



The Association of
Accountants and
Financial Professionals
in Business

via email

To: director@fasb.org

March 21, 2025

Mr. Jackson Day
Technical Director
Financial Accounting Standards Board
801 Main Ave
PO Box 5116
Norwalk, CT 06856-5116

RE: File Reference No 2024-ED600

Dear Mr. Day,

The Financial Reporting Committee (FRC or Committee) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (FASB or Board) *Proposed Accounting Standards Update, Interim Reporting (Topic 270): Narrow-Scope Improvements* (the Proposed Update, or Proposal).

The IMA is a global association representing over 130,000 accountants and finance team professionals. Our members work inside organizations of diverse sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, 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).

The Committee agrees with and strongly supports the Board's objective to enhance and clarify interim reporting without substantially expanding or reducing existing requirements. We agree that the application of the existing guidance on interim reporting, which can at times be challenging, time-consuming, and complex to interpret, has created diversity in practice which the Proposed Update intends to address. Further, we support and appreciate the harmonization via conforming amendments within other Topics. The changes are clear and operable, and, given the proposed amendments primarily enhance rather than change guidance, we believe prospective

application from the effective date would be appropriate. However, we also believe that retrospective application should be permitted, as some companies might want to align their disclosures in comparative interim prior periods upon adoption of this guidance.

Our comments are summarized below:

1. We strongly support the Board's consideration of feedback from the 2021 proposed Accounting Standards Update (ASU) and its decision to re-expose this proposed ASU after re-establishing the objective of the project to contain only clarifications to existing generally accepted accounting principles (GAAP). As noted in paragraph BC2, we highlight and agree with the Board's intent to "not ... change the fundamental nature of interim reporting or expand or reduce current interim disclosure requirements, which were determined by prior Boards when the disclosure requirements were initially issued."
2. We support the inclusion of an overall interim disclosure principle to cover "events" and complement Topic 270. This will guide preparers for items not specifically enumerated, while also not driving an overly lengthy and unwieldy disclosure list. In addition, modeling the disclosure principle after previous Securities and Exchange Commission (SEC) guidance will ease adoption and converge application.
3. We suggest that early adoption be permitted as it allows preparers flexibility to implement the changes to benefit their financial statement users.
4. We observe that it is important to ensure, as new standards are created or amended, that a clear discussion of the Board's intention around interim disclosure and the corresponding impacts to Topic 270 is included.
5. As noted in the Basis for Conclusions, we also observe that the impact on public companies is expected to be minimal, and this enhancement will largely impact private and non-profit enterprises. We appreciate the form and content guidance separated by type of entity with the Proposal. However, we believe that the integration of SEC Regulation S-X rules into GAAP may cause confusion and create a burden for non-registrants who may not be familiar with the SEC rules. Accordingly, we believe the use of Article 10-01(a) for the form and content of interim financial statements and notes under GAAP for non-registrants may pose a burden for these entities. We recommend that the Board consider including specific form and content requirements for non-registrants in the Codification, which the Board may model after the requirements in Article 8.03. We believe this approach would generally be operable for non-registrants, independently addressing the form and content of interim financial statements and notes under GAAP for non-registrants within the Proposed Update.
6. We suggest a few minor changes to the Proposal as follows:
 - a. To improve the flow of the guidance, it may be helpful to introduce the disclosure principle (currently starting at paragraph 270-10-50-67) near the beginning of the interim disclosures section and then follow with the specific disclosure requirements (which currently start at ASC 270-10-50-9), rather than presenting specific disclosure requirements first and stating the principle later in the section.
 - b. We suggest that the phrase "event driven" be included in the Codification. For example, the second sentence of paragraph 270-10-50-68 could be updated as follows: "Such event-driven disclosures shall encompass (but not be limited to) ..."

Additionally, consider including references to impairments and restructurings to the current list of common event-driven disclosures in that paragraph.

- c. Paragraph 270-10-50-70 currently provides an example containing interim disclosure guidance for a circumstance in which “...an entity has a significant issuance of share-based payment awards during an interim period...” In our experience, companies often follow a process whereby all eligible employees receive their annual grant of share-based payment awards on the same date, with only ad hoc share-based payment grants made on other dates throughout the year (for example, for newly hired employees or mid-year promotions). One might reasonably conclude under the current example that a company’s routine annual grant would require interim share-based payment disclosures because it is a “significant” grant. As annual grants frequently happen in the first quarter of a company’s fiscal year and because an event-driven disclosure in the first quarter would be included in subsequent interim financial statements that present year-to-date periods, we believe that, as written, this example could potentially have the unintended consequence of requiring incremental interim disclosures related to routine grants of share-based payment awards. While we believe that there is some diversity in practice currently, many companies have historically viewed their annual equity grants as a routine event that happens each year and they have not viewed it as a significant update to their year-end financial statements that would require disclosure in interim financial statements. Given the Board’s stated intent to clarify existing interim disclosure requirements, rather than to impose new interim disclosure requirements, we recommend either using a different example or adding language to the current example clarifying that the share-based payment grant was significant and nonroutine.
- d. It may be helpful for the Board to supplement proposed paragraph 270-10-15-4 by providing examples of the types of companies to which the Proposed Update was intended, or not intended to apply as the proposed language indicates that the Proposed Update does not apply to companies that do not present a full set of financial statements as required under paragraph 205-10-45-1A (for example, application to broker dealers or investment companies).

We have considered the alternative view discussed within the Proposal. Although we acknowledge that quarterly results are viewed as discrete periods by public company investors and influence share price, we do not believe the Board’s undertaking of a broader project is needed currently. We believe the Board has taken a prudent approach. The disclosure principle will highlight new interim transactions of which investors should be aware. In our view, interim reporting requirements are not intended to be as comprehensive as annual reporting requirements. Interim financial statements are an update to annual statements, not the other way around. Additionally, we believe that both public company auditors and investors expect current disclosure rigor around material transactions, such as material related-party transactions, and we do not believe that the Proposal would significantly impact existing interim disclosure practices in that regard.

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

Sincerely,

A handwritten signature in black ink, appearing to read "J.D. Paul". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Josh Paul
Chair, Financial Reporting Committee
Institute of Management Accountants
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