FASB Codificaon Standards

Team A1 - Week 3 Homework Assignment

ACCT 525 – Current Issues in Accounng

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Due Date

Submitted by:
Student Name(s)

1. **Ending inventory (assume company does not use LIFO or Retail Inventory method).**

ASC 330-10-30-1 through 30-3, ASC 330-10-35-1B, ASC 330-10-35-3, ASC 330-10-50

For organizations that do not employ the Last-In, First-Out (LIFO) or Retail Inventory Method, this section offers recommendations on inventory measurement. It describes how inventory can be measured at a lower cost and net realizable value. The guidelines assist businesses in valuing their ending inventory and recording any amounts that exceed their net realizable value.

The inventory for the tire manufacturer should be measured at cost using FIFO or weighted-average methods. Initial costs include direct materials, direct labor and allocation of variable and fixed overhead (ASC 330-10-30-1 through 30-3). After initial recognition, inventory must be carried at the lower of cost or net realizable value (NRV), (LC-NRV) (ASC 330-10-35-1B). Net realizable value is the estimated selling price less reasonably predictable costs of completion, disposal, and transportation. If NRV falls below cost, the company must record a write-down of inventory which is recognized as a loss in the income statement in the period the decline occurs (ASC 330-10-35-3). Even if market conditions improve, U.S. GAAP does not permit reversal of previous write-downs if market conditions improve in later periods. The company must disclose its cost-flow assumption (FIFO or weighted average, for example), the carrying amount of inventory, and the amount of any inventory write-downs to ensure transparency in financial reporting (ASC 330-10-50).