



In This Issue

- [What's Covered in the Request for Comment](#)
- [What You Can Do](#)

SEC Seeks Input on Quarterly Reports and Earnings Releases

by Matt Slattery, Christine Mazor, and Mark Miskinis, Deloitte & Touche LLP

On December 18, 2018, the SEC issued a [request for comment](#)¹ on quarterly reports and earnings releases issued by reporting companies. The request seeks feedback on a number of items related to current quarterly reporting requirements and practices, including (1) the frequency of periodic reporting, (2) the extent of quarterly disclosures, (3) the relationship between required Forms 10-Q and voluntary earnings releases, and (4) the relationship between quarterly reporting and a focus on short-term results.

Quarterly reporting has been on the SEC's radar for several years. In a 2016 [concept release](#),^{2,3} the Commission sought input on (1) the costs and benefits of quarterly reporting and (2) whether the SEC should reconsider any of its interim reporting requirements, including the need for quarterly reporting. The frequency of financial reporting recently received increased publicity, partly as a result of a tweet⁴ sent by President Trump on August 17, 2018, and a related [public statement](#) issued by SEC Chairman Jay Clayton the same day. The newly issued request for comment represents the next step in the Commission's efforts to gather feedback as the SEC continues to study and assess the current interim reporting requirements.

¹ SEC Release No. 33-10588, *Request for Comment on Earnings Releases and Quarterly Reports*.

² SEC Concept Release No. 33-10064, *Business and Financial Disclosure Required by Regulation S-K*.

³ For more information about the SEC's 2016 concept release, see Deloitte's April 18, 2016, [Heads Up](#).

⁴ President Trump's August 17, 2018, tweet states: "In speaking with some of the world's top business leaders I asked what it is that would make business (jobs) even better in the U.S. 'Stop quarterly reporting & go to a six month system,' said one. That would allow greater flexibility & save money. I have asked the SEC to study!"

What's Covered in the Request for Comment

The request for comment explores, in 46 multipart questions, the possibility of bringing new efficiencies to the quarterly reporting process while continuing to maintain investor protection, as well as the potential link between the frequency of reporting and a short-term investment focus. The questions fall into four categories: (1) information content resulting from the quarterly reporting process, (2) timing of the quarterly reporting process, (3) the earnings release as the core quarterly disclosure, and (4) reporting frequency. These questions are summarized below by category.

Information Content Resulting From the Quarterly Reporting Process

The Commission notes that certain material information required by Form 10-Q is also frequently provided in earnings releases, often at an earlier date. However, because earnings releases are voluntary and do not require specific information, their methods of presentation and the items they include can vary significantly. Further, an earnings release may include information not presented in Form 10-Q, such as expectations of the company's future financial performance or "forward-looking earnings guidance." The request for comment contains many questions related to the earnings release and its interaction with the quarterly reporting required for Form 10-Q, including the following:

- Why do companies choose to issue quarterly earnings releases, and how do they determine what information to provide?
- Do investors rely more on earnings releases or on Forms 10-Q when both are made available, and why?
- What are the benefits of the required Form 10-Q disclosures to investors and the marketplace that are not provided by the earnings releases? Do investors find sections of the Form 10-Q especially informative, and are there sections that the SEC should eliminate because the disclosures they elicit are immaterial?
- Does the corporate practice of providing quarterly forward-looking earnings guidance give rise to an undue focus on short-term financial results, thereby negatively affecting companies' ability to focus on long-term results?
- Should the Commission consider making changes to its rules that would discourage the practice of providing quarterly forward-looking earnings guidance?
- What costs are associated with Form 10-Q preparation, and are there alternatives (e.g., the elimination of certain disclosures) that may reduce some of those costs?

Timing of the Quarterly Reporting Process

In the request for comment, the SEC observes that some companies issue an earnings release before they file the associated Form 10-Q. Requested feedback specific to this topic includes input on the following types of questions:

- "Why do some companies publish an earnings release before filing Form 10-Q while other companies publish an earnings report and file Form 10-Q on the same day or near the same time?" Should the SEC take any action to address the time lapses?
- "What is the impact on investors and other market participants participating in earnings calls when a company publishes its earnings release before filing its Form 10-Q?" Are the resulting disadvantages to investors the same as those of publishing the fourth-quarter earnings release before the Form 10-K is filed?
- "To what extent are auditors involved with earnings releases?" Does the quarterly review work that is required have any effect on the amount of time between the issuance of an earnings release and the filing of a Form 10-Q?

