Quarterly Financial Reporting Update

Q2 2026

forvis mazars

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This quarterly update summarizes selected key developments from standard-setting bodies to help financial reporting professionals stay informed about changes that may impact accounting and disclosure practices.

FASB Activity

Q2 2026 marked a significant increase in FASB standard-setting activity, with the issuance of two new accounting standards updates (ASUs) and several exposure drafts. Key developments included new guidance on paid-in-kind dividends and environmental credits, as well as proposals affecting pension accounting, hedge accounting, and fair value measurement. FASB also advanced several projects expected to result in exposure drafts later in 2026, including digital assets, debt classification, indexation, and equity method accounting.

SEC & PCAOB Activity

Regulatory activity during the quarter focused on potential changes to the public company ecosystem. The SEC proposed optional semiannual reporting, significant filer-status simplifications, and reforms intended to improve access to capital markets. The quarter also included developments related to enforcement policy, climate disclosure rules, and strategic planning.

The PCAOB continued its modernization efforts through inspection, standard setting, and stakeholder-engagement initiatives.

AICPA Activity

The American Institute of CPAs (AICPA) activities during the quarter reflected continued focus on audit quality, emerging technologies, and the future direction of the profession. Discussions at AICPA Engage 2026 highlighted the growing consideration of artificial intelligence (AI), governance, and the ongoing importance of effective financial reporting controls.

Other Key Developments

Organizations continue to evaluate the accounting, disclosure, and governance implications of emerging developments, including tariff-related uncertainties and the increasing use of AI. These topics may affect financial reporting judgments, internal controls, and risk management practices despite the absence of significant new accounting standards in these areas during the quarter.

Effective Dates

For reminders of accounting standards applicable in 2026 and a visual reference of effective dates for all relevant ASUs affecting financial reporting, refer to the Effective Dates flowcharts included in the appendixes:

- **Appendix A** – for Public Business Entities (PBEs)
- **Appendix B** – for all other entities

This update builds on accounting and regulatory topics discussed in prior Quarterly Financial Reporting Updates. Readers are encouraged to review prior issues of our Quarterly Financial Reporting Update for additional background, historical context, and earlier information on these topics. For other updates issued earlier in 2026, please refer to the Q1 2026 Quarterly Financial Reporting Update.

For a brief overview of key developments that occurred during the quarter, including selected accounting standards and regulatory updates, readers may also refer to our Quarterly Perspectives webinar held on July 16, 2026.

Register for upcoming webcasts here: Quarterly Perspectives webinars registration.

FASB Activity

New Accounting Standards Updates

The following ASUs were issued during the second quarter of 2026:

Topic & Title	Description	Effective Date
ASU 2026-01 Equity (Topic 505) *Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock* **Issued**: April 2026	• Establishes a single approach for initially measuring paid-in-kind (PIK) dividends on equity-classified preferred stock, reducing diversity in practice. • A PIK is a dividend settled by increasing the value of original preferred stock or number of preferred shares instead of paying cash. • Requires initial measurement using the PIK dividend rate stated in the preferred stock agreement (for example, liquidation value or another contractual defined amount). • Applies to PIK dividends on equity-classified preferred stock, including preferred stock classified as temporary equity. • Permits application either on a prospective basis or a modified retrospective basis for equity-classified preferred stock that is outstanding as of the initial application date with a cumulative-effect adjustment at adoption.	• Annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. • Early adoption permitted.
ASU 2026-02 Environmental Credits and Environmental Credit Obligations (Topic 818) **Issued**: May 2026	• Introduces new Topic 818, establishing a comprehensive accounting framework for environmental credits and related environmental credit obligations, including their recognition, measurement, presentation and disclosures. • **Environmental Credits** ○ Environmental credits are enforceable rights represented to prevent, control, reduce, or remove emissions or other pollutants that are separately	• **PBEs**: Annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. • **Other entities**: Annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods. • Early adoption permitted as of beginning of an annual reporting period.

