



November 1, 2016

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

Re: File Number S7-15-16

Dear Mr. Fields:

We appreciate the opportunity to share our views and provide input on the Securities and Exchange Commission's (the "SEC" or the "Commission") proposal, *Disclosure Update and Simplification* (the "Proposal" or "Proposing Release"). We commend the SEC for its comprehensive evaluation of existing disclosure requirements to determine and eliminate redundancies, duplication, and overlap with existing reporting frameworks and remove requirements that may be outdated or superseded.

Our recommendations are based on our experiences in working with the SEC's disclosure requirements as independent auditors. The body of this letter provides our overall observations while the Appendix outlines more specific comments with respect to the proposed amendments.

### **Overall objective of the proposing release**

In general, we believe the proposed amendments will facilitate the disclosure of material information to investors while simplifying compliance efforts.

While we support most of the proposed changes, we do not believe the proposals that simply move disclosure from Regulation S-X to the FASB Accounting Standards Codification are a worthwhile use of the SEC or FASB's time. We do not believe the benefit would exceed the cost of the effort required for the SEC to propose and adopt a rule to eliminate a disclosure requirement from Regulation S-X and for the FASB to propose and adopt a rule to include the same or very similar disclosure in the codification. We recommend that as the FASB proposes new guidance on various topics that it consider the requirements of Regulation S-X. If the FASB adopts the same or similar requirement, the SEC could then eliminate the comparable Regulation S-X requirement contemporaneously.

For purposes of our commentary on the proposed amendments included in the Appendix, for those items in Regulations S-X that are incremental to GAAP and for which we believe there is merit in retaining the additional disclosures, we indicated that they should be referred to the FASB for possible inclusion in the codification.

### **Future redundancies and outdated requirements**

We encourage the Commission to undertake a regular review of its disclosure requirements to identify redundancies and outdated requirements, including those that arise from new accounting standards, in order to limit future instances of overlapping and duplicative disclosures. For example, the FASB has a standing project on its agenda to address feedback received from stakeholders on the Accounting Standards Codification, which generates periodic proposals of "Technical Corrections and Improvements." The FASB's issuance of new guidance related to revenue recognition (ASC 606) provides significantly



enhanced presentation and disclosure requirements which, in some instances, may be redundant to or overlap current Commission requirements. Rule 5-02.3(c), for example, requires disclosure about receivables due under long-term contracts and Rule 5-03.1 requires a specific approach to disaggregation of revenue, both of which may be considered outdated or superseded by the disclosure requirements in ASC 606 when that guidance becomes effective. Similar overlap may exist as it relates to other recently issued accounting standards, such as the FASB's recently issued standard relating to leasing.<sup>1</sup>

### **Interaction with the FASB Disclosure Framework Project**

The Proposing Release acknowledges the potential interaction with the FASB's Disclosure Framework project. As currently scoped, we do not believe the FASB project will have a significant effect on the proposed amendments. For example, we do not believe the FASB's interim reporting project will significantly affect the proposed amendments in the Proposing Release. The FASB project is intended to align the disclosure requirements for interim reporting with the objective of highlighting only material events and changes that have occurred subsequent to the end of the most recent fiscal year, which is consistent with the SEC's Disclosure Effectiveness Initiative. We believe that any interim disclosure requirements referred to the FASB should be considered in light of that objective.

#### *Income tax disclosures*

With respect to income tax disclosures, we observe that, as part of its Disclosure Framework Project, the FASB recently issued a proposal<sup>2</sup> that would modify the current income tax disclosure requirements under US GAAP (the "Proposed Income Tax ASU"). As a result, a substantial portion of the additional disclosures proposed for deletion with respect to income taxes have recently been deliberated by the FASB.

As part of its decision making process, the FASB deliberated certain requirements considered in the Proposing Release, including the utility of further disaggregation of foreign income and income tax expense by significant jurisdiction. Once the FASB project is completed and a final ASU issued, we recommend that the SEC not redeliberate income tax disclosures further.

