

November 29, 2012

Technical Director
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Financial Accounting Standards Board
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PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's Discussion Paper - Invitation to Comment on Disclosure Framework (the "DP").

We support the Board's efforts to improve the effectiveness of disclosures in financial statements. We encourage the Board to continue its outreach to investors and other stakeholders as it decides which alternatives to proceed with and develops them into a proposal.

Our recommendations are presented in the following categories: purpose, process for developing disclosures, and preparer flexibility. Each of these categories is discussed in further detail below.

Purpose

We agree with the DP's premise that to increase the effectiveness of disclosures, consideration must be given to their intended purpose. We also agree that the intent of financial reporting is to provide information that assists users in assessing an entity's prospects for future cash flows when making investment and credit decisions relating to that entity. We recommend the Board amend the Conceptual Framework to clarify the purpose of financial statement footnotes ("Notes").

It is important, however, to establish the boundary between information that is appropriate for Notes and information provided through other reporting mechanisms. We believe Notes should be limited to information about a reporting entity's historical transactions, financial position, and estimates and assumptions that underlie the financial statements. Forward-looking information should generally be excluded from Notes and included in management's discussion and analysis ("MD&A") or other reporting mechanisms. We recommend the Board establish these as boundaries for future standards and for the review of existing disclosure requirements.

To achieve this delineation, we encourage the Board to collaborate closely with the SEC on this project. Establishing the boundary between disclosures in Notes and disclosures elsewhere in SEC filings would help eliminate duplication, clarify what information receives certain "safe harbor" legal protections, and streamline financial reporting.

Process for developing disclosures

We support the Board's effort to improve the relevance and comparability of financial reporting by developing a framework for setting disclosure requirements. We agree the framework should be based on whether the information would affect a user's assessment of an entity's prospects for future cash flows. Such a framework would bring more consistency to the standard setting process, facilitate the development of relevant disclosure requirements, and improve the quality of disclosures for investors and other stakeholders. We believe a series of decision questions can serve as the framework for the Board to evaluate disclosures that may be relevant.

We agree with the Board's suggestion to add the decision questions, once finalized, to the Conceptual Framework for use in future standard-setting projects. We also support the Board's



suggestion that it use the results of this project to review existing disclosure requirements and make changes where appropriate.

We recommend the Board continue to establish disclosure requirements on a Topic-by-Topic basis. Outreach to understand users' perspectives of individual topics is essential to developing effective disclosure requirements. Accordingly, we encourage the Board to continue its outreach activities. Further, the Board should describe the objective of the disclosure and why the information could be important to users. Articulating clear objectives will help reporting entities make better judgments regarding what information should be disclosed.

Preparer flexibility

We believe the best approach to achieve the objective of relevant, effective financial statement disclosures is for the Board to identify the potential disclosures for each Topic (emphasizing that all the listed disclosures may not be required). Reporting entities should then use well-reasoned judgments to select disclosures that are relevant for their facts and circumstances.

We empathize with the concern expressed by some reporting entities that exercising judgment regarding what is relevant for disclosure can be challenging. Based on our discussions with reporting entities, however, we believe that many will welcome the opportunity to thoughtfully consider what is relevant to their users, thereby increasing the effectiveness of their disclosures.

While the DP describes an approach to determine relevance that considers a user's baseline assessment of cash flow prospects, we recommend the threshold for disclosure be materiality as assessed by preparers, considering court and SEC interpretations of materiality. We believe it would be difficult for standard setters to define an additional disclosure threshold such as relevance. Further, another disclosure threshold might be difficult for preparers to operationalize and could result in different judgments than the judgments that would be reached based on an analysis of materiality. Thus, we urge the Board to work within the context of materiality to give preparers flexibility in providing disclosures based on their facts and circumstances, considering quantitative and qualitative factors.

* * *

To achieve success on this important project, all participants in the financial reporting process, not just preparers, will need to embrace its objectives. For standard setters, outreach will be critical. To that end, we believe a structured approach with a focus on outreach to investors and other stakeholders coupled with feedback from preparers on operationality will help create an effective road map. Regulators, legal advisers, auditors, and other participants in the financial reporting process will also need to embrace the objectives of this project and refrain from encouraging reporting entities to disclose irrelevant information. With the appropriate constructs for a more responsive and flexible disclosure regime, and the support of all constituents within the financial reporting chain, we believe reporting entities will embrace the opportunity to improve disclosure effectiveness.

