

Section 100. General, Securities and Exchange Commission

SEC Compliance and Disclosure Interpretations

[Click to open document in a browser](#)

¶20,900 [Adjustments Not Explicitly Prohibited]

Question 100.01

Question: Can certain adjustments, although not explicitly prohibited, result in a non-GAAP measure that is misleading?

Answer: Yes. Certain adjustments may violate [Rule 100\(b\)](#) of Regulation G because they cause the presentation of the non-GAAP measure to be misleading. For example, presenting a performance measure that excludes normal, recurring, cash operating expenses necessary to operate a registrant's business could be misleading.

Reference: [Rule 100\(b\)](#) of Regulation G.

History: Issued May 17, 2016.

¶20,910 [Adjustments Between Periods]

Question 100.02

Question: Can a non-GAAP measure be misleading if it is presented inconsistently between periods?

Answer: Yes. For example, a non-GAAP measure that adjusts a particular charge or gain in the current period and for which other, similar charges or gains were not also adjusted in prior periods could violate [Rule 100\(b\)](#) of Regulation G unless the change between periods is disclosed and the reasons for it explained. In addition, depending on the significance of the change, it may be necessary to recast prior measures to conform to the current presentation and place the disclosure in the appropriate context.

Reference: [Rule 100\(b\)](#) of Regulation G.

History: Issued May 17, 2016.

¶20,920 [Effect of Excluded Charges]

Question 100.03

Question: Can a non-GAAP measure be misleading if the measure excludes charges, but does not exclude any gains?

Answer: Yes. For example, a non-GAAP measure that is adjusted only for non-recurring charges when there were non-recurring gains that occurred during the same period could violate [Rule 100\(b\)](#) of Regulation G.

Reference: [Rule 100\(b\)](#) of Regulation G.

History: Issued May 17, 2016.

¶20,930 [Adjustment to Non-GAAP Performance Measure]

Question 100.04

Question: A registrant presents a non-GAAP performance measure that is adjusted to accelerate revenue recognized ratably over time in accordance with GAAP as though it earned revenue when customers are billed. Can this measure be presented in documents filed or furnished with the Commission or provided elsewhere, such as on company websites?

Answer: No. Non-GAAP measures that substitute individually tailored revenue recognition and measurement methods for those of GAAP could violate [Rule 100\(b\)](#) of Regulation G. Other measures that use individually tailored recognition and measurement methods for financial statement line items other than revenue may also violate [Rule 100\(b\)](#) of Regulation G.

Reference: [Rule 100\(b\)](#) of Regulation G.

History: Issued May 17, 2016.