



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. LIFO IS STILL ON THE HORIZON FOR THE FORESEEABLE FUTURE. That is still my opinion and answer to the two questions that I am asked most frequently these days ... What about LIFO? ... How much longer will it be around?

The short answer: I still believe that LIFO will be with us for quite some time. I've exhausted your eyes with lengthy articles explaining the reasons for my belief. See especially the Mid-Year 2010 Edition material in the article, "Status of LIFO ... What's New?"

There's really nothing more to add at this time, other than that I continue to see articles on the inexorable advance of IFRS upon our shores ... to which my reply (as far as LIFO for most closely-held businesses goes) would be ... "So what?"

#2. WHAT'S GOING TO HAPPEN TO DEALERS' LIFO RESERVES AT THE END OF THIS YEAR?

Again, I need to paraphrase much of what I said in Update #2 of last year's Year-End Edition. For some dealers, this year, the news will be especially good (if they are Ford dealers).

For other dealers who may have lost franchises (think: Mercury, Saturn, Hummer) and other dealers whose franchises were finally terminated through GM or Chrysler bankruptcy proceedings, the news may not be too good.

Last year, I wrote an extensive article explaining that "Dealers Low on New Vehicle Inventory at Year-End May Face Stiff LIFO Reserve Recapture ... Planning May Lessen the Blow." I'm not going to repeat all of that here again, but I do suggest that you (quickly) review that material because it all remains equally relevant at the end of this year for your dealership clients.

#3. LIFO CONFORMITY: WATCH THOSE YEAR-END FINANCIAL STATEMENTS ... AGAIN, OUR USUAL LIFO CONFORMITY REMINDER.

For several years, my tradition has been to include a lengthy article reminding readers of the LIFO financial

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statement conformity issues. That's one tradition that I don't want to break.

Evidence of the importance that LIFO users should place on adhering to these strict financial statement disclosure requirements is readily found in mid-year IRS Letter Ruling 201034004 (dated August 27, 2010). In this Letter Ruling, the IRS reviewed and approved the disclosures that the parent corporation of a subsidiary using LIFO was planning to include in its consolidated financial statements.

Consider this Letter Ruling, discussed in some detail beginning on page 20, as a supplement to the overall article and materials beginning on page 5. It's not easy reading and that's because the requirements are not intended (by the IRS) to be easily circumvented.

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