Attached to this letter is Appendix A, which contains our responses to the Questions for Respondents included in the DP and expands on our comments above. If you have any questions, please contact Elizabeth Paul at (973) 236-7270, Tim Corrigan at (973) 236-5302, or Sara DeSmith at (973) 236-4084.

Sincerely.

PricewaterhouseCoopers LLP

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Appendix A

Chapter 1 — Scope and Introduction

1. The details of this Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board's decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes to financial statements?

We believe the Board's decision process needs to incorporate information relevant to not-for-profit organization (NPO) financial statement users, which will vary depending on the nature of the NPO's operations. The greater the organization's dependence on contributions from the general public as its source of operating capital, the more likely its financial statement users will be interested in disclosures related to stewardship. Accordingly, we recommend the decision questions be supplemented to consider the information that may be specifically relevant to users that provide resources to NPOs in non-exchange transactions. The types of disclosures that are required of all NPOs today about fundraising ratios and functional reporting are a good starting point for those organizations. Of course, this information is less relevant for NPOs whose operations are feesupported as the source of funding for their operations is less reliant on contributions (e.g., a hospital whose primary source of revenue is patient service revenue).

Consistent with our views related to commercial entities, we believe it is important for NPOs to be able to determine what is relevant for disclosure. For example, disclosures focused on stewardship should be scalable based on the extent to which an entity is supported by funds raised from the general public. Accordingly, we recommend that NPOs be given flexibility to disclose information relevant to their users, using the same framework we suggest for commercial entities when deciding what information is material.

Chapter 2 — The Board's Decision Process

2. Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities' prospects for future cash flows?

Overall, the questions in this chapter appear to encompass all information (other than the item discussed below) that is capable of impacting a user's assessment of an entity's prospects for future cash flows and therefore may be relevant for disclosure. The questions provide a framework to help ensure that consistent relevant disclosure is achieved. We agree with the categories of questions and believe that disclosures about the entity in general, line items in financial statements, and other events and conditions that can affect cash flow prospects are appropriate. Although we have not formally tested the decision questions, anecdotally, we agree with the staff's finding that the indicated disclosures from applying the questions are consistent with and support current disclosure levels, except for the forward-looking information discussed in our response to Question 3 below.

We believe that Question L12 could be improved. This question seeks to include disclosures about accounting policies or methods for newly issued guidance or if the previous method was determined to be improper. We recommend this question include situations where an accounting policy is changed to a preferable method.

3. Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities' prospects for future cash flows?



We believe that a critical step to determine what is relevant for disclosure is to identify the boundary for what information should be considered for disclosure in Notes. The DP notes there is not a clear boundary for information in Notes. Paragraph 1.13 of the DP states, "U.S. accounting standards and practices have established a de facto boundary, but that boundary is not as sharp as it might be and has been extended over time." Further, paragraph 2.14 of the DP states, "the Board has not attempted to explicitly define the boundaries of notes to financial statements."

We believe reporting entities should not be required to provide predictions or projections in Notes. Accordingly, Notes should be limited to information about a reporting entity's historical transactions, financial position, and financial statement estimates and assumptions that are relevant for a user to make predictions regarding the cash flow prospects of an entity. We agree with the purpose of disclosures noted in the European Financial Reporting Advisory Group Discussion Paper, which states, "notes should focus on past transactions and other events existing at the reporting date; information about the future that is unrelated to those past transactions and other events is not provided in the notes" (Chapter 2 paragraphs 11 - 14).

We believe that forward-looking information should generally be excluded from Notes and is best suited for management's discussion and analysis ("MD&A"). Companies receive certain "safe harbor" legal protections for MD&A disclosures that are not available for information contained in Notes. This allows them to provide forward-looking information while limiting certain legal risks. We believe this distinction is critical and any potential changes to disclosures would need to consider the legal framework in place. Furthermore, if information previously only required in the MD&A is incorporated into Notes, non-public entities would have a significant increase in the amount of information they are required to disclose as they do not currently prepare an MD&A. We encourage the Board to collaborate closely with the SEC on this project to establish the boundary between disclosures in Notes and disclosures in other reporting vehicles (e.g., MD&A). This clarification will help eliminate unnecessary duplication and streamline financial reporting.

We also note that some of the Board's current projects (e.g., the Proposed Accounting Standards Update, *Disclosures About Liquidity Risk and Interest Rate Risk - Financial Instruments* (Topic 825)) appear to seek forward-looking information. The Board should consider amending the Conceptual Framework to clarify the purpose of Notes and establish a clear boundary for use in future standard setting activities and reviewing existing disclosure requirements.

