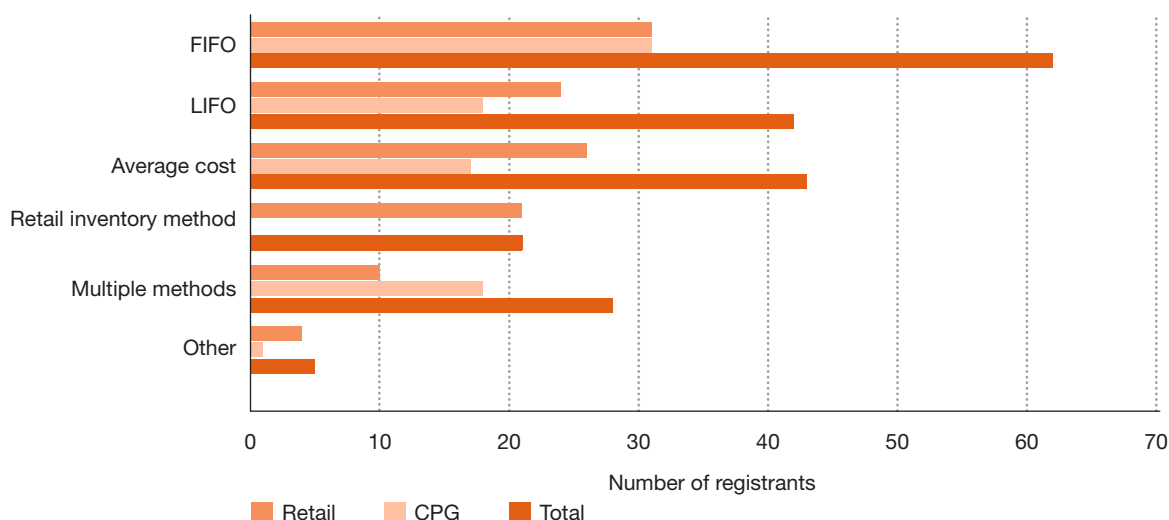


Inventory costing method

As discussed in ASC 330, *Inventory*, the primary objective in selecting an inventory costing method is to most clearly reflect periodic income by matching the specific costs of an item sold to its related revenues. There are several accounting policies with respect to the flow of inventory costs that are accepted in practice.

The results of our benchmarking study indicated that the first-in first-out (FIFO) method was the most commonly used inventory costing method within the R&C industry, with 37% and 67% of retail and consumer products registrants, respectively, using the FIFO method. There was a similar number of registrants that used either the last-in first-out (LIFO) method or average cost method. The retail inventory method was used by 25% of the retail registrants. Additionally, 39% of consumer products registrants and 12% of retail registrants used multiple methods, i.e., different methods for different types of products or for inventory located domestically versus internationally.

Inventory costing methods used



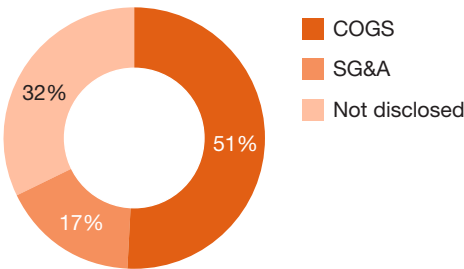
Shipping and handling costs

Shipping and handling costs are incurred by most, if not all companies within the R&C industry. However, there is diversity in practice regarding the classification of these costs in the income statement and how such costs are defined. Some only include those costs incurred by a third party for transporting goods in the definition, while others also include the internal overhead costs to prepare goods for shipment. The definition of what is included in shipping and handling costs and its classification in the income statement is an accounting policy decision that should be disclosed. A company may elect to include these costs in cost of goods sold. However, if shipping and handling costs are considered significant and are not included in cost of goods sold, registrants should consider disclosing the amount and location of these costs.

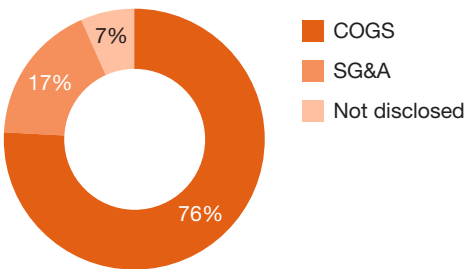
The results of our benchmarking study indicated that the majority of R&C registrants included shipping and handling costs within cost of goods sold.

