



RSM US LLP

30 South Wacker Drive
Suite 3300
Chicago, IL 60606
www.rsmus.com

January 28, 2022

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

File Reference No. 2021-001

Dear Ms. Salo:

RSM US LLP is pleased to provide feedback on the Proposed Accounting Standards Update (ASU), *Interim Reporting (Topic 270): Disclosure Framework—Changes to Interim Disclosure Requirements*.

We welcome the Financial Accounting Standards Board's efforts to improve the effectiveness of interim disclosures by clarifying the applicability and content of those disclosures. While we agree with the overall direction of the proposal, as discussed in our response to Question 4, we believe the Board should consider reorganizing the disclosures required by Section 270-10-50 to clarify the circumstances under which each of those disclosures should be provided on an interim basis. We believe doing so would better articulate what we believe to be the Board's intent and promote more consistent application of that guidance in practice.

We appreciate the Board's efforts to solicit feedback from its stakeholders about the proposed ASU. Our responses to the specific questions posed by the Board in the proposed ASU are included in the remainder of this letter.

Responses to 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.

We believe the proposed amendments to paragraph 270-10-50-9 will result in the same degree of decision-useful information for interim reporting because our experience indicates that entities typically apply the proposed principle in practice when preparing their interim financial statements. Notwithstanding our experience, we believe it is important for the Board to codify the principle that requires disclosure of information about a significant event or transaction occurring during the period to help promote more consistent and relevant interim disclosures across entities.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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.

When an entity provides limited notes along with its interim financial statements (as provided for in paragraph 270-10-45-20(b) or 45-20(c)), we agree with the proposed approach in paragraph 270-10-55-1, which would result in an entity providing only information specific to the significant event or transaction occurring since the date of the prior annual financial statements and notes. As such, we believe the applicability of the guidance in paragraph 270-10-55-1 should be clarified to indicate that it does not apply when an entity elects to provide interim financial statements with the same level of detail as the previous annual financial statements subject to all the presentation requirements in GAAP and notes subject to all the disclosure requirements in GAAP (as provided for in paragraph 270-10-45-20(a)).

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

We believe the proposed disclosure guidance on significant events or transactions is operable. We also believe the example provided in paragraph 270-10-55-1 will facilitate consistent application of the guidance in practice. Additional examples may be helpful, so long as it is clear the examples do not represent a complete list of those disclosures that may be required under the guidance in paragraph 270-10-50-9.

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?

We believe the guidance in paragraph 270-10-55-2 could result in a significant change in practice, given that it currently is common for entities to provide the disclosures specifically referenced in Section 270-10-50 regardless of whether there is any change in the information to be disclosed on an interim basis compared to that disclosed in the most recent prior annual financial statements. We also believe paragraph 270-10-55-2 could result in certain disclosures being inappropriately omitted. For example, we understand the Board's intention is for the contingency-related disclosures in paragraph 270-10-50-14 to be provided on an interim basis even if there would be no significant change in the information disclosed compared to that disclosed in the most recent prior annual financial statements and notes. However, we believe that paragraph 270-10-55-2 could be read to allow an entity to opt out of providing *any* of the interim disclosures otherwise required by Section 270-10-50, including the contingency-related disclosures in paragraph 270-10-50-14.

Given the potential for unintended consequences and inconsistent application of paragraph 270-10-55-2 in practice without additional clarification, we believe the disclosures required by Section 270-10-50 should be organized into the following categories:

- *Interim disclosures of material matters that should be provided under Section 270-10-50 regardless of change since the most recent prior annual financial statements and notes*

This category would include the contingency-related disclosures in paragraph 270-10-50-14, as well as the other disclosures in Section 270-10-50 about material matters that the Board believes should always be provided on an interim basis, which may include:

- The disclosures in paragraph 270-10-50-17(a) and 50-17(b) pertaining to sales or gross revenues, provision for income taxes, net income, comprehensive income and basic and diluted earnings per share data
- Some or all of the industry-specific disclosures referenced in paragraph 270-10-50-16
- The disclosures in paragraphs 270-10-50-19 and 50-20 pertaining to unique interim reporting matters

Given their nature, we also believe the Board should consider including the going concern disclosures in paragraphs 205-40-50-12 to 50-14 and the subsequent event disclosures in paragraphs 855-10-50-1 through 50-5 (see our response to Question 6) in this category. In addition, as discussed later in this response, we believe the Board also should consider whether the guarantee-related disclosures in Section 460-10-50 (which are referenced in paragraph 270-10-50-22(c)) should be included in this category.

