FASB EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: November 23, 2026
Comments Due: January 7, 2027

Inventory—Commodities Held by Depository and Lending Institutions (Subtopic 330-20)

The Board issued this Exposure Draft to solicit public comment on proposed changes to Topic 330 of the *FASB Accounting Standards Codification*®. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to director@fasb.org, or sending a letter to "Technical Director, File Reference No. 2026-ED910, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116."

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft until January 7, 2027. Interested parties may submit comments in one of three ways:

- Using the electronic feedback form available on the FASB website at Exposure Documents Open for Comment
- Emailing comments to director@fasb.org, File Reference No. 2026-ED910
- Sending a letter to "Technical Director, File Reference No. 2026-ED910, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116."

All comments received are part of the FASB's public file and are available at www.fasb.org.

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective. A copy of this Exposure Draft is available at www.fasb.org.

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CONTENTS

	Page Numbers
Summary and Questions for Respondents	1–5
Amendments to the *FASB Accounting Standards Codification*®	6–11
Background Information and Basis for Conclusions	12–20
Amendments to the GAAP Taxonomy	21

Summary and Questions for Respondents

Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

The Board is issuing this proposed Update to improve the financial reporting for tangible commodity inventories held by certain financial institutions.

Currently, financial institutions measure their tangible commodity inventories at the lower of cost and net realizable value. Stakeholders noted that for financial institutions that hold commodities for trading purposes and do not process or refine the commodity itself, measurement at the lower of cost and net realizable value is not meaningful. Stakeholders recommended that a fair value measure would best depict how those positions are managed and would provide investors with information that is more consistent with the reporting for other trading or market-making activities.

Additionally, feedback received from stakeholders, including responses to the 2025 FASB Invitation to Comment, *Agenda Consultation,* noted that an accounting mismatch is created by measuring tangible commodity inventories at the lower of cost and net realizable value, while derivatives used to manage the price risk of those commodities are measured at fair value. Stakeholders indicated that this mismatch creates earnings volatility that does not depict an entity's economic exposure.

To address stakeholder feedback, the Board decided to permit certain financial institutions to make an accounting policy election to measure tangible commodity inventories at fair value. Entities would be required to make an accounting policy election by type of tangible commodity and provide related enhanced disclosures.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would apply to entities within the scope of Topic 942, Financial Services—Depository and Lending, including subsidiaries of those entities, when those entities hold tangible commodity inventories and elect to measure those inventories at fair value.

What Are the Main Provisions?

Depository and lending institutions and their subsidiaries would be permitted to make an accounting policy election to measure tangible commodity inventories at fair value. The election would be made by type of tangible commodity.

An entity that makes that election would disclose annually the types of tangible commodities for which the election has been made and management's reasons for electing the accounting policy. At annual and interim reporting periods, an entity would disclose the fair value of tangible commodity inventories for which this accounting policy election is made, along with the applicable disclosures required by Topic 820, Fair Value Measurement.

How Would the Main Provisions Differ from Current Generally Accepted Accounting Principles (GAAP) and Why Would They Be an Improvement?

Under current GAAP, inventories are generally measured at the lower of cost and net realizable value. The amendments in this proposed Update would provide an accounting policy election to permit depository and lending institutions and their subsidiaries to measure tangible commodity inventories at fair value. The policy election would improve GAAP by allowing those entities to better reflect how they manage their tangible commodity positions on a fair value basis and by eliminating the accounting mismatch that results from measuring tangible commodity inventories at the lower of cost and net realizable value while measuring the derivatives used to manage the related price risk at fair value. Applying the accounting policy election is expected to be less complex and less costly than applying hedge accounting to derivatives used to manage the risk of those commodity holdings.

In addition, diversity exists because some financial institutions are already measuring tangible commodity inventories at fair value. The accounting policy election included in this proposed Update would enable all entities within the scope of this proposed Update to apply the accounting policy election.

