

# Quarterly Financial Reporting Update

**Q3 2026**

forvis mazars

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This quarterly update summarizes selected key developments from standard-setting bodies through September 30, 2026 to help financial reporting professionals stay informed about changes that may impact accounting and disclosure practices.

**FASB Activity**

FASB (Board) activity during the quarter included both newly issued guidance and a growing pipeline of proposed accounting changes. Key developments included the issuance of Accounting Standards Update (ASU) 2026-03 on fair value measurement for certain investment companies and exposure drafts addressing mortgage servicing rights, cash equivalents and certain digital assets, and codification improvements. The Board also advanced several projects expected to result in exposure drafts later in 2026 and added new projects to its technical agenda, including goodwill impairment, contractual sale restrictions, and accounting for changes in debt, signaling additional changes potentially on the horizon.

**SEC & PCAOB Activity**

Regulatory activity during the quarter reflected continued focus on capital formation, market structure, investor protection, and financial reporting oversight. The SEC (Commission) developments included Chairman Paul Atkins' regulatory agenda priorities, new enforcement initiatives targeting retail and financial reporting fraud, proposals affecting shareholder proposals and proxy solicitation requirements, and continued development of the Commission's crypto asset regulatory framework.

The PCAOB activities centered on QC 1000 implementation, strategic planning initiatives, and efforts to strengthen engagement with firms, practitioners, and other stakeholders.

**Other Key Developments**

Tariff developments continue to create financial reporting considerations even after the U.S. Supreme Court's ruling on *International Emergency Economic Powers Act* (IEEPA) tariffs. The American Institute of CPA's (AICPA) Center for Plain-English Accounting (CPEA) highlighted issues surrounding potential tariff recoveries, including recognition, subsequent-event accounting, and the accounting for amounts passed through to customers.

**Effective Dates**

For reminders of accounting standards applicable in 2026 and 2027 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 explorations of these topics. For other updates issued earlier in 2026, please refer to the Q1 2026 and Q2 2026 Quarterly Financial Reporting Updates.

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 October 15, 2026.

Register for upcoming webcasts on our registration page.

# FASB Activity

## New Accounting Standards Updates

The following ASU was issued during the third quarter of 2026:

| Topic & Title | Description | Effective Date |
|---|---|---|
| ASU 2026-03<br><br>Fair Value Measurement (Topic 820)<br><br>*Investment Companies with Equity Securities Subject to Contractual Sale Restrictions*<br><br>**Issued:** September 2026 | • **Scope**: Applies to investment companies within the scope of Accounting Standards Codification (ASC) 946, *Financial Services – Investment Companies*, that hold equity securities measured at fair value and subject to contractual sale restrictions.<br>• **Key Provisions**:<br>○ The amendment introduces a narrow exception to ASC 820, *Fair Value Measurement,* for investment companies.<br>○ Requires contractual sale restrictions to be considered when measuring the fair value of the equity securities.<br>○ Requires disclosure of the amount of discount attributable to a contractual sale restriction included in the fair value measurement.<br>○ Entities other than investment companies within the scope of ASC 946 continue to apply existing ASC 820 guidance, under which contractual sale restrictions generally are not considered when measuring the fair value of equity securities.<br>• **Transition**: Applied prospectively, with any cumulative-effect adjustment recognized upon adoption. | • Annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods.<br>• Early adoption permitted. |

## Exposure Drafts

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

| Topic & Title | Description | Status |
|---|---|---|
| Transfers and Servicing—Servicing Assets and Liabilities (Subtopic 860-50): Mortgage Servicing Rights—Recapture | • **Objective**: Clarify how the value attributable to recapture should be considered when measuring the right to service a residential mortgage, thereby reducing diversity in practice.<br>• **Key Provisions**:<br>○ Treat a mortgage servicing rights (MSR) and the associated recapture value as a single unit of account. | • Comment period closes on November 9, 2026.<br>• Submitted comment letters are available on the FASB project page. |

