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Via email to [director@fasb.org](mailto:director@fasb.org)

Ms. Hillary Salo, Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

**Re: Interim Reporting (Topic 270) Disclosure Framework - Changes to Interim Disclosure Requirements (File Reference No. 2021-001)**

Dear Ms. Salo:

We are pleased to provide comments on the Board's proposal to clarify and improve the interim disclosure requirements.

We support the Board's intent to improve the effectiveness of disclosures in the notes to interim financial statements by providing a disclosure principle and clarifying the presentation and disclosure alternatives that are available. We believe that the proposed amendments will improve financial reporting by codifying certain existing practices as well as providing clarifying guidance.

We have provided more detailed comments to address the specific questions asked by the Board in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Jon Linville at [jlinville@bdo.com](mailto:jlinville@bdo.com) or (214) 243-2940 or Adam Brown at [abrown@bdo.com](mailto:abrown@bdo.com) or (214) 665-0673.

Very truly yours,

BDO USA, LLP



## Appendix

***Question 1: Would the amendments in this proposed Update that introduce a principle similar to the language removed from Regulation S-X, Rule 10-01 (see paragraph 270-10-50-9) result in less, more, or the same degree of decision-useful information for interim reporting? Please explain why or why not.***

We believe that the proposed amendments will result in the same degree of decision-useful information as previously required by Regulation S-X, Rule 10-01. Although many entities currently provide information consistent with this principle when presenting interim financial statements, we believe that adding these requirements into GAAP will be beneficial to promote consistency among entities.

***Question 2: Upon a significant event or transaction occurring since the date of the prior annual financial statements and notes, should an entity provide all the disclosures required by the applicable Topic or only information specific to the event or transaction as described in paragraph 270-10-55-1? Please explain your position.***

We believe the approach outlined in paragraph 270-10-55-1, which would only require interim disclosures of information specific to the event or transaction is appropriate, as such information, when read in conjunction with the previous annual financial statements, should be sufficient to inform the financial statement users regarding the effects of the material event or transaction. We believe that the proposed language in paragraphs 270-10-55-1 through 55-2 provides sufficient guidance while allowing the preparer the flexibility to exercise judgment in determining the appropriate level of disclosure.

***Question 3: Is the proposed disclosure guidance on significant events or transactions operable? If not, which aspects pose operability issues and why?***

Although we believe the proposed disclosure guidance on significant events or transactions is operable, we note that it could require significant judgment to determine how much disclosure regarding a transaction or event is needed. We recommend that the board consider providing an example that demonstrates the judgment that could be applied in determining how much disclosure is necessary.

Additionally, we note the proposed language in ASC 275-10-60-2 is only applicable to publicly traded entities; however, the reference to ASC 270-10-50-14 within that paragraph applies to both public and private entities. As such, we recommend the following edits:

275-10-60-2 See paragraph 270-10-50-14 for guidance on disclosure of contingencies in interim financial statements and notes of publicly traded entities.

***Question 4: Are the proposed amendments that would clarify that an entity's assessment of whether to provide a disclosure at an interim period may incorporate the information provided in the prior annual financial statements and notes***



***appropriate? Please explain why or why not. Would those proposed amendments result in a change in practice?***

While we generally believe that the proposed amendments are reasonable and would not result in a change in practice, we note that the proposed language in ASC 270-10-55-2 (i.e., “should lead”) could be interpreted to indicate that if an entity discloses information that is duplicative of year-end disclosures it might be considered an error. Additionally, we believe that it may be helpful to modify this paragraph to align more closely to the language in Rule 10-01(a)(5) of Regulation S-X. As such, we would propose the following edits to such paragraph:

270-10-55-2 The presumption that users of interim financial statements and notes as referenced in paragraph 270-10-45-20(b) or (c) will have read the prior annual financial statements and notes ~~should lead~~ allows entities to not disclose information that would be duplicative of year-end disclosures, even if those requirements are part of the standard disclosure requirements of this Topic. That may result in a subset of or no disclosures being made for certain items. Accordingly, footnote disclosure which would substantially duplicate the disclosure contained in the most recent annual financial statements and notes, such as a statement of significant accounting policies and practices or details of accounts which have not changed significantly in amount or composition since the end of the most recently completed fiscal year may be omitted.

