



Audit



Inventory



Money

Estimating the fair value of inventory

February 20, 2019

The AICPA's [Financial Reporting Executive Committee \(FinREC\)](#) has issued an early working draft of [Inventory Valuation guidance](#), which is part of a broader forthcoming release of its [Business Combinations Accounting and Valuation Guide](#).



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The purpose of this guidance is to outline considerations for estimating the fair value of inventory. The Financial Accounting Standards Board (FASB) requires that inventory acquired in a business combination is recognized and measured at the acquisition date fair value in accordance with FASB ASC 820, Fair Value Measurement.

The released inventory guidance will ultimately be included in the broader guide and consists of a section, which provides general principles for valuing inventory, and two examples, which illustrate how to value finished goods and work in process inventory. It also offers questions and answers that illustrate some of the inventory valuation considerations discussed in the preceding sections.

“The AICPA released the inventory valuation guidance in advance of the broader guide in order to hear from valuation specialists, professionals in industry and accounting firms,” said Yelena Mishkevich, AICPA senior manager accounting standards – public practice. “We hope that fast-tracking this part of the guide will benefit all interested groups.”

This guidance is intended for preparers of financial statements, independent auditors, and valuation specialists.



The working draft of the inventory guidance is available [here](#).

Interested parties are encouraged to review the working draft and submit their informal feedback by February 1, 2019.

Source:

AICPA, Press released November 20, 2018.

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