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

RE: Proposed Accounting Standards Update, *Interim Reporting (Topic 270): Disclosure Framework – Changes to Interim Disclosure Requirements* (File Reference No. 2021-001)

Dear Ms. Salo:

We appreciate the opportunity to comment on the proposed ASU, *Interim Reporting (Topic 270): Disclosure Framework – Changes to Interim Disclosure Requirements*.

We support the Board's disclosure framework project to improve the effectiveness of disclosures in the financial statements. We agree that the proposals to include a disclosure principle and define the forms of interim financial statements and notes would advance the goals of the disclosure framework project.

This cover letter describes our key observations and suggestions regarding the proposed ASU. Appendix I provides our responses to the questions for respondents and includes specific recommendations for the Board to consider. Appendix II provides our suggested approach for reorganizing Topic 270.

1. Use of discretion in interim limited notes

We agree with the premise that entities do not need to provide disclosures duplicative of information provided in the prior annual financial statements and notes.

We observe that there is currently diversity in practice in how preparers determine the extent of disclosures to include in interim financial statements with limited notes. It is unclear whether the proposed amendments would reduce this diversity and promote a more consistent use of discretion (materiality judgment) when selecting which annual disclosures need not be repeated. For example, a preparer could interpret the proposed amendments to require or allow for:

- (a) no discretion – i.e. include all Topic 270 disclosures given the seeming contradiction between the disclosure principle and extensive lists of required disclosures;
- (b) limited discretion – i.e. apply a literal interpretation of “duplicative” and exclude only the Topic 270 disclosures that are exact duplicates of the previous annual financial statements. For example, the description of valuation techniques for fair value measurements may not be repeated, but quantitative information is always presented, even if the changes are not significant; or
- (c) broad discretion – i.e. include only Topic 270 disclosures with a material change in the current period. Under this interpretation, one could question why contingencies disclosure (as required by paragraph 270-10-50-14) would need to be repeated in each interim period if there has not been a material change.

Suggested Approach

We believe approach (c) is consistent with Statement of Financial Accounting Concepts No. 8: Chapter 8 – D77, “Numerical information in notes to financial statements tends to change at least slightly from period to period, but that does not automatically mean that all notes—including numerical information—should be included in interim-period financial statements.” We believe this approach most closely aligns with the disclosure framework project objective to communicate the information that is most important to users of each entity’s financial statements on an interim basis while minimizing cost to preparers.

We recommend that the Board clarify its intended approach, illustrated with examples, and clarify whether the contingencies disclosure is meant to be an exception from the overall use of discretion.

2. Organization of Topic 270

We recommend that the Board reorganize Topic 270 to provide consistency with the overall Codification. In particular, Topic 270 contains various recognition and measurement principles and practices applicable to all interim financial statements *or interim financial information* (i.e. in the scope of proposed paragraph 270-10-05-1). These principles and practices are currently codified in the Other Presentation Matters section. We believe the placement of these principles and practices does not adequately reflect the nature of the guidance and could be overlooked by preparers of interim financial information.

Additionally, we believe the proposed organization of the disclosure requirements in Topic 270 is cumbersome due to the significant duplication between disclosures for publicly traded companies and nonpublic entities. Consolidating and reorganizing these requirements would benefit both preparers (due to the increased readability of reorganized paragraphs) and the Board (because reorganized paragraphs would be easier to maintain going forward).

Suggested Approach

See Appendix II for our suggested approach.

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If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Kimber Bascom at (212) 909-5664 or kbacom@kpmg.com or Valerie Boissou at (212) 954-1723 or vlesageboissou@kpmg.com.

Sincerely,

KPMG LLP

KPMG LLP

Appendix I – 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 adding the principle to proposed paragraph 270-10-50-9 would provide the same degree of decision-useful information for interim reporting as is currently provided. We believe publicly traded companies are already applying this principle and, to the extent nonpublic entities prepare interim financial statements, they are likely leveraging SEC requirements.

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 disclosure specific to the event or transaction as described in paragraph 270-10-55-1, rather than all disclosures required by the applicable Topic, will provide sufficient information to explain a significant event or transaction to financial statement users.

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.

