Quarterly Financial Reporting Update

Q3 2025

forvis mazars

Contents

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

FASB Activity

During the quarter, FASB:

- Issued three new Accounting Standards Updates (ASUs).
- Issued one new Exposure Draft (ED).
- Advanced ongoing projects and voted on proposed updates.

Updates on outstanding exposure drafts and project milestones are included to help preparers anticipate potential changes to financial statement reporting.

Selected SEC Activity

During the quarter, the SEC or one of its divisions:

- Updated the Financial Reporting Manual, offering updated interpretive guidance stemming from SEC rule changes.
- Issued two concept releases for public comment: one addressing the eligibility criteria for foreign private issuers, and another concerning disclosure requirements for residential mortgage-backed securities and asset-backed securities.
- Added a Compliance and Disclosure Interpretation (C&DI) on assessing filer status and smaller reporting company (SRC) status.

AICPA Proposal

The American Institute of CPAs (AICPA) proposed a Stablecoin Control Framework, reflecting its ongoing efforts to address emerging digital asset risks and controls.

Effective Dates

Summaries of ASU effective dates are provided in:

- **Appendix A** – for public business entities (PBEs)
- **Appendix B** – for all other entities

FASB Activity

New Accounting Standards Updates

Topic & Title	Description	Effective Date

ASU 2025-07
 	
Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606)
 	
Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract
 	
Issued: September 2025
	• **Derivative Scope Refinements**
	  ○ Excludes nonexchange-traded contracts whose underlying scope is tied to the operations or activities, *e.g.*, EBITDA, net income, or expenses, specific to one of the parties to the contract.
	  ○ The scope exception does not apply to variables based on market rate, price or index, or the price/performance of a financial asset or financial liabilities, or contracts involving issuer's own equity.
	
	• **Clarification of Share-Based Noncash Consideration**
	Entities must apply guidance in Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, including noncash consideration guidance in ASC 606 when accounting for share-based noncash consideration from a customer, improving consistency and reducing complexity.
	
	• **Transition**
	Apply prospectively to new contracts, or on a modified basis through cumulative effect adjustment to the opening balance of retained earnings for contracts existing as of the beginning of the annual reporting period of adoption.
		• Annual periods beginning after December 15, 2026, including interim periods within those annual reporting periods.
		
		• Early adoption permitted.

[ASU 2025-06] Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) *Targeted Improvements to the Accounting for Internal-Use Software* **Issued**: September 2025	• **Eliminates stage-based model**: Removes references to software development stages, *e.g.*, preliminary, application development, and post-implementation. • **New recognition threshold**: Entities must capitalize software costs when: 1. Management has authorized and committed funding for the project. 2. It is probable the project will be completed and the software will perform its intended function. • **Evaluation Criteria**: Entities must assess whether significant uncertainty exists in the development activities when evaluating the "probable-to-complete" threshold. • **Transition** ○ Prospective: Apply the guidance only to software costs incurred after the adoption date. ○ Modified: Apply the new rules to new and in-process projects, while recognizing a cumulative adjustment for existing in-process project costs that don't meet the new criteria. ○ Retrospective: Apply the new rules as if ASU 2025-06 has always been in effect, making a cumulative adjustment at the beginning of the earliest year presented.	• Annual periods beginning after December 15, 2027, and interim periods within those annual reporting periods. • Early adoption permitted.
[ASU 2025-05] Financial Instruments—Credit Losses (Topic 326) *Measurement of Credit Losses for Accounts Receivable and Contract Assets* **Issued**: July 2025	• **Practical Expedient (for all entities)**: Entities may assume that current conditions as of the balance sheet date persist for the remaining life of the receivables and contract assets. This removes the need to forecast future economic conditions. • **Accounting Policy Election (for non-public business entities only)**: Allows consideration of post-balance sheet cash collection activity when estimating expected credit losses. This election is only available if the practical expedient is also elected. • **Transition** Apply prospectively.	• Annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. • Early adoption permitted (beginning interim or annual reporting period).

Exposure Drafts

Topic & Title	Description	Status
Equity (Topic 505) – Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock	• **Scope**: Applies to paid-in-kind (PIK) dividends on equity-classified preferred stock, including temporary equity under SEC guidance. • **Measurement Basis**: PIK dividends should be initially measured using the dividend rate stated in the preferred stock agreement. • **Recognition**: The proposal does not change when PIK dividends are recognized—only how they are measured once recognition is required.	• Comment period closes on October 27, 2025.

New Developments & Issues on the Horizon

The following ASUs are expected to be issued during the **fourth quarter of 2025**:

Topic & Title	Description
Financial Instruments—Credit Losses (Topic 326)—Purchased Financial Assets	• The ASU will expand the gross-up model to include purchased "seasoned loan receivable," not just financial assets with 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.
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 the London Interbank Offered Rate (LIBOR), allowing broader aggregation of forecasted transactions with similar risk exposure.