| Topic & Title | Description | Status |
|---|---|---|
| | ○ Requires entities to value all rights and obligations associated with a residential mortgage servicing contract, including recapture, in accordance with ASC 820, *Fair Value Measurement*, when measuring a residential MSR. | |
| Statement of Cash Flows (Topic 230): Cash Equivalents—Disclosure Enhancement and Evaluation of Certain Digital Assets | • **Objective**:<br>○ Clarify, through illustrative examples, how the existing definition of cash equivalents applies to certain digital assets, such as stablecoins, thereby reducing diversity in practice.<br>○ Increase transparency regarding the significant components of cash equivalents.<br><br>• **Key Provisions**:<br>○ Clarify how the existing cash-equivalents definition applies to certain digital assets, including the three key attributes: on-demand contractual redemption right, a direct right to redeem the asset with the issuer for a known amount of cash, and reserve assets maintained on at least a one-to-one basis in short-term, highly liquid assets.<br>○ Requires annual disclosure of the significant components of cash equivalents and the related amounts of each component when assets are presented as cash equivalents, regardless of whether those assets are digital assets. | • Comment period closes on November 19, 2026.<br><br>• Submitted comment letters are available on the FASB project page. |
| Codification Improvements | • **Objective**: Make the Codification easier to understand and apply through targeted updates across a broad range of topics that are not expected to significantly change current accounting practice or result in significant costs for most entities.<br><br>• **Key Provisions**:<br>○ Includes targeted updates addressing 21 different issues that clarify existing guidance, correct errors, and make other minor improvements.<br>○ Key proposed amendments would provide clarification on several matters, including CECL for qualifying receivables and contract assets, consolidation requirements for rabbi trusts, accounting for modified share-based payment awards, the timing of normal purchases and normal sales scope exception assessments, derivatives scope guidance and the market risk benefit exception, and applying the spot method to certain net investment hedges. | • Comment period closes on November 19, 2026.<br><br>• 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 exposure drafts are expected related to these topics during the fourth quarter of 2026.

- Subjective Acceleration Clauses and Debt Default Disclosures: The proposed update is expected to remove the probability assessment related to subjective acceleration clauses (SAC) under the current model and stipulate that 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 the entity's own stock. The proposal is expected to clarify the acceptable variables used in the 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 update 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 proposed update is expected to address two specific issues, (i) requiring a single significant influence threshold for applying equity method accounting under Topic 323, and (ii) determining 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 an 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.

- Accounting for Transfers of Crypto Assets: The proposed update is expected to expand the scope of ASC 350-60 to include certain wrapped and receipt tokens that provide the right to receive underlying crypto assets. The proposed update is also expected to clarify the accounting for crypto asset transfers, including when transferred assets should be derecognized by clarifying the application of control guidance, and how crypto assets that remain recognized should be measured, presented, and disclosed. In addition, the proposed amendment would address crypto asset lending arrangements and certain transfers of digital financial assets.

- Application of the Topic 815 Normal Purchases and Normal Sales Scope Exception to Retail Electricity Contracts: The proposed update is expected to refine the normal purchases and normal sales scope exception under ASC 815*, Derivatives and Hedging,* for retail electricity power purchase agreements by amending the probable physical settlement criterion to require that at least 70% of contractual quantities be physically settled and by providing guidance on how that threshold should be evaluated using a cumulative assessment method. The proposed amendments also would require additional disclosures for power purchase agreements applying the revised guidance.

- Consideration Payable to a Customer: The proposed update is expected to clarify the application of consideration payable to customer guidance in ASC 606 related to payments made on behalf of a customer or to a customer's customer. The proposed amendments would specify when these payments should be accounted for as consideration payable to a customer and provide illustrative examples to reduce diversity in practice.

- Codification Improvements Related to LIBOR References: The proposed update is expected to remove or replace references to the London Interbank Offered Rate (LIBOR) following the transition to alternative reference rates.

## FASB – Other Updates

- Accounting for Changes in Debt: The Board added this project to its technical agenda as a broader follow-on to the earlier Accounting for Debt Exchanges project. The project is intended to simplify the accounting for debt modifications, exchanges, and troubled debt restructurings (TDRs), including the determination of whether changes in debt should be accounted for as modifications or extinguishments.

- Goodwill Impairment: The Board decided to add a project to its technical agenda to address the level and frequency at which goodwill is tested for impairment.

- Contract Sale Restrictions: Based on feedback related to ASU 2026-03, the Board decided to add a project to its technical agenda to address how contractual sale restrictions should be considered when measuring the fair value of equity securities for all entities.

