

Department of Commerce
U.S. Census Bureau
OMB Information Collection Request
Quarterly Financial Report (QFR) Program
OMB Control Number 0607-0432

A. Justification

1. Necessity of the Information Collection

The QFR program has published up-to-date aggregate statistics on the financial results and position of U.S. corporations since 1947. The program currently collects and publishes financial data for the manufacturing, mining, wholesale trade, retail trade, information, and professional, scientific, and technical services (except legal) sectors. The survey is a principal economic indicator that provides financial data essential to calculation of key U.S. government measures of national economic performance. The importance of this data collection is reflected by the granting of specific authority to conduct the program in Title 13 of the United States Code, Section 91, which requires that financial statistics of business operations be collected and published quarterly. Public Law 114-72, Section 2 extended the authority of the Secretary of Commerce to conduct the QFR program through September 30, 2030.

The survey forms used to conduct the QFR are: QFR-200 (MT) Long Form (manufacturing, mining, wholesale trade, and retail trade); QFR-201 (MG) Short Form (manufacturing); and the QFR-300 (S) Long Form (services).

2. Needs and Uses

The primary purpose of the QFR is to provide timely, accurate data on business financial conditions for use by Government and private-sector organizations and individuals. The primary public users are listed below. These same organizations play a major role in providing guidance, advice, and support to the QFR program. The primary private-sector data users are a diverse group including universities, financial analysts, unions, trade associations, public libraries, banking institutions, and U.S. and foreign corporations.

The following is a listing of key governmental users and short descriptions of their respective uses of the QFR data:

- **Bureau of Economic Analysis (BEA)**

The BEA uses QFR data as a primary source for current estimates of corporate profits, taxes, and dividends for the quarterly estimates of the Gross Domestic Income (GDI), a component of the National Income and Product Accounts (NIPA). Reports emanating from these measures are used widely by the public and private sectors. The GDI estimate, which must balance with the estimate of GDP, is critical

to economic policymaking. In addition, QFR data are merged into BEA's database and used as a business cycle indicator in the "Survey of Current Business."

- **Federal Reserve Board (FRB)**

The FRB uses QFR data as a major building block of the FRB's Flow of Funds accounts and its sole source of consolidated nonfinancial corporate data. The FRB uses QFR data in briefings on conditions of financial markets in various sectors of the economy; to provide current insight into sector borrowing changes; and as a primary input to econometrics models for industry and size analysis of corporate finance. FRB reports are used widely by the Executive and Legislative Branches for economic policymaking. In addition, the FRB "Bulletin" regularly publishes data derived from the QFR.

- **Federal Trade Commission (FTC)**

The FTC uses QFR data to study the impact and extent of ownership concentration in the manufacturing sector.

- **Small Business Administration (SBA)**

The SBA uses QFR data to trace the financial performance of small businesses, and analyze and prepare reports for use in loan policy, Congressional testimony, and advice to the administration on small versus large company performance.

- **U.S. Treasury-Office of Tax Analysis**

The Treasury Department's Office of Tax Analysis uses QFR data to extrapolate tax-based income, on a current basis, by industry, in order to estimate the effect of existing and contemplated tax law on the corporate sector. The data are also used as a reference source to respond to questions, usually Congressional, concerning industry profitability and financial position.

- **Joint Committee on Taxation (JCT)**

The JCT uses QFR data to respond to congressional inquiries regarding corporate sales, profits, financial position, and rate of return by industry and asset size for the purpose of drafting or responding to proposed legislation.

- **Private Sector Users:**

- ProQuest and Haver Analytics
- Natural Resources Defense Council
- National Retail Federation

- American Forest & Paper Association
- Oxford Information Technology
- Newspapers, trade magazines, and researchers

Information quality is an integral part of the pre-dissemination review of the information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to the information collections conducted by the Census Bureau and is incorporated into the clearance process required by the Paperwork Reduction Act.

3. Use of Information Technology

The Census Bureau uses two forms of data collection: a secure, encrypted Internet data collection system called Centurion, and mail out, with mail or fax back paper survey forms. Every company receives an initial mail package which includes information about electronic reporting on the form and on an internet reporting flyer, which appears on the backside of the letters. Centurion provides improved quality with automatic data checks and is context-sensitive to assist the data provider in identifying potential reporting problems before submission, thus reducing the need for follow-up. Centurion is completed via the Internet, eliminating the need for downloading software and increasing the integrity and confidentiality of the data. The Centurion response rate is approximately 80%.

