



April 23, 2020

Ms. Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-01-20

Dear Ms. Countryman:

We appreciate the opportunity to share our views and provide input on the Securities and Exchange Commission's ("Commission" or "SEC") Proposed Rule (the "Proposal") – *Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*.

We commend the SEC for its comprehensive evaluation of the business and financial disclosure requirements set forth in Regulation S-K. We appreciate the Commission's continued efforts toward achieving the objectives of the Disclosure Effectiveness Initiative, which are further advanced by this Proposal to modernize, simplify, and enhance financial statement disclosures relating to Items 301, 302, and 303 of Regulation S-K. We also commend the SEC for incorporating the input received from preparers, investors, independent auditors, and other stakeholders in connection with its 2016 request for comment on *Business and Financial Disclosure Required by Regulation S-K*.

We support the Commission's efforts to provide principles-based guidance with clear disclosure objectives as part of the Proposal. In that regard, we believe the Proposal will provide issuers with the flexibility to tailor disclosures to present information that is relevant and useful based upon the issuer's individual facts and circumstances and the needs of investors. We encourage the Commission to consider input from investors and preparers with respect to the benefit (and related cost) of newly-required disclosures as well as those eliminated as part of the Proposal.

We are broadly supportive of the Commission's Proposal, including the elimination of Item 301 *Selected Financial Data* and Item 302 *Supplementary Financial Data*. In the following sections, we outline certain observations and suggestions related to the Proposal:

I. Item 303(a) - Management Discussion & Analysis - Critical Accounting Estimates (CAEs)

We are generally supportive of the proposed codification of and enhancements to the requirement to disclose CAEs. Information about CAEs can be helpful in understanding how events and the passage of time may impact the financial statements in the future. The Proposal amends Item 303(a) to specifically require disclosure of CAEs, including (1) why the estimate is subject to uncertainty, (2) how much the estimate has changed during the reporting period, and (3) the sensitivity of the reported amounts to the material methods, assumptions, and estimates underlying the estimate's calculation. The following are a few recommendations and observations for consideration:

- a. We believe that the analysis and discussion of CAEs should focus on the nature of the estimate and the related sensitivities. However, we do not believe disclosure of how much the estimate has changed during the reporting period should be required as it could result in investor confusion and unwarranted questioning of past judgements.

We believe that this is consistent with ASC 275, *Risks and Uncertainties*, which requires entities to disclose significant estimates and that the estimates are prepared using



information known at the time the financial statements are being prepared. Further, ASC 275 acknowledges that actual results could differ from estimates and that, as long as the risks and uncertainties relating to those estimates are disclosed, differences between estimate and actual are not necessarily an indication of error or a deviation from generally accepted accounting principles. ASC 275 requires disclosure of estimates when it is reasonably likely that there could be a material change in an estimate in the near term.

- b. As currently written, the Proposal as it relates to sensitivity analysis may be interpreted to provide preparers with limited flexibility to present sensitivities of material drivers of their CAEs. Accounting estimates are often developed using interrelated inputs and assumptions. Therefore, it may be most appropriate for a preparer to present sensitivities that incorporate the interrelationships of the material assumptions. We believe that, to the extent practicable, the sensitivity analysis should provide preparers with the flexibility to disclose the most meaningful presentation; this analysis, which should focus on assumptions that would have a material effect on the CAEs, should not necessarily isolate a particular assumption and should instead allow for the consideration of interrelationships of material assumptions.

II. Auditor responsibility for a review of the fourth quarter financial information

With the elimination of Item 302 *Selected Quarterly Financial Data*, the requirements of AS 4105 *Reviews of Interim Financial Information*, as currently written, will no longer be applicable. AS 4105.06 specifically states that a review of fourth quarter financial information is required when presented in a company's annual report and certain other SEC filings to comply with Item 302(a). We recommend that the Commission coordinate with the PCAOB to clarify whether a review would be required if an issuer voluntarily presents fourth quarter financial information in an SEC filing.

We would be pleased to discuss our comments or answer any questions that the Commission or SEC staff may have. Please contact John May at _____, Diane Howell at _____, or Scott Feely at _____ regarding our submission.

Sincerely,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP