

Snapshot

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SEC amends additional Regulation S-K disclosures

The SEC issued a [Final Rule](#), *Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*, to modernize, simplify, and enhance certain Regulation S-K disclosure requirements. Among other things, the amendments eliminate Regulation S-K, Item 301, *Selected financial data*; streamline the requirements in Item 302, *Supplementary financial information*; and update certain requirements in Item 303, *Management's discussion and analysis of financial condition and results of operations*.

MD&A

The Final Rule expands the principles-based nature of the disclosure framework in Management's Discussion and Analysis (MD&A) and codifies existing Commission guidance on this topic. The amendments further streamline disclosures and reduce redundancy between MD&A and existing U.S. GAAP disclosure requirements. See a summary of the amendments in the table on the next page.

Grant Thornton insight

Some stakeholders who commented on the proposed rule expressed the need for additional disclosure requirements relating to environmental, social, or governance issues (ESG) and sustainability matters. Given the SEC's principles-based approach to MD&A, the Final Rule does not adopt new requirements specific to ESG or sustainability matters. However, registrants are encouraged to include such disclosures in their filings to the extent they are deemed material information.

Other amendments

Although the Final Rule eliminates Item 301, a registrant is encouraged to continue to consider whether tabular disclosure may be appropriate in an introductory or overview section, including disclosures that demonstrate material trends.

Under the amendments to Item 302(a), a registrant is no longer required to provide two years of selected quarterly financial data. Rather, a registrant should use the principles-based approach to reflect any material retrospective changes to previously presented quarterly financial information. Item 302(a), as amended, applies beginning with the first filing on Form 10-K after a registrant's initial registration statement.

The Final Rule adopts parallel changes to certain financial disclosures provided by foreign private issuers, as well as conforming amendments to Forms 20-F and 40-F.

Compliance dates

The Final Rule is effective 30 days after publication in the *Federal Register*.

Registrants are required to apply the amended rules in their first fiscal year ending on or after 210 days after the Final Rule is published in the *Federal Register* (the mandatory compliance date). The amended rules apply to a registration statement and prospectus that, on its initial filing date, include financial statements for a period ending on or after the mandatory compliance date.

Previous item number or instruction	Amended item number or instruction	Description of amendment to Item 303
N/A	Item 303(a), <i>Objective</i>	Adds an explanation of the principle objectives of MD&A.
Item 303(a)(1), <i>Liquidity</i> Item 303(a)(2), <i>Capital resources</i>	Item 303(b)(1), <i>Liquidity and Capital Resources</i>	Requires a registrant to discuss material cash needs, including commitments for capital expenditures; the anticipated sources of funds, irrespective of whether the need is for capital expenditures, business operations, or capital investments; and the general purpose of such requirements.
Item 303(a)(3)(ii), <i>Results of operations</i>	Item 303(b)(2), <i>Results of operations</i>	Adds a disclosure threshold for items that are “reasonably likely to” (as opposed to “will”) cause a material change in the relationship between costs and revenues.
Item 303(a)(3)(iii), <i>Results of operations</i> Instruction 4 (material changes in line items)	Item 303(b)(2), <i>Results of operations</i>	Clarifies the requirement that a registrant should provide a discussion of material <i>changes</i> in net sales or revenues, rather than only material <i>increases</i> . Also clarifies that a registrant should provide a qualitative and quantitative discussion of the underlying reasons why material changes in a line item offset each other.
Item 303(a)(3)(iv), <i>Results of operations</i> Instructions 8 and 9 (inflation and price changes)	Item 303(b)(2), <i>Results of operations</i>	Eliminates the requirement to discuss the impact of inflation and price changes. A registrant is still required to discuss inflation and price changes if they are part of a known trend or uncertainty that the registrant reasonably expects to have, or that have already had, a material impact on net sales, revenue, or income from continuing operations.
Item 303(a)(4), <i>Off-balance sheet arrangements</i>	Instruction 8 to Item 303(b)	Implements a new principles-based instruction, which requires a registrant to discuss off-balance sheet commitments or obligations with unconsolidated entities that may have a material current or future effect on its financial condition.
Item 303(a)(5), <i>Tabular disclosure of contractual obligations</i>	N/A	Eliminates the requirement to disclose a prescribed table of contractual obligations. A registrant is otherwise required to provide a discussion of material contractual obligations as part of the Liquidity and Capital Resources disclosure, focusing on material short- and long-term cash requirements from known contractual and other obligations.
2003 MD&A Interpretive Release, <i>Critical accounting estimates</i>	Item 303(b)(3), <i>Critical accounting estimates</i>	New Item 303(b)(3) codifies existing interpretive guidance to explicitly require disclosure of critical accounting estimates, to define critical accounting estimates, and to avoid duplication with the financial statements. A registrant is also required to disclose, to the extent material, why the estimate is subject to uncertainty, how much each estimate has changed during the reporting period, and the sensitivity of the reported amounts to fluctuations in the material methods, assumptions, and estimates underlying the calculation.
Item 303(b), <i>Interim periods</i>	Item 303(c), <i>Interim periods</i>	Provides a registrant with the flexibility to compare the most recently completed quarter to either the corresponding quarter of the prior year or to the immediately preceding quarter.
Item 303(d), <i>Smaller reporting companies</i>	N/A	Eliminates this Item to conform with the amendments discussed above.

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