

5. Filings with the SEC are divided generally into two broad categories: registration statements and periodic filings. Registration statements are designed to provide information about a company prior to its issuance of a security to the public. Depending on the circumstances, several different registration forms are available for this purpose. After the registrant produces the statement and the SEC initially reviews it, a letter of comments describing desired explanations or changes is furnished. These concerns must be resolved before the security can be sold.
6. Not all securities issued in the United States require registration with the SEC. As an example, formal registration is not necessary for securities sold by either government units or banks. Certain issues for relatively small amounts are also exempt although some amount of disclosure is normally required. Securities sold solely within the state in which the business operates are not subject to federal securities laws but must comply with state laws frequently referred to as *blue sky laws*.
7. Companies whose stocks or bonds are publicly traded on a securities exchange must also submit periodic filings to the SEC to ensure that adequate disclosure is constantly maintained. Among the most common of these filings are Form 10-K (an annual report) and Form 10-Q (condensed interim financial information). Form 8-K also is required to report any significant events that occur. In addition, proxy statements (documents that are used to solicit votes at stockholders' meetings) also come under the filing requirements monitored by the SEC.
8. The SEC has created the EDGAR database to allow companies to make electronic filings with the commission. More importantly, EDGAR allows any person with access to the Internet to review these documents in a timely fashion. Thus, access to financial and other information about filing entities has become much more widely available.

## Questions

(Students may wish to visit the SEC Web site, [www.sec.gov](http://www.sec.gov), for supplemental resources.)

1. Why were federal securities laws originally enacted by Congress?
2. What are some of the possible reasons for the numerous corporate accounting scandals discovered during 2001 and 2002?
3. List several provisions of the Sarbanes-Oxley Act that are designed to restore public confidence in the U.S. capital market system.
4. What is the SEC's relationship to the Public Company Accounting Oversight Board?
5. Who must register with the Public Company Accounting Oversight Board?
6. What is the impact of being registered with this board?
7. How has the Sarbanes-Oxley Act attempted to ensure that external auditors will be completely independent in the future?
8. What is the purpose of the inspection process created by the Sarbanes-Oxley Act?
9. What is covered by *Regulation S-K*?
10. What is covered by *Regulation S-X*?
11. What are some of the major divisions within the SEC?
12. What does the Securities Act of 1933 cover?
13. What does the Securities Exchange Act of 1934 cover?
14. What are the goals of the SEC?
15. What information is required in a proxy statement?
16. Why is the content of a proxy statement considered to be so important?
17. How does the SEC affect the development of generally accepted accounting principles in the United States?
18. What is the purpose of *Financial Reporting Releases* and *Staff Accounting Bulletins*?
19. What was the SEC's response to the FASB's handling of accounting for oil- and gas-producing companies, and why was this action considered so significant?
20. What is the purpose of a registration statement?
21. Under what law is a registration statement filed?
22. What are the two parts of a registration statement? What does each part contain?
23. How does the SEC generate revenues?
24. Two forms commonly used in the registration process are Form S-1 and Form S-3. Which registrants should use each form?
25. What is incorporation by reference?

## Problems

26. What is a prefilings conference, and why might it be helpful to a registrant?
  27. What is a letter of comments? By what other name is it often called?
  28. What is a prospectus? What does a prospectus contain?
  29. Under what circumstances is a company exempt from filing a registration statement with the SEC prior to the issuance of securities?
  30. What is a private placement of securities?
  31. What are blue sky laws?
  32. What is a wraparound filing?
  33. When is a Form 8-K issued by a company? What specific information does a Form 8-K convey?
  34. What is the purpose of the Management's Discussion and Analysis?
  35. What is the difference between a Form 10-K and a Form 10-Q?
  36. What was the purpose of creating the EDGAR system?
1. Which of the following statements is true?
    - a. The Securities Exchange Act of 1934 regulates intrastate stock offerings made by a company.
    - b. The Securities Act of 1933 regulates the subsequent public trading of securities through brokers and markets.
    - c. The Securities Exchange Act of 1934 is commonly referred to as blue sky legislation.
    - d. The Securities Act of 1933 regulates the initial offering of securities by a company.
  2. What is the purpose of *Regulation S-K*?
    - a. Defines generally accepted accounting principles in the United States.
    - b. Establishes required disclosure of nonfinancial information with the SEC.
    - c. Establishes required financial disclosures with the SEC.
    - d. Indicates which companies must file with the SEC on an annual basis.
  3. What is the difference between *Regulation S-K* and *Regulation S-X*?
    - a. *Regulation S-K* establishes reporting requirements for companies in their initial issuance of securities whereas *Regulation S-X* is directed toward the subsequent issuance of securities.
    - b. *Regulation S-K* establishes reporting requirements for companies smaller than a certain size whereas *Regulation S-X* is directed toward companies larger than that size.
    - c. *Regulation S-K* establishes regulations for nonfinancial information filed with the SEC whereas *Regulation S-X* prescribes the form and content of financial statements included in SEC filings.
    - d. *Regulation S-K* establishes reporting requirements for publicly held companies whereas *Regulation S-X* is directed toward private companies.
  4. The Securities Exchange Act of 1934
    - a. Regulates the public trading of previously issued securities through brokers and exchanges.
    - b. Prohibits blue sky laws.
    - c. Regulates the initial offering of securities by a company.
    - d. Requires the registration of investment advisers.
  5. Which of the following is a requirement of the Sarbanes-Oxley Act of 2002?
    - a. Registration of all auditing firms with the Public Company Accounting Oversight Board.
    - b. Annual inspection of all auditing firms registered with the Public Company Accounting Oversight Board.
    - c. A monetary fee assessed on organizations issuing securities.
    - d. Overall assessment of the work of the SEC each year.
  6. Which of the following is *not* correct with regard to the Public Company Accounting Oversight Board?
    - a. The board can expel a registered auditing firm without SEC approval.
    - b. All registered auditing firms must be inspected at least every three years.
    - c. The board members must be appointed by Congress.
    - d. The board has the authority to set auditing standards rather than utilize the work of the Auditing Standards Board.