In addition to the projects noted above, several other FASB projects have completed their comment periods and remain under Board deliberation. Current status updates for these and other projects are available on FASB's Current Projects page.

# Other Key Developments

### Tariff Developments & Financial Reporting Considerations

Since our last quarter update and as of the date of writing, developments surrounding refunds of tariffs imposed under the IEEPA have continued to progress. U.S. Customs and Border Protection (CBP) has expanded implementation of its Consolidated Administration and Processing of Entries (CAPE) system. On October 6, 2026, CBP deployed CAPE Phase 3, which provides a mechanism for processing certain previously liquidated entries that are subject to court-ordered reliquidation and related refund claims.

According to an October 6, 2026 CBP declaration filed with the U.S. Court of International Trade, as of October 2, approximately $136.6 billion of potential and certified refunds had been accepted for processing through the CAPE system. Of this amount, approximately $126 billion, including duties and interest, had been completed through the CAPE Refund component, certified by CBP, and transmitted to the U.S. Department of the Treasury for disbursement.

While these developments represent significant progress in the administration of tariff refunds, uncertainty remains for certain finally liquidated entries. Phase 3 currently provides a mechanism for processing refunds of finally liquidated entries where a court has ordered CBP to reliquidate entries. Importers that provided a valid importer of record (IOR) number to CBP by July 30, 2026 have been notified that they may submit CAPE Phase 3 declarations, while CBP indicated that additional instructions will be provided to importers that submitted an IOR number after July 30, 2026. Accordingly, uncertainty remains for importers awaiting further instructions from CBP, and for importers with finally liquidated entries that are not subject to court-ordered reliquidation, regarding whether, and through what process, those entries may ultimately be reopened and refunded. Entities should, therefore, evaluate specific facts and circumstances, including the status of the relevant entries and any available administrative or judicial remedies, when assessing whether recognition of a refund receivable is appropriate.

#### *Accounting Considerations*

Entities should evaluate the financial reporting implications of potential tariff recoveries under U.S. GAAP. In practice, two accounting approaches are commonly considered:

- The loss recovery model under ASC 410-30 (applied by analogy)
- The gain contingency model under ASC 450-30

Under the loss recovery model, a receivable may be recognized when recovery is probable and the amount of the refund can be reasonably estimated. This evaluation should be performed for each affected entry. Relevant considerations may include the status of the refund claim, the applicable CAPE processing phase, and any related legal developments.

Under the gain contingency model, recognition of a receivable is generally deferred until all uncertainties surrounding the recovery have been resolved and the gain is considered realized or realizable. Whichever accounting model is selected should be applied consistently to similar transactions.

Regardless of the accounting model applied, tariff refunds generally should be accounted for in a manner consistent with the original accounting treatment of the associated tariffs. For example, if IEEPA tariffs were capitalized as part of inventory cost, recognition of a tariff refund receivable generally would reduce the carrying amount of the related inventory. To the extent the underlying inventory has already been sold, the benefit generally would be recognized as a reduction of cost of sales.

From a financial reporting perspective, the February 20, 2026 U.S. Supreme Court ruling invalidating the IEEPA tariffs should be evaluated under subsequent-events guidance. For reporting periods ending before February 20, 2026, the ruling represents a nonrecognized (Type II) subsequent event, and disclosure should be considered if material. For reporting periods ending after the Supreme Court ruling, the accounting for tariff refunds should be based on the reporting entity's elected accounting model and the specific facts and circumstances. Under a loss recovery model, recognition may be appropriate (Type I subsequent event) because the recovery relates to conditions that existed as of

the balance sheet date. However, under a gain contingency model, recognition generally would not be appropriate for events occurring after the balance sheet date.

The AICPA recently issued TQA Section 7700.01-.05, *Accounting Considerations for Mandated Refunds of IEEPA Tariffs*, which includes recognition, measurement, presentation, and disclosure considerations related to mandated tariff refunds. Entities evaluating potential IEEPA tariff recoveries may find this guidance helpful when determining the appropriate accounting model and related financial reporting treatment.

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

### Artificial Intelligence (AI) – Emerging Financial Reporting Considerations

As noted in last quarter's update, the use of AI continues to expand, along with the related financial reporting risks. A recent AICPA resource addresses the increasing use of AI in accounting research and emphasizes that AI-generated information should not replace appropriate research, professional judgment, or critical evaluation of source information.

