



SEC Releases Updated Financial Reporting Manual

On December 9, 2008, the Staff of the Division of Corporation Finance of the U.S. Securities and Exchange Commission publicly released its Financial Reporting Manual (“2008 Manual”), a reference guide for Division staff members that addresses many important aspects of the financial reporting and disclosure rules applicable to SEC reporting companies.¹ The 2008 Manual replaces the Staff’s prior “Accounting Disclosure Rules and Practices: An Overview,” a similar document that was issued in 2000 but released publicly only on an informal basis (“2000 Manual”). Like the 2000 Manual, the 2008 Manual is primarily intended for the use of the Division’s staff. In fact, the 2008 Manual bears the legend “For Division of Corporation Finance Staff Use Only” and advises that its contents not be read to constitute formal guidance from the SEC. However, the Staff’s decision to post the 2008 Manual on its Web site provides SEC reporting companies, as well as their auditors and other advisors, the opportunity to better understand the Staff’s position on many important issues.

Overview of the Financial Reporting Manual

Like the 2000 Manual, the 2008 Manual sets forth guidance on many key topics related to the preparation and public disclosure of financial and related information. Among the matters covered in the 2008 Manual are as follows:

- basic requirements with respect to timing, age and content of audited and unaudited financial statements;
- requirements regarding disclosure of acquired entity financial statements, including how to analyze whether an acquisition is “significant” and “probable”;
- circumstances requiring preparation of *pro forma* financial information;
- rules governing foreign private issuers;
- disclosure of non-GAAP financial measures;
- effects of subsequent events on disclosure of financial information; and
- requirements regarding disclosure of financial information in connection with tender offers.

Recent Developments Discussed in the Financial Reporting Manual

While the 2000 Manual generally covered the same topics, the update does reflect several changes that have occurred since the 2000 Manual was published. Among the developments reflected in the 2008 Manual, most of which are summarized elsewhere in SEC regulations, interpretations or other official guidance, are:

- changes to the SEC’s financial disclosure rules attributable to the Sarbanes-Oxley Act, including the Section 404 rules;
- the range of deadlines for the filing of Exchange Act reports, depending on status as an “accelerated filer” or otherwise;
- elimination of discussions related to the “pooling” method of accounting, and addition of discussions related to accounting of acquisitions under SFAS 141 and IFRS 3;
- implementation issues relating to foreign private issuers’ presentation of IFRS financial statements rather than reconciling their financial statements to U.S. GAAP;
- applicability of Regulation G and Regulation S-K to the inclusion of non-GAAP financial measures in SEC registration statements and Exchange Act reports; and

¹ A copy of the Financial Reporting Manual is available at <http://www.sec.gov/divisions/corpfin/cffinancialreportingmanual.pdf>.

- general objectives and specific disclosure requirements applicable to MD&A sections in SEC registration statements and Exchange Act reports.

The 2008 Manual also significantly expands the Staff's discussion of requirements related to the timing and extent of financial information disclosures in connection with acquisitions or dispositions. Among the subjects covered in additional detail are the rules governing deadlines for filing target company financial statements and a discussion of Staff Accounting Bulletin #80 and its requirements relating to the inclusion of target company financial information in initial registration statements.

How SEC Reporting Companies Should Use the Financial Reporting Manual

Notwithstanding the informal nature of the guidance contained in the 2008 Manual, SEC reporting companies and their auditors and other advisors should consult its contents in connection with the preparation of their financial statements, registration statements and Exchange Act reports. While much of the guidance contained in the 2008 Manual is published in other forms of SEC guidance, whether in regulations themselves, Staff Accounting Bulletins, SEC Telephone Interpretations or otherwise, the 2008 Manual collects many of the SEC's critical financial reporting regulations in a well-organized, easy-to-follow format. SEC reporting companies and their accounting staffs should continue to consult official SEC guidance as well as outside legal and accounting advisors in connection with their financial and related reporting practices, but the 2008 Manual will serve as a valuable reference guide for many SEC reporting companies.

Meet The Authors

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