



SEC Regulations Committee Highlights

CAQ

Joint Meeting with SEC Staff

June 26, 2025

NOTICE:

The Center for Audit Quality (CAQ) SEC Regulations Committee meets periodically with the staff of the SEC to discuss emerging financial reporting issues relating to SEC rules and regulations. The purpose of the following highlights is to summarize the issues discussed at the meetings. These highlights have not been considered or acted on by senior technical committees of the AICPA and do not represent an official position of the AICPA or the CAQ. As with all other documents issued by the CAQ, these highlights are not authoritative, and users are urged to refer directly to applicable authoritative pronouncements for the text of the technical literature. These highlights do not purport to be applicable or sufficient to the circumstances of any work performed by practitioners. They are not intended to be a substitute for professional judgment applied by practitioners.

These highlights were prepared by a representative of the CAQ who attended the meeting and do not purport to be a transcript of the matters discussed. The views attributed to the SEC staff are informal views of one or more of the staff members present, do not constitute an official statement of the views of the Commission or of the staff of the Commission and should not be relied upon as authoritative. Users are urged to refer directly to applicable authoritative pronouncements for the text of the technical literature.

As available on the CAQ's website, highlights of Joint Meetings of the SEC Regulations Committee and the SEC staff are not updated for the subsequent issuance of technical pronouncements or positions taken by the SEC staff, nor are they deleted when they are superseded by the issuance of subsequent highlights or authoritative accounting or auditing literature. As a result, the information, commentary or guidance contained herein may not be current or accurate, and the CAQ is under no obligation to update such information. Readers are therefore urged to refer to current authoritative or source material.

I. ATTENDANCE

SEC Regulations Committee	Securities and Exchange Commission	Observers and Guests
Kyle Moffatt, Chair Paula Hamric, Vice-Chair Lauren Alexander Timothy Brown Damon Busse Jennifer Damico Rohit Elhance Greg Faucette Fred Frank Pat Gilmore Chris Hatto Ellie May Mark Shannon Marc Siegel Mat Watson	<i>Staff from the Division of Corporation Finance (Division) and Office of the Chief Accountant</i>	AJ Schmetzer, PwC Annette Schumacher Barr, CAQ Observer Erin Cromwell, CAQ Observer



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SEC Regulations Committee	Securities and Exchange Commission	Observers and Guests
Scott Wilgenbusch Alan Wilson		

II. STAFF UPDATE

The staff provided the following personnel and operational updates:

- The Commission announced that [Kurt Hohl](#) has been named Chief Accountant, effective July 7, 2025. Acting Chief Accountant Ryan Wolfe will return to his role as Chief Accountant in the Division of Enforcement.
- Announcements regarding new leadership in the Divisions of Investment Management and Trading and Markets were also made in June:
 - ✓ [Brian Daly](#) was named Director of the Division of Investment Management.
 - ✓ [Jamie Selway](#) was named Director of the Division of Trading and Markets.
- The staff is in the process of updating the Financial Reporting Manual (FRM).

[Note: Subsequent to the Joint Meeting, the staff published an update to the FRM effective June 30, 2025 and another update effective August 22, 2025. A [summary of changes](#) included in these updates can be found on the SEC website.]

III. CURRENT FINANCIAL REPORTING MATTERS

A. Transition reporting

The Committee and staff discussed a scenario in which a registrant with a December 31 year-end decides on January 2, 2023 to change its year-end to March 31. The transition period is three months (January 1, 2023 through March 31, 2023). For a transition period that is less than six months, Exchange Act Rule 13a-10 and Financial Reporting Manual Topic 1360.2 note that a registrant may file a transition report on either Form 10-K or Form 10-Q. If a transition report is filed on Form 10-Q, the financial statements are not required to be audited.

Accordingly, the registrant files a transition report on Form 10-QT with the following (assuming the registrant files its 12/31/2022 10-K):



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- Unaudited statements of income and cash flows for the three months ended 3/31/2023 and 3/31/2022.
- Unaudited balance sheets as of 3/31/2023 and 12/31/2022.

240.13a-10 and FRM 1360.2 note that there is an audit requirement for the registrant's first annual report on Form 10-K for the newly adopted fiscal year:

240.13a-10 — Transition reports.