- *Interim disclosures of material matters that should be provided under Section 270-10-50 only if there is significant change since the most recent prior annual financial statements and notes*

This category would include all other specific disclosures in Section 270-10-50, such as some or all of those disclosures included or referenced in paragraphs 270-10-50-12, 50-13, 50-15, 50-17, 50-18 and 50-21, and perhaps certain disclosures in paragraph 270-10-50-22 (see discussion later in this response).

We believe the guidance in paragraph 270-10-55-2 should be moved into Section 270-10-50 for purposes of defining and explaining the scope of this category. Doing so would help eliminate any confusion with respect to the interim disclosures that do not have to be repeated if there is not a significant change in the information that would be disclosed on an interim basis compared to that disclosed in the most recent prior annual financial statements. In addition, we note that paragraph 270-10-55-2 states in part that “[t]he 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...” [emphasis added]. Whether the Board agrees to incorporate that guidance into Section 270-10-50 or to leave it as implementation guidance as proposed, we believe the Board should indicate that entities do not have to repeat disclosures under the circumstances noted instead of implying that they should not repeat the disclosures.

- *Interim disclosures that should be provided about a significant transaction or event that occurs in the interim period and has a material effect on an entity (see our responses to Questions 1 and 3)*

This category would include the guidance and example in paragraph 270-10-55-1 and perhaps certain disclosures in paragraph 270-10-50-22 (see discussion later in this response).

We think organizing the interim disclosure requirements in Section 270-10-50 as suggested above would better articulate what we believe to be the Board’s intent and provide for more consistent application of that guidance in practice.

With respect to paragraph 270-10-50-22, we believe the Board should treat the specific disclosures referenced therein similar to the other disclosures included or referenced in Section 270-10-50 and

categorize them as discussed earlier in this response. In other words, we believe the Board should consider whether each of the disclosures referenced in paragraph 270-10-50-22 should be categorized as:

- Interim disclosures of material matters that should be provided regardless of significant change since the most recent prior annual financial statements and notes, which may be the case for the disclosures related to guarantees in Section 460-10-50 given their relationship to the contingency-related disclosures in paragraph 270-10-50-14
- Interim disclosures of material matters that should be provided only if there is significant change since the most recent prior annual financial statements and notes, which may be the case for the disclosures related to certain postretirement benefits in paragraphs 715-60-50-3 and 50-6
- Additional examples of interim disclosures that should be provided when a significant transaction or event occurs in the interim period that has a material effect on an entity, which may be the case for the disclosures related to business combinations in Topic 805

We believe organizing the specific disclosures referenced in paragraph 270-10-50-22 in a manner similar to the other disclosures included or referenced in Section 270-10-50 will help reduce the diversity in practice that may otherwise arise with respect to how these disclosures are evaluated for inclusion in interim financial statements and notes.

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?

In general, we believe the guidance in paragraphs 270-10-45-20 and 45-21 is appropriate and reflects current practice. Any potential changes to the guidance in paragraph 270-10-45-21 should be considered by the Board in conjunction with its “Financial Performance Reporting—Disaggregation of Performance Information” project.

We considered whether an entity would be permitted to prepare interim financial statements and notes where some notes included all of the information otherwise required to be disclosed on an annual basis and other notes included only the information otherwise required to be disclosed on an interim basis. While we believe such an approach is permissible under paragraph 270-10-45-20, we believe a narrow reading of the words in paragraph 270-10-45-20 may lead to a different conclusion. We believe the Board should provide implementation guidance clarifying that the limited notes referred to in paragraph 270-10-45-20(b) and 45-20(c) include anything less than notes subject to all disclosure requirements in GAAP (as referenced in paragraph 270-10-45-20(a)), but at least those disclosures otherwise required on an interim basis under Section 270-10-50.

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

We believe the Board should consider adding references to the following disclosure requirements in Section 270-10-50:

- *The disclosures related to the liquidation basis of accounting in paragraphs 205-30-50-1 and 50-2.* We believe the disclosure requirements in paragraphs 205-30-50-1 and 50-2 should be referenced in Section 270-10-50 because of: (a) paragraph 205-30-50-2 indicating that an entity should provide the disclosures listed “when it prepares financial statements using the liquidation basis of accounting,” which we believe is meant to encompass interim financial statements and (b) the nature of the liquidation basis of accounting and the facts and circumstances under which it arises.
- *The disclosures related to going concern in paragraphs 205-40-50-12 to 50-14.* We believe the disclosures in paragraphs 205-40-50-12 to 50-14 should be referenced in Section 270-10-50 given the explicit reference to interim reporting periods in the following excerpt from paragraph 205-40-50-14: “If conditions or events continue to raise substantial doubt about an entity’s ability to continue as a going concern in subsequent annual or interim reporting periods, the entity shall continue to provide the required disclosures in paragraphs 205-40-50-12 through 50-13 in those subsequent periods.”
- *The disclosures related to subsequent events in paragraphs 855-10-50-1 through 50-5.* By their very nature, we believe the disclosure requirements in paragraphs 855-10-50-1 through 50-5 should be referenced in Section 270-10-50.