What Are the Transition Requirements and When Would the Amendments Be Effective?

An entity would be required to apply the amendments in this proposed Update through a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption.

Early adoption would be permitted for both interim and annual reporting periods for which financial statements have not yet been issued (or made available for issuance). An entity adopting the amendments in this proposed Update in an interim reporting period would be required to apply them as of the beginning of the annual reporting period that includes that interim reporting period.

The Board will determine the effective date after it considers stakeholder feedback on the amendments in this proposed Update.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

Scope

Question 1: Should the amendments in this proposed Update be limited to the tangible commodity inventories held by depository and lending institutions within the scope of Topic 942 and their subsidiaries? Is the proposed scope clear and operable? Do you anticipate any auditing challenges? Please explain why or why not.

Measurement

Question 2: The proposed amendments would provide an accounting policy election for depository and lending institutions and their subsidiaries to measure tangible commodity inventories at fair value in accordance with Topic 820. Do you agree with the proposed amendment? Why or why not?

Question 3: The accounting policy election to measure tangible commodity inventories at fair value would be made by *type of tangible commodity*. Do you agree with that proposed amendment? Is an election by *type of tangible commodity* clear and operable? Please explain why or why not.

Question 4: For entities within the scope of the proposed amendments, are there types of tangible commodities for which you would not expect to elect the proposed accounting policy? Please explain.

Disclosure

Question 5: Would the proposed disclosures provide investors with decision-useful information? Please explain, including how the information would be used. If the proposed disclosures would not provide decision-useful information, please explain why and what additional information, if any, would be necessary to make the disclosure more useful.

Transition

Question 6: Are the proposed transition requirements clear and operable? If not, please explain why not and what transition method would be more appropriate and why? Would the proposed transition disclosures provide decision-useful information? Please explain.

Effective Date

Question 7: How much time would be needed to implement the proposed amendments? Please explain.

Benefits and Costs

Question 8: Would the expected benefits of the proposed amendments justify the expected costs? If not, please describe the nature and magnitude of those costs.

Amendments to the *FASB Accounting Standards Codification®*

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–4. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Addition of Subtopic 330-20

2. Add Subtopic 330-20, with a link to transition paragraph 330-20-65-1, as follows:

[For ease of readability, the new Subtopic (including paragraph 330-20-65-1) is not underlined.]

Inventory—Commodities Held by Depository and Lending Institutions

Overview and Background

General

330-20-05-1 This Subtopic provides guidance on the subsequent measurement and disclosure of tangible commodity inventories for entities that are within the scope of this Subtopic. Reporting entities shall apply other generally accepted accounting principles for initial measurement, recognition, and derecognition of commodities.

330-20-05-2 For entities that do not make the accounting policy election in paragraph 330-20-35-1, this Subtopic does not apply. Those entities shall apply the guidance within Subtopic 330-10.

Scope and Scope Exceptions

General

> Entities

330-20-15-1 The guidance in this Subtopic applies to entities within the scope of Topic 942 on financial services—depository and lending and their subsidiaries.

Glossary

Fair Value (second definition)

The price that would be received to sell an asset or paid to transfer a liability in an **orderly transaction** between **market participants** at the measurement date.

Market Participants

Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

a. They are independent of each other, that is, they are not **related parties**, although the price in a related-party transaction may be used as an input to a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms
b. They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary
c. They are able to enter into a transaction for the asset or liability
d. They are willing to enter into a transaction for the asset or liability, that is, they are motivated but not forced or otherwise compelled to do so.

Orderly Transaction

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale).

Related Parties

Related parties include:

a. Affiliates of the entity
b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity
c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
d. Principal owners of the entity and members of their immediate families
e. Management of the entity and members of their immediate families
f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests
g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Subsequent Measurement

General

330-20-35-1 An entity may elect an accounting policy to subsequently measure tangible commodity inventories at **fair value** at each reporting date, with changes in fair value recognized in earnings. The election shall be made by type of tangible commodity. See paragraph 330-20-55-1 for implementation guidance on determining type of tangible commodity.