(c) If the transition period covers a period of less than six months, in lieu of the report required by paragraph (b) of this section, a report may be filed for the transition period on Form 10-Q (§ 249.308a of this chapter) not more than the number of days specified in paragraph (j) of this section after either the close of the transition period or the date of the determination to change the fiscal closing date, whichever is later. The report on Form 10-Q shall cover the period from the close of the last fiscal year end and shall indicate clearly the period covered. The financial statements filed therewith need not be audited but, if they are not audited, the issuer shall file with the first annual report for the newly adopted fiscal year separate audited statements of income and cash flows covering the transition period. The notes to financial statements for the transition period included in such first annual report may be integrated with the notes to financial statements for the full fiscal period. A separate audited balance sheet as of the end of the transition period shall be filed in the annual report only if the audited balance sheet as of the end of the fiscal year prior to the transition period is not filed. Schedules need not be filed in transition reports on Form 10-Q.

FRM 1360.2 Exchange Act Reporting Requirements for Transition Period:

Less than 6
months

On Form 10-K as above, or on Form 10-Q within 45 days for non-accelerated filers (or 40 days for accelerated and large accelerated filers) after the later of the election to change the fiscal year or the end of the transition period. The transition period may be unaudited in Form 10-Q, but the next Form 10-K must contain audited financial statements of the transition period. See Section 1340.7 for reassessment of accelerated filer status.



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The Committee asked whether the guidance in FRM 1360.2 to include “audited financial statements of the transition period” in the next Form 10-K should be interpreted to mean that a registrant must include the audited balance sheet as of the end of the transition period (i.e., as of 3/31/2023 in the example above). The staff noted that Rule 13a-10(c) requires a balance sheet *either* as of the end of the former fiscal year or the end of the transition period. In this scenario, the registrant would be required to provide the audited balance sheets as of 3/31/2024 and either 3/31/2023 OR 12/31/2022. A registrant may voluntarily provide audited balance sheets as of both dates (i.e., as of 3/31/2023 and 12/31/22 in this scenario). (Note that the Committee’s inquiry and reference to the FRM language above was prior to the staff update of FRM 1360.2as of August 22, 2025, which reflects the staff response in this paragraph.)

Therefore, if, in its first annual report for the newly adopted fiscal year (Form 10-K for the year ended March 31, 2024), the Registrant files the audited balance sheet as of the end of the fiscal year prior to the transition period (12/31/2022), then the Registrant is not required (but would be allowed) to file the audited balance sheet as of the end of the transition period (3/31/2023). Similarly, if in its first annual report for the newly adopted fiscal year (Form 10-K for the year ended March 31, 2024), the Registrant files the audited balance sheet as of the end of the transition period (3/31/2023), then the Registrant is not required (but would be allowed) to file the audited balance sheet as of the end of the fiscal year prior to transition (12/31/2022).

B. Pro forma financial information in subsequent filings requiring pro-forma information, including transactions related to a de-SPAC or “Fallen Angel”

In de-SPAC transactions or where a public shell company acquires a private operating company, a registrant is required to provide pro forma financial information reflecting the accounting for the acquisition in a proxy or registration statement (e.g., a Form S-4). After effectiveness of the registration statement, certain subsequent filings (such as a Super 8-K reporting the transaction or subsequent registration statements) may require the registrant to update its and the target’s financial statements to remain compliant with the applicable age of financial statement requirements in Regulation S-X.

The Committee asked the staff whether the pro forma financial information reflecting the acquisition should be updated for the most recently reported periods in the Super 8-K or subsequent registration statements even if the registrant believes the update would not be material. The staff clarified that if the registrant’s financial statements were required to be updated, the pro forma financial information must also be updated. The update is required regardless of any materiality assessment.



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The Committee further inquired whether pro forma financial information presented for transactions other than the one described by the Committee (i.e., transaction specified in Rule 11-01 of Regulation S-X) must be updated when the financial statements used to prepare the pro forma financial statements are required to be updated. The staff confirmed that if the financial statements used to prepare pro forma financial information are required to be updated, the pro forma financial information must also be updated. The update is required regardless of any materiality assessment.

