FASB commodity inventory proposal: a fair value election for certain institutions

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Short answer: the FASB commodity inventory proposal is a draft Accounting Standards Update, reported by the Journal of Accountancy on 24 November 2026, that would let certain financial institutions elect to measure tangible commodity inventories at fair value. Today those inventories are measured at the lower of cost and net realizable value, while related derivatives are at fair value. It matters because that mismatch can create earnings swings that do not reflect economic exposure.

TL;DR The short version

- A FASB draft update would let certain financial institutions elect to measure tangible commodity inventories at fair value.
- Today those inventories use the lower of cost and net realizable value while related derivatives are at fair value, which can create earnings swings.
- It is a proposal, so affected institutions should assess the impact and consider commenting.

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What is the FASB commodity inventory proposal?

FASB sets US generally accepted accounting principles. The proposed update addresses tangible commodity inventories held by depository and lending institutions. It offers an election, not a mandate.

How the election would work

- It would be available to certain financial institutions.
- It would be an accounting policy election made by type of tangible commodity.
- Entities would provide related enhanced disclosures.
- The aim stated in the FASB release is to better reflect how institutions manage commodity positions and to improve comparability.

What is new compared with current measurement

Under the lower of cost and net realizable value, a price rise is generally not recognised on the inventory above cost, while a derivative used to manage the same price risk is remeasured at fair value. Measuring both at fair value would move gains and losses into the same periods.

Timeline reported by the source

- The proposal was reported on 24 November 2026.
- Comments are requested by 7 January.
- The article does not give an effective date.

Limitations and open questions

- We read the Journal of Accountancy summary, not the exposure draft.
- The summary does not define which institutions qualify, how fair value would be measured, or transition requirements.
- A proposal can change or be dropped.
- It does not change current accounting.

Sources were read on 27 November 2026. Products, rules and data change, so check the linked originals before you rely on any detail.

How to respond

1. Read the draft on the FASB website and confirm scope.
2. List commodity types held and the derivatives used against them.
3. Model earnings under both measurements for recent periods.
4. Check whether fair value inputs and controls are available for each commodity.
5. Draft the disclosures you could support.
6. Submit comments before the deadline if the draft creates problems.

What it means for accountants and auditors

Preparers in banking should assess data and valuation controls early, because an election by commodity type creates a policy that auditors will test for consistency. Auditors should expect questions about the choice of market, valuation inputs and presentation. Hedging users may also follow the IFRS hedge accounting review response.

Frequently asked questions

- **What is the FASB commodity inventory proposal?** A draft allowing certain financial institutions to elect fair value for tangible commodity inventories.
- **Is fair value required?** No. It would be an election.
- **When do comments close?** 7 January.
- **Why propose it?** To reduce an accounting mismatch with derivatives measured at fair value.

Related reading

- EFRAG response on hedge accounting
- FASB taxonomy for equity-linked contracts

- AICPA public interest entity definition
- Certified Technical Practitioner

> Related credential: Certified Technical Practitioner. Explore the exam facts and syllabus.

Sources and further reading

1. Bryan Strickland, Journal of Accountancy. FASB proposes fair-value reporting option for some commodity inventories. 24 November 2026. journalofaccountancy.com/news/2026/nov/fasb-proposes-fair-value-reporting-option-for-some-commodity-inventories

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