Disclosure

General

330-20-50-1 An entity that elects the accounting policy in paragraph 330-20-35-1 shall disclose the following:

a. For annual reporting periods, the types of tangible commodities for which the entity has made the accounting policy election
b. For annual reporting periods, management's reasons for electing to measure those tangible commodities at fair value
c. For interim and annual reporting periods, the fair value of tangible commodity inventories for which the accounting policy election has been made
d. Other applicable interim and annual disclosures required by Topic 820 on fair value measurement.

Implementation Guidance and Illustrations

General

> Implementation Guidance

330-20-55-1 For purposes of applying the accounting policy election in paragraph 330-20-35-1, gold or crude oil would be examples of different types of tangible commodities. For example, an entity may not elect to measure its gold coins at fair value while measuring its gold bullion bars at the lower of cost and net realizable value. As another example, crude oil would constitute a single type of tangible commodity regardless of differences in grade, location, or other characteristics that may affect the price of individual crude oil holdings. Those differences would not result in separate types of tangible commodities for purposes of applying the accounting policy election.

3. Add paragraph 330-20-65-1 and its related heading as follows:

Transition and Open Effective Date Information

General

> Transition Related to Accounting Standards Update No. 202X-XX, Inventory—Commodities Held by Depository and Lending Institutions (Subtopic 330-20)

330-20-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 202X-XX, *Inventory—Commodities Held by Depository and Lending Institutions (Subtopic 330-20):*

Effective date and early adoption

a. All entities shall apply the pending content that links to this paragraph for annual reporting periods beginning after [date to be inserted after exposure] and interim reporting periods within those annual reporting periods.
b. Early adoption of the pending content that links to this paragraph is permitted for both interim and annual reporting periods for which financial statements have not yet been issued (or made available for issuance). If an entity early adopts the pending content that links to this paragraph in an interim reporting period, it shall apply the pending content as of the beginning of the annual reporting period that includes that interim reporting period.

Transition method

c. An entity shall apply the pending content that links to this paragraph through a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period in which the entity first applies the pending content.
d. The adjustment to the opening balance of retained earnings shall be calculated as the difference between the carrying amount of tangible commodity inventories as of the end of the prior annual reporting period and the fair value of those tangible commodity inventories as of the beginning of the annual reporting period in which the entity first applies the pending content that links to this paragraph.

Transition disclosures

e. An entity that applies the pending content that links to this paragraph shall disclose the following in both the interim reporting period (if applicable) and the annual reporting period in which the entity adopts the pending content:
    1. The nature of and reason for the change in the accounting principle
    2. The cumulative effect of the change on retained earnings as of the beginning of the annual reporting period of adoption
    3. A description of the financial statement line items affected by the adjustment.

Amendments to Subtopic 330-10

4. Add paragraph 330-10-35-16A, with a link to transition paragraph 330-20-65-1, as follows:

Inventory—Overall

Subsequent Measurement

> Stating Inventories Above Cost

330-10-35-16A Paragraph 330-20-35-1 provides an accounting policy election for depository and lending institutions and their subsidiaries to measure tangible commodity inventories at fair value.

The amendments in this proposed Update were approved for publication by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Richard R. Jones, *Chair*
Hillary H. Salo, *Vice Chair*
Frederick L. Cannon
Susan M. Cosper
Marsha L. Hunt
Dr. Joyce T. Joseph
Catherine M. Shakespeare

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this proposed Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The objective of the amendments in this proposed Update is to allow depository and lending institutions and their subsidiaries to measure their tangible commodity inventories at fair value. From an investor perspective, the primary issue is that commodities are measured differently than other assets held for trading by depository and lending institutions, such as equities and bonds, which are measured at fair value. Fair value measurement of tangible commodity inventories is more relevant for those entities because they primarily hold and trade those assets to generate gains and are not engaged in processing or converting the commodities into other products. As a result, fair value measurement, rather than historical cost, best depicts how those positions are managed and provides financial statement users with information that is more consistent with the reporting for other trading or market-making activities. In addition, the proposed amendments are expected to improve financial reporting by addressing the accounting mismatch that results from depository and lending institutions and their subsidiaries holding tangible commodity inventories measured at the lower of cost and net realizable value and related derivative instruments measured at fair value.