In addition, with respect to the addition of a reference to paragraph 810-10-50-1A in paragraph 270-10-50-17, we believe the Board also should make a conforming amendment to paragraph 810-10-50-1A to indicate that it is applicable in both interim and annual periods. This conforming amendment would make the wording of paragraph 810-10-50-1A consistent with the wording included in the other paragraphs for which references were added to paragraph 270-10-50-17. We also believe the Board should indicate in the basis for conclusions why paragraph 810-10-50-1A does not apply to nonpublic entities on an interim basis (given its exclusion from paragraph 270-10-50-21) or reconsider including a reference to paragraph 810-10-50-1A in paragraph 270-10-50-21.

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?

While we believe the proposed amendments referred to in this question would clarify that the related disclosures should be comparative in nature, we also believe that some of those amendments could result in a change in practice. Specifically, we believe that the proposed removal of one or more of the following phrases from existing guidance may result in some entities providing fewer disclosures each interim reporting period:

- Headings such as “Information for Each Period for Which a Statement of Financial Position is Presented”
- Language such as “in each period for which a statement of financial position is presented,” “for each period for which an income statement is presented,” or “for each period for which results of operations are presented”

For example, in practice, we have observed entities providing the information required to be disclosed by Sections 350-20-50 and 350-30-50 in their interim financial statements and notes. We believe the proposed amendments to Sections 270-10-50, 350-20-50 and 350-30-50, taken as a whole, could result in a change in practice such that entities would no longer provide the disclosures in Sections 350-20-50

and 350-30-50 on an interim basis. For those disclosure requirements to be applicable on an interim basis under the proposal, we believe a reference to Sections 350-20-50 and 350-30-50 would need to be added to Section 270-10-50. We believe a similar issue may exist related to the disclosures in Sections 260-10-50 and 860-50-50, as well as others. In our response to Question 4, we suggested a different approach for capturing and clarifying the interim disclosure requirements in Section 270-10-50. If the Board agrees with that approach, it also should consider whether references should be added to Section 270-10-50 (to the extent such references do not already exist or have not already been proposed) for the sections affected by the proposed amendments to clarify whether the related disclosures should be comparative in nature.

Lastly, we do not believe “(comparatively when comparative financial statements are presented)” should be added to paragraph 470-60-50-1 given that troubled debt restructurings are discrete transactions. Instead, we believe paragraph 470-60-50-1 should start as follows: “A debtor shall disclose, either in the body of the financial statements that include the period in which a troubled debt restructuring occurs or in the accompanying notes, all of the following information about troubled debt restructurings...” [proposed additions underlined].

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

We believe the proposed disclosures should be implemented on a prospective basis.

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.

While we believe some lead time may be necessary to implement the proposed amendments, we defer to financial statement preparers for purposes of determining the amount of lead time needed. In addition, we believe early adoption should be permitted.

Other comment related to the proposal

In reviewing the proposed amendments to Section 270-10-50, we identified what appears to be an inconsistency between paragraph 270-10-50-1B (which the proposal would move to paragraph 270-10-50-19) and paragraph 270-10-45-8, which we believe was unintentionally created by the Board with the issuance of ASU 2020-10, *Codification Improvements*. Issue 24 in paragraphs 17 and 18 of ASU 2020-10 added paragraph 270-10-50-1B to capture the disclosure requirement historically included in paragraph 270-10-45-8(b). While the requirements in paragraph 270-10-45-8(b) apply to all entities, paragraph 270-10-50-1B was added under the heading “Disclosure of Summarized Interim Financial Data by Publicly Traded Companies,” which suggests the disclosure is only applicable to publicly traded companies. While not caused by this proposal, we believe this inconsistency should be resolved, either in conjunction with finalizing this proposal or as part of the next Codification Improvements project, by including the guidance in paragraph 270-10-50-1B with the other paragraphs in Section 270-10-50 that apply to both publicly traded companies and nonpublic entities.

Ms. Hillary Salo
Financial Accounting Standards Board
January 28, 2022
Page 7

We appreciate the efforts the Board has put forth to obtain feedback from its stakeholders about the proposed ASU. We would be pleased to respond to any questions the Board or its staff may have concerning our comments and ask that questions be directed to Teresa Dimattia at 312.634.3467 or Joseph Cascio at 212.372.1139.

Sincerely,

RSM US LLP

RSM US LLP