Topic & Title	Description	Effective Date
	transferable in an exchange transaction. ◦ These credits may take many forms (including credits, certificates, allowances, and offsets) and may be acquired, granted by a regulatory agency, internally generated, or received in a nonreciprocal transfer. ◦ Environmental credits are required to be recognized as an asset when it is probable that the environmental credit will be (i) used to settle an environmental credit obligation, (ii) transferred in an exchange transaction, or (iii) used in a nonreciprocal transfer. Costs incurred to obtain all other environmental credits are expensed as incurred. ◦ Environmental credit assets are classified as compliance or noncompliance credits based on their intended use. ◦ Initially measure credits based on how they are acquired—at cost for purchased or internally generated credits, or under the applicable Topics, *e.g.*, Topic 805, *Business Combinations*. ◦ Subsequent measurement is based on the classification as compliance or noncompliance credits, with impairment testing required for certain noncompliance credits and an optional fair value election. • **Environmental Credit Obligation** ◦ A liability is required to be recognized when events occurring on or before the reporting date result in an environmental credit obligation. ◦ Initially and subsequently measured using the carrying amount of the compliance environmental credits that are	

Topic & Title	Description	Effective Date
	expected to be used to settle that obligation at the reporting date. If there are insufficient environmental credits available to satisfy the environmental credit obligation as of the reporting date, the shortfall should be recognized at fair value. • **Disclosures**: Among other things, entities will be required to provide information about the nature of their environmental credit and obligations, accounting policies, carrying amounts and balance sheet presentation, and significant judgments and estimates used in applying the guidance.	

Exposure Drafts

The following exposure drafts were issued during the second quarter of 2026:

Topic & Title	Description	Effective Date
Compensation – Retirement Benefits – Defined Benefit Plans – Pension (Subtopic 715-30): Discount Rate Used to Measure the Benefit Obligation for Certain Market-Return Cash Balance Plans	• **Objective**: Proposes a revised approach for measuring the projected benefit obligation by addressing the discount rate used in the measurement. • **Key Provisions**: ○ Clarify that, for certain in-scope market return cash balance plans, the assumed interest crediting rate be used in place of a separate discount rate when measuring the projected benefit. ○ Applies to in-scope market return cash balance plans that meet the following criteria: ▪ Benefits are communicated as hypothetical account balances consisting of principal and interest credits. ▪ Interest credits are based on investable market return, such as return on plan assets, a liability, a liability matching portfolio, or a regulated investment company. ▪ Participants have the option to receive their benefits as a lump-sum distribution.	• Comment period closes on August 10, 2026. • Submitted comment letters are available on the FASB project page.
Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for	• **Objective**: Proposes targeted amendments to simplify and improve application to better reflect the economics of an entity's risk management activities in the financial statements and enhance the operability of hedge accounting.	• Comment period closes on August 17, 2026.

Topic & Title	Description	Effective Date
Interest Rate Risk Hedging and Net Investment Hedging	• **Key Provisions**: ○ Permit hedging of interest rate risks for held-to-maturity (HTM) debt securities in fair value hedges and cash flow hedges. ○ Amend the definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate in current GAAP to remove the limitations related to "overnight index." Thus, expanding beyond just overnight index swap-based SOFR rates and permitting any tenor of SOFR. ○ Expands the eligibility criteria for cross-currency swaps designed as net investment hedge by eliminating the requirement for both legs of the swap to have the same repricing intervals and reset dates and replacing with a required repricing interval of at least every six months or more frequently.	• Submitted comment letters are available on the FASB project page.
Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions	• **Objective**: Proposes targeted amendments to provide more decision-useful information to investors by amending the fair value measurement guidance for investment companies (Topic 946) to improve measurement and disclosure of equity securities subject to contractual sale restrictions. • **Key Provisions**: ○ Require investment companies to consider contractual sale restrictions on the sale of equity securities in fair value measurement. ○ Require disclosure of the discount attributable to those restrictions.	• Comments period closed on July 17, 2026. • Submitted comment letters are available on the FASB project page.