Earnings Release as the Core Quarterly Disclosure

The SEC seeks feedback on possible ways to alleviate burdens related to Form 10-Q reporting while maintaining investor protection, including ways in which registrants can leverage information provided in an earnings release to satisfy certain financial disclosure requirements of Form 10-Q. Questions on this topic include the following:

- “Is the required quarterly reporting process complex and burdensome for investors or companies?” If so, in what ways, and what approaches should the Commission consider to simplify that process?
- “Should Commission rules, accounting standards, and auditing standards allow for the interim financial statements to be separated so that certain parts could be presented only in the earnings release?” If so, which types of required disclosures should be permissible for a company to provide solely in its earnings release? Further:
 - Would this approach affect the timing of earnings releases? If this approach is taken, should the SEC modify the due date of Form 10-Q?
 - Would this approach have any impact on registration statements?
 - What effect would this approach have on (1) the auditor’s review procedures and (2) disclosure controls and procedures as well as the related officer certification requirements?

Reporting Frequency

The request for comment solicits additional input on reporting frequency and what alternative approaches, if any, should be considered that would appropriately address the informational needs of investors while reducing the costs and other burdens on registrants. Questions on this topic include the following:

- “Does the frequency of reporting lead managers to focus on short-term results to the detriment of long-term performance? Why or why not?”
- Should the SEC “move to a semi-annual reporting model for all or certain categories of reporting companies?” If just a subset of categories (e.g., smaller reporting companies nonaccelerated filers, emerging growth companies, specific industries), which categories should the subset comprise, and why?
- What effect, if any, would a change in reporting frequency have on earnings releases or other filings (e.g., Forms 8-K, registration statements)?
- Should the SEC “allow for additional flexibility by permitting companies to select an approach to periodic reporting that best suits their needs and the needs of their investors?”
- What additional approaches, if any, should the SEC consider “to better facilitate the dissemination of timely periodic information to investors and other market participants?”

What You Can Do

The SEC is interested in feedback from investors, companies, and other market participants on this matter and does not require a specific format for the submission of comments. Some commenters may choose to present their views in a narrative format without any reference to specific questions posed by the SEC, and others may choose to answer all, or only some, of the specific requests for comment. Any format is acceptable, and the SEC encourages all types of feedback.

Responses to the request for comment are due 90 days after its publication in the [Federal Register](#).

Subscriptions

If you wish to receive *Heads Up* and other accounting publications issued by Deloitte's Accounting Services Department, please [register](http://www.deloitte.com/us/accounting/subscriptions) at www.deloitte.com/us/accounting/subscriptions.

Dbriefs for Financial Executives

We invite you to participate in *Dbriefs*, Deloitte's webcast series that delivers practical strategies you need to stay on top of important issues. Gain access to valuable ideas and critical information from webcasts in the "Financial Executives" series on the following topics:

- Business strategy and tax.
- Financial reporting.
- Tax accounting and provisions.
- Controllership perspectives.
- Governance, risk, and compliance.
- Transactions and business events.
- Driving enterprise value.

Dbriefs also provides a convenient and flexible way to earn CPE credit — right at your desk. [Subscribe](#) to *Dbriefs* to receive notifications about future webcasts at www.deloitte.com/us/dbriefs.

DART and US GAAP Plus

Put a wealth of information at your fingertips. The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosure literature. It contains material from the FASB, EITF, AICPA, PCAOB, IASB, and SEC, in addition to Deloitte's own accounting manuals and other interpretive guidance and publications.

Updated every business day, DART has an intuitive design and navigation system that, together with its powerful search and personalization features, enable users to quickly locate information anytime, from any device and any browser. While much of the content on DART is available at no cost, subscribers have access to premium content, such as Deloitte's *FASB Accounting Standards Codification Manual*, and can also elect to receive *Technically Speaking*, a weekly publication that highlights recent additions to DART. For more information, or to sign up for a free 30-day trial of premium DART content, visit dart.deloitte.com.

In addition, be sure to visit [US GAAP Plus](#), our free Web site that features accounting news, information, and publications with a U.S. GAAP focus. It contains articles on FASB activities and those of other U.S. and international standard setters and regulators, such as the PCAOB, AICPA, SEC, IASB, and IFRS Interpretations Committee. Check it out today!

Heads Up is prepared by the National Office Accounting Services Department of Deloitte as developments warrant. This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.