Background Information

BC3. Under current GAAP, tangible commodity inventories generally are measured at the lower of cost and net realizable value. However, certain entities apply industry-specific guidance that can result in tangible commodity inventories being carried above cost. For example, agricultural entities measure certain commodities at quoted market prices less estimated direct costs of disposal. By contrast, financial institutions lack specific guidance permitting tangible commodity inventories to be measured at fair value, even though those inventories are held for trading purposes and are often managed

together with derivative instruments that are measured at fair value through earnings. As a result, for those entities, economically related positions may be subject to different measurement bases, which can create an accounting mismatch and volatility in earnings that do not reflect the economics.

BC4. The Board also is aware that certain financial institutions measure tangible commodity inventories at fair value on the basis of historical methodologies, resulting in reduced comparability among companies within the same industry.

BC5. Feedback on the 2025 FASB Invitation to Comment, *Agenda Consultation* (2025 ITC), highlighted this issue for financial institutions. In addition, respondents to the 2025 ITC expressed interest in the Board considering whether a broader population of entities that hold tangible commodity inventories should be allowed to measure those inventories at fair value if they are managed on a fair value basis.

BC6. On the basis of feedback received, the Board considered current accounting guidance for commodities across a range of industries to evaluate the feasibility and operability of potential approaches to improve decision usefulness and address the mismatch between the measurement of commodity inventories and derivatives used to manage the price risk of those commodities.

Benefits and Costs

BC7. The objective of financial reporting is to provide information that is useful to both present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the benefits and costs of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC8. The Board decided that the amendments in this proposed Update would improve financial reporting by permitting depository and lending institutions to measure tangible commodity inventories at fair value. The Board observed that measuring those commodities at fair value would better align the accounting with how investors evaluate the performance of those institutions, which is based in part on changes in the prices of the assets they hold, and would address the accounting mismatch between tangible commodity inventories measured at the lower of cost and net realizable value and related derivative instruments measured at fair value. The Board also noted that there is diversity across the industry because some entities already measure tangible commodity inventories at fair value. The Board decided that an accounting policy election would improve comparability for entities within the scope of the proposed amendments.

BC9. The Board expects that the amendments in this proposed Update would not impose significant incremental costs because the proposed guidance is an accounting policy election and the entities within the scope of the proposed amendments currently have processes and systems in place to determine the fair value of tangible commodity inventories. Therefore, it is expected that for those entities that make the accounting policy election, implementation costs will be limited. Accordingly, the Board decided that the expected benefits of the proposed amendments would justify the expected costs.

Basis for Conclusions

Scope

BC10. The Board considered the broad feedback received from stakeholders in evaluating the scope of the amendments in this proposed Update. The Board considered the scope of entities that would be eligible to apply the accounting policy election, including whether an entity's activities would result in the entity being eligible or ineligible, as well as the assets to which the proposed amendments would apply.

Entity-Based Scope

BC11. The Board considered whether the amendments in this proposed Update should apply broadly across industries. Stakeholder outreach with entities in various industries, including agriculture, metals and mining, oil and gas, and energy, indicated that the accounting mismatch arising from differences in the measurement of tangible commodity inventories and related derivatives is generally not pervasive in industries other than financial institutions. The Board also observed that many nonfinancial entities do not manage their tangible commodity exposures on a fair value basis and that investors generally find the current lower-of-cost-and-net-realizable-value measure to be decision useful for those entities.