We believe it is appropriate for Notes to include information regarding assumptions about major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities. This is consistent with note disclosure requirements under IFRS (IAS 1, paragraph 125). However, a number of the proposed decision questions appear to be targeting forward-looking information, projections, and strategies to deal with future events (e.g., Questions L5 and L6). In addition, Questions O1 - O7 appear very broad and seem to suggest Notes should include information that has typically only been found in MD&A. Further, the information to be considered for disclosure in item e. of Question O1 and item f. of Question O2 suggests that a reporting entity would disclose "the entity's judgment about [of] the probability that the event or condition will affect future cash flow prospects." While reporting entities are currently required to make judgments regarding probability (e.g., disclose a loss contingency if a loss is *reasonably possible* and *recognize* a loss contingency if the loss is *probable* and *estimable*), these questions appear to be asking for more forward-looking information than is currently required or appropriate. We suggest that the Board reevaluate certain of the decision questions.

4. Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?



It is appropriate for the framework to be applied by the Board in its standard setting process. We believe this will bring consistency to the disclosure development process. In our view, it is not practical or operational for the Board to replace existing detailed disclosure requirements with a single overall requirement that would apply to all Topics. Thus, while a framework should be developed, and we support several changes in the disclosure setting process as discussed in this comment letter, we recommend the Board not change its practice of establishing detailed disclosure requirements in each Topic.

5. Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?

We believe this project, including the decision process described in this chapter, would help the Board to set more effective disclosure requirements. For the project to be successful there are a number of aspects the Board should consider in its standard setting process and we make the following recommendations.

As described above, the purpose of the Notes should be clearly defined. Further, the Chapter 2 decision questions can be a useful mechanism for the Board to evaluate disclosures that may be relevant. As the Board suggests, we recommend adding the revised decision questions to the Conceptual Framework.

We commend the Board for its significant outreach related to recognition and measurement in some of its recent projects. We encourage the Board to use the same robust, thoughtful process to identify disclosures that are capable of impacting a user's assessment of an entity's prospects for future cash flows. While the outreach should focus on all the participants in the financial reporting process, we encourage the Board to seek the perspectives of professional investors and understand the inputs to their models and consequently the information that may be relevant. Further, consistent with the objective of general purpose financial reporting in CON 8, we recommend the Board ensure that its process identifies the information that will meet the needs of primary users and does not result in required disclosures that are more expansive than needed.

We believe reporting entities should be allowed to use judgment when determining which information is relevant for disclosure. To assist reporting entities in making these judgments, we recommend the Board describe in each Topic the objective of the disclosure and why the information could be important to users. As noted in paragraph 2.3 of the DP, bases for conclusions in original pronouncements have not always explained why the Board decided to require specific disclosures; therefore, in addition to describing this information for future Accounting Standards Updates, we support the Board's plans to reconsider existing disclosure requirements in light of the framework and add this information where appropriate.

Paragraph 2.3 of the DP also notes that disclosures with similar objectives are worded differently in different Topics. This may be a function of which standard-setting body is establishing U.S. GAAP and the related disclosure requirements (e.g., FASB versus EITF) or it may result from each of the requirements being established on a project-by-project basis over time. For example, ASC 718, Stock Compensation, contains very prescriptive, detailed disclosures, including one such requirement that notes, "the following list indicates the minimum information needed to achieve the objective" of enabling users to understand the stock compensation plans. Conversely, ASC 505-50, Equity-Based Payments to Non-Employees, requires a reporting entity to provide disclosures similar to those required by ASC 718 "to the extent that those disclosures are important to an understanding of the effects of those transactions on the financial statements." While we acknowledge there is an overarching principle in financial reporting that the accounting guidance (e.g., disclosures) only applies to the extent it is material, we believe the Codification should be clear that reporting entities have flexibility to determine what disclosures are relevant for their facts and circumstances. In this example, we believe disclosure requirements should be as described in the Equity-Based Payments to Non-Employees guidance rather than as in the Stock Compensation guidance.



In general, we believe a disclosure framework will help achieve consistency in disclosures across standards (as the Board sets future disclosure requirements and potentially reconsiders existing disclosure requirements). We suggest that the Board apply this framework to the proposed disclosure requirements in the FASB and IASB joint priority projects. Those projects provide an opportunity to field test suggestions in the DP. This can enhance the Board's understanding of how to apply the disclosure framework in practice and whether the suggestions are consistent with its expectations and the project's objectives.

