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March 21, 2019

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

Re: File No. S7-26-18
Request for Comment on Earnings Releases and Quarterly Reports

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's (SEC or Commission) *Request for Comment on Earnings Releases and Quarterly Reports*.

The IMA is a global association representing over 100,000 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, Financial Reporting Committee).

Summary

We commend the efforts of the Commission to explore ways to reduce the administrative burden associated with quarterly reporting, specifically as it relates to reducing lengthy disclosures in the Form 10-Q that are often repetitive of prior disclosures. It is our view that the current practice of furnishing voluntary earnings releases and separate form 10-Q filings is functioning well and allows companies the flexibility to provide information that investors need in a timely manner while also complying with the extensive regulatory requirements of the Form 10-Q. In addition, our experience is that investors prefer to receive and benefit from information on a more frequent basis (i.e. quarterly). Even if semi-annual reporting were required, we believe that most companies would continue to provide financial information on a quarterly basis, consistent with the approach taken by many large foreign filers currently. Therefore, we continue to believe that quarterly reporting is appropriate. Rather than a focus on frequency of filing, we believe exploring ways to simplify the content of the Form 10-Q filing will result in the most meaningful improvements to the interim financial reporting process while continuing to provide investors with relevant information.

We have previously expressed our support for the Commission's efforts to rethink Regulation S-K, specifically with regards to re-focusing quarterly disclosures on presenting material new information or significant quantitative or qualitative changes to matters disclosed in the most recently filed Form 10-K. We encourage the SEC to focus efforts in this project on reducing the level of duplication and volume of quarterly Form 10-Q disclosures by providing additional guidance, possibly in coordination with the Financial Accounting Standards Board (FASB), on how to determine what financial statement disclosures in interim periods are truly important to investors and used by them.

Information Content Resulting from the Quarterly Reporting Process

It is our view that voluntary earnings releases and the Form 10-Q serve different purposes and can provide different information to investors. The earnings release allows companies the flexibility to provide information that is most relevant to immediate investor needs with respect to the results of current operations, updates to strategic plans and, for many companies, earnings guidance for upcoming periods. The earnings release also provides companies with the opportunity to communicate with investors in a more timely and succinct manner because it does not include the extensive regulatory and administrative requirements of the Form 10-Q.

The Form 10-Q provides more expansive detail on the information presented in the earnings release, including extensive footnotes. The preparation of the Form 10-Q encompasses the management certification process and the review of the independent auditors, which for many registrants may not be completed at the time of the earnings release due to the additional disclosures required in the Form 10Q. These activities, as well as the more expansive nature of the Form 10Q, serve as important investor protections. Combining these documents may delay the release of pertinent information to investors. For this reason, it is our view that the earnings release and the Form 10-Q should remain separate documents. In addition, we believe that the earnings release should continue to be a furnished communication, outside the scope of Regulations S-X and S-K.

The most significant area of cost and effort associated with the quarterly filing process continues to be the extensive disclosures required for the Form 10-Q filings. The Form 10-Q must be prepared in accordance with both Article 10 of Regulation S-X and applicable U.S. GAAP. Concepts Statement 8, Chapter 8, *Notes to the Financial Statements* and Article 10 of Regulation S-X both provide similar guidance on interim reporting, noting that interim-period financial statements are an update to the most recent annual financial statements and thus should focus on new information or significant changes to matters disclosed in the most recent financial statements. However, new standards issued by the FASB have increasingly required extensive disclosures for interim periods that are in excess of the guidelines set forth in both Article 10 and Concepts Statement 8. Examples of recent standards that require extensive interim disclosure requirements include the Leasing and Revenue Recognition standards. There is a cost and effort to gather the information for these disclosures on a quarterly basis, and often results in disclosures that are essentially the same information provided in the annual financial statements.

While registrants may omit disclosures if they are not material, it is often difficult to determine whether an interim disclosure is immaterial if there have been no significant quantitative or qualitative changes from the disclosures in the most recently filed Form 10-K, but the associated account balance is material. In the absence of further guidance, the interim reporting process has evolved to include disclosures related to all items with material balances as of the interim reporting date. In many cases, the balance may not represent a significant quantitative or qualitative change versus the most recently filed annual financial statements. The guidance on fair value measurements, defined pension/postretirement benefits, variable interest entities and derivative instruments all contain lengthy disclosure requirements that are applied at interim periods in addition to annual periods based primarily on the material nature of the associated balances.