In addition, by replacing the term "public entity" with the term "public business entity," we believe the FASB determined that the additional benefits of expanding the income tax disclosure requirements to Regulation A and crowdfunding issuers would exceed the additional costs. We believe the SEC should similarly restrict application of any additional tax disclosures.

If the FASB adopts a final ASU on income taxes, we recommend that the Commission consider eliminating Rule 4-08(h), along with Commission and staff interpretive guidance, in its entirety absent a specific disclosure objective that necessitates an incremental requirement. However, if the Proposed Income Tax ASU is not adopted or there are significant changes to the disclosures as proposed, we recommend that the SEC consider the comments received by the FASB as part of its standard setting process in determining whether further amendments should be made to Rule 4-08(h).

---

<sup>1</sup> For example, the Tabular Contractual Obligations disclosure in Item 303 refers to "Capital Lease Obligations" and "Operating Lease Obligations" but these terms will be superseded upon adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*.

<sup>2</sup> Proposed Accounting Standards Update 2016-270, *Income Taxes (Topic 740) Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes*



### **Disclosure location considerations**

We believe the notes to the financial statements should be limited to explanations of historical information included in the financial statements. Forward-looking information and other voluntary disclosure can provide important insight into a registrant's financial and operational activities, but should generally be provided outside the notes to the financial statements. We believe that adding forward-looking information in the notes (1) is not consistent with the objectives of financial statements and (2) introduces potential liability issues for preparers and potential verification and auditability issues for auditors.

We also observe that electronic data analysis and search tools render the physical location of a disclosure within a document less relevant. Users may not read the information "front to back," but generally focus on selected sections (items) they find useful. As a result, we do not have a preference or concern over the physical or sequential location of disclosures. We do not think prominence is a function of the item in which a disclosure is required. For example, we do not believe that something disclosed in Item 1 is more prominent solely based on location. A user that is familiar with the business and with reading similar filings might choose not to read Item 1 but instead focus on Item 7 for MD&A or Item 8 for the financial statements.

### **Legal proceedings**

We do not support combining Item 103 of Regulation S-K (Legal Proceedings) with ASC 450, *Contingencies*, as outlined in the Proposing Release. However, we do believe it would be worthwhile for the Commission to evaluate whether disclosures provided under the requirements of Item 103 can be made more useful. We believe the Commission should better articulate the objective of disclosures for legal proceedings and that the underlying requirements should be consistent with that disclosure objective.

As the Commission indicates in the Proposing Release, while there are similarities in the subject, there are differences in the concepts and objectives of the disclosures in Item 103 of Regulation S-K and ASC 450. The disclosures required by ASC 450 are designed to be consistent and complementary with the accounting model for recognition and measurement of a loss contingency. We do not believe adding additional disclosures that are not necessarily consistent or complementary with the accounting model would be beneficial to financial statement users. Further, some of the disclosures that would be referred to the FASB were recently considered by the FASB as proposed changes to ASC 450, but the FASB ultimately concluded, based on constituent feedback, not to make those amendments.<sup>3</sup>

As the Commission considers amendments to Item 103, we encourage it to consider how changing the disclosure requirements would result in improved information for investors. The Commission should avoid developing requirements that would result in disclosure that does not provide increased decision-useful information.

If the Commission chooses to refer the requirements in Item 103 to the FASB for proposed integration into ASC 450 as discussed in the Proposing Release, we believe an appropriately revised ABA Statement of

---

<sup>3</sup> See Proposed Accounting Standards Update, *Disclosure of Certain Loss Contingencies* (July 10, 2010). The FASB's proposal would have included disclosures, for example, of the name of the court or agency in which the proceedings are pending; the date instituted; the principal parties to the proceedings; and a description of the factual basis alleged to underlie the proceedings. The proposal would also have required disclosure of certain remote loss contingencies with a potentially severe impact. This project was removed from the FASB's standard-setting agenda in 2012.



Policy<sup>4</sup> and PCAOB auditing standards<sup>5</sup> would likely need to be in place before auditors would be able to audit the disclosures that rely on legal judgments.

