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net realizable value, or net realizable value less an approximately normal profit margin. Under the new guidance, inventory is measured at the lower of cost and net realizable value, which would eliminate the other two options that currently exist for market: replacement cost and net realizable value less an approximately normal profit margin. The amendment is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact this new guidance may have on the consolidated financial statements.

In September 2015, the FASB issued an accounting standards update, which simplifies the accounting for measurement period adjustments in connection with business combinations by requiring that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. We early adopted this new guidance and it did not have a material impact on our consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

We have operations both within the United States and globally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Sensitivity

Cash and cash equivalents and short-term investments as of September 30, 2015, were held primarily in cash deposits and money market funds. The fair value of our cash, cash equivalents, and short-term investments would not be significantly affected by either an increase or decrease in interest rates due mainly to the short-term nature of these instruments. Any future borrowings incurred under the credit facility would accrue interest at a floating rate based on a formula tied to certain market rates at the time of incurrence (as described above). A 10% increase or decrease in interest rates would not have a material effect on our interest income or expense.

Foreign Currency Risk

Most of our revenue is earned in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our foreign operations are denominated in the currencies of the countries in which our operations are located, and may be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Japanese Yen and Canadian Dollar. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. A 10% increase or decrease in current exchange rates would not have a material impact on our financial results.

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BUSINESS

Our First Sellers

The story of Square is best told through the stories of our sellers, the customers we serve.

As soon as we had a working prototype of our first credit card reader, we went out to talk to sellers. We met owners of a wide range of businesses, and they shared with us many of the challenges they faced.

Our first seller was Cheri, the owner of a flower cart called Lilybelle in San Francisco's Mint Plaza. While we were describing our product, a customer approached who wanted to buy flowers. Cheri had no way to accept credit cards, so the customer said he would go to a nearby ATM and come right back. He did not return. At that moment, we saw the value of creating a product that would enable sellers to accept all forms of payment—so sellers would never miss a sale.

Jerad and Justin, brothers and co-owners of Sightglass Coffee, were our second sellers. They were opening a coffee cart

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