***Question 5: Is the proposed amendment describing interim financial statements and notes in accordance with GAAP (see paragraphs 270-10-45-20 through 45-21) appropriate? Does it capture the form and content of interim financial statements and notes currently being provided in accordance with GAAP?***

We believe that the proposed amendment appropriately describes the various forms and content of interim financial statements that are currently provided in practice. We believe that ASC 270-10-45-20 is important to clarify that all the alternatives listed in such paragraph are acceptable for both private and public entities.

However, we recommend that the Board consider removing the quantitative thresholds listed in ASC 270-10-45-21 that prescribe whether it is appropriate to combine captions when presenting condensed financial statements. We observe that these quantitative thresholds appear to be based on the requirements of Rule 10-01 of Regulation S-X which provides prescriptive guidance on which financial statement captions must be presented in interim financial statements. However, we note that smaller reporting companies may choose to comply with Rule 8-03 of Regulation S-X instead of Rule 10-01. Rule 8-03 contains different requirements for the presentation of interim financial statements than Rule 10-01. As such, the inclusion of the proposed language and quantitative thresholds may create conflicts between the SEC reporting requirements for smaller reporting companies and GAAP. In addition, it is unclear how such provisions would be applied by a new reporting entity without two or three years of history. As such, we do not believe it is necessary to require the use of quantitative thresholds to make this determination.

Additionally, we recommend that paragraph ASC 270-10-45-22 be edited to emphasize that an entity that elects to provide limited notes must disclose that interim financial



statements are to be read in conjunction with the prior annual financial statements, as follows:

270-10-45-22 The form and content of interim financial statements and **limited** notes described in paragraph 270-10-45-20(b) and (c) are only appropriate when the previous annual financial statements and notes have been made available to the users of those interim statements **and the entity discloses that interim financial statements are to be read in conjunction with the prior annual financial statements and notes (see paragraph 270-10-50-11).**

Additionally, we recommend that ASC 270-10-50-11 be edited to clarify that the requirement to disclose that the interim financial statements are to be read in conjunction with the prior annual financial statements and notes only applies if the entity has elected to provide limited notes, as follows:

270-10-50-11 An entity **that elects to provide limited notes, as described in paragraph 270-10-45-20(b) and (c),** shall disclose that interim financial statements are to be read in conjunction with the prior annual financial statements and notes. Furthermore, if applicable, an entity shall explain that the period's results are not indicative of the annual results for the year of which it is a part and that adjustments as required in paragraphs 270-10-45-4 through 45-11 have been made so that the reported results better relate to the results of operations for the annual period.

We also recommend that the last paragraph in ASC 270-10-50-17 be edited to reference back to ASC 270-10-45-20(b) and (c) as "limited notes" is not a defined term in the glossary, as follows:

Excerpt from ASC 270-10-50-17

If limited notes, **as described in paragraph 270-10-45-20(b) and (c),** are provided on a quarterly basis, the foregoing information with respect to the current quarter and the current year-to-date or the last 12 months to date should be furnished togetherwith comparable information for the preceding year. **[Content amended as shown and moved from paragraph 270-10-50-1]**

***Question 6: Is the list of interim disclosure requirements and/or references to interim disclosure requirements in Section 270-10-50 complete?***

We have not identified any omissions from the list.

***Question 7: Would the proposed amendments that (a) remove phrases such as for each period presented and (b) now state that those disclosures should be comparative when comparative financial statements are presented clarify that the disclosures should be comparative in nature? Would the proposed amendments result in a change in practice? If yes, please explain how. Should any of the paragraphs that were clarified as comparative also be required at interim periods?***

We do not object to these proposed amendments; we do not believe the proposed amendments will result in a significant change in practice.



***Question 8: Should the proposed disclosures be required to be implemented retrospectively or prospectively? Please explain why.***

We believe that prospective application of this standard is appropriate. We agree with the Board's observations in paragraphs BC32 - BC33 of the proposed Update that the amendments are not expected to change practice significantly and that the benefits of requiring a retrospective adoption would not outweigh the costs.

***Question 9: How much time would be needed to implement the proposed amendments? Should those proposed amendments on clarifying comparative disclosure have the same effective date as the other proposed amendments or be effective upon issuance? Should early adoption be permitted? Please explain why or why not.***

As the proposed amendments are not meant to significantly change existing practice, we do not believe a significant amount of time would be needed to implement them. We believe the proposed amendments on clarifying comparative disclosure could have the same effective date as the other proposed amendments. Additionally, we believe early adoption should be permitted.