**Bright-line disclosure threshold considerations**

We believe a number of the bright-line thresholds included in the SEC disclosure requirements could be eliminated. Prescriptive thresholds fail to consider if the incremental information would be material, which is specific to each separate set of financial statements and based on both quantitative and qualitative considerations. In addition, we observe that the SEC’s proposal to eliminate many of the bright-line disclosure requirements is consistent with the proposed elimination of “at a minimum provide” disclosures contained in US GAAP.<sup>6</sup>

\* \* \* \* \*

We would be pleased to discuss our comments or answer any questions that the Commission may have. Please contact John May at [REDACTED], Wayne Carnall at [REDACTED], or Diane Howell at [REDACTED].

Sincerely,

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

---

<sup>4</sup> American Bar Association Statement of Policy Regarding Lawyers’ Responses to Auditors’ Requests for Information (December 1975)

<sup>5</sup> For example, AS 2505, *Inquiry of a Client’s Lawyer Concerning Litigation, Claims, and Assessments*.

<sup>6</sup> Proposed Accounting Standards Update 2015-310, *Notes to Financial Statements (Topic 235) – Assessing Whether Disclosures Are Material*



**Appendix**

**Redundant or Duplicative Requirements – Section II.B of the Proposing Release**

<b>Topic</b>	<b>Observations</b>
<b>1. Foreign Currency</b>	<p>We do not support eliminating the third sentence of Rule 3-20(d) of Regulation S-X, which defines the currency of an operation's primary economic environment and a hyperinflationary environment. While the definitions are the same as included in ASC 830, its applicability is different. As explained in the Proposing Release, 33-7054 and the adopting release 33-7117, the guidance in Rule 3-20(d) of Regulation S-X was developed to apply to the issuer, i.e., the parent company. The guidance in ASC 830 addresses the determination of the currency used for measurement and the assessment of a hyperinflationary environment for a subsidiary. The incremental guidance in Rule 3-20(d) was considered necessary as foreign private issuers could choose their reporting currency and the Commission did not believe that the selection of the reporting currency should impact the determination of the currency used for measurement.</p> <p>We recommend retaining the last sentence of the first paragraph of Rule 3-20(d) of Regulation S-X, which specifies compliance with Item 17(c)(2) of Form 20-F, which requires disclosure and quantification of departures from the specified methodology if the financial statements are prepared on a basis other than US GAAP or IFRS.</p>
<b>2. Consolidation</b>	We support the proposed amendments to the disclosure requirements.
<b>3. Obligations</b>	We support the proposed amendments to the disclosure requirements.
<b>4. Income Tax Disclosures</b>	We support the proposed amendments to the disclosure requirements. See our observations in the cover letter.
<b>5. Warrants, Rights, and Convertible Instruments</b>	We support the proposed amendments to the disclosure requirements.
<b>6. Related Parties</b>	We support the proposed amendments to the disclosure requirements.
<b>7. Contingencies</b>	We support the proposed amendments to the disclosure requirements.
<b>8. Earnings per Share</b>	We support the proposed amendments to the disclosure requirements.
<b>9. Insurance Companies</b>	We support the proposed amendments to the disclosure requirements.
<b>10. Bank Holding Companies</b>	We support the proposed amendments to the disclosure requirements.



<b>11. Changes in Accounting Principles</b>	We support the proposed amendments to the disclosure requirements.
<b>12. Interim Adjustments</b>	We support the proposed amendments to the disclosure requirements.
<b>13. Interim Financial Statements – Common Control Transactions</b>	We support the proposed amendments to the disclosure requirements.
<b>14. Interim Financial Statements – Dispositions</b>	We support the proposed amendments to the disclosure requirements.

