FASB Quarterly Update

Q2 2025

forv/s mazars

Contents

This article provides an overview of FASB standard-setting activity, along with updates on outstanding exposure drafts and progress made in the last quarter on ongoing projects, to help keep you informed about issues that may impact your accounting and financial statement reporting. This is current through events of June 30, 2025.

FASB issued two Accounting Standards Updates (ASUs). One clarified the guidance for determination of the accounting acquirer in which the legal acquiree is a variable interest entity (VIE) that meets the definition of a business, and the other made clarifications to share-based consideration payable to a customer. FASB and its advisory group, the Private Company Council, changed direction on a planned exposure draft for the presentation of retainage contracts and issued a FASB Staff Educational Paper on April 1 to address the issue rather than pursuing standard setting.

FASB issued one proposal in the second quarter that would provide accounting guidance for debt exchange transactions involving multiple creditors. The proposed ASU is based on a recommendation of the Emerging Issues Task Force (EITF). Comments were due by May 30.

ASU effective dates are summarized for public business entities (PBEs) in Appendix A and for all other entities in Appendix B.

Standard-Setting Update

New Accounting Standards Updates

Topic & Title	Description	Effective Date
ASU 2025-03 Business Combinations (Topic 805) and Consolidation (Topic 810) *Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity* **Issued**: May 2025	• Clarifies the determination of the accounting acquirer in a business combination where the transaction is effected primarily by exchanging equity interests in which the legal acquiree is a VIE. • It requires the same factors outlined in Accounting Standards Codification 805-10-55-12 through 55-15 to be considered to determine the accounting acquirer. • In transactions where the VIE is not acquired through an equity exchange, the primary beneficiary would still be considered the accounting acquirer.	• Annual periods beginning after December 15, 2026 and interim periods within those annual reporting periods. • Early adoption permitted (beginning interim or annual reporting period).
ASU 2025-04 Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606) *Clarifications to Share-Based Consideration Payable to a Customer* **Issued**: May 2025	• The definition of “performance condition” was revised to include share-based awards that have vesting conditions tied to volume or monetary amount of purchases by customers, or customer’s customer, of goods or services. • The policy election to recognize forfeiture as they occur is eliminated when the share-based consideration contains a service condition. • The constraints on estimating variable consideration under Topic 606 do not apply to share-based consideration payable to customers.	• Annual reporting periods beginning after December 15, 2026 and interim periods within those annual reporting periods. • Early adoption permitted.

FASB Staff Educational Paper

Topic 606: Presentation and Disclosure of Retainage for Construction Contractors

- Clarifies the presentation and disclosure requirements for retainage under Topic 606, *Revenue from Contracts with Customers*.
- It also provides examples of voluntary presentation alternatives that would be permissible under current guidance, such as parenthetical amounts, use of subtotals on the face of the financial statements, and additional disclosures in the notes, to enhance transparency around retainage.
- The educational paper does not modify current GAAP or introduce new requirements.
- FASB Staff Educational Paper—Topic 606: Presentation and Disclosure of Retainage for Construction Contractors

Exposure Drafts

Topic & Title	Description	Status
Debt—Modifications and Extinguishments (Subtopic 470-50) and Liabilities—Extinguishments of Liabilities (Subtopic 405-20)	• Simplifies accounting for debt exchanges. • A contemporaneous exchange of cash between the same debtor and creditor that involves issuing new debt and repaying the old debt, and if specific criteria are met, the transaction would be accounted for as an extinguishment of debt, skipping the 10% cash flow test. • Criteria: o New debt involves multiple creditors o Existing debt was repaid per contractual terms or repurchased at market o New debt was issued at market terms via a customary marketing process	• Comment period closed on May 30, 2025. • The board received 17 comment letters on the proposal. • Redeliberation continues.
Environmental Credits and Environmental Credit Obligations (Topic 818)	• Provides guidance on recognition, measurement, presentation, and disclosure requirements for environmental credits and related obligations. • Compliance and noncompliance credits are recognized as assets at cost when an entity intends to use them for compliance or in an exchange transaction. • Credits used for other than the purpose above are expensed when acquired. • Environmental credit obligation (ECO) liability would be recognized when an event resulting in an obligation occurs on or before the reporting date. • ECO measured based on whether obligation is funded or unfunded.	• Comment period closed on April 15, 2025. • The board received 41 comment letters on the proposal. • Redeliberation continues.

Invitation to Comment

FASB issued an Agenda Consultation Invitation to Comment on January 3. Comments were due by June 30, 2025. As of the date of this publication, 93 comment letters were received.

Important Reminders

- ASU 2023-07, *Segment Reporting (Topic 280)*, is effective for interim periods within fiscal years beginning after December 15, 2024. For a deeper dive into the requirements of the standard, see our related **FORsights**™ article, "FASB Mandates New Segment Details for Public Companies in 2024."
- ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*, is effective for annual periods beginning after December 15, 2024 for PBEs and annual periods beginning after December 15, 2025 for other entities. For additional insights, see our related article, "FASB Finalizes New Income Tax Disclosures."
- ASU 2024-03, *Disaggregation of Income Statement Expenses (Subtopic 220-40)*, is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Although not effective until 2027 (calendar-year entities), this ASU is expected to bring significant changes to systems and processes, particularly in how companies capture, categorize, and report expense information to comply with the new disaggregation requirements. Given the potential impact, it is encouraged that companies begin focusing on implementation efforts early.

