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Via email to director@fasb.org

Mr. Jackson M. Day, Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Interim Reporting (Topic 270): Narrow-Scope Improvements (File Reference No. 2024-ED600)

Dear Mr. Day,

We appreciate the opportunity to respond to the Board's exposure draft on *Interim Reporting (Topic 270): Narrow-Scope Improvements*.

We are supportive of the Board's proposal to improve the understandability of Topic 270, including better separating presentation matters from disclosure requirements. We also support the Board's proposal to add a principle that would require entities to disclose events and changes since the end of the last annual reporting period that have a material impact on the entity.

However, we believe certain aspects of the proposed amendments may change current interim disclosure practices. We also suggest certain clarifications to the proposed guidance to improve operability. Our suggestions are detailed in our responses to the Questions for Respondents in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Thomas Faineteau at (214) 243-2924 or Angela Newell at (214) 689-5669.

Very truly yours,

BDO USA, P.C.

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Appendix

Question 1: Do the amendments in this proposed Update that would clarify that the guidance in Topic 270 applies to interim financial statements and notes in accordance with GAAP (see paragraphs 270-10-15-3 through 15-4) increase the understandability of Topic 270? Please explain why or why not.

We agree that the proposed amendments on scope and scope exceptions would increase the understandability of Topic 270. However, we note that the proposed amendments to paragraph 270-10-15-2 would refer to the Master Glossary term “condensed statements” which is circular as that definition would refer to limited notes subject to the disclosure requirements in Topic 270. Said differently, the proposed requirements in Topic 270 would apply to entities that provide interim financial statements and notes in accordance with generally accepted accounting principles (GAAP) if the limited notes in such financial statements comply with the disclosure requirements in Topic 270. We therefore recommend that the Board revise either paragraph 270-10-15-2, the proposed Glossary term “condensed statements” or both to remove such circularity. For example, the Board could revise the definition of “condensed statements” as follows:

Financial statements that either are aggregated in a condensed format or have limited notes ~~subject to the disclosure requirements in Topic 270~~ or both. (U.S. Securities and Exchange Commission [SEC] registrants are required to consider the guidance in paragraph 270-10-S45-2. See Regulation S-X Rule 210.10-01 and Regulation S-X Rule 210.8-03.)

See also Question 8 for scope-related comments on proposed amendments to remove the term *interim financial information* in paragraph 270-10-50-3 and other paragraphs.

Question 2: Are the proposed amendments that describe the form and content of interim financial statements and notes in accordance with GAAP (see paragraphs 270-10-45-20 through 45-24) appropriate? Do they capture the form and content of interim financial statements and notes currently being provided in accordance with GAAP? Please explain why or why not.

The proposed amendments that describe the form and content of interim financial statements and notes in accordance with GAAP are generally appropriate. However, we note that proposed paragraph 270-10-45-24(c) implies that there is a requirement to present a separate statement of stockholders’ equity for entities other than not-for-profit (NFP) entities. While most non-NFP entities provide the required information in a statement of changes in stockholders’ equity, paragraph 505-10-50-2 allows entities to present such changes either in a separate statement or in the notes to the financial statements. Therefore, we recommend revising paragraph 270-10-45-24 as follows:

270-10-45-24 If a not-for-profit entity presents condensed statements, the following requirements shall apply:

- a. Net assets with donor restrictions and net assets without donor restrictions shall be presented regardless of relative significance to total net assets in the statement of financial position.
- b. The required disclosure of expenses by nature and function may be condensed in accordance with the guidance in paragraph 270-10-45-21(b), whether presented on

the face of the statement of activities, as a separate schedule in the notes to financial statements, or in a separate financial statement.

c. The requirement to provide a separate statement of changes in stockholder's equity and noncontrolling interest or notes disclosures explaining such changes is not applicable.

Question 3: Do you agree that including a list of interim disclosure requirements in Section 270-10-50 would improve the Codification? Please explain why or why not.