Companies should understand where AI is used in financial reporting and related processes, how AI-generated output is validated, and whether existing review procedures, internal controls, documentation, and professional judgments remain appropriate as AI becomes more integrated into day-to-day activities.

For insights into broader AI-related developments, governance considerations, and emerging use cases, visit our AI Resource Center.

## SEC Activity

- **SEC Chairman Highlights Priorities in 2026 Regulatory Agenda**: SEC Chairman Paul S. Atkins outlined his priorities for the SEC's 2026 Regulatory Agenda, emphasizing investor protection, capital formation, and fair, orderly, and efficient markets. Areas highlighted include greater regulatory clarity for crypto assets and tokenized securities, reforming disclosure requirements to support public capital formation and reduce compliance burdens, and expanding retail investor access to private markets while maintaining appropriate investor safeguards. Atkins also emphasized the importance of reversing the decline in the number of public companies and revitalizing the U.S. initial public offering (IPO) market.

- **SEC Launches New Enforcement Initiatives Targeting Fraud**: The SEC established two new units intended to strengthen enforcement efforts, including a Retail Fraud Working Group targeting misconduct affecting retail investors, and a Financial Reporting and Accounting Unit focused on financial reporting fraud and accounting and auditing misconduct.

- **SEC Highlights Fair Value Considerations for Private Assets**: On September 28, 2026, the SEC's chief accountant and the director of the Division of Investment Management issued a statement in response to the continued growth and increasing accessibility of private assets, particularly private credit, highlighting the importance of rigorous and transparent valuation and disclosure practices. Because these investments are often illiquid and require significant judgment to value, they emphasized considerations under existing requirements related to the use of reliable information, market-participant assumptions, and appropriate calibration of valuation techniques. The statement does not establish new requirements but reinforces expectations around the application of existing fair value measurement and disclosure requirements.

- **SEC Proposes Changes to Shareholder Proposal and Proxy Rules**: After announcing earlier in the year it was discontinuing staff responses to Rule 14a-8 no-action requests, on September 16, 2026, the SEC proposed changes to its shareholder proposal process, including rescinding Rule 14a-8, which would leave shareholder proposal matters to state law and company governing documents. The Commission had grown concerned its long-standing rules were beyond its mandate and intruding on state law.

  Concurrently, the SEC proposed amendments intended to modernize the proxy solicitation process, including eliminating certain filing requirements, eliminating the 20-business day delivery requirement for certain proxy materials, and shortening the broker search period from 20 business days to five business days.

  Public comments on proposed rules are due by November 20, 2026.

- **SEC Continues Development of Crypto Asset Regulatory Framework**: The SEC proposed Regulation Crypto Assets, which would establish a tailored securities offering framework for certain investment contracts involving crypto assets. The proposal includes new exemptions from Securities Act registration, a startup exemption permitting offerings of up to $5 million over four years, and a fundraising exemption permitting offerings of up to $75 million, subject to specified disclosure requirements while issuers relying on the $75 million

exemption would also be required to provide financial statements and ongoing SEC reporting. The proposal also includes a conditional safe harbor under which certain crypto assets would not be considered investment contracts, when the issuer has completed or permanently ceased the essential managerial efforts associated with the investment contracts. The proposal is intended to provide greater regulatory clarity and facilitate capital formation and innovation in U.S. crypto asset markets while maintaining investor protections. Public comments on proposed rule were due by October 20, 2026.

In September 2026, the SEC's Division of Corporation Finance issued FAQs that provide staff-level guidance on applying the Commission's March 2026 crypto asset interpretive framework. The FAQs address practical issues involving functional and decentralized crypto systems, essential managerial efforts, and ongoing developer activities, and complement the SEC's August 2026 proposed Regulation Crypto Assets rulemaking by clarifying concepts that underpin the proposal. The FAQs are staff guidance and do not constitute SEC rules.

- **SEC Approval of New Nasdaq Continued-Listing Requirement Stayed**: On July 22, 2026, the SEC approved Nasdaq's proposal to establish a new continued listing requirement of at least $5 million in market value of listed securities (MVLS). However, the approval was subsequently stayed pending Commission review, and the new requirement is not currently effective.