C. Interim disclosures about an equity method investee under Article 10

Rule 4-08(g) of Regulation S-X requires summarized financial information about unconsolidated subsidiaries and 50% or less owned persons (i.e., investees accounted for using the equity method) to be included in the notes to the annual financial statements if, individually or in the aggregate, they meet the tests of a significant subsidiary set forth in Rule 1-02(w) of Regulation S-X.

Rule 10-01(b)(1) of Regulation S-X requires summarized statement of comprehensive income information about unconsolidated subsidiaries and 50% or less owned persons (i.e., investees accounted for using the equity method) to be included in the notes to the interim financial statements if, individually, they meet the tests of a significant subsidiary set forth in the investment and income tests of Rule 1-02(w), substituting 20% for 10%.

SAB Topic 6.K clarifies that a registrant which includes separate financial statements or condensed financial statements for unconsolidated subsidiaries or investees in its annual report to shareholders does not need to include the summarized financial information for these entities pursuant to Rule 4-08(g), but does not specifically reference Article 10.

The Committee asked the staff whether, by analogy to SAB Topic 6.K, a registrant with an equity method investment in another public company could include or incorporate by reference the investee's interim financial statements from Form 10-Q into the registrant's Form 10-Q to satisfy the interim disclosure requirements about the investee pursuant to Rule 10-01(b)(1).

The staff noted that, consistent with SAB Topic 6.K, they generally would not object to a registrant with an equity method investment in another public company omitting the investee's summarized financial information required by Rule 10-01(b)(1) if the investee's interim financial statements are included in the registrant's Form 10-Q, assuming the following criteria are met:



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- a) The investee is a separate registrant;
- b) The investee's relevant interim financial statements have been included in the investee's Form 10-Q filed prior to the registrant's Form 10-Q filing; and
- c) The investee and the registrant have the same fiscal year-end.

The staff indicated that the inclusion of criterion (c) addresses unique considerations that may arise if the investee and registrant have different fiscal year-ends. The staff encouraged registrants to carefully consider whether financial statement users would receive financial information of the investee for periods that are consistent with what would be required under Rule 10-01(b)(1), and to speak with the staff if the registrant is considering including investee financial statements in its Form 10-Q in lieu of summarized financial information when the fiscal year-ends differ between the registrant and investee but the other criteria above are met.

The staff noted that SAB Topic 6.K contemplates the inclusion of separate financial statements instead of incorporating them by reference, and that registrants, in consultation with their legal counsels, should separately assess whether incorporation by reference would be appropriate.

D. Staff Observations Regarding Segment Disclosures

In the March 5, 2025 Joint Meeting, the Committee shared observations regarding implementation of ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"). The Committee's observations included the judgment required for the disclosure of significant segment expenses, particularly a) for single segment entities whose measure of segment performance is consolidated net income or loss, and b) entities that provide the CODM with disaggregated expense information in multiple ways (e.g., by functional expense and by project expense), including the ability to view expense category details in dashboards.

As a follow up to the March discussion, the staff in the SEC's Office of the Chief Accountant shared the following observations:

- Registrants should carefully consider the language and objective of ASU 2023-07, noting also that the concepts of "regularly provided" and "included in the measure of segment profit or loss" existed in (ASC 280) prior to ASU 2023-07 becoming effective. Registrants should prepare their disclosures to comply with ASC 280.



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- Regarding the concept of “regularly provided,” entities should focus on the substance of the segment information regularly provided, rather than the form. [See Paragraph BC43 of [ASU 2023-07](#), which states that “The Board concluded that the significant expense principle should be based on the substance of the segment information that is regularly provided to the CODM rather than on its form. Additionally, the Board observed that it is useful to include an easily computable concept as part of the amendments in this Update to ensure that the objective of the disclosure is met and that investors receive relevant information about significant segment expenses.”]
- The staff expects that the most judgment will be applied in the determination of what expenses are considered significant and stated they will respect reasonable judgments about such conclusions grounded in the authoritative literature.
- Registrants with questions regarding specific facts and circumstances are encouraged to consult with the staff.

IV. NEXT MEETING

The next Joint Meeting of the Committee and the staff is set for October 22, 2025.