FASB – New Developments & Issues on the Horizon

The following are projects whereby FASB has completed initial deliberations and made a decision. Exposure drafts related to these topics are expected to be issued for public comment during the second half of 2026.

- **Cash Equivalents – Disclosure Enhancement and Classification of Certain Digital Assets**: The proposed update is expected to include illustrative examples clarifying whether certain digital assets may meet the definition of cash equivalents. It is also expected to enhance disclosure requirements related to the significant classes and related amounts of cash equivalents.
- **Subjective Acceleration Clauses and Debt Default Disclosures**: The proposed update is expected to remove the probability assessment related to subjective acceleration clauses (SACs) under the current model and stipulate that a SAC can only impact debt classification when it is triggered, *i.e.*, the lender demands repayment of the underlying long-term debt in accordance with the SAC. The changes are intended to reduce complexity and improve consistency in the application of the debt classification guidance.
- **Indexation – Debt and Equity**: The proposed update is expected to simplify the guidance for determining whether contracts on an entity's own equity are indexed to an entity's own stock. The proposal is expected to clarify the acceptable variables used in assessment, provide illustrative examples to support consistent application, remove the current scope exception for down-round features, and enhance disclosures about variables that could significantly affect settlement amounts. The proposed amendment is intended to reduce the complexity related to the application of the guidance and improve the consistency of the interpretation of the guidance.

- **Equity Method of Accounting: Targeted Improvements**: The proposed update is intended to improve the operability of accounting for equity method investments. The proposal is expected to address two specific issues, (i) requiring single significant influence threshold used to apply equity method accounting under Topic 323, and (ii) determine equity in earnings when the investee has a complex allocation structure. The proposal would also relocate broadly applicable guidance currently included in Topic 970 (Real Estate) to Topic 323.
- **Accounting for Commodities**: The proposed update is intended to provide the accounting that better reflects how these inventories are managed. The proposed update is expected to provide an optional fair value measurement alternative for certain tangible commodity inventories held by entities within the scope of Topic 942, *Financial Services – Depository and Lending*. Entities electing the alternative would provide enhanced disclosures about the commodities measured using the election, the reasons for the election, and the related carrying amounts.
- **Other**: Final ASUs are expected later this year on other current projects including (i) the treatment of the value of recapture when measuring a mortgage servicing right (MSR) fair value and (ii) update codification language to reflect the post-London Interbank Offered Rate (LIBOR) environment and other types of improvements/technical corrections as part of FASB's standing agenda to address stakeholder feedback.

FASB – Other Updates

- **Nonrefundable Transferable Tax Credits**: FASB decided to add a project to its technical agenda to specify that nonrefundable transferable tax credits should be accounted for in accordance with Topic 740, *Income Taxes*.
- **Private Credit Disclosures**: FASB decided to add a project to its technical agenda to address the disclosure requirements for private credit.
- **Accounting for Transfers of Crypto Assets**: FASB has begun deliberating targeted improvements to the accounting for crypto asset transfers, including expanding the scope of existing guidance and clarifying derecognition.

Other Key Developments

Tariff Developments & Financial Reporting Considerations

On April 20, 2026, U.S. Customs and Border Protection (CBP) launched the Consolidated Administration and Processing of Entries (CAPE) system to facilitate the processing of refund claims for duties imposed under the *International Emergency Economic Powers Act* (IEEPA). As of June 29, 2026, CAPE has accepted $104.29 billion in potential and certified refunds for processing in CAPE. Despite the launch of the refund process, significant uncertainty remains regarding the ultimate recoverability of tariff payments for entries that have been finally liquidated. While CBP is currently processing refund claims on entries eligible for Phases 1 and 2 of CAPE, legal proceedings continue regarding which importers are entitled to refunds and the extent of any refunds that ultimately may be recovered. As of this article's publication, among the unresolved issues is whether refunds will be ultimately available to all affected importers or whether certain importers, those whose entries are finally liquidated, will be required to pursue individual administrative claims or judicial remedies to obtain a refund.

