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Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**Re: File No. S7-15-16
Disclosure Update and Simplification**

Dear Office of the Secretary:

This letter is the response of BDO USA, LLP to the proposal referred to above.

We support the Commission's efforts to update its disclosure requirements, particularly its efforts to eliminate requirements that may be outdated, overlapping or superseded.

With respect to requirements that may be redundant or duplicative, we believe it is important for the Commission to update them to ensure that any inconsistencies between these requirements and similar requirements in GAAP are intentional and not inadvertent. We also believe that, in general, eliminating redundancy and duplication is desirable.

Moving forward, we encourage the Commission to establish a formal process for reviewing and updating its disclosure requirements in light of developments in U.S. GAAP, IFRS, and Commission guidance. Such reviews should be undertaken periodically and whenever a change is made in the GAAP disclosure requirements. Updating the requirements more frequently would reduce the inefficiency incurred by registrants in addressing compliance with outdated requirements. It would also reduce the volume of disclosure requirements that need to be addressed at a particular time, thereby reducing the time involved to implement changes.

In this regard, we observe that the proposal does not address the disclosure redundancies that will arise when registrants adopt ASC 606, *Revenue Recognition*, or other significant new and pending standards (e.g., *Leases*). Moreover, the proposing release asks several questions about income tax disclosures. We note that the FASB recently issued a proposal on income taxes, *Disclosure Framework - Changes to the Disclosure Requirements for Income Taxes (Topic 740)*. In addressing its questions, we recommend that the Commission consider what the FASB learns through its due process and outreach efforts. Additionally, as the FASB's proposal would codify SEC disclosure guidance contained in S-X Rule 4-08(h) within the ASC, we recommend eliminating Rule 4-08(h) in its entirety if the FASB adopts its proposal as proposed.



In the discussion of overlapping requirements, the proposing release seeks input on the idea of streamlining disclosure requirements in a way that results in relocating certain disclosures from outside to inside the financial statements. The release discusses certain aspects of this, such as liability, internal control and XBRL tagging considerations. We firmly believe that the overriding consideration in deciding whether a disclosure should be provided in the financial statements should not be whether it would streamline reporting, but whether doing so would be consistent with the objectives of financial statements. As discussed in FASB Statement of Concepts No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, "Financial statements are a central feature financial reporting....Although financial statements have essentially the same objectives as financial reporting, some useful information is ... better provided, or can only be provided, ... by supplementary information or other means of financial reporting.... Information disclosed in notes ... is essential to understanding the information recognized in financial statements.... Supplementary information ... and other means of financial reporting, such as management discussion and analysis, add information to that in the financial statements or notes, including information that may be relevant but that does not meet all recognition criteria." Therefore, we recommend limiting financial statement disclosure to objective (and auditable) explanations of historical information recognized in the financial statements.

The discussion of overlapping requirements in the proposing release also seeks input on the need to continue to have bright line disclosure thresholds. We believe these requirements are not necessary. We believe that the Commission's rules should focus on eliciting disclosure that is relevant to investors. With this in mind, we question the need for much of what is required by S-X Rule 4-08 and Article 5.

Subject to the foregoing and except as discussed below, we do not take exception to the approach the Commission has proposed. We note that several disclosure requirements are to be referred to the FASB for potential incorporation into the Accounting Standards Codification and that the FASB's standard setting process is designed to objectively consider the views of all stakeholders. While this process may not result in all of these disclosures being incorporated into U.S. GAAP, this process provides an avenue for the critical evaluation of such disclosures, including a cost-benefit analysis, and changing stakeholder needs.

We have the following comments about the approach to be taken with respect to the disclosures discussed below.

Legal proceedings - We do not believe that Item 103 of Regulation S-K, *Legal Proceedings*, should be combined with ASC 450, *Contingencies*. As highlighted in the proposing release, while some overlap exists, Item 103 is more expansive in some respects and it is not clear why such disclosures would be appropriate in the context of loss contingencies relevant to the financial statements. We also note that the FASB proposed changes to ASC 450 disclosure in 2010, which would have incorporated some of the Item 103 disclosure requirements, but did not make the amendments based on feedback received (please refer to the Proposed Accounting Standards Update *Disclosure of Loss Contingencies*, July 10, 2010).



Rule 8-03(b)(4) - Disposition pro forma information in interim financial statements - As discussed in the proposing release, S-X Rule 8-03(b)(4) requires pro forma data reflecting the effects of dispositions in the interim financial statements of smaller reporting companies. The Commission has proposed to eliminate this requirement and we agree with that approach. We note, however, that the release states that part of the Commission's rationale for eliminating this requirement is that "Item 9.01 of Form 8-K provides some mitigation, as it requires SRCs to file within four business days after a significant disposition, pro forma financial information...." While it doesn't change our view that eliminating this requirement is appropriate, we believe this statement about the rationale for this is incorrect. Item 9.01(b) of Form 8-K requires "any pro forma financial information that would be required pursuant to ... Rule 8-05 of Regulation S-X for smaller reporting companies." Rule 8-05 explicitly requires pro forma financial information only for acquisition transactions - not disposition transactions. Our understanding is that a smaller reporting company should use judgment in deciding whether to provide pro forma financial information for a disposition of a business considering all relevant facts and circumstances. If the Commission believes an explicit requirement is necessary, it should consider adding one to S-X 8-05.

Rule 8-07 - Limited partnerships - S-X 8-07 requires smaller reporting companies that are limited partnerships to provide the balance sheets of general partners. Staff Accounting Bulletin 113 removed the prior requirement in SAB Topic 12.A.3.d, *Oil and Gas Producing Activities*, that a general partner balance sheet was required in the registration statement of oil and gas producing limited partnerships. SAB 113 indicated the following:

Topic 12.A.3.d is removed to conform to the Commission's rules and regulations which do not require (and the Division of Corporation Finance no longer requests) a balance sheet of the general partner to be included in a registration statement for an offering of limited partnership interests.

However, the requirement for a general partner balance sheet is still in S-X Rule 8-07. It seems clear the requirements of Rule 8-07 are outdated and that Rule 8-07 should be eliminated.

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We appreciate this opportunity to express our views to the Commission. We would be pleased to answer any questions the Commission or its staff might have about our comments. Please contact Jeff Lenz, National Director - SEC Practice, at (312) 616-3944 or via email at jlenz@bdo.com, or Paula Hamric, Partner - National SEC Department, at (312) 616-3947 or via email at phamric@bdo.com.

Very truly yours,

BDO USA, LLP