**Overlapping Requirements – Proposed Deletions – Section III.C of the Proposing Release**

<b>Topic</b>	<b>Observations</b>
<b>1. REIT Disclosures – Undistributed Gains or Losses on the Sale of Properties and Status as a REIT</b>	We support the proposed amendments to the disclosure requirements.
<b>2. Consolidation – Difference in Fiscal Periods and Changes in Fiscal Periods</b>	We support the proposed amendments to the disclosure requirements.
<b>3. Repurchase and Reverse Repurchase Agreements – Balance Sheet Presentation, Disaggregated Disclosures, and Collateral Policy</b>	<p>We support the proposed deletions in Rule 4-08(m) except for the deletion of the requirement to disclose the registrant’s policy with regard to taking possession of securities or other assets purchased under agreements to resell (that is, reverse repurchase agreements).</p> <p>As noted in the Proposing Release, US GAAP is not as specific with respect to taking possession of collateral. Therefore, we recommend that the disclosure be referred to the FASB for potential incorporation into US GAAP. We believe that disclosure about possession of collateral is an important aspect of reverse repurchase agreements and is useful information in understanding the credit risk associated with the transactions in which the registrant does not take possession of the collateral.</p>
<b>4. Derivative Accounting Policy</b>	We support the proposed amendments to the disclosure requirements.
<b>5. Distributable Earnings for Registered Investment Companies</b>	We support the proposed deletion and amendments to the disclosure requirements.



<p><b>6. Insurance Companies – Liability Assumptions and Reinsurance Transactions</b></p>	<p>We support the proposed amendments to the disclosure requirements.</p> <p>In addition, we do not believe the disclosure requirements for material nonrecurring reinsurance transactions should be referred to the FASB for potential incorporation into US GAAP. We believe nonrecurring reinsurance transactions are addressed by the disclosure requirements of ASC 944-20-50-3.<sup>7</sup></p>
<p><b>7. Interim Financial Statements – Material Events Subsequent to the End of the Most Recent Fiscal Year</b></p>	<p>We support the proposed amendments to the disclosure requirements.</p>
<p><b>8. Interim Financial Statements – Changes in Accounting Principles</b></p>	<p>We support the proposed amendments to the disclosure requirements.</p> <p>The Proposing Release also questions whether the disclosure of the date of any material accounting change is necessary in light of the US GAAP requirement to disclose changes in accounting principles in the period of change. In our view, the actual date of change is unnecessary given the US GAAP requirements set forth in ASC 250,<sup>8</sup> which not only require an issuer to inform the reader that a change was made during the interim period, but also to communicate the reason the change was made, why the new principle was considered preferable, the method of applying the change, and any indirect effects of the change.</p>
<p><b>9. Interim Financial Statements – Pro Forma Business Combination Information</b></p>	<p>We support the proposed amendments to the disclosure requirements.</p> <p>In addition, as noted in our comment letter dated November 25, 2015 in response to the <i>Request for Comment on the Effectiveness of Financial Disclosures about Entities Other Than the Registrant</i>, we recommend that the Commission coordinate with the FASB to establish more consistency between the proforma presentation requirements in ASC 805<sup>9</sup> and Article 11.</p>
<p><b>10. Interim Financial statements – Dispositions</b></p>	<p>We support the proposed amendments to the disclosure requirements.</p> <p>As noted in the Proposing Release, smaller reporting companies are currently required to file proforma financial information for significant disposed businesses under Item 9.01 of Form 8-K. We understand there may be diversity in practice as the text of Rule 8-05 only refers to significant acquisitions and does not specifically refer to dispositions. In order for Item 9.01 of Form 8-K to sufficiently substitute for the disclosure requirements in Rule 8-03(b)(4), Rule 8-05 could be amended to address significant dispositions.</p>

<sup>7</sup> Accounting Standards Codification Subtopic 944-20, *Financial Services – Insurance: Insurance Activities*

<sup>8</sup> Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*

<sup>9</sup> Accounting Standards Codification Topic 805, *Business Combinations*