4. Efforts to Identify Duplication

The QFR does not duplicate other data series. Our consultations with user agencies, such as BEA and FRB, concerning their needs, confirm that the QFR's timeliness and "domestic only" consolidated data are not available from other public or private sources.

While a number of forms/reports have been cited by respondents as duplicative of QFR forms, we do not find this to be the case. Through the years, careful analysis of other data collection forms has been undertaken, but none of these forms provides the same principles of consolidation and frequency as the QFR. Discussion of those forms most commonly cited as duplicative of the QFR and their actual differences from QFR forms follows:

- **IRS Form 1120**

Form 1120 is the standard corporate tax return filed by corporations on an annual basis and includes a financial statement. In contrast, the QFR is required quarterly. Also, IRS consolidation rules differ significantly from the QFR rules. On Form 1120 tax consolidation is an election when ownership is 80 percent or more; QFR requires consolidation at majority ownership (greater than 50 percent).

Lastly, IRS tax accounting conventions differ significantly from generally accepted accounting principles (GAAP), especially in areas of income recognition and depreciation methods. The QFR accounting policy adheres, as closely as possible, to GAAP.

- **Security Exchange Commission (SEC) Form 10-Q**

The 10-Q is the quarterly financial form filed with the SEC by publicly held corporations. While both the QFR and 10-Q are quarterly, there are significant differences between them that are especially critical to GDI and Flow of Funds calculations. The QFR is designed to provide users with financial data on a domestic basis; the 10-Q reflects worldwide information on U.S. corporations. Without specialized QFR reporting rules, foreign operations of multinational corporations would be included in QFR data and in turn result in overstatement of GDI movements and levels. Similarly, QFR rules designed to provide the FRB with data for the nonfinancial sector ensure against the overstatement in the Flow of Funds that would be created if 10-Q data were used. Another significant difference is in the level of QFR detail on debt structure and security holdings as required by the FRB. Also, in contrast to QFR data, the 10-Q financial statements are not standardized. Thus, statistical aggregation using these statements would be costly to execute and would contain accounting classification inconsistencies.

Lastly, the 10-Q filing due date is 35 days after the end of each quarter; QFR reports are due within 25 days. The 25-day QFR filing requirement was established to ensure adequate response time for preparation of special preliminary tabulations used in BEA's first revision of GDI, approximately 45 days after each quarterly closing.

- **Census Bureau Forms**

Other Census Bureau data are inappropriate for the specific QFR user needs listed above for two reasons. First, they are for the most part establishment or physical location based data and do not present integrated financial statement information. Second, the establishment data do not provide enterprise industry classification information, which is needed for compatibility with the IRS benchmark data.

Industry classification for establishments is based on employment or payroll, not receipts as it is for the QFR. Where receipts are available, for example in manufacturing, information is not available to eliminate inter-plant transfers and therefore double counting in cases of vertical integration.

5. **Minimizing Burden**

Efforts to lessen the QFR reporting burden on small firms fall into three categories:

Sample Design Used to Select Companies
Structure of Reporting Form and Related Filing Requirements
Specific Program Actions to Reduce Burden (2009 to Present)

- **Sample Design Used to Select Small Manufacturing Companies**

The QFR sample includes less than 5 percent of small-asset size manufacturing corporations. Prior to the Paperwork Reduction Act (PRA) of 1995, all companies with assets of \$50 million or more were certainty companies, i.e., companies required to file on a continuing basis. Effective October 1, 1995, the PRA of 1995 required that companies with assets of less than \$100 million be sampled. To comply with the PRA and also ensure that there is sufficient number of companies from which to select the non-certainty sample, the take-all or certainty threshold of the QFR sample was raised to include only companies with assets of \$250 million or more. Companies with assets between \$50 million and \$250 million are sampled. This change resulted in a reduction of the number of companies participating in the QFR by about 1,000, or approximately 10 percent.

The PRA also established re-selection criteria for companies that have participated in the program. Using the assets size criteria described above, companies with assets between \$250,000 and \$50 million are now ineligible for sample re-selection for a 10-year period following the completion of their 2-year reporting period; and companies with assets of at least \$50 million but less than \$250 million are now ineligible for sample re-selection for a 2-year period following the completion of their 2-year reporting period. This replacement scheme ensures that the same group of companies is not called upon to report continuously and that those chosen are burdened for a relatively short period of time. The current sample design eliminates any possibility of companies being re-selected in adjacent samples.

