



Audit



Standard



Business

Smaller reporting company redefined

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The US Securities and Exchange Commission expands scope of companies qualifying for scaled disclosures.



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The SEC approved the Final Rule, Amendments to Smaller Reporting Company Definition, raising financial thresholds in the definition of “smaller reporting company” (SRC) and enlarging the scope of companies qualifying for scaled disclosures.

The amendments increase initial qualifying thresholds in the SRC definition so that a business qualifies as an SRC by meeting at least one of two criteria: (1) its public float (Public float or free float represents the portion of shares of a corporation that are in the hands of public investors) is below \$250 million regardless of revenue levels, or (2) its annual revenues are below \$100 million and it has either no public float or a public float of less than \$700 million.

A company that does not qualify as an SRC based on these criteria during its initial assessment will remain unqualified until it determines that it meets the subsequent qualification thresholds, which are set at 80 percent of the initial thresholds. For the first fiscal year ending after the Final Rule’s effective date, all issuers may evaluate SRC eligibility by applying the amended initial qualification thresholds, regardless of their prior filing status.

The Final Rule is effective September 10, 2018.

Source:

Grant Thornton, On the Horizon July 12, 2018.

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