<b>11. Segments</b>	We support the proposed amendments to the disclosure requirements.
<b>12. Geographic Areas – Financial Information and Risks and Dependence</b>	We support the proposed amendments to the disclosure requirements.
<b>13. Seasonality – Interim Disclosures and Annual Disclosures</b>	We support the proposed amendments to the disclosure requirements.
<b>14. Research and Development Activities – Domestic Issuers, Foreign Private Issuers, and Regulation A Issuers</b>	We support the proposed amendments to the disclosure requirements.
<b>15. Warrants, Rights, and Convertible Instruments</b>	We support the proposed amendments to the disclosure requirements.
<b>16. Dividends</b>	We support the proposed amendments to the disclosure requirements. However, it is not clear to us if the Commission’s intent is to require the changes in stockholders’ equity and noncontrolling interests to be required for just the year-to-date period, or the quarter as well.
<b>17. Equity Compensation Plans</b>	We support the proposed deletion of the requirements in Item 201(d) with the exception of the requirement to disclose “any formula for calculating the number of securities available for issuance under the plan.” We recommend that this disclosure be referred to the FASB for potential incorporation into US GAAP. This information might be useful to investors, if material. ASC 718 <sup>10</sup> provides a general disclosure objective that may imply this information should be disclosed. However, in our experience, such disclosure is not likely to occur without further clarification of how the general disclosure objective applies to formulas for calculating the number of securities to be awarded.
<b>18. Ratio of Earnings to Fixed Charges</b>	We support the proposed amendments to the disclosure requirements.

<sup>10</sup> Accounting Standards Codification Topic 718, *Compensation – Stock Compensation*





**Overlapping Requirements – Proposed Integrations – Section III.D of the Proposing Release**

Topic	Observations
<p><b>1. Foreign Currency Restrictions</b></p>	<p>While it could be viewed as implicit, Rule 3-20 of Regulation S-X does not explicitly require the use of the US dollar. Rather than changing Regulation S-X to explicitly require US companies to report in US dollars, we recommend that the Commission consider providing US registrants the same flexibility in selecting their reporting currency as a foreign private issuer.</p> <p>Alternatively, consideration should be given to codifying the staff policy to allow domestic issuers that have substantially all of their operations in a particular country to report using that reporting currency.<sup>11</sup> There are some domestic registrants that have substantially all of their operations in a foreign country whose financial statements and MD&amp;A may be more understandable if presented in the currency of that country. For example, if the financial statements were prepared using the home country currency, there would not be variations in balances and amounts between years simply because of translation into US dollars.</p> <p>For the same reasons, we believe that a foreign business that does not meet the definition of a foreign private issuer should be allowed to choose its reporting currency (i.e., similar to a foreign private issuer). Additionally, the foreign business may be required to use a currency other than the US dollar to prepare financial statements in a different market and it would not be beneficial to the shareholders to require the company to prepare financial statements using a different reporting currency solely for SEC reporting purposes.</p> <p>We do not have concerns with the proposal to move the restriction in Rule 3A-02 of Regulation S-X to Rule 3-20 of Regulation S-X.</p>
<p><b>2. Restrictions on Dividends and Related Items – Domestic Issuers and Foreign Private Issuers</b></p>	<p>We support the proposed amendments to the disclosure requirements.</p>

<sup>11</sup> Section 6640 of the Division of Corporation Finance’s Financial Reporting Manual states: “S-X 3-20 requires that a US-incorporated registrant will present its financial statements in US dollars. In limited instances, the staff has not objected to the use of a different reporting currency. Those instances have been limited to situations where the US-incorporated registrant had little or no assets and operations in the US, substantially all the operations were conducted in a single functional currency other than the US dollar, and the reporting currency selected was the same as the functional currency. The staff has also not objected when a foreign issuer who does not meet the definition of a foreign private issuer applies this approach in similar circumstances.”