To improve the interim financial reporting process, we recommend that the SEC, in conjunction with the FASB, explore the issuance of guidance that further clarifies the purpose of interim financial statements. Our view is that the guidance should focus on significant *changes* relative to the annual financial statements and provide registrants with the option to omit disclosures related to items that have not changed significantly since the most recent annual filings.

In addition, we recommend that the Commission evaluate whether to eliminate the requirement that registrants discuss year-to-date results of operations within Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) of quarterly filings, with any necessary conforming changes to 1933 Act requirements. Given that MD&A for earlier quarterly periods within the current fiscal year is readily available to users of financial statements, eliminating the year-to-date MD&A requirement would streamline quarterly reporting without meaningfully reducing the information available to users of the financial statements. Similarly, we believe that the Commission should also consider eliminating the requirement to carry forward the prior year results of operations discussion within the MD&A section of annual filings.

Timing of the Quarterly Reporting Process

As discussed above, we believe that the earnings release and the Form 10-Q serve separate purposes and provide different information to investors. Our view is that these documents should remain separate, retaining flexibility in the content of the earnings release and registrants' option to file the documents at different times, if necessary, to ensure the timely dissemination of information to investors. Additional time is often required after the quarterly earnings numbers are final to complete the required administrative and disclosure reporting for the Form 10-Q. A requirement that the earnings release and Form 10-Q must be filed at the same time would likely result in delayed investor communication relative to the results of operations. We believe that such a delay should not be required if a company determines that it is in the best interest of investors to disclose its current results on a more-timely basis.

Earnings Release as Core Quarterly Disclosure

While we appreciate the Commission's effort to explore an alternative to the current quarterly reporting process, we do not believe that the Supplemental Approach would reduce the complexity and burden associated with interim reporting. Allowing the earnings release to satisfy parts of the disclosure requirements of Form 10-Q would likely result in delaying the issuance of the release, as it would be subject to additional regulatory requirements (such as XBRL). It would also alter the purpose of the release, which is to provide timely and succinct communication to investors about the results of operations and updates to strategic plans.

The most significant burden associated with interim reporting is the time and cost to collect all the information to satisfy the extensive disclosure requirements associated with the Form 10-Q. As noted above, we believe the Commission should focus its efforts on providing clarity and guidance on materiality relative to interim disclosures, with the objective of reducing the level of required interim disclosures.

Reporting Frequency

While we are aware that some have suggested that quarterly reporting contributes to a short-term focus on financial results, we do not share the view that removing quarterly reporting requirements on Form 10-Q would result in the elimination of short-term focus on results. We believe that the market is the driver behind the need for quarterly reporting, and in the absence of required quarterly reporting the demand for frequent performance updates would still exist. Therefore, most companies would likely still provide quarterly earnings releases, even if not required, to satisfy market expectations and remain consistent with competitors. Additionally, we believe that six months is also a very short-term timeframe in the context of a company's execution of its business strategy. For these reasons, we continue to believe that quarterly reporting is appropriate.

Modernizing Financial Reporting

There have been significant advances in the volume and types of decision useful information companies routinely gather and the technologies through which this information can be communicated to investors since current SEC reporting requirements were established. We encourage the Commission to explore opportunities to modernize both the quarterly and annual reporting processes. For example, it may be possible to establish a master filing that contains ongoing information about a registrant (e.g., Critical Accounting Policies and Estimates, risk factors, etc.) with all subsequent filings being limited to current financial information. Updates to other information in the master filing, such as new business strategies, emerging risk factors, or current events, could potentially be made at any time, rather than being limited to the quarterly financial reporting cycle.

Conclusion

We appreciate the efforts of the Commission to consider ways to reduce the burden associated with the current quarterly reporting process. We believe an approach that focuses on elimination of duplicative and lengthy disclosure and which allows registrants to omit disclosures that do not represent a significant change from the prior period will have the most substantial impact on the time and cost associated with quarterly reporting. As we indicated in our comments relative to regulation S-K, we believe this approach will help provide investors with timely information that is more readily accessible and at a more reasonable cost. We would be pleased to discuss our comments with the SEC staff at their convenience.

Sincerely,

NJSchroeder

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