Entities should carefully evaluate the appropriate financial reporting implications under U.S. GAAP. In practice, two accounting models are generally applied for potential tariff recoveries: (i) the loss recovery model under Accounting Standards Codification (ASC) 410-30 (by analogy) and (ii) the gain contingency model under ASC 450-30.

Under the loss recovery model, recognition of a receivable is appropriate when (1) recovery is probable, *i.e.*, likely to occur, and (2) collectability is reasonably assured. In contrast, under the gain contingency model, a receivable is recognized only when all contingencies are resolved and the gain is realized, i.e., cash has been received, or realizable, *i.e.*, a valid claim to cash exists.

Regardless of the model applied, entities should account for tariff refunds consistently with the original accounting treatment of the related tariffs. For example, where IEEPA tariffs were initially capitalized as part of inventory cost, recognition of a tariff refund receivable would reduce the carrying value of the associated inventory. If the related inventory has been sold prior to recognizing the refund receivable, the corresponding benefit should be reflected as a reduction to cost of sales.

From a financial reporting perspective, the February 20, 2026 U.S. Supreme Court ruling invalidating the IEEPA tariffs is evaluated under subsequent-events guidance. For reporting periods ending before February 20, 2026, the decision represents a non-recognized (Type II) subsequent event, with disclosure considered if material.

Takeaway: In addition to evaluating the accounting and reporting implications of potential tariff recoveries, entities should also remain alert to potential fraud risks associated with IEEPA refund claims, as fraudulent communications purporting to assist with refund recoveries have been reported. Management should exercise appropriate caution and verify the authenticity of refund-related correspondence before taking action.

For additional insights on tariff-related developments, view our **FORsights**™ for the latest updates.

AI – Emerging Financial Reporting Considerations

AI did not result in the issuance of new authoritative standards during Q2 2026. However, several developments highlight the increasing relevance of AI to financial reporting, internal controls, and disclosure practices.

In its 2025 Conversation with Audit Committee Chairs, the PCAOB inquired of audit committee chairs on their discussions around AI with their auditors.[1] Audit committee chairs recognize AI's ability to improve efficiency and audit quality but are increasingly seeking auditor input on its effects on financial reporting and related controls, particularly in evaluating risk, underscoring the importance of appropriate governance and oversight as organizations expand their use of AI.

The AICPA and Chartered Institute of Management Accountants (CIMA) launched an AI Accelerator Skills Program that is intended to "help organizations close the AI skills gap by strengthening AI mindset, accelerating technology adoption, and embedding ethical governance from the start."[2]

Although AI-specific accounting guidance has not been issued, organizations utilizing AI technologies should evaluate the potential impact on financial reporting processes, internal controls, data integrity, and overall risk management practices.

SEC Activity

The SEC proposed several rules in May 2026 that would have significant impacts on public companies and those planning to become public companies in an effort to balance two aspects of the SEC's tripart regulatory mandate: fostering capital development and the protection of investors. The SEC also proposed a rule to formally eliminate its previous rule on climate disclosures.

Comment letters submitted in response can be accessed on SEC's rulemaking page for each proposal.

- **Semiannual Reporting**: On May 5, 2026, the SEC issued a proposed rule that would provide registrants with the recurring option, both on going public and on an annual basis, to file semiannual reports in lieu of quarterly reports. Some of the key provisions related to the proposal are:
    - Semiannual reporting could be elected by checking a box on an annual basis on Form 10-K, with registrants making the election filing via a new Form 10-S.
    - A different election could be made annually, but once elected, there would essentially be no opportunity to change elections until the next year.
    - Interim financial information included in Form 10-S is intended to largely mirror the content and disclosure requirements of Form 10-Q and would be required to be filed within 40 or 45 days following the end of the semiannual period, depending on filer status.
    - The framework would not apply to foreign private issuers, investment companies, or asset-backed issuers.