<b>3. Geographic Areas</b>	<p>We support the proposed deletion of Item 101(d)(4). However, we question whether the proposed revisions to Item 303 are necessary and believe they could be confusing as currently drafted. We believe the addition of the phrase “geographic area” right after “for each reportable segment” could be interpreted by some registrants to mean that separate MD&amp;A discussions are required first on a segment by segment basis and then for the entire business broken down by geographic area, regardless of the basis for segment reporting. Others may interpret the amendments as providing a choice to reflect MD&amp;A on a segment basis or geographic basis. Accordingly, we recommend that the Commission clarify the proposed revisions to avoid this potential misinterpretation.</p>
----------------------------	---

**Overlapping Requirements – Potential Modifications, Eliminations, or FASB Referrals – Section III.E of the Proposing Release**

<b>Topic</b>	<b>Observations</b>
<b>1. REIT Disclosures – Tax Status of Distributions</b>	<p>We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.</p>
<b>2. Consolidation</b>	<p>While we do not oppose referral of the disclosure requirements to the FASB for potential incorporation into US GAAP, we observe that existing requirements may be sufficient to achieve the disclosure objective. For instance, ASC 810-10-50B<sup>12</sup> provides disclosure requirements for the deconsolidation of a subsidiary or a group of assets and ASC 805 provides disclosures upon acquisition of a controlling financial interest in a business.</p>
<b>3. Discount on Shares</b>	<p>While we do not oppose referral of the requirement that discounts on shares be presented separately as a deduction from the applicable accounts to the FASB for incorporation into GAAP, we question whether the requirement provides useful information to investors given the following:</p> <ul style="list-style-type: none"> <li>• Stock issue costs within equity do not amortize and thus we do not see the ongoing relevance of such information</li> <li>• In the period of issuance, separate presentation of such costs would be required in the financing section of the statement of cash flows</li> <li>• Other discounts to par or stated value are likely captured by other disclosure requirements (e.g., see Preferred Shares discussion in the Proposing Release)</li> </ul>

<sup>12</sup> Accounting Standards Codification Topic 810, *Consolidation*



<b>4. Assets Subject to Lien</b>	We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.
<b>5. Obligations – Defaults Not Cured, Waived Defaults, Changes in Obligations, and Amounts and Terms of Financing Arrangements</b>	We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.
<b>6. Preferred Shares</b>	We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.
<b>7. Income Tax Disclosures</b>	As noted in our cover letter, if the FASB adopts the Proposed Income Tax ASU as a Final ASU, we recommend that the Commission consider eliminating Rule 4-08(h) in its entirety, along with Commission and staff interpretive guidance, absent a specific disclosure objective that necessitates retaining the requirement.
<b>8. Related Parties</b>	We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.
<b>9. Repurchase and Reverse Repurchase Agreements</b>	We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.
<b>10. Interim Financial Statements – Computation of Earnings Per Share</b>	<p>We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.</p> <p>As highlighted in the Proposing Release, US GAAP does not explicitly require disclosure of the computation of EPS in interim filings. However, the disclosure requirements in ASC 260-10-50-1<sup>13</sup> (which include the reconciliation of the numerators and denominators of basic and diluted earnings per share) are required “for each period for which an income statement is presented.” We note the Basis for Conclusions to FASB No. 128<sup>14</sup> indicates that the Board decided to require the reconciliation of the numerators and denominators of the basic and diluted EPS computations because “the reconciliation is simple and straightforward and will help users better understand the dilutive effect of certain securities included in the EPS computations.” The Basis for Conclusions also indicates that the “reconciliation required by this Statement should satisfy the SEC requirement...” However, APB 28<sup>15</sup> (now ASC 270) was not amended to specifically mention the computation of EPS in the minimum required disclosures for interim financial statements. In light of these observations and the importance of EPS in interim financial statements, we support the potential clarification to US GAAP.</p>

