



AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

SEC MATTERS



► SUBJECT

SEC PUBLISHES UPDATE TO THE FINANCIAL REPORTING MANUAL

On October 20, *the* staff of the Securities and Exchange Commission's Division of Corporation Finance published an update to the Division's *Financial Reporting Manual* (FRM).¹ Consistent with previous updates, the inside cover of the FRM lists a summary of the paragraphs that were updated.

Most of the updates reflect minor, non-substantive wording changes. Most of the other changes simply conform the wording in the FRM with current practice or previously communicated guidance from SEC Regulations Committee meeting discussions or informal discussions with the SEC staff. One notable conforming change is the clarification of Section 2340, which includes guidance on providing financial statements of significant lessees. When a registrant has a significant asset concentration due to one or more of its properties being triple net leased to a single lessee, Section 2340 indicates that a registrant should generally provide financial statements of the lessee in its annual report. Prior to the update, the FRM did not address the timing of when the lessee financial statements were required to be filed. The update clarifies that registrants may provide the lessee financial statements in their annual reports based on the due dates for financial statements of significant equity method investees under Rule 3-09 by analogy. The due dates depend on a number of factors, all of which are laid out in paragraphs 2405.7 through 2405.11 of the FRM.

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¹ The FRM is an internal SEC staff reference document that provides general guidance covering several SEC reporting topics. While the FRM is not authoritative, it is often a helpful source of guidance for evaluating SEC reporting issues. The FRM, along with other helpful guidance, can be accessed from the Division of Corporation Finance home page, which is located at: <http://www.sec.gov/divisions/corpfm.shtml>.