BC12. Feedback across industries supported limiting the types of entities eligible for the election. Metals and mining entities viewed cost-based measurements as generally consistent with their business models. Energy entities noted that they do not typically hold significant tangible commodity inventories and that commodity trading is limited. Oil and gas entities noted that the tax conformity requirement could restrict use of the election and that cost-based measurements better reflect refining margins. Agricultural entities noted that Subtopic 905-330, Agriculture—Inventory, currently permits a substantial portion of their inventories to be measured at their quoted market prices less estimated direct costs of disposal and indicated that applying fair value measurement to additional inventories could involve significant costs and operational complexity.

BC13. On the basis of that stakeholder feedback, the Board decided to limit the election to financial institutions. In defining the scope of eligible financial institutions, rather than rely on a regulatory definition that could change (for example, the definition of the term *bank holding companies* under the Bank Holding Company Act of 1956), the Board decided to use Topic 942, Financial Services—Depository and Lending, as the basis for determining the population of entities that would be eligible for the election. Because stakeholder feedback indicated that commodity-related activities often are conducted by subsidiaries, the Board also included subsidiaries of entities within the scope of Topic 942. This would include both the consolidated financial statements and the standalone financial statements of individual subsidiaries within the consolidated group. The Board concluded that this approach leverages existing

GAAP and captures the entities most likely to experience the accounting mismatch addressed by the amendments in this proposed Update.

Asset-Based Scope

BC14. The Board decided that the amendments in this proposed Update would apply to tangible commodity inventories without defining the term *commodity*. The Board concluded that the term *tangible* appropriately limits the scope to assets with physical substance that meet the definition of *inventory* in the Master Glossary and excludes intangible assets that an entity may otherwise consider commodities. Although the term *tangible* is not defined in the Master Glossary, the Board observed that the term is generally understood and operable in practice.

BC15. The Board considered defining the term *commodity* using a characteristics-based approach. Potential characteristics included interchangeability, fungibility, availability for immediate delivery, immediate marketability at quoted prices, readily convertible to cash, and insignificant and predictable disposal costs. The Board concluded that those characteristics, whether considered individually or in combination, would not provide a sufficiently clear and operable definition of commodity and could result in unintended scope inclusions or exclusions. The Board also observed that entities within the scope of Topic 942 currently identify and report commodity holdings without a specific definition of the term *commodity* in GAAP. Therefore, the entity-specific scope criteria reduced the need for additional asset-based scope criteria.

Activity-Based Scope

BC16. The Board decided not to include activity-based scope criteria because stakeholder feedback indicated that the potential alternatives for determining a scope based on an entity's activities would present operability challenges. The Board considered whether to limit the amendments in this proposed Update based on how an entity uses or manages its tangible commodity inventories. Specifically, the Board considered, but rejected, permitting an accounting policy election based on whether the commodities are held as part of trading activities, are managed on a fair value basis, or will be processed or converted into finished goods.

Accounting Policy Election

BC17. The Board decided to permit an accounting policy election that allows an entity to measure tangible commodity inventories at fair value, with the election made by type of tangible commodity. The Board decided to permit the election to be made by type of tangible commodity because an entity's business model may support fair value for some commodities but not others. The Board believes that entities can identify types of tangible commodities based on their specific commodity holdings and, therefore, decided not to define *type* but instead to provide implementation guidance. One Board member supported requiring broad application to all commodities and questioned what commodities would not be included if election by type was allowed. As a result, the Board included a question to better understand what commodities would be included and excluded based on an election by type.

BC18. The Board noted that the accounting policy election is subject to the guidance in Topic 250, Accounting Changes and Error Corrections. Accordingly, any change in accounting policy would be evaluated in accordance with Topic 250.

BC19. The Board considered stakeholders' requests to expand the fair value option in Topic 825 to include tangible commodity inventories. Under that model, at initial recognition an entity could make an irrevocable election to measure individual items at fair value without applying the election to other identical items. The Board concluded that an item-by-item fair value option would not be appropriate in this circumstance because it could permit inconsistent measurement of similar commodity holdings, reduce comparability across entities and reporting periods, and add unnecessary complexity. The Board also observed that many financial institutions may prefer to measure all holdings of a particular commodity at fair value.

