

FASB Proposes Updates to Interim Reporting Guidance

On November 13, 2024, FASB issued a second [exposure draft](#) to update and clarify interim reporting disclosure requirements in Accounting Standards Codification (ASC) 270. The proposed amendments would:

- Clarify that ASC 270 applies to all entities preparing interim financial statements.
- Create a comprehensive list within ASC 270 of required interim disclosures.
- Add a new disclosure principle to evaluate material changes or events that should be disclosed when those disclosure topics are not addressed in ASC 270.
- Clarify the form and content of interim financial statements, breaking out requirements for SEC registrants and other entities.

FASB's intent is to improve navigation of ASC 270 and not to expand or reduce interim disclosure requirements. Comments are requested by March 31, 2025.

Background & Project History

Interim reporting guidance was first promulgated by the Accounting Principal Board (APB) (FASB's predecessor) in 1973. In 1981, the SEC added form and content interim reporting requirements for SEC registrants. When FASB incorporated the APB's interim requirements into its codification in 2009, the distinction between general requirements and the SEC's specific requirements for publicly traded companies was not reflected. Subsequent FASB standard setting has resulted in interim disclosure requirements being scattered throughout various codification topics, making it challenging for financial statement preparers to navigate. Stakeholder feedback indicated that "the list of disclosures in ASC 270 is lengthy, incomplete, inconsistent and lacks organization."

In 2018, as part of a simplification initiative, the SEC removed disclosure requirements that were duplicative with GAAP, including language from Regulation S-X, Rule 210.10-01, *Interim Financial Statements*. FASB's 2021 proposal was its first effort to improve ASC 270 by incorporating the removed portions of Regulation S-X into GAAP, as well as other improvements to clarify interim reporting requirements. Comment letter feedback was supportive of the cleanup efforts but indicated that the proposed list of interim disclosures to be incorporated into ASC 270 was incomplete.

Scope

The proposal would clarify that ASC 270 applies to all entities that prepare interim financial statements and footnote disclosures in accordance with GAAP, including interim financial statements prepared at the same level of aggregation as the annual financial statements or as condensed financial statements.

GAAP-Compliant Interim Presentation & Disclosure

Various existing guidance includes the term “interim financial information,” which may include data on financial position, results of operations, comprehensive income, and cash flows. Some have interpreted that interim financial information, which is less than a full set of financial statements and notes, is covered by ASC 270. The proposal adds the new phrase “interim financial statements and notes in accordance with GAAP” to better clarify the scope of information covered by ASC 270 and deletes the phrase “interim financial information” from much of ASC 270 and other codification topics. The new term leverages the following existing guidance in ASC 205, *Presentation of Financial Statements*.

A full set of financial statements for a period shall show all of the following:

- a. Financial position at the end of the period.
- b. Earnings (net income) for the period, (which may be presented as a separate statement or within a continuous statement of comprehensive income).
- c. Comprehensive income (total nonowner changes in equity) for the period in one statement or two separate but consecutive statements (if required).
- d. Cash flows during the period.
- e. Investments by and distributions to owners during the period.

Guidance in ASC 270 would not apply to less extensive information than interim financial statements and notes in accordance with GAAP, such as account balances, financial statement elements, or ratios.

SEC Registrants

The above definition also is consistent with the SEC’s requirements for interim reporting in Rules 210.10-01 and 210.8-03 of Regulation S-X. The proposal would add a reference to these SEC rules in ASC 270 to ensure consistency with existing reporting requirements for SEC registrants and prevent any unintended consequences.

Non-SEC Registrants

It is less common for private companies to issue interim financial statements and notes in accordance with GAAP, but FASB wanted to provide guidance on how those entities could aggregate their financial statements to provide condensed statements in accordance with GAAP.

The proposal clarifies that the following forms of interim financial statements and notes are GAAP compliant:

- Financial statements presented using the same level of aggregation as the annual financial statements and notes subject to applicable annual GAAP presentation and disclosure requirements.

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- Financial statements that either are aggregated in a condensed format or have limited notes subject to the disclosure requirements in ASC 270. Condensed statements can only be provided if the previous annual financial statements have been issued.¹ The condensed statements should follow SEC Rule 210.10-01(a) or Rule 210.8-03(a).²

This may be a change for some private companies that provide interim financial statements and notes in accordance with GAAP.

Nonprofits (NFPs)

Current GAAP does not contain guidance on how an NFP can condense its financial statements for interim reporting purposes. The SEC interim reporting rules would not be operable because of an NFP's specialized accounting, so the proposal provides the following NFP-specific guidance:

- Net assets with donor restrictions and net assets without donor restrictions are to be presented regardless of relative significance to total net assets in the statement of financial position.
- The guidance to condense the statement of activities of an NFP applies to all expenses regardless of where they are reported.
- An NFP is not required to provide information about stockholders' equity and noncontrolling interests.

Required Disclosures & New Disclosure Principle

The proposal would reorganize existing interim reporting requirements into two sections within ASC 270 (disclosures required by ASC 270 and disclosures required by other Topics for condensed statements) and adds a new disclosure principle to evaluate other changes or events since the end of the last annual reporting period that would have a material impact on an entity and such a change or event is not covered by either list for potential interim disclosure. The proposal includes the following nonexhaustive examples, changes in accounting principles and practices, status of long-term contracts, changes in the capitalization of the entity, and changes in the reporting entity resulting from business combinations or dispositions.

This proposal will help entities evaluate if disclosures that are not specified in ASC 270 should be provided in the interim financial statements and notes in accordance with GAAP.

FASB acknowledged that this new clarity in required interim disclosures could result in changes for some entities. However, the proposal is not intended to change the fundamental nature of interim reporting or the extent of interim disclosures.

¹In the master glossary, financial statements are considered issued when they are widely available to shareholders and other financial statement users for general use and reliance.

²If an entity that is not an SEC registrant is required by the SEC to follow certain form and content requirements under SEC rules and regulations, the entity shall follow the requirements specified by the SEC.

Effective Date & Transition

After reviewing feedback, FASB will determine effective dates. Any changes would be applied on a prospective basis for interim financial statements and notes in accordance with GAAP after the effective date.

Conclusion

The assurance team at Forvis Mazars delivers extensive experience and skilled professionals to assist with your objectives. Our proactive approach includes candid and open communication to help address your financial reporting needs. At the end of the day, we know how important it is for you to be able to trust the numbers; our commitment to independence and objectivity helps provide the security and confidence you desire. Whether you are publicly traded or privately held, Forvis Mazars can help provide an independent and objective view into your financial reporting. We leverage some of the latest technologies and process automation tools to provide companies assurance on their financial statements to help meet stakeholders' needs.

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