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its agenda to simplify Generally Accepted Accounting Principles (GAAP).

Isaac M. O'Bannon • Jul. 10, 2014

As part of a new initiative to reduce complexity in accounting standards, the Financial Accounting Standards Board (FASB) has added two short-term projects to its agenda to simplify Generally Accepted Accounting Principles (GAAP).

The initiative involves the Board adding narrow-scope projects to its agenda that stakeholders have identified as opportunities to simplify GAAP in a relatively short time period. The projects included in the initiative are intended to improve or maintain the usefulness of the information reported to investors while reducing costs and complexity in financial reporting.

The FASB says it is in the process of researching several simplification ideas identified by stakeholders. At the May 28, 2014 Board meeting, the Board added the following two projects to its agenda:

- **Simplifying the Measurement of Inventory.** The Board tentatively decided that inventory should be measured at the lower of cost and net realizable value. This compares to existing GAAP that indicates organizations should consider net realizable value, replacement cost, and net realizable value less a normal profit margin when measuring inventory.
- **Simplifying Income Statement Presentation by Eliminating Extraordinary Items.** The Board tentatively decided to remove the extraordinary items concept from GAAP. This compares to existing GAAP that requires organizations to evaluate whether an event or transaction is an extraordinary item; and if it is an extraordinary item—to separately present and disclose the item.

“We have received many suggestions from stakeholders highlighting areas in GAAP where simplification might be achievable,” said FASB Chairman Russell G. Golden.

“We believe we could reduce cost and complexity in many of those areas and will

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