  Public comments on the proposed rule were due by July 6, 2026, but are still being received by the SEC. The proposal attracted significant stakeholder attention and generated substantial public comment during the comment period.

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[1]"Spotlight: 2025 Conversations With Audit Committee Chairs," assets.pcaobus.org, April 2026.
[2]"The AI Accelerator Skills Program," blionline.org.

- **Enhancement of Emerging Growth Company (EGC) Accommodations and Simplification of Filer Status for Reporting Companies:** On May 19, 2026, the SEC issued a proposed rule intended to streamline filer status classifications for registrants into two primary categories, with the objective of incentivizing companies to become and remain public registrants. Under the proposal, registrants would be classified as either (i) large accelerated filers or (ii) non-accelerated filers. The proposed rule would also extend relief from some reporting requirements historically available to only EGCs or smaller reporting companies (SRCs) to all non-accelerated filers. The following are some of the most significant provisions related to the proposal:

    - Existing public float thresholds for qualification of a large accelerated filer would be increased from $700 million to $2 billion. There would also be a 60-month seasoning requirement before a new registrant could become a large accelerated filer after also meeting the $2 billion public float threshold in each of the two most recent consecutive years.
    - All registrants not meeting the large accelerated filer thresholds will be considered non-accelerated filers and would be eligible for many of the scaled disclosure and reporting requirements and reporting accommodations currently available to SRCs and EGCs.

  Importantly, and consistent with the current rules, non-accelerated filers (including those newly qualifying) would be exempt from the auditor attestation related to internal controls over financial reporting required under Section 404(b) of the *Sarbanes-Oxley Act of 2002*.

  Public comments on the proposed rule were due by July 20, 2026.

- **Registered Offering Reform:** On May 19, 2026, the SEC issued a proposed rule intended to modernize the registered offering framework and enhance a registrant's ability to access public capital markets. The proposed rule is not expected to affect financial statement requirements for registrants; rather, it focuses primarily on amending the eligibility criteria for a registration statement on Form S-3 and modernizing various aspects of the securities offering framework. The proposed changes are intended to expand the number of registrants eligible to conduct shelf offerings, thereby providing greater flexibility and more efficient access to the public capital markets.

  Public comments on the proposed rule were due by July 27, 2026.

- **Proposed Rescission of Climate-Related Disclosure Rules:** On May 29, 2026, the SEC issued a proposed rule to rescind its 2024 climate-related disclosure rules, which had been stayed pending litigation, and never became effective. As an initial rule was issued, another rule is required to remove it. If finalized, the rescission would formally withdraw the climate-specific disclosure requirements issued in 2024. Public comments on the proposed rule are due by August 3, 2026.

The SEC took various other regulatory actions during the last three months that are relevant primarily to commercial and operating registrants.

- **SEC Renames Compliance and Disclosure Interpretations (C&DIs):** In late March 2026, the SEC Division of Corporate Finance, without public fanfare, renamed Compliance and Disclosure Interpretations (CD&I) to Corporation Finance Interpretations (CFIs) as part of broader administrative updates to its public guidance resources. Related updates to the Financial Reporting Manual and the Division's website reflect the new terminology but do not change the substance or authoritative status of staff's interpretive guidance.

- **SEC Releases 2025 Enforcement Results**: On April 7, 2026, the SEC released its fiscal year (FY) 2025 enforcement results. In the accompanying release, the Commission described FY 2025 as a "unique period of transition" and noted that many of those cases were initiated under the prior administration. The SEC also stated that the prior Commission pursued more aggressive novel legal theories and indicated that the current administration is refocusing enforcement activities on the Commission's core mandate. Going forward, the SEC is expected to focus its enforcement efforts on combating fraudulent and manipulative conduct, protecting investors, and securing remedies that compensate investors harmed by securities law violations. The release also reflects the Commission's stated objective of moving away from "regulation through enforcement" and toward enforcement actions grounded in established securities laws and investor protection priorities.