  Under the proposal, a company that maintains an MVLS below $5 million for 30 consecutive business days would be subject to a Staff Delisting Determination and become immediately subject to trading suspension and delisting, without the compliance periods generally available for other continued listing deficiencies. A company could appeal to a Nasdaq Hearing Panel, but the appeal would not automatically stay the trading suspension. The Hearing Panel could grant an exception of up to 180 days for the company to demonstrate compliance with Nasdaq's initial listing requirements.

# PCAOB Activity

- **PCAOB Seeks Comment on Draft 2026-2030 Strategic Plan**: During 2026, the PCAOB undertook a multiphase process to develop its 2026-2030 strategic direction. The process began in March when the PCAOB requested public comment on its strategic priorities, with feedback due by May 15, 2026. Forvis Mazars submitted a comment letter in response to that request.

  The PCAOB subsequently issued its Draft 2026-2030 Strategic Plan Goals and Objectives for public comment. The draft plan outlines a strategic framework focused on advancing audit quality and investor protection, clarifying regulatory expectations and the basis for regulatory decisions, and transforming oversight through enhanced use of technology, data, and AI. Key areas of focus include modernizing standard setting, evolving inspections to place greater emphasis on firms' systems of quality control, sharpening enforcement efforts toward matters that pose the greatest risks to investors and market integrity, enhancing stakeholder engagement and transparency, and evaluating opportunities to reduce unnecessary differences between PCAOB and international auditing standards while maintaining the PCAOB's independent standard-setting authority. Public comments on the draft plan were due September 4, 2026. Forvis Mazars also submitted a comment letter in response to this request.

- **PCAOB Updates Standard-Setting, Research, and Rulemaking Agendas**: Following its first public comment process on the agendas, the PCAOB updated its priorities to focus on projects expected to have the greatest impact on audit quality and investor protection. Standard-setting priorities include negative assurance for comfort letter engagements, auditor independence, fraud, noncompliance with laws and regulations, and going concern. The updated agendas also include research on data and technology, firm and engagement performance metrics, and audit committee communications; rulemaking for a permanent broker-dealer inspection program; and development of a conceptual framework for standard setting.

- **PCAOB Provides QC 1000 Implementation Updates**: In September 2026, the PCAOB adopted targeted amendments to QC 1000 intended to reduce implementation challenges and better align certain requirements with other quality management standards. Key changes include eliminating the external quality control function and the design-only requirement, for certain firms, providing greater flexibility in assigning quality control roles and selecting an evaluation date, permitting consideration of compensating quality responses when evaluating QC deficiencies, and reducing the documentation retention period from seven to five years. The targeted amendments are subject to SEC approval and, if approved, will become effective December 15, 2026.

  In addition, the PCAOB staff updated questions and answers to assist firms with implementation of the standard. The updated guidance addresses areas such as risk assessment and quality responses, independence, technological resources, monitoring and remediation, evaluation and reporting, roles and responsibilities, and documentation.

- **PCAOB Leadership and Practitioner Outreach Efforts**: Kyle S. Hauptman was sworn in as a PCAOB board member following his appointment by the SEC.

  The PCAOB also appointed Addison Scott and Zian Xi as its first Audit Practitioner Fellows, who will support the PCAOB's standard-setting and research activities during two-year terms within the Office of the Chief Auditor (OCA). Together with the firm consultation process launched earlier this year, the fellowship program reflects the PCAOB's broader efforts to strengthen engagement between the OCA and the audit profession.

- **PCAOB Seeks Nominations for Advisory Groups**: The PCAOB is seeking nominations to fill upcoming vacancies on its Investor Advisory Group and Standards and Emerging Issues Advisory Group. Appointed members would serve from January 1, 2027 through December 31, 2028. Individuals may nominate themselves or others for one or both groups, and nominations are due December 14, 2026.

