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LIFO LOOKOUT

A Periodic Update of LIFO - News, Views and Ideas

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LIFO UPDATE

If you had called me personally to ask "What's happening lately with LIFO that I need to know about?"... Here's what I'd say:

#1. WELCOME TO OUR 20th YEAR OF PUBLISHING THE LIFO LOOKOUT. I can hardly believe we've reached a 20-year milestone with this publication. Some of you have been subscribers ever since our first issue way back in March of 1991 ... Many of you have joined us along the way. Thank you for your many, many years of friendship, support and calls suggesting topics to be explored in these pages.

As I've said previously, when I first started this publication, I was seriously concerned that there might not be enough LIFO-related "stuff" to sustain a specialized publication like this. As you can tell, that concern wasn't really warranted.

#2. STATUS OF LIFO ... WHAT'S BEEN SAID LATELY ABOUT LIFO? I do expect that LIFO will be around for closely-held businesses for many years to come ... despite much of the brouhaha over the last few years about its demise, repeal or evaporation if or when global accounting "principles" are adopted here in the U.S.

I am now feeling more confident that LIFO for our closely-held businesses will survive all efforts to make it extinct - whether these efforts might come from Congress by legislation to repeal LIFO, or indirectly from the much-discussed and anticipated adoption of International Financial Reporting Standards by U.S. companies.

I want to give you an update on some recent articles and my shift in thinking from a more tentative "I-wonder-if-LIFO-will-be-around-much-longer" frame of mind. See "Status of LIFO ... What's New?" beginning on page 9.

Also, please let me know whether you think I'm being overly optimistic about the ability of LIFO to withstand pressures for its demise, and I'd be interested in *your* thoughts on this.

#3. HOW BIG ARE AUTO DEALERS' LIFO RESERVES? Almost all of the articles that have

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been written about the repeal of LIFO have been written by academics, economists or Beltway bureaucrats. Many of these articles rely heavily on statistics taken from information in the financial statements of publicly-held companies reporting to the SEC. In addition, many statistics relate to years (i.e., 2006, etc.) which are somewhat remote.

Other than in brief, broad generalizations, it seems few have dared to speculate about the impact of the potential repeal of LIFO on closely-held businesses.

I thought it might be useful to try to shed some light on the impact of the repeal of LIFO on some automobile dealerships in the real-world. To that end,

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