The Board would appreciate it if respondents would apply this decision process to the FASB Accounting Standards Codification Topics of their own choosing and identify any changes to existing disclosure requirements that would seem to result.

We have not attempted to apply the decision process to a specific Codification Topic. As noted in our responses to questions 2 and 3, we believe that many of the decision questions are overly broad and appear to be seeking forward-looking information and projections that are not appropriate for Notes. The proposed decision process appears to not only justify the existing population of disclosure requirements, but also potentially increase the volume of disclosures in many areas.

Chapter 3 — Making Disclosure Requirements Flexible

6. Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

We are supportive of providing preparers the ability to apply judgment in selecting disclosures that are relevant for their facts and circumstances. Those judgments may depend on a multitude of factors, including the magnitude of the transaction(s)/balance to the entity, the industry in which the entity operates, the nature/riskiness of the entity's assets and liabilities, the size of the entity, leverage ratios, etc. As a result, we believe reporting entities are best positioned to determine which disclosures are relevant for their facts and circumstances.

With respect to the options identified in paragraph 3.8, we believe neither of these is practical for the reasons the DP identifies in paragraphs 3.9 and 3.10. For those same reasons, we believe the options in paragraphs 3.11(d) and 3.11(a), respectively, are also not practical.

The best approach is in 3.11(b) (i.e., the Board would identify one set of potential disclosures for each Topic and require reporting entities to make their own decisions about the relevance of each item). This approach is better than the alternative in 3.11(c) for the same conceptual reasons discussed in our responses to questions in Chapter 2 and Chapter 4. Specifically, we believe the Board should identify information that may be relevant for an entity's users, and the entity should evaluate its facts and circumstances to determine which information to disclose. Consistent with this approach, we recommend the Board not mandate disclosures for entities. We also believe that establishing a dividing line between optional disclosures and required disclosures would be difficult and potentially arbitrary.

7. If more than one approach would be practical and effective, which would work best?

Please refer to our response to Question 6.

8. Are there other possibilities that would work better than any of the ones discussed in this chapter?

We did not identify other possibilities that may work better than those discussed in this chapter. Please refer to our response to Question 6.



Chapter 4 — Reporting Entities' Decisions about Disclosure Relevance

9. This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

We are supportive of providing entities flexibility to determine disclosures that are relevant for their facts and circumstances. If reporting entities are provided flexibility, they will need a process to decide what is relevant for disclosure.

Chapter 4 of the DP includes one suggestion for a framework reporting entities may use to determine if something is relevant/material. When deciding whether something is relevant, some may question whether there is a difference between relevance and materiality. CON 8 appears to distinguish "relevance" from "materiality" by noting that materiality is an entity-specific aspect of relevance. At the entity level, however, we believe it is difficult to distinguish relevance from materiality. Since the SEC (e.g., Staff Accounting Bulletin Topic 1M) and the courts (e.g., the Supreme Court in TSC Industries v. Northway, Inc. and Basic, Inc. v. Levinson) focus on whether information is material, and materiality is an entity-specific measure, we believe reporting entities should disclose information if it is material.

We urge the Board not to try to make the determination of what information is material more objective by suggesting an approach for that purpose. The threshold for determining relevant disclosures should simply be materiality as assessed by preparers, considering court and SEC interpretations. Both generally rule on what is relevant for disclosure based on a materiality assessment that evaluates the individual facts and circumstances. We believe it would be difficult for standard setters to define an additional disclosure threshold such as relevance because it would require an entity-specific facts and circumstances analysis. Further, another disclosure threshold might be difficult for preparers to operationalize and could result in different judgments than the judgments that would be reached based on an analysis of materiality. In our view, materiality judgments can properly be made only by those who have all the facts; no general standards of materiality could be formulated to take into account all the considerations that enter into making such a judgment. When deciding whether information is material and should be disclosed, reporting entities can also refer to guidance issued by the PCAOB (Auditing Standard No. 14) and the AICPA (AU-C Section 450, *Evaluation of Misstatements Identified During the Audit*).

