

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

# BDO FLASH REPORT

## SEC MATTERS



### SUBJECT

## SEC STAFF UPDATES THE FINANCIAL REPORTING MANUAL

### DETAILS

In March, the staff of the Securities and Exchange Commission's Division of Corporation Finance published an update to the Division's *Financial Reporting Manual* (FRM).<sup>1</sup> The inside cover of the FRM lists a summary of the paragraphs that were updated.

The update amended paragraph 2410.8, which provides guidance on measuring significance of equity method investees under Rules 3-09 and 4-08(g).

Previously, when a registrant retrospectively applied a new accounting principle, it was required to recompute the significance of equity method investees in prior years and redetermine the reporting requirements under Rules 3-09 and 4-08(g) when filing its next Form 10-K. This could trigger the need for investee financial statements and/or summarized financial data for prior years that had not previously been required. Under the revised guidance, registrants are no longer required to recompute significance after a change in accounting principle. Registrants should continue to recompute significance under Rules 3-09 and 4-08(g) for prior periods after a discontinued operation.

In addition, the staff updated Topic 10 to conform it to the Fixing America's Surface Transportation (FAST) Act. The FAST Act amended certain securities laws which impact emerging growth companies, among others. Refer to our previously issued Flash Report (available [here](#)) for further information about the FAST Act.

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### CONTACT

JEFFREY LENZ, National Director, SEC Practice  
(312) 616-3944 / [jlenz@bdo.com](mailto:jlenz@bdo.com)

PAULA HAMRIC, National Assurance Director  
(312) 616-3947 / [phamric@bdo.com](mailto:phamric@bdo.com)

<sup>1</sup> 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/corpfin.shtml>.

The staff also added Topic 11 to address reporting issues related to the adoption of the new revenue recognition standard. The guidance summarizes the available adoption dates, transition methods for public and nonpublic business entities and other reporting guidance that the staff had previously informally communicated.

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