



January 31, 2022

Hillary Salo  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

**RE: File Reference No. 2021-001**

Dear Ms. Salo,

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Interim Reporting (Topic 270), Disclosure Framework—Changes to Interim Disclosure Requirements* (the Exposure Draft). We agree with the overall premise of the Exposure Draft that interim financial statements represent an update of the prior annual financial statements, and that significant events or transactions occurring between annual and interim financial statements should be disclosed. We do, however, have concerns with certain of the proposed amendments and believe the FASB should make revisions and provide additional clarification to ensure the amendments can be operationalized.

The Exposure Draft includes guidance that “should lead entities to not disclose information that would be duplicative of year-end disclosures” in interim financial statements “even if those requirements are part of the standard disclosure requirements of this Topic.” We believe it would be helpful for the Board to clarify what information would be considered duplicative. It is unclear if the Board intends “duplicative” to refer to information that is materially different from prior disclosures or if it is intended to cover only information that is repeated. We believe that given the lack of clarity, practice will default to continuing to include all required disclosures with no enhancement to disclosure effectiveness.

The Exposure Draft also seeks to provide a single list of all interim disclosure requirements. However, this highlights the extensive number of interim disclosures and raises a question as to whether it would be beneficial to re-evaluate these requirements in light of the principle proposed. In addition, the organization of the disclosures is difficult to follow and users would need to refer to other parts of the Codification to identify all required disclosures for a specific company (depending on entity type). Instead, if the Board determines that the overall principle needs to be supplemented with a list of required disclosures, we recommend that the list be organized by Codification Topic, including all disclosures and relevant scope information. Companies could use this information to determine which disclosures are applicable to them and would have all the interim disclosure requirements in a single list without the need to refer to other parts of the Codification.

The appendix elaborates on our concerns and includes specific comments and suggestions for the Board’s consideration.

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If you have any questions regarding our comments, please contact Heather Horn at [heather.horn@pwc.com](mailto:heather.horn@pwc.com) or Maria Constantinou at [maria.constantinou@pwc.com](mailto:maria.constantinou@pwc.com).

Sincerely,

PricewaterhouseCoopers LLP



## Appendix

Following please find our detailed comments in response to the questions posed in the Exposure Draft. We grouped the comments by overall topic and noted which questions we addressed.

### Interim disclosure principle (Questions 1 - 4)

We agree with the overall premise of the Exposure Draft that interim financial statements represent an update of the prior annual financial statements, and that significant events or transactions occurring between annual and interim financial statements should be disclosed. However, we have several questions and comments on the principle and application guidance.

- *Clarification of the principle* - We suggest that the Board clarify the proposed wording in 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 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.* [Emphasis added.]

The word *duplicative* typically refers to information that is repeated, which implies that only information that is exactly the same as that presented at year end could be omitted (which is generally consistent with current practice). We believe disclosure effectiveness could be improved by reconsidering whether interim disclosure requirements should apply only to information that is materially different from year end, instead of merely addressing disclosures that are repeated.

- *Scope of interim disclosure requirements* - If a significant event or transaction occurs that has a material effect on a company, we believe the company should provide only the specific relevant disclosures without needing to update all disclosures required by a particular Topic.
- *Use of information beyond the core financial statements* - The proposed principle references information beyond the core financial statements. Paragraph 270-10-50-10 states in part:

There is a presumption that users of summarized 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, *as well as management's commentary*, if applicable, concerning the annual financial results. [Emphasis added]

We do not believe managements' commentary should be referenced in the proposed principle as this information is not a part of the GAAP financial statements. We believe that the GAAP financial statements must include all requirements and stand on their own. Information disclosed in MD&A, for example, does not eliminate the need to include the same information in the footnotes if required by GAAP.

- *Editorial changes* - The Exposure Draft notes that the Board intends to remove references to minimum disclosure requirements in favor of the principle. However, some Codification Topics, such as Paragraph 326-30-50-9, still refer to minimum disclosure requirements and no update is currently proposed. In addition, the Exposure Draft notes that all disclosure requirements are applied considering materiality, which is implicit in the application of GAAP and need not be explicitly stated. However, some Codification



Topics, such as Paragraph 850-10-50-1 and Paragraph 440-10-50-4, still refer to disclosures that are required *if material* or disclosures that may be omitted *if immaterial*.

Finally, we question how impactful the principle can be given the extensive number of existing and tentatively proposed interim disclosure requirements. We believe it would be beneficial to re-evaluate all required interim disclosures—including both current requirements as well as any that would be added in the future—to ensure consistency with the interim disclosure objective.

### **Scope of interim statements (Question 5)**

We believe Topic 270 should apply only to interim financial statements under GAAP, not to financial statements prepared for another purpose. This is supported by the Basis for Conclusions. However, Paragraph 270-10-05-1 should be clarified. It states:

The Interim Reporting Topic clarifies the application of accounting principles and reporting practices for entities preparing interim financial statements and notes in accordance with generally accepted accounting principles (GAAP) (see paragraph 270-10-45-20). *This Topic also clarifies the application of those principles and practices for entities that provide interim financial information other than interim financial statements and notes in accordance with GAAP. For example, GAAP may be used by reporting entities that are required by their debt agreements to provide information on an interim basis, such as specific account balances, specific financial statements, or certain ratios.* [Emphasis added]

This wording may improperly suggest that interim financial information that does not comply with all GAAP requirements is within the scope of the standard or that such information is prepared in accordance with GAAP. We believe the statement should be changed to clarify the interaction of this standard with interim information that is not prepared in accordance with GAAP.

### **List of and/or references to interim disclosure requirements (Question 6)**

The Exposure Draft does not create one list of required disclosures. Rather, a reader needs to use all of Topic 270 and reference the rest of the Codification to determine all disclosures relevant to a specific company. Further, the Exposure Draft uses terms defined in the Master Glossary such as “publicly traded entity” and “nonpublic entity” to capture all public and nonpublic companies. However, there are several definitions of “public” or “nonpublic” companies used in different standards to delineate interim disclosure requirements (e.g., “public business entity” is used in Topic 606, but “nonpublic entity” is used in Topic 820).

We believe it would be more helpful to users to provide a master list of all interim disclosures, organized by Codification Topic. The individual disclosures could note any specific scoping information, such as being applicable to public business entities, for example. With all relevant information provided, companies could evaluate each disclosure based on their own circumstances.

In addition, the FASB’s classification of the disclosures in its proposed lists may result in confusion or unintended changes in the scope of a specific disclosure requirement. For example, if a public debt registrant is a “publicly traded company,” the list of disclosure requirements includes EPS, but a public debt registrant is not within the scope of Topic 260 so does not need to include EPS in its annual or quarterly reports.

Finally, we have not performed a comprehensive completeness check of the disclosure requirements in the Exposure Draft. However, we note that certain existing disclosure requirements appear to be missing from the Exposure Draft (e.g., disclosures for subsequent events and about an entity’s ability to continue as a going concern (other than in certain industry



sections)). As a result, coupled with our concerns regarding the clarity of the proposal, we encourage the Board to provide transition guidance for any entity that needs to change its interim disclosures to comply with the final guidance.

**Proposed amendments that remove phrases such as “for each period presented” (Question 7)**

We generally agree with the proposed wording changes. For example, wording that was changed from “for each period presented” to “comparatively when comparative statements of financial position are presented” clarifies that the disclosure requirement calls for comparative disclosure and whether there should be two or three years. As noted, some of these may result in a change in practice and transition guidance should be provided.