<sup>13</sup> Accounting Standards Codification Topic 260, *Earnings per Share*

<sup>14</sup> FASB Statement No. 128, *Earnings per Share*

<sup>15</sup> APB 28, *Interim Financial Reporting*



<p><b>11. Interim Financial Statements – Retroactive Prior Period Adjustments</b></p>	<p>We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP.</p> <p>With respect to whether the application of the requirement to disclose the effect of retroactive prior period adjustments on retained earnings to smaller reporting companies would result in additional costs, we observe that these companies must account for retroactive changes in the same manner as companies that are not smaller reporting companies. Therefore, smaller reporting companies are already required to determine the impact of any such changes on retained earnings in order to recast their financial statements.</p>
<p><b>12. Interim Financial Statements – Common Control Transactions</b></p>	<p>We support referral of the disclosure requirements to the FASB for potential incorporation into US GAAP. We believe that investors in certain entities, such as MLPs, may benefit from receiving information on key financial statement line items (e.g., income from continuing operations, net income) on a separate basis for comparable periods prior to a combination of entities under common control.</p> <p>However, we question whether the supplemental separate results of the combined entities should be limited to interim periods, as currently proposed, particularly if separate entity results would be useful to investors. While the Proposing Release points to ASC 250-10-50-6 as the source of existing overlapping requirements on an annual basis, we do not believe those disclosures accomplish the same objective. We observe that such disclosures are only provided in the year of the change, rather than for each period until such entities have been combined for all periods presented.</p>
<p><b>13. Products and Services</b></p>	<p>We believe the existing disclosure requirements about products and services in ASC 280<sup>16</sup> and Item 101 are similar to such an extent that it would be appropriate to delete the disclosure requirements in Item 101. Further, we do not believe that any of the differences in the disclosure requirements should be referred to the FASB for potential incorporation into US GAAP. While US GAAP provides an impracticability exception, we observe that the exception is infrequently utilized. To the extent it is invoked, we have observed the same impracticability issues with the Item 101 disclosure.</p> <p>As it relates to the bright lines in Item 101(c)(1)(i), we believe the US GAAP disclosures are appropriate and sufficient, particularly considering the range of judgment necessary to aggregate revenue by classes of “similar products or services.”</p> <p>With respect to whether issuers encounter challenges in disclosing revenue by products and services, it is our observation that most issuers identify their operating segments on the basis of product or service. In our experience, it is uncommon for issuers that define segments based on geography to assert that it is impracticable to disclose revenue based on products and services or groups of similar products and services.</p>

<sup>16</sup> Accounting Standards Codification Topic 280, *Segment Reporting*



<p><b>14. Major Customers</b></p>	<p>We believe the disclosure requirements about major customers in ASC 280 and Item 101 are substantially similar in that they share a common objective: to inform readers about significant concentrations in revenue with one or more customers. Accordingly, we recommend that the SEC delete its disclosure requirement with respect to major customers in Items 101(c)(1)(vii) and 101(h)(4)(vi) and request the FASB to consider at a future date whether (1) requiring or encouraging the naming of significant customers is necessary and appropriate and (2) to retain the current 10% bright line in ASC 280-10-50-42 for disclosure of revenue concentration by customer.</p>
<p><b>15. Legal Proceedings</b></p>	<p>See our observations in the cover letter.</p>
<p><b>16. Oil and Gas Producing Activities</b></p>	<p>While we believe ASC 932-235<sup>17</sup> is generally interpreted to apply to each period presented, we support referral of the disclosure to the FASB in order to clarify US GAAP. If the incremental requirement is ultimately added, we encourage the Commission to also delete Instructions 2 and 3 of Item 302(b).</p> <p>It is our understanding that the current requirement that exempts smaller reporting companies from providing the oil and gas information under ASC 932 was simply a drafting error when the Commission incorporated the concepts of Regulation S-B into Regulation S-K and Regulation S-X. Regulation S-B did not provide an exemption from providing the supplemental disclosures required by US GAAP for companies engaged in oil and gas producing activities. Regulation S-B also did not require smaller reporting companies to provide the quarterly information other companies are required to provide under Item 302 of Regulation S-K, Supplemental Financial Information. When the Commission incorporated Regulation S-B into Regulation S-X and Regulation S-K, they created Item 302(c) of Regulation S-K indicating that smaller reporting companies did not need to comply with this section. We believe this paragraph should have only exempted smaller reporting companies from providing the information required by Item 302(a). This would be consistent with the objective of incorporating the concepts of Regulation S-B into Regulations S-X and S-K.</p> <p>We believe amending Item 302 to limit the exemption to paragraph (a) and thus require disclosure of the information under paragraph (b) would be appropriate. It is not clear what action the FASB should take to address this issue given such disclosures are already required by GAAP.</p>