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 agree with the objective that entities do not need to provide disclosures duplicative of information provided in the prior annual financial statements and notes. However, as discussed in the section of our cover letter on use of discretion in interim limited notes, we believe the Board should clarify the intent of the proposed amendments and provide examples about how to apply discretion.

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 have the following observations regarding the proposed amendment describing interim financial statement and notes in accordance with GAAP:

Paragraph 270-10-45-20

We agree that the proposed amendment in paragraph 270-10-45-20 describing interim financial statements and notes is consistent with current practice. However, the proposed amendments

contribute to the inconsistent use of the term “complete financial statements” in Topic 270 and throughout the Codification.

Proposed paragraph 270-10-50-9 states that interim financial statements with limited notes (i.e. those described in subparagraphs 270-10-45-20(b) and 45-20(c)) may provide more timely information than would result if “complete financial statements” were issued at the end of each interim period. One possible interpretation of this language is that interim financial statements with limited notes are not considered “complete financial statements”. By extension this could mean that interim financial statements prepared in accordance with proposed subparagraph 270-10-45-20(a) are complete financial statements.

This interpretation highlights some inconsistencies and raises application issues. For example, it is unclear whether proposed paragraph 275-10-15-3 would apply to subparagraph 270-10-45-20(b) interim financial statements (statements that have limited notes but are not condensed in their presentation). Proposed paragraph 275-10-15-3 states that Topic 275 applies to “complete interim financial statements” but does not apply to “condensed financial statements”. However, proposed subparagraph 270-10-45-20(b) interim financial statements are not condensed financial statements, and (based on proposed paragraph 270-10-50-9) they would also not be considered complete financial statements. Paragraph BC18 contains similar language.

We also examined other Codification Topics that reference “complete financial statements”, including Topics 272, 320, 715, 850, 932, 944, 946 and 958. Although the term “complete” is not used consistently throughout these Topics, it is generally used to describe either:

- financial statements containing statements of financial position, comprehensive income, cash flows and shareholders’ equity (i.e. full set of financial statements as implied by Statement of Financial Accounting Concepts, Concepts Statement 8, Chapter 7 –Presentation); or
- financial statements prepared with the same level of detail as annual financial statements subject to all disclosure requirements in GAAP (i.e. financial statements prepared in accordance with proposed subparagraph 270-10-45-20(a)).

The context in these Topics generally does not imply that “complete” refers to whether the presentation of financial statements is condensed.

We recommend that the Board clarify the intended application of each instance of “complete [interim] financial statements” throughout the Codification using the terminology from proposed paragraph 270-10-45-20. For example, proposed paragraph 275-10-15-3 could state that Topic 275 applies to “interim financial statements prepared in accordance with subparagraph 270-10-45-20(a)”.

Paragraph 270-10-45-21

We question the necessity to include the guidance on condensed financial statements in the Codification. We believe the guidance may have operability concerns for certain entities. For example, smaller reporting companies may follow Rule 8-03 of Regulation S-X rather than Article 10. In addition, nonpublic entities do not have required captions for annual financial statements (e.g. major captions under SEC Regulation S-X). Without a basis for annual presentation, it is unclear how nonpublic entities would apply the proposed thresholds.

Paragraph 270-10-45-22

We recommend further clarifying the criteria for an entity to ensure its previous annual financial statements “have been made available”, particularly for nonpublic entities whose financial statements are not filed with the SEC. Further, we believe it would be helpful to clarify the meaning of “have been made available” in relation to “issued” and “available to be issued,” which are concepts outlined in Topic 855 and widely understood.

Question 6:

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

The list of interim proposed disclosure requirements in Section 270-10-50 appears complete in relation to the current requirements in the Codification. However, as discussed in our cover letter, there seems to be a contradiction between the disclosure principle and extensive lists of required disclosures. As a separate project, we recommend that the Board revisit which disclosures are required under Topic 270, or if a list of requirements is necessary in light of the general disclosure principles.

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?

As currently proposed, we would not expect a significant change in practice. To help stakeholders understand how to interpret the changes, we recommend that the Board further state in paragraphs BC26 through BC28 that the purpose of the proposed amendments is to clarify that the disclosures should be comparative in nature, and that the Board does not expect a change in practice for comparative disclosures.

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 prospectively. Consistent with the Board's analysis in paragraph BC32, we do not believe a retrospective adoption would provide different information from what was previously provided.

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.