BC20. The Board also considered requiring fair value measurement for all entities that would be within the scope of the proposed Update. However, the Board observed that some smaller entities may not have, or expect to have, significant commodity exposures. Therefore, requiring fair value measurement in those circumstances could impose costs with no corresponding financial reporting benefits.

Disclosures

BC21. The Board decided that an entity would disclose annually the types of tangible commodities for which an entity has made the accounting policy election and management's reasons for electing the accounting policy. Additionally, the Board decided that an entity would disclose at annual and interim reporting periods the fair value of tangible commodity inventories for which the accounting policy election has been applied. The Board concluded that those disclosures would provide investors with relevant qualitative and quantitative information about an entity's holdings of tangible commodity inventories. Furthermore, the Board observed that entities also would make applicable interim and annual disclosures required by Topic 820, Fair Value Measurement.

Effective Date, Transition, and Early Adoption

Effective Date

BC22. The Board will determine the effective date after it considers stakeholder feedback on the amendments in this proposed Update.

Transition Method

BC23. The Board decided that an entity would be required to apply the amendments in this proposed Update through a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. The Board decided that this approach would provide investors with relevant information.

BC24. The Board considered prospective and full retrospective transition approaches but decided that the expected benefits of those approaches would not justify the expected costs. The Board observed that prospective application would require that the commodity be measured at fair value at adoption with the difference between the current fair value and its carrying amount recorded in net income. The Board decided that recognizing the related gain or loss could be misleading for investors because it would not directly relate to an entity's performance in that period. The Board concluded that recognizing those prior-period price changes in the period of adoption would not depict the entity's performance for that period. In addition, the Board observed that a full

retrospective approach could be complex to apply and would be unlikely to provide investors with relevant information.

Transition Disclosure

BC25. The Board decided that an entity should disclose in both the interim period (if applicable) and the annual period of adoption (a) the nature of and reason for the change in accounting principle, in accordance with paragraph 250-10-50-1(a), (b) the amount of the cumulative effect of the change on retained earnings as of the beginning of the annual reporting period of adoption in accordance with paragraph 250-10-50-1(b)(3), and (c) a description of the financial statement line items affected by the adjustment.

Early Adoption

BC26. The amendments in this proposed Update would permit early adoption of the proposed amendments in interim and annual reporting periods for which financial statements have not yet been issued or made available for issuance. If an entity adopts the proposed amendments in an interim reporting period, the entity would be required to apply them as of the beginning of the annual reporting period that includes that interim reporting period.

Comparison with International Financial Reporting Standards (IFRS Accounting Standards)

BC27. Generally, IFRS Accounting Standards require that inventory be measured at the lower of cost and net realizable value. International Accounting Standard 2, *Inventories* (IAS 2), provides exceptions to the measurement of inventories held by the following:

a. Producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realizable value in accordance with well-established practices in those industries
b. Commodity broker-traders who measure their inventories at fair value less costs to sell.

BC28. The amendments in this proposed Update would apply to depository and lending institutions and their subsidiaries. Although IAS 2 does not provide

an accounting policy election for those entities, they may measure commodities at fair value less costs to sell if they are acting as commodity broker-traders.

Amendments to the GAAP Taxonomy

The provisions of this Exposure Draft, if finalized as proposed, would require improvements to the GAAP Financial Reporting Taxonomy and SEC Reporting Taxonomy (collectively referred to as the "GAAP Taxonomy"). We welcome comments on these proposed improvements to the GAAP Taxonomy at xbrled@fasb.org. After the FASB has completed its deliberations and issued a final Accounting Standards Update, the proposed improvements to the GAAP Taxonomy will be finalized as part of the annual release process.