- **Rescission of Policy Regarding Denials in Settlements of Enforcement Actions:** On May 18, 2026, the SEC rescinded Rule 202.5(e), a policy that had been in place since 1972 and formed the "no-deny" component of the SEC's long-standing "no admit, no deny" settlement policy. Under the prior rule, a defendant could settle an SEC enforcement action without admitting or denying the allegations but generally could not publicly deny the SEC's allegations after the settlement. The rescission removes that restriction, and settling parties may publicly dispute or deny the SEC's allegations without violating the terms of their settlement.

- **Request for Public Input on Draft Strategic Plan**: The SEC released its draft Strategic Plan for public comment on June 2, 2026, with a comment period that ended on July 2, 2026. The draft plan outlines its priorities for investor protection, capital formation, and market integrity. The draft plan emphasizes modernizing the agency, strengthening regulatory effectiveness, and improving operational efficiency, while reaffirming the SEC's focus on its core statutory mission.

PCAOB Activity

- **PCAOB to Form Inspection Modernization Council**: The PCAOB announced the formation of the Inspection Modernization Council, an advisory group established to provide recommendations on modernizing PCAOB inspections program. Consistent with Chairman Demetrios (Jim) Logothetis' message in the PCAOB's 2025 Annual Report regarding the PCAOB's core statutory mission, the Council is expected to explore opportunities to improve effectiveness of inspections with an objective to enhance audit quality and deliver additional benefits to investors and other stakeholders. Members of the Council were announced by the PCAOB on July 9 and include David Cohen, managing director, Forvis Mazars US.

- **PCAOB Establishes a Firm Consultation Process:** The PCAOB announced the establishment of a consultation process that provides firms registered with the PCAOB the opportunity to engage with the Office of the Chief Auditor (OCA) on matters related to the interpretation and application of PCAOB auditing, attestation, and quality control standards, as well as related rules and forms, and standards governing ethics and independence. The consultation process is intended to enhance the timeliness and consistency of guidance provided by PCAOB staff, thereby supporting more effective application of PCAOB requirements in practice.

- **Request for Public Input on Strategic Priorities & Future Standard Setting**: The PCAOB sought public input to help shape its 2026–2030 Strategic Plan, with comments due May 15, 2026. See Forvis Mazars' comment letter submitted in response to the PCAOB's Request for Public Comment on its strategic priorities. Building on that feedback, the PCAOB subsequently issued its first public consultation on its standard-setting and research agenda, seeking more targeted input on future priority projects and its overall approach to standard setting. Comments on the agenda consultation are due August 7, 2026. The initiative reflects the PCAOB's emphasis on stakeholder engagement as it refines its long-term priorities and standard-setting activities. Comment letters submitted in response to the agenda consultation can be accessed on the PCAOB's Rulemaking Docket.

  At its recent Investor Advisory Group and Standards and Emerging Issues Advisory Group meetings, the PCAOB sought stakeholder feedback on a number of initiatives, including inspection-related reporting, standard-setting activities, the Board's strategic priorities, and AI. Discussions explored opportunities to enhance the usefulness and transparency of information provided to investors and other stakeholders, while also considering how the PCAOB can prioritize future standard setting and oversight activities on areas of greatest risks and emerging developments affecting audit quality.

- **Leadership Update:** During the quarter, the PCAOB announced several notable leadership changes. Randy Thornton was appointed as PCAOB's chief operating officer after serving in an acting capacity and George Demons was named as director of the PCAOB's Division of Enforcement and Investigations. In addition, George Kostolampros was appointed general counsel and Dr. Ying Li Compton was appointed chief economist and director of the Office of Economic and Risk Analysis. The Board also announced the departure of Chief Auditor Barbara Vanich after more than 17 years of service, marking a significant transition within the PCAOB's senior leadership team.