- **Structure of Reporting Form and Related Filing Requirements**

The QFR report forms adhere to a traditional financial statement format. Small companies are familiar with this type of reporting and can use already existing accounting records. They do not have to perform a burdensome transition from company to Census Bureau format.

The Census Bureau also recognizes that the 25-day filing deadline for the QFR reports may precede the availability of current data for some corporations. Under these circumstances reporting extensions can be granted provided that data are received within publication deadlines. Company estimates are considered acceptable when actual data are not available. Audited data are not required.

The QFR professional staff works with corporations experiencing compliance problems. Toll-free telephone numbers have been established to enable companies to FAX their forms without incurring long-distance charges and to provide easy access to QFR staff. Staff's expert advice about a company's specific problem(s) frequently results in burden reduction.

- **Specific Program Actions to Reduce Burden (2009 to Present)**

The QFR program has consistently sought to reduce reporting burdens for small and medium size firms. During the fourth quarter of 2011, the QFR program introduced an encrypted Internet data collection system (Centurion) for use as a substitute for the paper form mailed to all companies.

6. Consequence of Less Frequent Data Collection

As explained in Item 1, the QFR data series is a principal economic indicator providing income statement and balance sheet data from publicly and privately held U.S. corporations on a quarterly basis as mandated by law.

The frequency of the QFR data collection is based on the importance of these data to the quarterly GDI and Flow of Funds estimates. The reliability of these estimates would be adversely affected if QFR data were collected less often.

7. Special Circumstances

QFR forms are mailed to companies approximately 15 days in advance of the end of the period being collected, and companies are asked to return them within 25 days after the close of the reporting period. Early return is encouraged to satisfy the need for maximum coverage in special preliminary tabulations required by BEA for its first revision of quarterly GDI estimates. As necessary, companies can also be granted filing extensions.

8. Consultations Outside the Agency

The Census Bureau published a notice in the Federal Register on February 28, 2018 (Vol. 83, No. 40, pg. 8650) announcing its intent to resubmit for approval to OMB the three data collection forms used by the QFR program. We received one comment in response to the notice, a letter of support from BEA. We thank the BEA for its continued support for this collection. See Attachment A for BEA's letter of support.

Consultation with the QFR's primary users occurs on a continuing basis. Open lines of communication have been established to address changes in accounting conventions, business practices, and economic conditions that can affect the usefulness of QFR data. Also, BEA (primarily Dennis Fixler, 301-278-9607, dennis.fixler@bea.gov)

and FRB (primarily Paul Smith, paul.a.smith@frb.gov) frequently propose program changes that would improve the contribution of the QFR data to GDI and the Flow of Funds estimates.

Changes in GAAP and business practices affect the reporting community, generally large corporations, and require adjustments in the QFR program. The QFR professional staff regularly contacts these large companies to discuss such changes and provide QFR reporting guidance. These contacts ensure that our data requests are clearly stated and that each company is supplying information with minimal effort. This one-on-one approach, on a professional level, is necessary because of the differences in accounting systems and treatments used by reporting companies.

9. Paying Respondents

Currently there is no provision to pay respondents or provide them with material incentives.

10. Assurance of Confidentiality

All data collected in the QFR survey are confidential under Title 13, United States Code, Section 9 and may be used only for statistical purposes. Respondents are informed of the mandatory nature of the survey and the confidentiality of their reports in a letter accompanying the QFR survey questionnaire and in a statement on the questionnaire itself.

11. Justification for Sensitive Questions

No questions of a sensitive nature are asked.

12. Estimate of Hour Burden

	QFR Forms			
	200 – MT (Long Form)	300 – S (Long Form)	201-MG (Short Form)	Total (SF-83, Item 17)
Number of respondents	5,199	1,559	5,493	12,251
Number of responses per respondent/year	4	4	4	4
Total annual responses (line 1 times line 2)	20,796	6,236	21,972	49,004
Hours per response	3.0000	3.0000	1.2000	2.19293
Total hours (line 3 times line 4)	62,388	18,708	26,366	107,462

The QFR long and short form estimates of collection burden are based on the average completion times reported during telephone conversations with respondents in the normal course of QFR business. Note: Some of the numbers in the above table are slightly revised from those included in the notice published in the Federal Register on February 28, 2018 due to refining the estimate.