We agree that clearly separating presentation matters from disclosure requirements in Topic 270 and adding a list of specific interim disclosure requirements in Section 270-10-50 would improve the Codification and understandability of Topic 270. However, to further improve the readability of paragraphs 270-10-50-12 through 50-66, we recommend that the Board use another format to list the interim disclosure requirements, such as a single table with two columns – one for the corresponding Codification Topics or Subtopics, and another for the relevant disclosure paragraphs. Additionally, we recommend that the Board emphasize in proposed paragraph 270-10-50-11 that such list is not comprehensive. For example, there may be events or transactions occurring in an interim period requiring additional disclosures.

In addition, the last sentence to the proposed amendments in paragraph 270-10-50-9 would require comparative quarter-to-date and year-to-date information for interim financial statements and notes in accordance with GAAP for all entities, including private companies. Currently, this requirement is in paragraph 270-10-50-1 and applies to only publicly traded companies, as defined in the Glossary. We observe that many private entities may present single period interim financial statements and that the proposed requirements would represent a significant change for such private companies. If this was not the Board's intent, we recommend that the Board clarify the comparative interim information requirement applies to only publicly traded companies.

Question 4: Using the Board's methodology (see paragraphs BC42-BC55), is the proposed list of interim disclosure requirements in Section 270-10-50 complete, or are there disclosures that should be included in or excluded from the list? If so, please provide the disclosures and your rationale, including supporting evidence that is consistent with the Board's methodology.

BDO did not replicate the Board's methodology discussed in paragraphs BC42-BC55 as we may not have access to all FASB documentation referred to in BC47, including internal Board memorandums. However, please refer to Question 5 for comments on the proposed disclosure requirements.

Question 5: Do you agree with the Board's methodology on how it compiled the disclosure list in Topic 270 (see paragraphs BC42-BC55)? Please explain why or why not. If not, please describe your preferred methodology. Please identify the differences between the list of interim disclosures derived using your preferred methodology and the list of disclosures in Section 270-10-50 and provide supporting evidence that is consistent with your preferred methodology.

We generally agree with the Board's methodology for compiling the disclosure list in Topic 270. However, we are concerned that it may change the disclosures provided by entities for interim reporting in some instances. As noted in BC46, the Board first identified the following disclosures that clearly indicated they are required in interim reporting periods:

- a. Disclosures that are currently specifically referenced in Topic 270 at the Topic, Subtopic, or paragraph level
- b. Disclosures that include the term *interim*, disclosures that are under a heading within the Codification that clearly indicates that the disclosures are required in interim reporting periods, and disclosures that are explicitly required in interim reporting periods by other paragraphs.

Then, as stated in BC48, the Board added disclosures for which FASB's documentation supports that the disclosures should be provided in interim financial statements. However, this last step may inadvertently change current interim disclosure practices, which would be inconsistent with the Board's stated intent in BC14. For example, requiring the Topic 810 disclosures included in proposed paragraph 270-10-50-43 may result in a change in interim disclosure practices. Instead, we believe an entity would apply the guidance in proposed paragraph 270-10-50-70 for consolidation related disclosures.

Conversely, excluding disclosures for which there is no explicit discussion in FASB's documentation may result in the elimination of disclosures. For example, as noted in the alternative view presented in the Basis for Conclusions, practitioners have historically interpreted paragraph 850-10-50-1 as requiring those related party disclosures in both interim and annual periods, whereas the proposed model does not include them. Accordingly, we believe an appropriate step for finalizing the proposed amendments when considering whether to include disclosures that do not meet the criteria in BC46(a) or BC46(b) is to consider practice, including various publicly available disclosure checklists. We agree that when practice is mixed, those interim disclosures could be addressed more holistically in a separate project if necessary.

Question 6: The Board uses the term event-driven disclosures to describe disclosures required if an event or transaction occurs (see paragraph BC65). The Board decided that while certain event-driven disclosure requirements that meet the criteria in paragraph BC46 would be included in the interim disclosure list in the proposed amendments, others would be captured by the disclosure principle discussed in Question 7 (for example, if a new line of business was acquired with specific industry disclosure requirements, the acquirer would evaluate the disclosures under the disclosure principle rather than evaluating whether those industry requirements should be disclosed in accordance with the interim disclosure list in Topic 270). Do you agree with this approach to event-driven disclosures, or should other event-driven disclosures be included in the interim disclosure list? Please explain why or why not.