- **Recently Issued PCAOB Publications & Developments**

- Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers: The PCAOB's annual report highlights inspection results from broker-dealer audit engagements, including common deficiencies, areas of improvement, and observations affecting audit quality.
- Spotlight: 2025 Conversations With Audit Committee Chairs: This publication summarizes insights from discussions with more than 250 audit committee chairs on auditor oversight, fraud risks, technology and AI, quality control, and PCAOB inspection activities.
- PCAOB 2025 Annual Report: The PCAOB's annual report provides an overview of its 2025 activities, including inspections, standard setting, enforcement, and financial results.
- QC 1000, A Firm's System of Quality Control: On June 9, 2026, the PCAOB issued a supplemental request for comment on proposed amendments to QC 1000 intended to refine certain requirements in advance of the standard's effective date. Comment letters submitted in response to the supplemental proposal, including the comment letter from Forvis Mazars, can be accessed on the PCAOB Rulemaking Docket.

AICPA Activity

Insights From AICPA Engage 2026 – Technology Continues to Shape Financial Reporting

A recurring discussion at AICPA Engage 2026 focused on the increasing role of AI and automation in accounting and financial reporting. As companies incorporate these technologies into their finance functions, management should periodically assess whether internal controls, review procedures, and supporting documentation continue to meet the organization’s needs. While technology can improve efficiency and streamline routine processes, responsibility for the preparation and fair presentation of the financial statements remains with the management. A thoughtful balance between innovation and effective oversight can help organizations strengthen both the efficiency and reliability of their financial reporting. For additional insights into the evolving finance function and the role of technology in finance transformation, see our related FORsights article, “Finance Transformation: AI Considerations for CFOs.” For insights on broader AI-related developments, governance considerations, and emerging use cases, visit our AI Resource Center.

Important Reminders

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. At the recent roundtable, stakeholders discussed implementation considerations, including the operability of the new disclosure requirements, and practical challenges related to systems, data availability, and internal processes. While no changes to the standard were announced, the discussion highlighted the importance of early implementation planning and stakeholder feedback as companies prepare to adopt. For additional insights, see our related article, “Unpacking DISE: Insights Into Disaggregation Requirements.”

Appendix A – Upcoming Effective Dates – PBEs

For fiscal years/annual periods beginning after:

December 15, 2025

- 2024-04 Induced Conversions
- 2025-05 Credit Losses for Account Receivable & Contract Assets

December 15, 2026

- 2024-03, 2025-01 DISE
- 2025-03 Business Combinations & Consolidation
- 2025-04 Stock Compensation & Revenue Recognition
- 2025-07 Derivative & Hedging & Revenue Recognition
- 2025-08 Purchased Loans
- 2025-09 Hedge Accounting
- 2025-12 Codification Improvements
- 2026-01 Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock

December 15, 2027

- 2025-06 Accounting for Internal-Use Software
- 2025-11 Interim Reporting
- 2026-02 Environmental Credits & Environmental Credit Obligations

December 15, 2028

- 2025-10 Accounting for Government Grants Received by Business Entities

TBD

- 2023-06** SEC Disclosures in 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.

Appendix B – Upcoming Effective Dates – Private Companies & NFPs

For fiscal years/annual periods beginning after:

December 15, 2025
- 2023-09 Income Taxes
- 2024-01 Profits Interests
- 2024-02 Codification Improvements
- 2024-04 Induced Conversions
- 2025-05 Credit Losses for Account Receivable & Contract Assets

December 15, 2026
- 2025-03 Business Combinations & Consolidation
- 2025-04 Stock Compensation & Revenue Recognition
- 2025-07 Derivative & Hedging & Revenue Recognition
- 2025-08 Credit Losses – Purchased Loans
- 2025-12 Codification Improvements
- 2026-01 Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock

December 15, 2027
- 2025-06 Accounting for Internal-Use Software
- 2025-09 Derivative & Hedging Improvements

December 15, 2028
- 2025-11 Interim Reporting
- 2026-02 Environmental Credits & Environmental Credit Obligations

December 15, 2029
- 2025-10 Accounting for Government Grants Received by Business Entities

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