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Retrospective Changes to Financials? Consider the Periods Covered in the MD&A

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For SEC reporting companies providing financial statements covering three years in a filing, discussion about the earliest of the three years may be omitted from the MD&A if such discussion was already included in the company's prior filings on EDGAR, provided that the company provides a statement that identifies the location in the prior filing where the omitted discussion may be found. See our summary of the SEC's FAST Act amendments, including to Item 303 of Regulation S-K, here.

According to notes on a joint meeting this summer between the SEC staff and the Center for Audit Quality (CAQ), the SEC staff confirmed that the amendment does not change the standard that applies to all MD&As, which is to provide such other information that the company believes to be necessary to understanding its financial condition, changes in financial condition and results of operations.

As a result, the notes continue, where there has been a retrospective change in financial statements in either of the earliest two years covered in the filing (eg, due to accounting errors, retrospective adoption of new accounting principles, segment changes, discontinued operations or changes in the reporting entity), the company should assess whether the previously filed disclosure (that it is considering omitting and referencing) still provides the information necessary to understand the company's financial condition, changes in financial condition and results of operations.

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