# Important Reminders

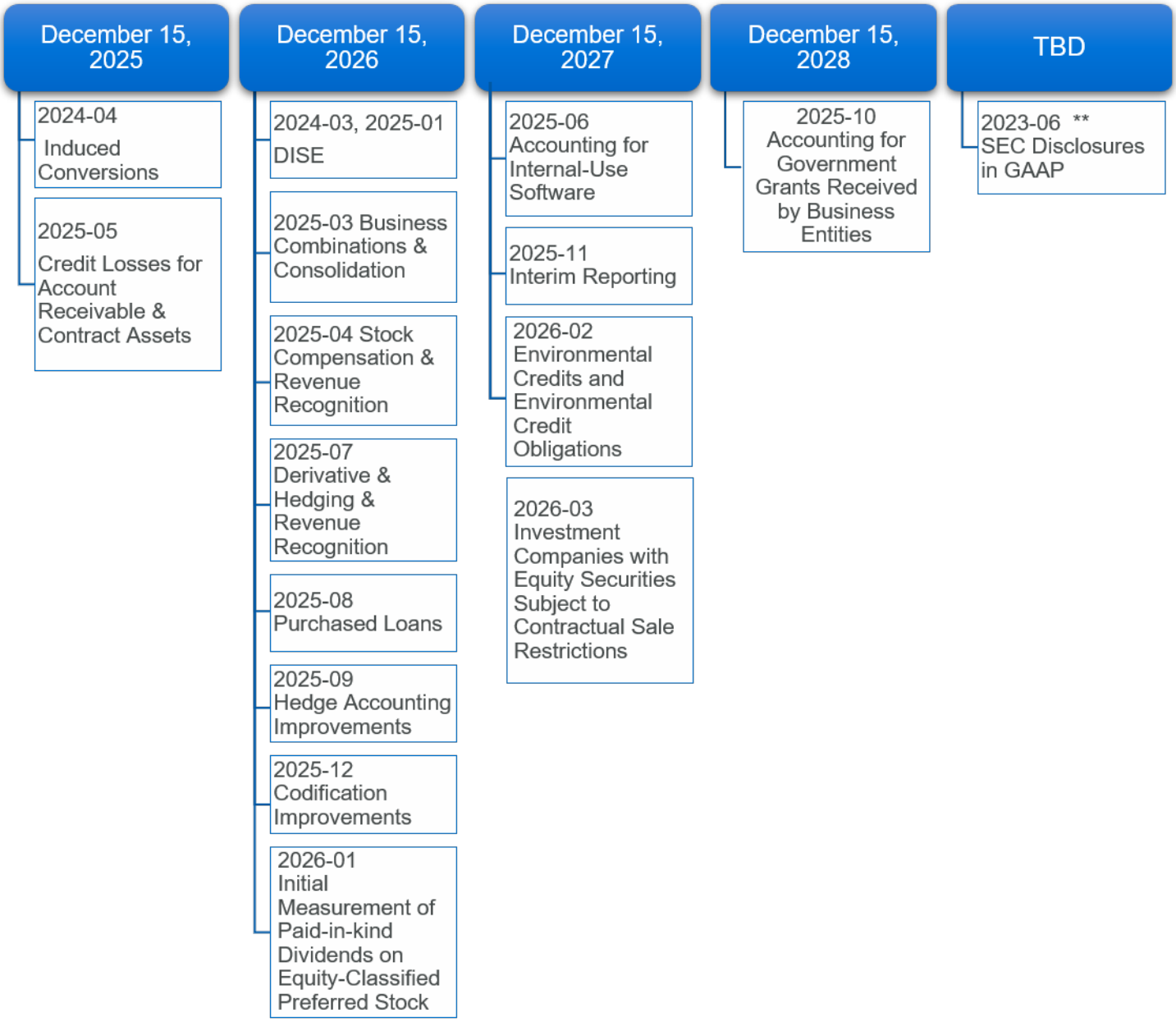
**Disaggregation of Income Statement Expenses (DISE)**

ASU 2024-03, *Disaggregation of Income Statement Expenses* (Subtopic 220-40), will become effective for public business entities for annual periods beginning after December 15, 2026, *e.g.*, the Form 10-K for the year ended December 31, 2027 for calendar-year companies, and interim periods beginning after December 15, 2027, *e.g.*, the Form 10-Q for the quarter ended March 31, 2028 for calendar-year companies, although early adoption is permitted. Implementation planning should already be underway for all entities. At this stage, the challenge for many organizations is not simply understanding the standard, but what may be required to implement it efficiently and support ongoing compliance.

