

***9th Annual
Financial Reporting Conference
Baruch College***

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Division of Corporation Finance
April 29, 2010**

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**COMMUNICATIONS
&
TRANSPARENCY**

Communications

- **Outreach Program**
 - ❖ Accounting Firms
 - ❖ Investor Groups
 - ❖ Other Organizations
- **Letters – waivers, interpretations, etc.**
dcaoleters@sec.gov
- **E-mail vs. phone calls**
 - ❖ Efficiency
 - ❖ Future Guidance

Dear CFO Letter - ALLL

- **MD&A Disclosure Regarding Provision and Allowance for Loan Loss**
- **Issued in August 2009**
- **Located at**

<http://www.sec.gov/divisions/corpfin/guidance/loanlossesltr0809.htm>

Dear CFO Letter - Repos

- Request for information about repurchase agreements, securities lending transactions, or other transactions involving the transfer of financial assets
- Issued March 2010
- Located at

<http://www.sec.gov/divisions/corpfin/guidance/cforepurchase0310.htm>

SEC Staff Review of Common Financial Reporting Issues Facing Smaller Issuers

Wayne Carnall, Chief Accountant

Steven Jacobs, Associate Chief Accountant

Jennifer Thompson, Accounting Branch Chief

Christopher White, Accounting Branch Chief

Kevin Vaughn, Accounting Branch Chief

Cicely LaMothe, Accounting Branch Chief

Joel Parker, Accounting Branch Chief

Brian K. Bhandari, Accounting Branch Chief

Division of Corporation Finance

December 2009

*Areas of Frequent Staff
Comment – Financial
Institutions*

**Stephanie L. Hunsaker
Associate Chief Accountant
Division of Corporation Finance
December 2009**

Best Practices for Working with SEC Staff

December 6, 2009

***Angela Crane
Michael Stehlik
Division of Corporation Finance
U.S. Securities & Exchange Commission***

Financial Reporting Manual

- **Objective**
- **Location**
 - <http://sec.gov/divisions/corpin/cffinancialreportingmanual.pdf>
- **Updating**
 - ❖ **March 2009**
 - ❖ **June 2009**
 - ❖ **September 2009**
 - ❖ **December 2009**
- **2010 and beyond**



REVIEWS

&

ISSUES

Responding to Comment Letters

- **My experience**
- **My recommendation**

Non-GAAP – CDIs

- **Why did we revise the staff guidance?**
- **Are we encouraging the use of non-GAAP information?**
- **Are we requiring companies to include non-GAAP information in Commission filings if they use it outside of their filings?**
- **Does this represent a loosening of the rules?**
- **What are the significant changes?**

Goodwill - Disclosures

For each reporting unit at risk of failing step one:

- % by which FV exceeds CV**
- Amount of goodwill allocated to the reporting unit**
- Methods and key assumptions that drive FV**
- Uncertainty with assumptions**
- Events that could reasonably be expected to negatively affect the key assumptions.**

Venezuela

- **Highly inflationary**
- **Dual Exchange Rates**
- **Devaluation**
- **Staff Announcement**
- **Disclosures in the Past**
- **Disclosures in the Future**

Items to Consider

- **Liquidity – MD&A**
- **Impairment of goodwill –Implications to the business**
- **Accounting for income taxes**
- **Pension – assumptions, curtailments**
- **Segments**
- **OTTI**
- **Materiality – “SAB 99” memos – Non GAAP measures**

Items to Consider

- **Subsequent events – ASU 2010-09 – entity is required to file or furnish financial statements**
- **Negative discretion in performance incentive plans**
- **Form S-8 – changes in financial statements that require retroactive application**
- **Internal Controls over Financial Reporting – Changes 308 (c) of Regulation S-K**
- **Health Care Reform Act**

Recommendations

- **View the 10-K/10-Q as a communication document – not a compliance document**
- **Write for the investor – not the SEC staff**
- **Codification – describe concepts**
- **Avoid redundancy**
- **Disclosure checklist – starting point not ending point**
- **Be consistent with other communications – analysts calls, press releases, etc.**



Goals for the Future

Projects On My List

- **Item 11(b) of Form S-3**
- **Rule 3-05 - Acquired business**
- **Rules 3-09 and 4-08(g) and – Equity Affiliates**
- **Article 11- Pro-Forma information**
- **Develop guidance for 8-K filings**
- **Core Disclosure Project**

4-08(g) Disclosure

	<u>Affiliate A</u>	<u>Affiliate B</u>	<u>4-08(g)</u>
Revenue	100	100	200
Expenses	<u>60</u>	<u>120</u>	<u>180</u>
Net income (loss)	40	(20)	20
Percentage owned	<u>20%</u>	<u>50%</u>	
Equity pick up	8	(10)	
Loss on income statement		(2)	

Communication Goals

- **Continue the outreach program**
- **Keep current the *Financial Reporting Manual* and develop interpretations that will be part of C&DIs**
- **Update/eliminate certain information on our website**
- **Develop “No Action” style letters for certain items**
- **Keep current the guidance for smaller issuers**
- **Keep current the guidance on areas of focus for community banks**
- **Develop guidance for 8-K filings**