

SEC Simplifies Accounting Disclosures for “Significant” M&A Transactions

Alert

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The SEC [has adopted amendments to the financial disclosure requirements in Regulation S-X](#) for acquisitions and dispositions of businesses. When a registrant acquires a significant business, other than a real estate operation, Rule 3-05 of Regulation S-X generally requires a registrant to provide separate audited annual and unaudited interim pre-acquisition financial statements of that business. The number of years of financial information that must be provided depends on the relative significance of the acquisition to the registrant. Significance is measured using highly technical tests.

In addition, Article 11 of Regulation S-X also requires registrants to file unaudited pro forma financial information relating to the acquisition or disposition. Pro forma financial information typically includes a pro forma balance sheet and pro forma income statements based on the historical financial statements of the registrant and the acquired or disposed business, including adjustments to show how the acquisition or disposition might have affected those financial statements.

Among other things, the final amendments:

- Clarify the highly technical significance tests which determine the number of years of financial information that must be provided
- Require the financial statements of the acquired business to cover no more than the two most recent fiscal years
- Amend the pro forma financial information requirements to improve the content and relevance of such information

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View our [expanded discussion](#) of the new SEC rules.

For more information on the amendments to financial disclosures, please contact [Steve Quinlivan](#), Bryan Pitko, Ashlee Germany, [Jack Bowilng](#), [Scott Gootee](#), [Patrick Respeliers](#) or the Stinson LLP contact with whom you regularly work.

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