



FASB proposal

Improving interim reporting guidance

November 15, 2024



FASB proposes amendments to Topic 270 to clarify interim reporting requirements and enhance consistency.

Source and applicability

- Proposed ASU, [Interim Reporting – Narrow Scope Improvements](#)
- Applies to all entities that prepare interim financial statements and notes in accordance with US GAAP.

Fast facts, impacts, actions

Topic 270 (interim reporting) contains guidance on accounting and disclosure issues specific to interim reporting – i.e. for a period that is shorter than a fiscal year. The proposed ASU would clarify interim reporting requirements by improving navigability of Topic 270 and more clearly specify what disclosures are required in an interim reporting period. It is not intended to significantly change interim reporting or expand or reduce interim disclosure requirements.

The proposed ASU has three primary objectives.

Clarify the form and content of interim financial statements	The proposed ASU would specify the form and content choices for interim financial statements and accompanying notes.
List the required interim disclosures	The proposed ASU would include a comprehensive list of required interim disclosures into Topic 270.
Provide a disclosure principle for condensed interim financial statements	The proposed ASU would introduce a disclosure principle that would require disclosure of events and changes since the end of the previous annual reporting period that materially impact the entity.

The proposed ASU is intended to make the interim reporting requirements easier to understand and is not intended to change interim reporting. We encourage entities that have questions about the proposed amendments or concerns about unintended consequences to submit comments to the FASB by the end of the comment period on March 31, 2025.

Background

Currently, most entities that prepare interim financial statements and notes in accordance with US GAAP are SEC registrants that apply not only Topic 270 but also SEC Regulation S-X Rule 10-01 (or if a smaller reporting company, Rule 8-03). Feedback the FASB received through its 2021 disclosure framework project indicated that Topic 270 is challenging to navigate due to initial codification of historical content and subsequent amendments as new accounting guidance was issued. In addition, in 2018 the SEC eliminated a requirement in S-X Rule 10-01 to disclose events with a material impact in condensed interim financial statements, thereby highlighting a need to add a similar disclosure principle to the FASB Codification.

Proposed amendments

Scope

The proposed amendments would clarify that Topic 270 applies only to full sets of financial statements and notes. In this context, a full set of financial statements shows all of the following: financial position, earnings, comprehensive income, cash flows and investments by and distributions to owners. Under the proposed amendments, Topic 270 would not apply to less extensive interim financial information, such as single statements, certain account balances, financial statement elements or ratios.

Form and content of interim financial statements and notes

The proposed amendments would provide more detailed guidance on the form and content of interim financial statements.

Entities that are...	Form and content of financial statements and notes...
SEC registrants	May present condensed format financial statements in accordance with S-X Rule 10-01 (or S-X Rule 8-03 if applicable) and limited notes subject to disclosure requirements in Topic 270.
Not SEC registrants	May present interim financial statements and notes as one of the following. <ul style="list-style-type: none">• Financial statements presented like annual statements and notes subject to applicable disclosure requirements in GAAP; or• 'Condensed statements' that are financial statements:<ul style="list-style-type: none">– aggregated in a condensed format in accordance with either S-X Rule 10-01 or S-X Rule 8-03 with notes subject to applicable annual disclosure requirements in GAAP;– presented like annual financial statements with limited notes subject to disclosure requirements in Topic 270; or– aggregated in a condensed format in accordance with either S-X Rule 10-01 or S-X Rule 8-03 with limited notes subject to disclosure requirements in Topic 270.



Currently Topic 270 does not provide specific form and content guidance for non-SEC registrants. However, in our experience, these entities generally apply the form and content guidance in Topic 270 and S-X Rule 10-01 to their interim financial statements. Therefore, the proposed amendments are not expected to significantly change practice.

Comprehensive list of interim disclosures required by GAAP

The proposed ASU would provide a comprehensive list of interim disclosure requirements, including those disclosures required for all interim financial statements and those disclosures required only for condensed interim financial statements with limited notes. This list responds to stakeholder concerns that the current interim disclosure guidance is fragmented and difficult to navigate.

Disclosure principle

In addition to the listed required interim disclosures, the proposed ASU would require entities issuing condensed interim financial statements to disclose any events or significant changes that have occurred since the most recent annual reporting period and have a material impact on the entity, such as:

- changes in accounting principles and practices;
- estimates inherent in the preparation of financial statements;
- new or revised long-term contracts;
- new borrowings or modification of existing financing arrangements; and
- changes in the reporting entity resulting from business combinations or dispositions.

Fundamental to the disclosure principle, there is a presumption that users of the interim financial statements and notes have read or have access to the latest annual financial statements. Therefore, the disclosure principle allows for the omission of disclosures that would substantially duplicate those in the latest annual financial statements.

In addition, when an entity discloses a change under the disclosure principle, it would consider the annual disclosure requirements for that type of event or transaction. While not all annual disclosures may be required, the entity would use judgment to provide those disclosures that are relevant to the specific event or transaction.



The incorporation in US GAAP of a disclosure principle is based on guidance that was removed from S-X Rule 10-01 in 2018. However, SEC registrants generally continue to apply the disclosure principle to their interim financial statements, and therefore the proposed amendment is not expected to change practice.

Effective dates and transition

The proposed ASU would be applied prospectively to interim financial statements issued after the effective date. The FASB will determine the effective date and whether to allow early adoption after considering stakeholder feedback.

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KPMG Financial Reporting View

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