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January 31, 2022

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

File Reference No. 2021-001

Re: Proposed Accounting Standards Update, *Interim Reporting (Topic 270): Disclosure Framework — Changes to Interim Disclosure Requirements*

Dear Ms. Salo:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Interim Reporting (Topic 270): Disclosure Framework — Changes to Interim Disclosure Requirements*.

We understand and support the Board's efforts to include in ASC 270 a principle aligned with the requirements that SEC Final Rule 33-10352¹ removed from Regulation S-X, Rule 10-01,² under which disclosures are required for a significant event or transaction that has a material impact on an entity.

We also support the Board's clarification of presentation and disclosure alternatives related to interim reporting as well as its efforts to include all interim reporting disclosure requirements within one Codification topic in U.S. GAAP. While we do not believe that the existing requirement for when entities must provide comparative disclosures has resulted in confusion for practitioners and preparers, we support the Board's proposed clarifications to these requirements.

We appreciate the opportunity to comment on the proposed ASU. Appendix A contains our responses to the proposed ASU's questions for respondents. Appendix B includes our additional observations on ASC 270. If you have any questions concerning our comments, please contact Ignacio Perez at (203) 761-3379.

Yours truly,

Deloitte & Touche LLP
cc: Kristin Bauer

¹ SEC Final Rule Release No. 33-10532, *Disclosure Update and Simplification*.

² SEC Regulation S-X, Rule 10-01, "Interim Financial Statements."

Appendix A
Deloitte & Touche LLP
Responses to Proposed ASU's Questions for Respondents

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.

The proposed ASU introduces a principle that is similar to the language removed from Regulation S-X, Rule 10-01, and is intended to replace it. We therefore believe that the disclosures that entities would provide under the proposed ASU would generally be consistent with the disclosures that entities historically provided to comply with the language removed from Rule 10-01. Accordingly, we think that these proposed amendments would result in the same degree of decision-useful information as the language removed from Rule 10-01.

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 agree with the Board's proposal that an entity may provide only information specific to the event or transaction. This proposal is consistent with the language that was removed from Rule 10-01; therefore, we do not expect this decision to result in a change in practice.

Further, as outlined in paragraph BC14 of the proposed ASU, the proposed language would allow an entity to isolate the effects of significant transactions or events from other transactions or events that occur during the period. As a result, the provided disclosures could focus on the effects of only those significant transactions or events that occur during the period.

However, we suggest that the Board clarify the proposed disclosure requirement by adding the following to the end of ASC 270-10-55-1 (suggested addition underlined):

Rather, the disclosure may focus only on those awards issued as part of the significant share-based compensation event and only utilize relevant aspects of the required disclosures in Topic 718 for the significant share-based compensation event.

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

We believe that the proposed disclosure guidance on significant events or transactions is operable given that it does not represent a change from the previous requirements in Rule 10-01 that companies have historically applied.

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?

Yes, we believe that these proposed amendments are appropriate. Specifically, we think that it is appropriate to consider information provided in the prior financial statements and notes given that a user of the interim statements is presumed to have read the prior annual financial statements and the interim-period financial statements would, in line with the proposed ASU's disclosure requirements, be read in conjunction with the prior annual financial statements. The interim financial statements and notes are intended to provide the user of such statements with information that is new or has changed since the prior annual period. We do not believe that these proposed amendments would result in a change in practice.

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?

Yes. The three examples of the types of interim financial statements and notes within the proposed ASU reflect the form and content of interim financial statements and notes currently being provided in accordance with GAAP. On the basis of our experience with clients, we are not aware of forms of interim financial statements and notes other than those addressed in the proposed ASU.

However, on the basis of what we have observed in practice, we do not believe that it is necessary to distinguish between the financial statements presented in accordance with the proposed amendments in ASC 270-10-45-20(b) and those in 45-20(c). We believe that ASC 270-10-45-20 and 45-21 could be simplified as follows (suggested additions underlined; deletions in strikethrough):

270-10-45-20 An entity that prepares interim financial statements and notes in accordance with generally accepted accounting principles (GAAP) may present the following:

- a. Financial statements prepared with the same level of detail as the previous annual statements subject to all the presentation requirements in GAAP and notes subject to all disclosure requirements in GAAP
- b. For condensed financial statements prepared in accordance with this Topic, an entity may present either of the following:
 1. Financial statements prepared with the same level of detail as the previous annual statements subject to all the presentation requirements in GAAP and ~~limited~~ notes subject to the disclosure requirements in this Topic, or
 2. ~~Condensed~~ [F]inancial statements subject to the presentation requirements in this Topic and ~~limited~~ notes subject to the disclosure requirements in this Topic.