The estimated cost for all respondents to respond is \$3,964,273. This cost is calculated by multiplying the 107,462 annual burden hours by the per hour estimate of \$36.89 for a private industry entry-level accountant (Occupational Employment and Wages - Bureau of Labor Statistics May 2016 National Occupational Employment and Wage Estimates; \$36.89 represents the mean hourly wage of the full-time wage and salary earnings of accountants and auditors, SOC code 13-2011.)

<http://stats.bls.gov/oes/current/oes132011.htm>

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than their time to respond. The information requested is of the type and scope normally carried in company records and no special hardware, accounting software or system is necessary to provide answers. Therefore, respondents are not expected to incur any capital and start-up costs or system maintenance costs. Furthermore, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual and customary business practices and not specifically required for this information collection.

14. Cost to the Federal Government

The total cost to the Federal Government for the Quarterly Financial Report survey in fiscal year 2018 is estimated to be \$5.0 million. This cost is borne by the Census Bureau. We expect the cost to be similar in fiscal years 2019 and 2020. This estimate includes the

cost for such things as data collection, processing, review of tabulated data, publication, equipment, overhead, printing, support staff, etc.

15. Reason for Change in Burden

The current OMB burden estimate is 115,111 hours. When the QFR was submitted in 2015, the burden estimate was 101,258 hours due to ceasing the collection of additional service sector corporations. However, due to an error, the burden estimate was not actually reduced to 101,258 hours when QFR was approved. Therefore, a downward adjustment of 13,853 is necessary to bring the burden to a base of 101,258 hours. From that base, we are now adjusting the burden upward by 6,204 hours to bring the new burden to 107,462 hours annually. The following table details that change.

Change in Burden-Summary

Form Type	Description of Change	Difference in Burden Hours
QFR-200 (MT) Long Form	increase in active corporations	+4,788
QFR-300 (S) Long Form	increase in active corporations	+2,664
QFR-201 (MG) Short Form	decrease in active corporations	-1,248
Net Difference		+6,204

The burden estimate of 107,462 hours is based on the number of active corporations as of third quarter 2017. The new estimate is an increase of about 6% from the previous estimate of 101,258 hours. The increase associated with the QFR long forms is due to increased current estimate of active corporations for the manufacturing, mining, and trade companies. The decrease associated with the QFR short form is due to decreased current estimate of active manufacturing corporations receiving that form.

16. Project Schedule

Financial information collection commences with mailing of the appropriate form during the last month of the reporting quarter. All acceptable forms received are processed for inclusion in the current quarter publication.

QFR data are released approximately 65 days after the end of the first, second, and third calendar quarters and approximately 80 days after the end of the fourth calendar quarter.

For reporting purposes, retail trade corporations’ quarters have been staggered by one month. The published data include information on the most recently closed quarter and the preceding four quarters for the manufacturing, mining, wholesale trade, and selected service sectors.

Data are also published for the preceding four quarters for the retail sector except in the fourth quarter, when the 80-day publication lag permits synchronized presentation with data from all sectors. The following table indicates the four reporting quarters for the surveyed business sectors in terms of the month in which any given surveyed corporation's fiscal quarter ends:

Reporting Quarters for Surveyed Business Sectors *		
QFR Quarter	Manufacturing, Mining, Wholesale Trade, and Selected Services	Retail Trade
First	January, February, or March	February, March, or April
Second	April, May, or June	May, June, or July
Third	July, August, or September	August, September, or October
Fourth	October, November, or December	November, December or January

*Coverage is for corporations whose quarter ends as shown.

Special preliminary tabulations for BEA are derived from all forms received and processed within the first 45 days after the close of each calendar quarter.

17. Request to Not Display Expiration Date

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We display the expiration date on the collection form and Centurion.

18. Exception to the Certification

There are no exceptions.

19. North American Industry Classification System (NAICS)

The QFR survey converted to the NAICS in April 2002 with the publication of the fourth quarter 2001 data.

The survey covers the following NAICS sectors:

Title	2-digit NAICS Sector
Mining	21
Manufacturing	31-33
Wholesale trade	42
Retail trade	44-45
Selected Services	51, 54 (except 541)