Given the minimal change in practice, we do not believe entities will need significant time to implement the proposed amendments. We believe early adoption should be permitted for similar reasons.

Considering the minimal expected change in practice and to simplify the need for pending content, we recommend that the proposed amendments related to comparative disclosure be effective upon issuance.

Appendix II – Organization of Topic 270 Suggested Approach

We recommend the following organizational changes to Topic 270:

Structure & applicability	Current reference [Proposed ASU reference, if applicable]	Suggested reference	Rationale
Recognition – all entities and forms of interim reporting, including interim financial information	270-10-45-1 to 45-10, including 270-10-45-6 amended as proposed	270-10-25-1 to 25-10	We believe these accounting principles and practices, currently located in the Other Presentation Matters Subtopic, describe recognition guidance relevant to all interim reporting, including interim financial information other than financial statements. We believe these paragraphs do not relate to presentation matters, which implicitly affect interim financial statements. Moving this guidance to the Recognition section will allow for more consistent identification and application by preparers.
	270-10-45-14	270-10-25-11	
	270-10-45-17 to 45-18	270-10-25-12 to 25-13	
Other Presentation Matters – all entities and forms of interim financial statements	[270-10-45-20]	270-10-45-20	These paragraphs provide the basis for the form and content of interim financial statements and notes in accordance with GAAP and, as such, should precede the other paragraphs in this section.
	[270-10-45-21]	270-10-45-21	
	[270-10-45-22]	270-10-45-22	
	270-10-45-11 to 45-13; 270-10-45-15 to 45-16; 270-10-45-19	270-10-45-23 to 45-29	These paragraphs provide specific presentation guidance for interim financial statements.

<p>Disclosure principles – all entities with 270-10-45-20(b) & 45-20(c) interim financial statements</p>	<p>[270-10-50-9 to 50-11]</p>	<p>270-10-50-9 to 50-11</p>	<p>We agree with the Board’s proposed placement in the Codification of paragraphs related to the disclosure principles applicable to all entities preparing interim financial statements with limited notes.</p>
<p>Disclosure details – all entities with 270-10-45-20(b) & 45-20(c) interim financial statements</p>	<p>[270-10-50-17(c), (d), (e), (f), (g), (k), (o), (q), (r), (s), (t), (u), (v), (w); 270-10-50-12 to 50-13; 270-10-50-15; 270-10-50-22]</p>	<p>270-10-50-12</p>	<p>We recommend reorganizing the required disclosures as follows:</p> <ul style="list-style-type: none"> — disclosures applicable to all entities (listed in one paragraph); — incremental disclosures applicable to publicly traded companies; and — incremental disclosures applicable to nonpublic entities. <p>This structure would avoid the duplication in proposed paragraphs 270-10-50-17 and 270-10-50-21. It would also make clear that paragraphs 270-10-50-12 to 50-13 and 270-10-50-15 are not intended to be a departure from the disclosure principle.</p>
<p>Disclosure details, contingencies exception – all entities with 270-10-45-20(b) & 45-20(c) interim financial statements</p>	<p>[270-10-50-14]</p>	<p>270-10-50-13</p>	<p>If proposed paragraph 270-10-50-14 is meant to be an exception to the principle in paragraph 270-10-50-10 (and 270-10-55-2) that annual disclosures need not be repeated, we recommend inclusion in a separate paragraph.</p>

Disclosure details – publicly traded companies with 270-10-45-20(b) & 45-20(c) interim financial statements	[270-10-50-17(a), (b), (h), (j), (l), (m), (n), (p), (x)]	270-10-50-14	We believe a smaller list of incremental disclosures applicable to publicly traded companies would provide clearer guidance.
	[270-10-50-18 to 50-20]	270-10-50-15 to 50-17	
Disclosure details – nonpublic entities with 270-10-45-20(b) & 45-20(c) interim financial statements	270-10-50-21(f), (p)	270-10-50-18	We believe a smaller list of incremental disclosures applicable to nonpublic entities would provide clearer guidance.
Disclosure details – industry-specific disclosure requirements for entities with 270-10-45-20(b) & 45-20(c) interim financial statements	[270-10-50-16]	270-10-50-19	We believe the industry-specific disclosures should be included after the disclosures applicable to all entities, publicly traded companies and nonpublic entities.