Additionally, only 10 of the consumer products registrants and 17 of the retail registrants in our sample disclosed the amount of such costs incurred during the reporting period.

Shipping and handling classification—Retail



Shipping and handling classification—CPG

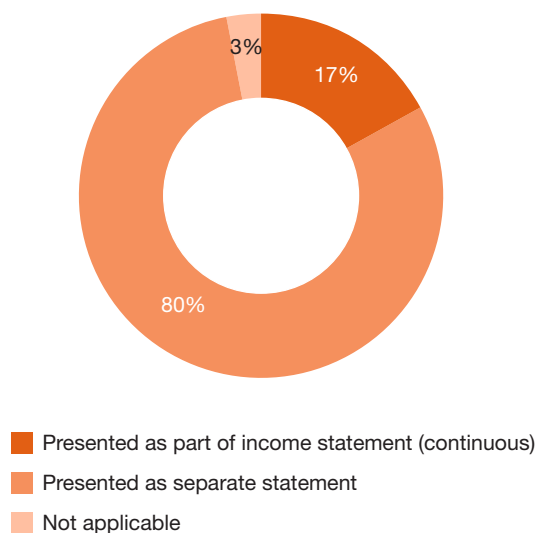


Presentation of comprehensive income

For most calendar year-end filers, 2012 was the first year of adoption of Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). Under ASU 2011-05, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. Under both alternatives, the statement is required to be presented with equal prominence as the other primary financial statements.

The results of our benchmarking study showed a consistent trend across both sub-sectors in that a majority of registrants elected to follow the two statement approach, while only a small percentage elected to present one continuous statement.

Presentation of comprehensive income



About the PwC retail and consumer practice

Within PwC we have combined both retail and consumer-oriented companies into one practice group. Drawing on the talents of approximately 15,000 partners and professional staff worldwide dedicated to serving clients within the R&C sector, we help companies to solve complex business problems and measurably enhance their ability to build value, manage risk and improve performance in an internet-enabled world by providing industry-focused assurance, tax, and advisory services.

Our R&C practice is a leading financial accounting, tax and advisory consulting business. Our experience cuts across all geographies and all segments of the R&C sector, serving the food & beverage, health & beauty care, tobacco & confectionery and other consumer products manufacturers, as well as a broad spectrum of retailers to include food, drug, mass merchandisers and specialty retailers. Our combined R&C practice allows us to understand issues across the entire supply chain, from source to sale, and to easily transfer our knowledge to clients related to attesting to and ensuring the accuracy of financial statements and reporting systems, providing local, state and global tax and compliance advice, managing and mitigating enterprise risk, improving business processes and operations, implementing technologies and helping clients with mergers and acquisitions to drive growth and improve profitability.

Our global practice is organized to serve clients with similar issues and problems in order to facilitate the sharing of knowledge and to deliver world-class client service. Our professionals are dedicated to providing insight into the industry and are aligned with many global organizations and trade associations that serve the interests of the industry

and our clients. We are associate members of the Grocery Manufacturers Association (GMA) and exclusive sponsors of their CFO Council, a group of consumer goods financial executives who identify and explore financial issues of importance to the organization's members. Our professionals make presentations at several GMA events throughout the year and jointly develop an annual Financial Benchmarking Report for the GMA, which has become an industry standard and is recognized as the definitive report on financial metrics for the consumer packaged goods industry. For the National Retail Federation (NRF), we play a leading role as technical advisor to the NRF's Financial Executives Council, Internal Audit & Compliance, and IT Councils, assisting them in understanding the implications of new accounting regulations and compliance issues, as well as security and privacy issues and related IT issues. We are also associate members of the Retail Industry Leaders Association (RILA) where we sponsor their Tax Leaders Committee and provide counsel on emerging tax and regulatory issues emanating from Washington, DC. Additionally, we are members of the American Apparel and Footwear Association (AAFA) where our professionals are active members of the Supply Chain, Information Systems and Sustainability committees and the In-Store Marketing Institute, which is involved in POS and in-store operating systems. We have a strategic partnership with Kantar Retail, recognized as the premier market intelligence group in the U.S. for the retail industry. Lastly, on a global basis, we are affiliated with the Consumer Goods Forum—the global food manufacturers association, and the World Economic Forum where we help facilitate industry-related discussion groups.

For more information...

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