

# SEC Financial Reporting Update

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**COMPLIANCE WEEK 2012**

# *SEC Financial Reporting Update*

## **Leases**

- Definition of a lease
- Lessee accounting
- Lessor accounting
- Investment property entities
- Business implications of forthcoming standards:
  - Lease-versus-buy decisions, lease negotiations, financial-statement analysis, investor relations, cost-plus contract pricing, rate-setting in regulated industries, asset-based taxes, global operations ...

## *SEC Financial Reporting Update*

### **Revenue from Contracts with Customers**

- New core principle for recognizing revenue
- New five-step procedure for applying the core principle
- 30% of ASC subtopics would be deleted or amended
  - Industry-specific revenue guidance would largely (but not completely) be eliminated
  - Remaining industry-specific revenue guidance would change significantly
- Major implications for contract negotiations

# *SEC Financial Reporting Update*

## **Financial Instruments**

- **Not** just for financial institutions
- Liquidity and interest rate risk disclosures
- Impairment
- Classification and measurement
- Hedging
- Business implications of forthcoming standards

# *SEC Financial Reporting Update*

## **IFRS / Convergence**

- Standard-level convergence between U.S. GAAP & IFRS
- IFRS variants
- SEC Work Plan
- Future role of FASB

## *SEC Financial Reporting Update*

### **Blurring the Line: Public vs. Private Companies**

- JOBS Act
  - Emerging Growth Companies (EGCs)
- FASB Projects:
  - Definition of a Nonpublic Entity
  - Private Company Decision-Making Framework
- FAF Private Company Council
- Career-Mobility Issues

## *SEC Financial Reporting Update*

### **eXtensible Business Reporting Language (XBRL)**

- Transitions:
  - "Furnished" to "filed"
  - Block tagging to granular tagging of notes
- 2012 U.S. GAAP Financial Reporting Taxonomy (UGT)
- What about IFRS filers?

## *SEC Financial Reporting Update*

### **"Weak Signals of Disruptive Change"**

- Sustainability accounting and reporting
- Islamic finance, accounting and reporting



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# **SEC Financial Reporting Update**

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June 4, 2012***



# *Disclaimer*

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***The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. Therefore, the views expressed today are our own, and do not necessarily reflect the views of the Commission or the other members of the staff of the Commission.***

# *Division of Corporation Finance – What We Do*

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- ❖ **Selectively review the disclosure documents filed by public companies (including initial registrations)**
- ❖ **Provide interpretive assistance on SEC rules and forms**
- ❖ **Recommend new and revised rules to the Commission**

# *Frequent CF Staff Comment Areas*

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- ❖ **Loss contingencies**
- ❖ **Realization of deferred tax assets**
- ❖ **Segment disclosures**
- ❖ **Pension accounting and disclosures**
- ❖ **Consolidation**
- ❖ **Non-GAAP measures**
- ❖ **Other**

# *Best Practices*

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- ✓ **Make sure accountants are involved for accounting matters**
- ✓ **Document your decision-making contemporaneously**
- ✓ **When in doubt, consider a formal or informal consultation with the SEC staff**
- ✓ **Understand the comment; feel free to give us a call!**
- ✓ **Respond promptly**
- ✓ **Make responses comprehensive**
- ✓ **Do not copy disclosure from other companies; use it as an example, but create your own**
- ✓ **Submit all correspondence with the Staff on EDGAR**

# *Other Efforts*

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## ***Commission Actions***

- ❖ ***Dodd-Frank Act Rulemaking and Studies***
- ❖ ***JOBS Act Rulemaking and Studies***
- ❖ ***Commission Statement in Support of Convergence and Global Accounting Standards***

# *Recent Communications*

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- ❖ ***CF Disclosure Guidance Topics***
  - ❖ ***No. 1 – Reverse Merger Observations***
  - ❖ ***No. 2 – Cyber-security***
  - ❖ ***No. 3 – Promotional and Sales Material pursuant to Industry Guide 5***
  - ❖ ***No. 4 – European Sovereign Debt***
  - ❖ ***No. 5 – Smaller Financial Institution Disclosures***
- ❖ ***Financial Reporting Manual – quarterly updates***

# *Appendix – Resources*

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## Information for Accountants

[www.sec.gov/divisions/corpfina/cfreportingguidance.shtml](http://www.sec.gov/divisions/corpfina/cfreportingguidance.shtml)

- **Division Financial Reporting Manual**
- **Compliance & Disclosure Interpretations**
- **Staff Accounting Bulletins**
- **Corporation Finance Comment Letters**
- **Corporation Finance Filing Review Process**
- **CF Disclosure Guidance Topics**



# *Appendix – Resources (cont)*

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## ***Whom do I contact for assistance and how?***

- ❖ **Comment Process – Disclosure Operations CF Staff**
  - Names and number will be on comment letter
  
- ❖ **Informal Question**
  - Financial Reporting – CF Office of Chief Accountant at (202) 551-3400 or submit request through online form at [https://tts.sec.gov/cgi-bin/corp\\_fin\\_interpretive](https://tts.sec.gov/cgi-bin/corp_fin_interpretive)
  - U.S. GAAP – SEC Office of the Chief Accountants at 202-551-5300 or [OCA@sec.gov](mailto:OCA@sec.gov)
  - Small Business Policy – CF Office of Small Business Policy (202) 551-3460
  - Interpretive questions - CF Office of Chief Counsel at 202-551-3500
  - EDGAR question – EDGAR Filer Support at 202-551-8900

# *Appendix – Resources (cont)*

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## ***Formal Requests related to financial reporting***

- ❖ **Pre-filing accommodations/waivers/interpretations of reporting requirements**
- ❖ **Address to the DCF Chief Accountant**
- ❖ **Mail or email to [dcaoletters@sec.gov](mailto:dcaoletters@sec.gov)**
- ❖ **Clearly state issue and relief sought**
- ❖ **Clearly state facts and relate them to analysis of issue**
- ❖ **Clearly state the basis for relief**

***Formal consultations on the application of GAAP should be sent to - [OCA@sec.gov](mailto:OCA@sec.gov)***

- ❖ **[www.sec.gov/info/accountants/ocasubguidance.htm](http://www.sec.gov/info/accountants/ocasubguidance.htm)**