The DP acknowledges in footnote 6 to paragraph 4.2 that the description for "materiality" in CON 8 is different than the U.S. Supreme Court's interpretation of "materiality." CON 8 notes "information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information of a specific reporting entity." The U.S. Supreme Court has interpreted information to be material if there is "a substantial likelihood that the...fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available." Based on these broad definitions, it appears the Board has defined the materiality threshold lower than the U.S. Supreme Court (i.e., information that could influence a user's decisions versus a substantial likelihood that the information would influence a user's decision). Although we acknowledge that reporting entities, auditors, and other participants in the financial reporting process currently make decisions regarding what is material, we suggest the Board align its definition with that of the U.S. Supreme Court. This will help clarify the threshold for disclosure for all the participants involved in the financial reporting process.

10. Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?



We believe there may be some obstacles to the overall approach of setting a benchmark for judgments by clarifying the objective of the judgments. First, due to the litigious environment in the U.S. and a resulting propensity on the part of the reporting entity (as well as auditors and legal advisers) to minimize risk, some reporting entities may continue to disclose everything listed in the Codification Topics regardless of the Board's ultimate decision regarding the exercise of judgment. Nonetheless, we believe many reporting entities will welcome the ability to use judgment and will thoughtfully consider what is relevant to their users, thereby increasing the effectiveness of their disclosures. In fact, many reporting entities tell us they engage in frequent discussions with analysts/investors that follow their company/industry, trade organizations, and/or peers in the industry. Thus, they are often well aware of what their users consider to be relevant and can leverage this knowledge as they decide what information to disclose.

Second, the Board acknowledges that participants other than the reporting entity and the standard setter, such as auditors, regulators, and legal advisors, participate in the financial reporting process. If the Board implements changes in the standard setting process and reporting entities exercise flexibility to disclose only what is relevant but these other parties do not significantly change their behavior and ultimately promote irrelevant disclosures, the success of this project will be negatively impacted. To address this obstacle, we recommend the Board, with the support of the SEC, encourage reporting entities to disclose only information that is relevant for their users.

Please refer to our response to Question 9.

11. Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

Although we are not a preparer, consistent with other circumstances in which reporting entities exercise judgment, we expect this will require contemporaneous documentation of key considerations (e.g., facts and circumstances, industry, line item, and effect on net income) to be completed and maintained by preparers. We would expect each reporting entity to have its own processes and/or controls related to this documentation based on their facts and circumstances.

As auditors, we routinely evaluate judgments made by reporting entities. If preparers are explicitly provided flexibility and, in turn, need to make more judgments to determine what to disclose, we would evaluate those judgments in the same manner that we evaluate judgments today.

The Board asks that respondents help assess the practicality of the possible guidance in this chapter and its potential for improving disclosure effectiveness by applying it to some or all of the notes in their prior period financial statements. Please provide information about the results of that test that is as specific as possible.

Not applicable, as we are not a preparer.

Chapter 5 — Format and Organization

12. Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

Overall, we agree with a number of the formatting suggestions to improve the effectiveness of disclosures. We agree that disclosures should be entity-specific rather than simply include generic language and/or language that is copied from the Codification. We also agree that disclosures should generally have common points of reference (e.g., similar time intervals). As the Board sets new disclosure requirements and potentially evaluates existing disclosure requirements, we recommend ensuring that those disclosure requirements use common points of reference. Consistent with the



SEC's view that tables help users digest large amounts of information, we believe tables are a useful formatting tool whose use should be encouraged but not required. Headings and highlighting information may also be helpful for users but we believe these formatting tools should be left to the reporting entity's judgment.

We also agree that cross referencing can generally be helpful, for example, if a reporting entity is clear in its Notes which line item is impacted by the items being described. While it may be helpful for reporting entities to include note references on specific line items on the face of the financial statements, as is currently required by IFRS, we do not believe the Board should mandate this requirement.

We recommend the Board collaborate with the SEC to limit duplication and establish a boundary between disclosures in Notes and disclosures elsewhere in SEC fillings. Importantly, we generally do not believe Notes should reference the MD&A, as it will not be clear (i) what information receives certain "safe harbor" legal protections for MD&A disclosures that are not available for the Notes and (ii) what the auditor's report covers.

13. What other possibilities should be considered?

We did not identify other possibilities for consideration. Please refer to our response to Question 12.

14. Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

We recommend the Board not specify a standard order for Notes. If the Board suggested best practices, this may increase comparability and help users navigate Notes. Since we believe that reporting entities are best positioned to determine what is relevant disclosure, these best practices should not be mandatory, and reporting entities should be able to organize their Notes in the way they believe will be most effective.

