

SFAS No. 57³³ and related pronouncements, would be furnished.

12. *Bankruptcies and quasi-reorganizations.* Entities entering into, operating under, or emerging from proceedings under the federal bankruptcy code during the most recent fiscal year would have to provide all the disclosures specified by AICPA Statement of Position No. 90-7.³⁴ As presently required by Regulation S-X and related interpretations,³⁵ entities effecting a quasi-reorganization during the most recent fiscal year would disclose the nature and effects of the quasi-reorganization.

13. *Subsequent events.* All events occurring subsequent to the date of the most recent balance sheet for which disclosure was required to be made in the full financial statements would be disclosed.

If none of the matters identified in Items 3 through 13 above apply to a registrant, the note disclosures included in abbreviated financial statements of that registrant would be limited to a description of the basis of presentation of the abbreviated financial statements and the registrant's accounting policies.

The types of disclosures commonly provided in full financial statements that would be omitted from the notes to the abbreviated financial statements are summarized in Appendix A to the release. Comment is requested as to whether any of the items specified for inclusion should not be deemed necessary in a presentation of abbreviated financial statements, or whether there are other specific items included in full financial statements that should be required disclosure in abbreviated financial statements in order to provide essential information to investors. For example, should the disclosures regarding the amounts, terms, risks, or fair values of financial instruments (including derivatives) specified by SFAS Nos. 105, 107, and 119,³⁶ or the information about stock options valuation to be required by the forthcoming FASB standard on stock compensation,³⁷ be required?

Proposed Item 305 specifies every matter that would require disclosure in the notes to the abbreviated financial statements; the Item does not provide for the discretionary addition by registrants of note disclosures regarding other matters. Comment is solicited as to whether the Item should allow for additional discretionary note disclosures. Commenters remarking on this issue are asked to address whether, if proposed Item 305 expressly permitted the discretionary note disclosures: (1) registrants would be more or less likely to use the abbreviated financial statement format; (2) the disclosures included in the notes to the abbreviated financial statements would be more or less useful to investors; and (3) whether registrants would feel compelled routinely to add note disclosures regarding discretionary matters similar to those included at the discretion of other registrants.

As an alternative to the disclosures specified in the proposed rules, comment is requested as to whether note disclosures in abbreviated financial statements should be limited to only those matters regarding the manner in which the full financial statements were prepared. For example, should disclosures be limited to a description of the registrant's significant accounting policies, changes in those policies, and material restatements and reclassifications of previously reported amounts? Should disclosures be further limited to only include changes in those matters, and to exclude descriptions of accounting policies that have not changed during the reporting period? Should the abbreviated financial statements also include a list of the notes that have been omitted?

B. Use of Abbreviated Financial Statements—Specified Disclosure Documents

As discussed in the introduction to this release, the primary impetus to the abbreviated financial statement initiative has been suggestions to streamline the financial information required to be included in annual reports to shareholders, so as to make the reports more readable and useful to the general shareholder body. Underlying these suggestions is the premise that, at least in the case of voting on the election of directors, many, if not most, shareholders do not use the detailed information contained in the financial statement footnotes to make their voting decision.

Compensation Task Force and other interested persons for review and comment. FASB hopes to issue a Final Statement in July.

The proposed amendments also would extend the abbreviated financial statement approach to other disclosure documents required to be delivered to investors, including those prospectuses currently required to include financial statements. While the transactional context of these documents and the use of the information as a basis for an investment decision present additional issues to those raised by the annual report, the Commission is interested in commenters' views as to whether the concept of allowing delivery of more summary information, while assuring that more extensive information is available in Commission filings and promptly upon request from the company, should be extended throughout the Commission's disclosure scheme. This model already currently exists in the distinction between the annual report required to be delivered to shareholders and the Form 10-K annual report required to be filed with the Commission. Registration on Form S-2 similarly uses this model.

The Commission also solicits comment as to the extent to which the availability of financial disclosure documents through electronic media warrants a reassessment of the regulatory framework that is based on delivery of disclosure documents in hard copy to investors.³⁸ By mid-1996, most registrants under the Securities Act, Exchange Act and Investment Company Act will be required to file their disclosure documents electronically through the Commission's Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system.³⁹ Public access to these reports is currently available through a wide variety of private vendors, as well as through the Commission.⁴⁰ Today, it is estimated

³⁸ In recognition of developments in electronic media, the staff issued an interpretive letter to facilitate the use of electronic transmission to satisfy prospectus delivery requirements. *Brown & Wood* (Feb. 17, 1995). The Division of Corporation Finance staff, in addition to issuing the *Brown & Wood* letter, is considering generally delivery under the Securities Act of prospectuses through other non-paper media (e.g., audiotapes, videotapes, facsimile, directed electronic mail, and CD ROMs). The staff anticipates submitting to the Commission in the near future recommendations intended both to facilitate compliance with the Securities Act's prospectus delivery requirements and to encourage continued technological developments of non-paper delivery media.

³⁹ To date, 6,250 Exchange Act registrants are filing on EDGAR, and 2,500 under the Investment Company Act. The remaining domestic registrants will be required to file on EDGAR by May 1996. Foreign issuers may file on EDGAR on a voluntary basis.

⁴⁰ For example, EDGAR filings are available through Dow Jones and Lexis/Nexis. One of the subscribers to the EDGAR data base has made it available on the Internet.

³³ *Related Party Disclosures.*

³⁴ *Financial Reporting Entities and Reorganization Under the Bankruptcy Code.*

³⁵ Rule 5-02.31(b) of Regulation S-X [17 CFR 210.5-02.31(b)]. See also Accounting Series Release 25 and Staff Accounting Bulletins 78 and 86, *Quasi-Reorganizations.*

³⁶ *Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk, Disclosures about Fair Value of Financial Instruments, and Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments, respectively.*

³⁷ A draft of a Final Statement on stock compensation has been sent to the FASB's Stock