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Mr. Jackson M. Day  
Technical Director  
File Reference No. 2024-ED600  
Financial Accounting Standards Board  
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**Proposed Accounting Standards Update, *Interim Reporting (Topic 270): Narrow-Scope Improvements***

Dear Mr. Day:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, issued by the Financial Accounting Standards Board (FASB or Board).

We support the Board's efforts to clarify the current interim reporting requirements by improving the navigability of the guidance on interim disclosures and clearly stating when that guidance is applicable. While we agree with the Board's methodology for compiling the disclosure list in Accounting Standards Codification (ASC or Codification) 270, *Interim Reporting*, we believe the methodology could be enhanced to include certain matters that warrant clarification to allow stakeholders to better understand the Board's intent on those specific items.

Our responses to questions in the proposal and our recommendations for the Board's consideration are included in Appendix A. We provide further suggestions to clarify other areas of the proposal in Appendix B.

\* \* \* \*

We would be pleased to discuss our comments with the Board or its staff at their convenience.

Very truly yours,

*Ernst & Young LLP*

**Appendix A – Responses to questions raised in the Proposed Accounting Standards Update, Interim Reporting (Topic 270): Narrow-Scope Improvements**

**Question 1:** Do the amendments in this proposed Update that would clarify that the guidance in Topic 270 applies to interim financial statements and notes in accordance with GAAP (see paragraphs 270-10-15-3 through 15-4) increase the understandability of Topic 270? Please explain why or why not.

We believe that the proposed amendments clarifying the applicability of ASC 270 to interim financial statements and notes in accordance with US GAAP (paragraphs 270-10-15-3 through 15-4) would increase the understandability of ASC 270 by clearly outlining when, and in what form, the amendments would be applicable.

The proposal would clearly articulate that financial statements and notes in accordance with US GAAP include those financial statements that are a full set of financial statements in accordance with paragraph 205-10-45-1A. The proposal also would effectively clarify that ASC 270 does not apply when entities issue interim financial information that is less extensive than a full set of financial statements (e.g., if an entity only issues an interim balance sheet or income statement).

**Question 2:** Are the proposed amendments that describe the form and content of interim financial statements and notes in accordance with GAAP (see paragraphs 270-10-45-20 through 45-24) appropriate? Do they capture the form and content of interim financial statements and notes currently being provided in accordance with GAAP? Please explain why or why not.

We generally believe that the proposed amendments describing financial statements that are aggregated in a condensed format and/or have limited notes for Securities and Exchange Commission (SEC) registrants (paragraph 270-10-45-20) would be appropriate, and the references to Rules 10-01 and 8-03 of Regulation S-X applied respectively by SEC registrants and smaller reporting companies would be consistent with existing SEC requirements.

However, we believe that the proposed amendments and/or the Background Information and Basis for Conclusions should acknowledge that entities registered under the Investment Company Act of 1940 (i.e., registered management investment companies) would be subject to separate reporting criteria under SEC regulations (e.g., Rule 3-18 of Regulation S-X requires interim reporting on a semiannual basis on Form N-CSR prepared in accordance with Article 6 of Regulation S-X). The form and content of the proposed amendments should not change interim reporting requirements for these entities.

We also believe the proposed guidance in paragraph 270-10-45-22 instructing non-SEC registrants to follow SEC guidance in Rules 10-01 or 8-03 of Regulation S-X if they chose to present condensed statements could be confusing to those entities since they might not be familiar with these SEC rules and, therefore, may have difficulty navigating and applying them. We are not aware of other instances in the Codification where non-SEC registrants are directed to follow SEC regulations. Additionally, the proposed language in paragraph 270-10-45-22 is unclear about whether the Board intends to allow non-SEC registrants to choose whether to follow the guidance under Rule 10-01 or Rule 8-03.

We suggest revising proposed paragraph 270-10-45-22 to clearly describe the requirements for the form and content of condensed financial statements for non-SEC registrants instead of referring users to SEC guidance.

We believe the proposed guidance in paragraphs 270-10-45-23 and 45-24 would be appropriate.

**Question 3:** Do you agree that including a list of interim disclosure requirements in Section 270-10-50 would improve the Codification? Please explain why or why not.

We believe including a list of interim disclosure requirements in ASC 270-10-50 would improve the Codification by providing a clear, comprehensive and organized list of interim disclosure requirements for condensed statements. This would allow users to easily identify all interim disclosure requirements in one single place in the Codification, rather than having to navigate across the Codification's multiple topics and subtopics.

**Question 4:** Using the Board's methodology (see paragraphs BC42-BC55), is the proposed list of interim disclosure requirements in Section 270-10-50 complete, or are there disclosures that should be included in or excluded from the list? If so, please provide the disclosures and your rationale, including supporting evidence that is consistent with the Board's methodology.

We believe that the proposed list of interim disclosure requirements produced using the Board's methodology as described in paragraphs BC42 through BC55 would be complete.

**Question 5:** Do you agree with the Board's methodology on how it compiled the disclosure list in Topic 270 (see paragraphs BC42-BC55)? Please explain why or why not. If not, please describe your preferred methodology. Please identify the differences between the list of interim disclosures derived using your preferred methodology and the list of disclosures in Section 270-10-50 and provide supporting evidence that is consistent with your preferred methodology.

We generally agree with the methodology used by the Board to compile the required interim disclosure list. However, we believe the methodology could be enhanced to clarify certain disclosure items, as discussed below.