<sup>17</sup> Accounting Standards Codification Subtopic 932-235, *Extractive Activities – Oil and Gas: Notes to Financial Statements*



**Outdated Requirements – Section IV of the Proposing Release**

<b>Topic</b>	<b>Observations</b>
<b>1. Stale Transition Dates</b>	We support the proposed amendments to the disclosure requirements.
<b>2. Income Tax Disclosures</b>	We support the proposed amendments to the disclosure requirements.
<b>6. Foreign Private Issuer (FPI) Initial Public Offering (IPO) Age of Financial Statements</b>	We support the proposed amendments to the disclosure requirements.

**Superseded Requirements – Section V of the Proposing Release**

<b>Topic</b>	<b>Observations</b>
<b>1. Auditing Standards</b>	We support the proposed amendments to the disclosure requirements.
<b>2. Statement of Cash Flows</b>	We support the proposed amendments to the disclosure requirements.
<b>3. Gain or Loss on Sale of Properties by REITs</b>	We support the proposed amendments to the disclosure requirements.
<b>4.a. Consolidation – Difference in Fiscal Periods</b>	We support the proposed amendments to the disclosure requirements.
<b>4.b. Consolidation – Bank Holding Company Act of 1956</b>	We support the proposed amendments to the disclosure requirements.
<b>4.c. Consolidation – Intercompany Transactions Generally</b>	We support the proposed amendments to the disclosure requirements.
<b>4.d. Consolidation – Intercompany Transactions in Separate Financial Statements</b>	We support the proposed amendments to the disclosure requirements.



<b>4.e. Dividends Per Share In Interim Financial Statements</b>	We support the proposed amendments to the disclosure requirements.
<b>4.f. Interim Financial Statements – Pro Forma Business Combination Information</b>	We support the proposed amendments to the disclosure requirements.
<b>5. Development Stage Entities</b>	We support the proposed amendments to the disclosure requirements. We also recommend that the definition of development stage entity be deleted from Rule 1-02(h).
<b>6. Insurance Companies – Statutory Accounting Requirements, Reinsurance Recoverable, and Separate Account Assets</b>	We support the proposed amendments to the disclosure requirements.
<b>7. Bank Holding Companies – Net Presentation and Goodwill</b>	We support the proposed amendments to the disclosure requirements.
<b>8. Discontinued Operations</b>	<p>We generally support the proposed amendments to the disclosure requirements.</p> <p>However, we believe the SEC should consider different revisions to Item 302 to better accomplish the disclosure objective outlined. In lieu of the proposed changes, we recommend that the SEC amend Item 302(a)(1) to require that the supplementary quarterly financial information include “income (loss) from continuing operations” where it previously had required “income (loss) before extraordinary items and cumulative effect of a change in accounting principle.” Presenting “income (loss) from continuing operations” as well as “net income (loss)” would highlight the effects of discontinued operations.</p> <p>We note that when the proposed edits to the SEC Demonstration version of the Proposal, Item 302(a)(1) requires disclosure of “income (loss),” which instead should refer, as we suggest above, to “income (loss) from continuing operations.</p> <p>We also recommend that the SEC reconsider what interim period financial metrics it requires to be disclosed on a per share basis and make them consistent with measures that are presented on the face of the interim income statements.</p>



<b>9. Pooling-of-Interests</b>	We support the proposed amendments to the disclosure requirements.
<b>10. Statement of Comprehensive Income</b>	We support the proposed amendments to the disclosure requirements.
<b>11. Extraordinary Items</b>	We support the proposed amendments to the disclosure requirements.
<b>12. Cumulative Effect of Changes in Accounting Principles</b>	We support the proposed amendments to the disclosure requirements.
<b>14. Selected Financial Data for Foreign Private Issuers that Report under IFRS</b>	We support the proposed amendments to the disclosure requirements.
<b>15. Canadian Regulation A Issuers</b>	We support the proposed amendments to the disclosure requirements.
<b>16. Non-Existent or Incorrect References</b>	We support the proposed amendments to the disclosure requirements.