To help companies better understand what the implementation journey may involve and how to assess DISE readiness, see our related FORsight articles, "Preparing for DISE ASU 2024-03: Readiness Considerations," "Unpacking DISE: Insights Into Disaggregation Requirements," and "Details on FASB's Public Company Expense Disclosures (DISE)." These resources feature key requirements, implementation considerations, and practical readiness activities that organizations may wish to evaluate as they prepare for adoption.

# Appendix A – Upcoming Effective Dates – PBEs

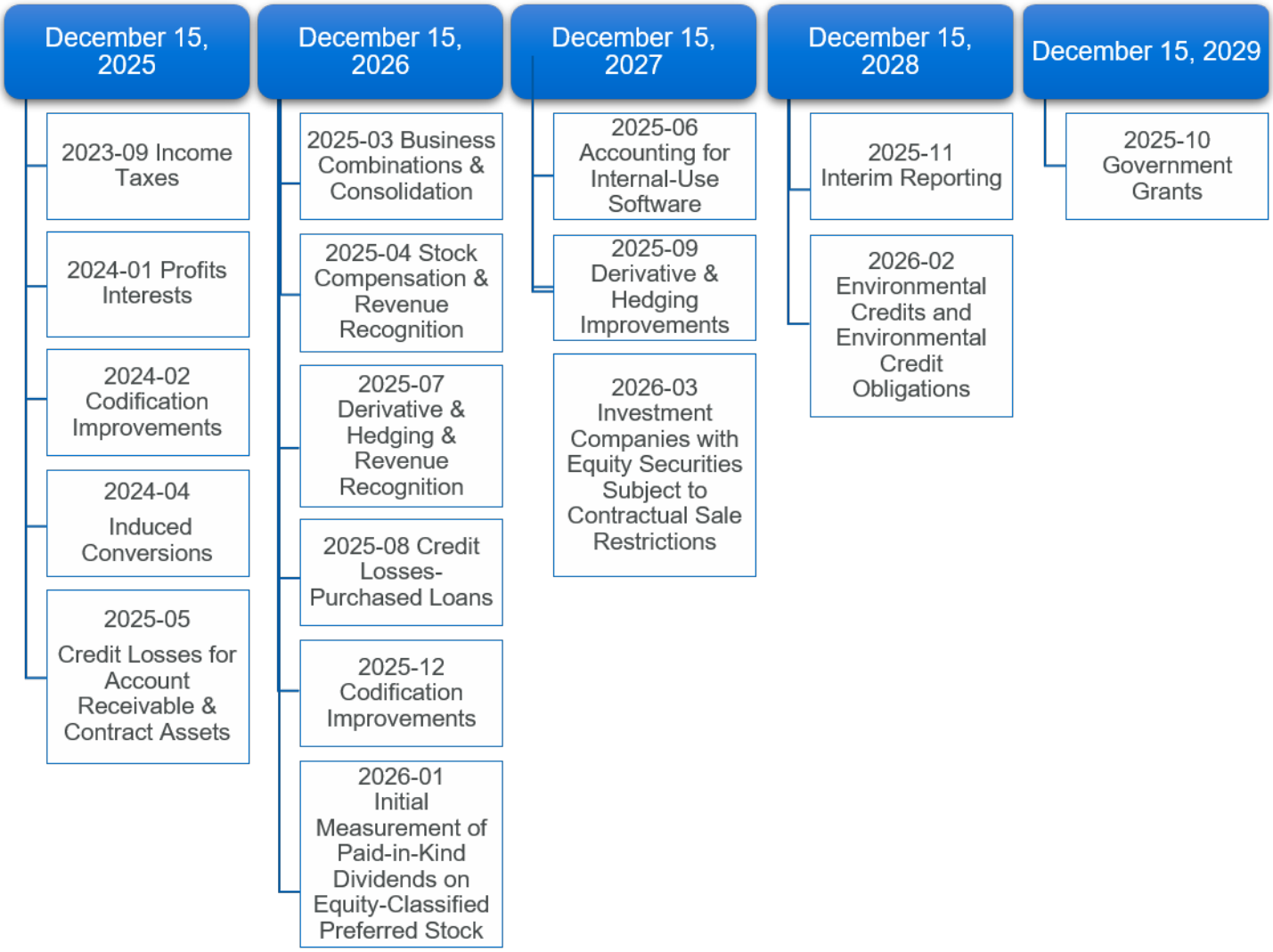
For fiscal years/annual periods beginning after:




** 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:



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