We also do not believe the Board should require reporting entities to group related information, thereby potentially resulting in the organization of Notes being transactional-based. This suggestion would conflict with the Board's objectives to achieve cohesiveness in terms of linking Notes and comparability among reporting entities. Similarly, we do not believe organizing the Notes based on operating, investing, and financing classifications would improve their effectiveness. If the Board explores these alternatives, we recommend performing significant outreach and field-testing among preparers and users before tentative positions are reached.

15. Are there different ways in which information should be organized in notes to financial statements?

While other ways to organize Notes may exist, we did not identify other ways in which information may be organized in Notes to increase their effectiveness.

As discussed in our response to Question 14, we do not believe the Board should specify a standard order for Notes. If the Board decides to explore "best practices" for the ordering of Notes, we believe it may be helpful to suggest (i.e., non-binding) including a table of contents or index in the financial reporting package to help users navigate the Notes and locate information more easily.

The DP appears to address disclosure from a linear, paper-based perspective. We believe this will become increasingly less important as technological advancements and the digital delivery and consumption of financial information becomes more prevalent. With improvements in technology over time, the ability to manipulate data into a standard format may be enhanced through the use of XBRL, and other formatting and organization techniques may emerge with other technological innovations.



Chapter 6 — Disclosures for Interim Statements

16. Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

Overall, we believe the current change-based model for interim financial reporting is generally appropriate, as each interim period is intended to be an update from the prior annual financial statements. We agree that requiring interim financial reports to mirror the level of detail in annual financial statements is likely not feasible, particularly with current financial reporting deadlines. While some users may like more information in interim reports, we would not expect them to be looking for the same level of detail as in annual reports.

We recommend the Board develop a framework to use when establishing interim disclosure requirements. The DP sets out a few methods and alternatives for how to establish disclosure requirements for interim reporting. We agree that the Board needs to develop principles for determining interim disclosure requirements so that they are not set on an ad-hoc basis. The two suggestions presented in the DP (i.e., modifying the annual disclosures and separate decision questions for setting disclosures for interim reporting) for applying a change-based model are feasible alternatives.

17. If you think that a framework for the Board's use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

Please refer to our response to Question 16.

18. If you think that a framework for reporting entities' use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

We do not believe that a framework for use by reporting entities is necessary. Rather, as discussed in our response to Question 9, we believe a reporting entity should apply the concept of materiality for determining disclosures.

19. What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

We believe the same impediments that exist for establishing disclosure requirements (by the Board) and evaluating what information is material for disclosure (by the reporting entities) for the annual periods are also impediments for the interim periods. Please refer to our responses in the Questions above.

Chapter 7 — Other Matters for Discussion

20. Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

We do not support moving accounting policy disclosures outside of the financial statements. We believe that financial statements should stand on their own. Although boiler plate policy language is not necessarily helpful, users should not be expected to be knowledgeable about an entity's application of U.S. GAAP. Therefore, inclusion of robust, relevant policy disclosure in the financial statements is essential to understanding financial reporting.



21. Should the summary of accounting policies include information about industry-specific accounting policies?

Yes, we believe that financial statements should stand on their own and users should not be expected to be knowledgeable about an entity's application of U.S. GAAP. Therefore, the summary of accounting policies should include information about industry-specific accounting policies.

22. Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

We believe the best way to achieve a reduction in the volume of Notes while retaining relevant disclosures is for the Board to finalize the framework discussed in Chapter 2, use that framework to reassess existing disclosure requirements, and then allow reporting entities to use well-reasoned judgments to select disclosures that are relevant for their facts and circumstances. If the Board wishes to prioritize its reassessment, we would recommend focusing on ASC 820, Fair Value Measurement, ASC 718, Compensation - Stock Compensation, and ASC 715, Compensation - Retirement Benefits, as Topic areas that are frequently cited by preparers as having excessive disclosure requirements.

In addition to using the framework to evaluate existing disclosure requirements, we believe the Codification should be clear that reporting entities have flexibility to determine what disclosures are relevant for their facts and circumstances (refer to our response to Question 5). If the Board made adjustments to those Topic areas that appear to suggest all the disclosures are required regardless of materiality, this may be a simple way to improve the relevance of Notes without using the framework to evaluate individual disclosure requirements.

Also, as discussed above, we encourage the Board to collaborate closely with the SEC on this project. Establishing the boundary between disclosures in Notes and disclosures elsewhere in SEC filings and other regulatory reporting would help eliminate duplication, clarify what information receives certain "safe harbor" legal protections, and streamline financial reporting.