We agree with the proposed approach on event-driven disclosures. However, we recommend that the Board expand its discussion of the example in this question and BC60 related to acquiring a new line of business with specific industry disclosure requirements, to clarify how an entity would consider which disclosures are required under the disclosure principle. Consistent with proposed paragraph 270-10-50-70, it appears that entities would consider the annual industry requirements in the situations described in Question 6 and BC60 when determining which disclosures to provide in interim reporting periods. However, this intent is not clear and expanding the discussion on that example in the Basis for Conclusions would provide additional clarity.

Question 7: Is the proposed disclosure principle operable (see paragraphs 270-10-50-67 through 50-70)? Please explain why or why not. If not, did you consider the prior SEC disclosure principle included in paragraph 270-10-50-68 to be operable (see paragraphs BC56-BC59)? Would the proposed disclosure principle provide decision-useful information? Does the operability of the disclosure principle vary between SEC registrants and nonregistrants?

Please explain why or why not. Are there any reasons why the wording in paragraphs 270-10-50-67 through 50-70 should not be incorporated into GAAP? Please explain why or why not.

We believe the proposed disclosure principle is clear and operable as entities can make reasonable judgments about what events are material and therefore, require additional disclosures in an interim period. We do not think the operability of the principle should vary between SEC registrants and nonregistrants as the concept of material events is understood by both types of entities. The proposed principle would provide decision-useful information and therefore, the wording in paragraphs 270-10-50-67 through 50-70 should be incorporated into GAAP.

Question 8: The Board decided to remove the phrase interim financial information from certain paragraphs that address the scope of the guidance within Topic 270 in the proposed amendments. Additionally, proposed consequential amendments were made to other Topics in certain paragraphs to remove the phrase interim financial information and other similar phrases. Would these proposed changes result in any unexpected consequences within other areas in GAAP? Please explain why or why not.

We note that the proposed amendments in paragraph 270-10-15-3 and other paragraphs would remove the reference to *interim financial information* which the Board explains in paragraph BC17. However, it is not clear whether the proposed amendments would affect private companies providing GAAP-compliant interim financial information that is not in the scope of Topic 270 because either the information represents incomplete financial statements or it does not have any notes, or both. For example, paragraph 350-20-35-66 allows private companies to evaluate goodwill for impairment triggering events as of the end of each reporting period, whether it is an interim or annual period. In determining scope of this private company alternative, the Board reasoned in paragraph BC28 of Accounting Standards Update (ASU) 2021-03 that some entities provide users of their financial statements with some level of interim financial information indicating it complies with the recognition and measurement principles of GAAP and that aligning the goodwill impairment triggering evaluation for interim and annual periods would benefit users.¹ If that continues to be the Board's intent, we recommend that the Board clarify in the last sentence to BC17 that (added text is underlined) "there is limited benefit to require that those preparing interim financial information use the guidance in Topic 270 for specific financial statements or balances that may be computed, derived, or based on GAAP methods or requirements, which remain unaffected by the amendments in this Update."

Question 9: Do you agree with the proposed amendments in Sections B and C? If not, please explain which proposed amendment(s) you disagree with and why.

Refer to our responses in Questions 5 and 8 for feedback on the proposed amendments related to Sections B and C, respectively.

Question 10: Do you agree that the proposed amendments should be applied prospectively to interim financial statements and notes in accordance with GAAP issued for reporting periods after the effective date? Please explain why or why not.

We do not object to the proposed amendments being applied prospectively. However, for entities providing comparative information, the Board may consider providing an option to apply the

¹ ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350), Accounting Alternative for Evaluating Triggering Events*

proposed amendments retrospectively to maintain comparability of information provided to the extent that entities' current interim disclosure practices differ from the final Update resulting from this project.

Question 11: How much time is needed to implement the proposed amendments? Should early adoption be permitted? Please explain why or why not.

We defer to preparers to determine the amount of time needed to adopt the proposed amendments. We agree with permitting early adoption.