The Association of Accountants and Financial Professionals in Business

October 28, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-15-16, Proposed Rule, *Disclosure Update and Simplification*

Dear Mr. Fields:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Securities and Exchange Commission (SEC) Proposed Rule, File No. S7-15-16, *Disclosure Update and Simplification* (Proposal).

The IMA is a global association representing over 80,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org (About IMA, Advocacy Activity, Financial Reporting Committee).

We appreciate the opportunity to comment on the proposed amendments to disclosure requirements. We are generally supportive of the proposed changes, and have the additional recommendations summarized below.

Develop Process for Disclosure Rationalization with the Financial Accounting Standards Board (FASB)

The proposed changes are disclosures that have become, over time, candidates for potential modification or deletion. We recommend the staff adopt a practice for addressing SEC disclosures that are impacted by FASB projects during the course of each project. Such a practice could eliminate the need for a periodic "clean-up" project such as this.

Proceed with Proposed Changes for Redundant, Duplicative, Overlapping, Superseded and Outdated Requirements

We found an abundance of common sense in these proposed changes, as summarized in Sections II, III, IV and V. We are very supportive of the proposed changes, with the following additional comments.

II. Redundant and Duplicative Requirements, B. Proposed Amendments, 14. Interim Financial Statements

We believe the proposed elimination of Rule 10-01(b)(5) of Regulation S-X may have an inadvertent impact of decreasing relevant information disclosed in the financial statements.

Rule 10-01(b)(5) of Regulation S-X requires disclosure of the effects of discontinued operations on revenues and net income. These effects may substantially differ from revenues and income included in discontinued operations disclosed pursuant to ASC 205-20-50-5B. The requirements of ASC 205-20-50-4B-c-2 include disclosing revenues and expenses presented, if any, in continuing operations after the disposal transaction that before the disposal transaction were eliminated in consolidated financial statements as intra-entity transactions. However, ASC 205-20-50-4B-c-2 only applies to discontinued operations in which the entity retains significant continuing involvement after the disposal date. It appears that ASC 205-20-50 does not include the corresponding requirement for discontinued operations in which the entity does not retain significant continuing involvement after the disposal date. As such, we propose referring Rule 10-01(b)(5) disclosure to the FASB for potential incorporation into Generally Accepted Accounting Procedures for the United States (US GAAP).

III. Overlapping Requirements, E. Overlapping Requirements – Potential Modifications, Eliminations, or FASB Referrals

Overall comment

We support referring these topics to the FASB, with the goal of convergence of the disclosures. In the event the FASB were to conclude that a present disclosure requirement of the SEC, that is incremental to US GAAP requirements, is not required, we recommend the SEC eliminate that disclosure requirement. We recognize the FASB does, at times, provide exceptions to its disclosure requirements for private entities. However, we believe such exceptions may be indicative that disclosure is not critical for public entities, as we have commented previously. Our comments on certain specific topics and questions in Section III follow.

1. REIT Disclosures – Tax Status of Distributions

Given the importance to REIT investors of the income tax treatment of distributions, we recommend consideration be given to incorporating this requirement into US GAAP.

5. Obligations

This is a topic of considerable interest to investors and, as such, we recommend consideration be given to incorporating current Regulation S-X requirements into US GAAP.

6. Preferred Shares

This is another topic of considerable interest to investors. It may be simpler to follow the Regulation S-X requirement to disclose any preferences in excess of par or stated value, rather than limit the requirement to preferences that are "considerably in excess."

7. Income Tax Disclosures

We believe this topic is a good opportunity for SEC and FASB convergence, particularly given the FASB's simplification project. In that context, we recommend the current five percent threshold in the effective rate reconciliation be revisited, as it can result in an unnecessarily large number of line items when pre-tax income is relatively small.

Regarding Question 62 in Section III of the Proposal, the distinction between domestic and foreign income and income tax expense seems to be relevant, at least until a greater degree of global income tax harmonization is achieved. However, we do not believe that further disaggregating foreign amounts by foreign jurisdiction would provide useful information; as such disaggregation would neither reflect exposure to future foreign tax nor shed light on future potential repatriation.

15. Legal Proceedings

Given the amount of repetition that is currently present in many filings, we agree this is a potential topic for SEC and FASB convergence. As the table, discussion and Question 68 indicate, inclusion of disclosures in the audited financial statements that are not currently required there could create burdens and unintended consequences for preparers, auditors and lawyers. Accordingly, it is important that those parties be part of the convergence effort.

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We would be pleased to discuss our comments with the SEC staff at their convenience.

Sincerely,

Nancy J. Schroeder, CPA
Chair, Financial Reporting Committee
Institute of Management Accountants
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