As discussed in paragraph BC80, there are several disclosure requirements throughout the Codification that include phrases such as "for all periods presented" or "for each period presented." We understand that some paragraphs with these phrases are included in the interim disclosure list based on the Board's methodology. However, we believe this could create confusion for preparers because not all paragraphs with these phrases are included in the interim disclosure list.

If the Board ultimately decides that certain disclosure paragraphs with the above-mentioned phrases for interim periods are not required for interim periods, we suggest updating these paragraphs throughout the Codification to clearly state these disclosures are only required in annual periods.

Additionally, there are a small number of paragraphs throughout the Codification that give preparers presentation or disclosure alternatives, meaning that the required information can be either presented on the face of financial statements or disclosed in footnotes. We believe that ASC 270 should acknowledge that there are certain required interim disclosures that could be either presented on the face of the financial statements or disclosed in the footnotes, and that the list of required interim disclosures in ASC 270 does not include these paragraphs. We also suggest clarifying this point in the Background Information and Basis for Conclusions of the final Accounting Standards Update.

**Question 6:** The Board uses the term event-driven disclosures to describe disclosures required if an event or transaction occurs (see paragraph BC65). The Board decided that while certain event-driven disclosure requirements that meet the criteria in paragraph BC46 would be included in the interim disclosure list in the proposed amendments, others would be captured by the disclosure principle discussed in Question 7 (for example, if a new line of business was acquired with specific industry disclosure requirements, the acquirer would evaluate the disclosures under the disclosure principle rather than evaluating whether those industry requirements should be disclosed in accordance with the interim disclosure list in Topic 270). Do you agree with this approach to event-driven disclosures, or should other event-driven disclosures be included in the interim disclosure list? Please explain why or why not.

We agree with the Board's approach to event-driven disclosures and do not believe other event-driven disclosures should be included in the list of required interim disclosures. We believe that the language in paragraph 270-10-50-8 and in paragraph BC65 combined makes it clear that the list of required interim disclosures and the disclosure principle should be jointly considered when evaluating the completeness of an entity's interim disclosures.

**Question 7:** Is the proposed disclosure principle operable (see paragraphs 270-10-50-67 through 50-70)? Please explain why or why not. If not, did you consider the prior SEC disclosure principle included in paragraph 270-10-50-68 to be operable (see paragraphs BC56-BC59)? Would the proposed disclosure principle provide decision-useful information? Does the operability of the disclosure principle vary between SEC registrants and nonregistrants? Please explain why or why not. Are there any reasons why the wording in paragraphs 270-10-50-67 through 50-70 should not be incorporated into GAAP? Please explain why or why not.

We believe that the proposed disclosure principle on significant events or transactions would be operable. We suggest that the FASB clarify (1) whether significant events or transactions that occur in the current interim period should be disclosed in subsequent interim periods of the same fiscal year (e.g., if a significant event occurs and is disclosed in the first quarter, whether disclosures related to that event should continue to be provided in the second and third quarters leading up to the next annual filing) and (2) whether disclosure of significant events or transactions should include quarter-to-date or cumulative year-to-date impacts, or both.

**Question 8:** The Board decided to remove the phrase *interim financial information* from certain paragraphs that address the scope of the guidance within Topic 270 in the proposed amendments. Additionally, proposed consequential amendments were made to other Topics in certain paragraphs to remove the phrase *interim financial information* and other similar phrases. Would these proposed changes result in any unexpected consequences within other areas in GAAP? Please explain why or why not.

We do not believe that removing the phrase “interim financial information” from the scope guidance in ASC 270 and from topics outside of ASC 270 would result in any unexpected consequences in other areas of US GAAP.

**Question 9:** Do you agree with the proposed amendments in Sections B and C? If not, please explain which proposed amendment(s) you disagree with and why.

We agree with the proposed amendments in Sections B and C.

**Question 10:** Do you agree that the proposed amendments should be applied prospectively to interim financial statements and notes in accordance with GAAP issued for reporting periods after the effective date? Please explain why or why not.

We believe allowing entities to apply the proposal on a prospective basis would be a reasonable approach. As the Board noted in paragraph BC81, the proposed amendments are not intended to change practice significantly but rather to clarify and improve the understanding of current interim period reporting requirements.

We agree with the Board that retrospective transition would not provide significantly different information from what has already been provided in prior periods, and therefore, it would not be necessary.

**Question 11:** How much time is needed to implement the proposed amendments? Should early adoption be permitted? Please explain why or why not.

We defer to preparers about how much time would be needed to implement the proposal. However, we generally do not expect the proposed amendments to require a significant amount of time to implement because they are not intended to significantly change practice. We believe providing nonpublic entities with an additional year to implement the proposed amendments would be appropriate and consistent with the Board’s transition approach for other recently issued standards. We believe early adoption should be permitted.

## **Appendix B – Other comments**

We recommend that the Board make certain revisions to the language in the proposal.

We believe the proposed Master Glossary definition of "Condensed Statements" is unclear because the meaning of a "condensed format" is not defined or explained. We suggest the following updates (in strikethrough, bold and underscored text):

"Financial statements that either are presented at a level more aggregated ~~in a condensed format than the annual financial statements~~ or have limited notes subject to the disclosure requirements in Topic 270 or both."

Paragraph 270-10-45-21(b) should also be updated to reflect this suggested wording.