New Developments & Issues on the Horizon

The following ASUs are expected to be issued during the **third quarter**:

Topic & Title	Description
Accounting for and Disclosure of Software Costs (Subtopic 350-40)	• The ASU will modernize the accounting for internal-use software costs by eliminating the existing stage-based capitalization model and permitting capitalization once completion is probable.
Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets	• The ASU will expand the gross-up model to include purchased "seasoned loan receivables," not just financial assets with purchased credit deterioration (PCD). • The scope will be limited to loans acquired more than 90 days after origination and excludes credit cards and held-to-maturity securities.
Derivatives Scope Refinements (Topic 815)	• It will exclude variables based solely on the entity's own operations or activity. • Market-based variables (rates, prices, indexes, etc.) will remain within the scope. • It will clarify the scope exception for instruments linked to an entity's own equity and certain debt contracts.
Hedge Accounting Improvements (Topic 815)	The ASU will include the following provisions: • Choose-Your-Rate Debt Instruments – Simplifies hedge accounting for variable-rate debt where borrowers can change the interest rate index and tenor. • Nonfinancial Forecasted Transactions – Expands hedge accounting to include variable price components in forecasted purchases/sales of nonfinancial assets. • Dual Hedge Strategy – Addresses mismatches when a foreign-currency-denominated debt instrument is used as both a hedging instrument and a hedged item. • LIBOR Transition Adjustments – Updates hedge accounting guidance to reflect the cessation of London Interbank Offered Rate (LIBOR), allowing broader aggregation of forecasted transactions with similar risk exposure.
Credit Losses (Topic 326) – Topic 606 Receivables	The ASU will include the following provisions: • A new practical expedient will permit entities to assume that current conditions as of the balance sheet date persist throughout the forecast period. • An accounting policy election would allow entities to consider subsequent cash collection activity after the balance sheet date but before the date the financial statements are available to be issued as part of their estimate of expected credit losses. • The accounting policy election is available for non-PBEs that adopt the expedient. • Applies to current trade receivables and contract assets arising from revenue contracts.

The following ASUs are expected to be issued during the **fourth quarter**:

Topic & Title	Description
Accounting for Government Grants (Topic 832)	• The ASU will establish recognition, measurement, and presentation requirements for business entities receiving government grants. • The upcoming standard is expected to be broadly aligned with International Accounting Standards 20.
Interim Reporting (Topic 270)	• The ASU will clarify when interim reporting guidance applies under GAAP. • It will include a clarified and consolidated list of interim disclosure requirements, without adding new requirements for PBEs. • Non-PBEs won't be required to follow SEC rules and will have a clear interim reporting principle. • PBEs will still be required to present comparative information under SEC rules. Non-PBEs will not be required to present comparative interim financial statements. • It will require disclosure of material events or changes from the year-end that significantly affect the interim period.

The following exposure draft is expected to be issued during the **third quarter**:

Topic & Title	Description
Measurement of Paid-in-Kind (PIK) Dividends on Equity-Classified Preferred Stock	• It is expected that the proposed ASU would require the measurement of PIK dividends based on the contractual terms of the preferred stock agreement, including the stated PIK dividend rate.

Appendix A – Upcoming Effective Dates – PBEs

For fiscal years/annual periods beginning after:

December 15, 2024	January 1, 2025	December 15, 2025	December 15, 2026	TBD
2018-12, 2019-09, 2020-11 Insurance (SRC)	2023-05 Joint Ventures	2024-04 Induced Conversions	2024-03, 2025-01 DISE	2023-06** SEC Disclosures in GAAP
2022-05 Insurance Transition (SRC)			2025-03 Business Combinations & Consoliation	
2023-08 Crypto			2025-04 Stock Compensation & Revenue Recognition	
2023-09 Income Taxes				
2024-01 Profits Interests				
2024-02 Codification Improvements				

**For SEC filers, the effective date for each amendment will be the effective date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K. For all other entities, the ASU is effective two years later. If the SEC has not acted by June 30, 2027, pending content will be removed from the codification and will not be effective for any entity.

Appendix B – Upcoming Effective Dates – Private Companies & NFPs

For fiscal years/annual periods beginning after:

December 15, 2024

- 2018-12, 2019-09, 2020-11 Insurance
- 2022-05 Insurance Transition
- 2022-03 Restricted Equity Securities
- 2023-02 Tax Credits
- 2023-08 Crypto

January 1, 2025

- 2023-05 Joint Ventures

December 15, 2025

- 2023-09 Income Taxes
- 2024-01 Profits Interests
- 2024-02 Codification Improvements
- 2024-04 Induced Conversions

December 15, 2026

- 2025-03 Business Combinations & Consolidation
- 2025-04 Stock Compensation & Revenue Recognition

TBD

- 2023-06** SEC Disclosures in U.S. GAAP

**For SEC filers, the effective date for each amendment will be the effective date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K. For all other entities, the ASU is effective two years later. If the SEC has not acted by June 30, 2027, pending content will be removed from the codification and will not be effective for any entity.

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