270-10-45-21 For an entity that presents condensed financial statements in accordance with paragraph 270-10-45-20~~(c)~~(b)(2), the content of those statements shall be as follows: . . .

We believe that this change would be appropriate because, when interim financial statements contain notes in accordance with ASC 270, the entire set of financial statements, including footnotes, is generally referred to as "condensed." We believe that this is common practice and are not aware that a set of interim financial statements may be referred to as something other than condensed when the footnotes to those statements do not contain all annual disclosures required by U.S. GAAP.

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

Yes, we believe that this list is complete. However, given that certain of the proposed ASU's interim disclosure requirements apply only to publicly traded companies, we believe that it may be helpful for the Board to consider whether to include other disclosure requirements from Rule 10-01 within the proposed ASU. Paragraph BC24 of the proposed ASU indicates that "[t]he Board noted that it would be helpful if all interim disclosure requirements, both now and going forward, were listed or referenced in Topic 270 and decided to add links to the requirements to the list of interim disclosures in paragraphs 270-10-50-17 and 270-10-50-21." Accordingly, the Board could consider whether including all interim disclosure requirements for publicly traded companies under Rule 10-01 would be helpful to preparers. Alternatively, the Board could consider including cross-references to ASC 270-10-S99 within ASC 270-10-50 for publicly traded companies that are SEC registrants.

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?

Although we would support these proposed amendments if the Board decides to move forward with a final ASU, we do not believe that the removal of phrases such as "for each period presented" and the inclusion of phrases such as "comparatively when comparative periods are presented" will result in a change in practice.

We believe that the paragraphs were appropriately clarified as comparative and that no such paragraphs should be required as of interim periods other than those already addressed in the proposed amendments to ASC 270.

Further, paragraph BC26 of the proposed ASU states, in part, "After reviewing Codification paragraphs containing disclosure requirements with that phrasing, the Board determined that the phrasing is intended to result in the periods covered by the disclosure matching the periods covered by the financial statements, not to indicate disclosure at interim periods." When an entity provides disclosures within interim periods in accordance with paragraphs in the proposed ASU that refer to providing disclosures "comparatively, when comparative income statements are presented," there may be confusion regarding whether such disclosures are required for the year-to-date interim period, the quarter-to-date interim period, or both. Accordingly, the Board may consider enhancing paragraph BC26 to clarify this disclosure requirement.

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

We agree with the Board's proposal that entities apply the disclosure requirements prospectively. We understand that the proposed ASU's amendments are not intended to change practice (i.e., historical practice would have resulted in similar disclosures, so we do not believe that retrospective application would have a material effect on historical disclosures).

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.

We defer to the views of financial statement preparers on how much time they would need to implement the proposed amendments.

Regarding whether the proposed amendments related to clarifying comparative disclosures should have the same effective date as the other proposed amendments or should be effective upon issuance, we support either effective date because we do not believe that the existing requirement has resulted in confusion for practitioners and preparers or that the proposed amendments would result in a change in practice.

In addition, because we do not expect the ASU to result in a change in practice, we believe that early adoption should be permitted. Early adoption would reduce the gap between the time when the removed language from Rule 10-01 became effective and the date on which the proposed ASU, if finalized, will be effective.

Appendix B
Deloitte & Touche LLP
Additional Observations Regarding ASC 270

In addition to our responses in Appendix A, we would like to bring to the Board's attention an observation on interim reporting requirements that applies to the statement of cash flows. ASC 230 requires the reconciliation of (1) the ending cash, cash equivalents, and amounts generally described as restricted cash or the restricted cash equivalents balance presented in the statement of cash flows to (2) the statement of financial position when such amounts are presented in more than one line item therein. However, ASC 230 does not specify how to apply this requirement to comparative periods when interim periods presented in the statement of cash flows do not correspond to the periods presented in the statement of financial position. Specifically, the proposed amendment to ASC 230-10-50-8 states, in part, that the reconciliation must be presented "comparatively when comparative statements of financial position are presented." ASC 230-10-50-8 then goes on to indicate that those amounts "shall sum to the total amount of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents at the end of the corresponding period shown in the statement of cash flows."

The lack of specific guidance on this matter has led to diversity in how entities have applied this reporting requirement for interim reporting periods. We believe that the Board should clarify the reconciliation requirement in ASC 230-10-50-8 with respect to interim reporting periods.