[Accounting for Environmental Credit Programs (Topic 818)]	The ASU will include the following provisions: • 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 (settle an environmental credit obligation (ECO)) or in an exchange transaction. • Credits used for other than the purpose above are expensed when acquired. • 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.
[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 Standard 20.
[Interim Reporting—Narrow Scope Improvements (Topic 270)]	• The ASU will clarify when interim reporting guidance applies under U.S. GAAP. • It will include a clarified and consolidated list of interim disclosure requirements, without adding new requirements for PBEs. • Non-PBEs will not 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 ASUs are expected to be issued during the **first quarter of 2026**:

Topic & Title	Description
Accounting for Debt Exchanges (Topic 470-50 & 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.

FASB – Other Updates

- The board affirmed key decisions to finalize guidance on accounting for environmental credits and obligations (ASC 818) and debt exchanges (ASC 470-50 and 405-20), directing staff to draft final ASUs for both.
- A research project on digital assets was also added to the agenda.

Important Reminder(s)

- **New Legislation Alert: *One Big Beautiful Bill Act* (OBBBA)** – On July 4, the OBBBA was enacted, requiring immediate attention under ASC 740. The new law must be accounted for in the period of enactment, meaning companies should evaluate its effect on current and deferred tax balances, revisit valuation allowances, and update effective tax rate calculations in the financial statements beginning in the interim period that includes the enactment date. Timely analysis is critical to ensure accurate financial reporting and disclosure in the period of enactment.
- ASU 2023-07, *Improvements to Reportable Segment Disclosures (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 FORsights 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.

Selected SEC Activity

Updates to the Financial Reporting Manual (FRM)

The SEC's Division of Corporation Finance (SEC-DCF) staff issued the first major updates to the FRM since 2022, reflecting rule changes and clarifications intended to align guidance with certain previous amendments to Regulations S-X and S-K and for certain PCAOB standards.

June 2025 update – The June 30, 2025 revisions streamline Topic 2 by consolidating and removing redundant sections, while incorporating guidance tied to the SEC's 2020 amendments to Regulation S-X Rules 3-10 and 3-16 on guarantor disclosures. The update also reflects changes due to the 2020 amendments to the Regulation S-X rules on disclosure about acquired and disposed businesses and related pro forma presentations (Rules 3-05, 3-14, 8-04, 8-06, and Article 11), such that the FRM better aligns with the current requirements for business combination and guarantor reporting.

August 2025 update – The August 22, 2025 revisions further reflect the Regulation S-X acquired business rule amendments, particularly those affecting real estate transactions. The update also integrates revisions to reflect newer PCAOB auditing standards (AS 2101, AS 1206, AS 1301, AS 3105) and the SEC's 2020 Regulation S-K amendments concerning MD&A, Selected Financial Data, and Supplementary Financial Information.

The SEC staff has noted that the revisions to date in 2025 do not reflect any changes to the FRM related to 2024 rulemaking on special purpose acquisition companies and shell companies.

SEC Sought Input on the Definition of a Foreign Private Issuer (FPI)

On June 4, 2025, the SEC issued a concept release seeking public input on whether to revise its FPI definition. The commission is reassessing the criteria for FPI status such as U.S. ownership levels, trading patterns, and home-country regulatory standards given significant shifts in global markets since the definition was last updated. Potential reforms under consideration include lowering the U.S. ownership threshold, introducing minimum foreign trading requirements, and linking certain benefits on stronger home-country oversight. Any revisions could impact which companies qualify for reduced SEC reporting obligations. Issuers that lose FPI status may face higher compliance and disclosure costs, while U.S. investors could gain from increased transparency and comparability. Comments were due September 8, 2025.

New Compliance & Disclosure Interpretation on Filer Status

On August 27, 2025, SEC-DCF updated its Compliance and Disclosure Interpretations (C&DIs) with Question 130.05 to address a particular fact pattern for a registrant that has been both a non-accelerated filer and an SRC and is reassessing its filing status for the current year, *e.g.*, as a non-accelerated, accelerated, or large accelerated filer. In the specific fact pattern, the registrant would remain a non-accelerated filer and SRC for the current year, while losing SRC status and its reduced reporting requirements in the first quarter reporting for the next year.

SEC Seeks Public Comment on Residential Mortgage-Backed Securities (RMBS) & Asset-Backed Securities (ABS)

On September 26, 2025, the SEC issued a concept release seeking public feedback on potential updates to its rules governing RMBS and ABS. The commission is reviewing whether current asset-level disclosure requirements remain appropriate, how to better balance investor transparency with borrower privacy, and whether to harmonize the definition of "asset-backed security" across various regulations. The initiative aims to modernize securitization rules, encourage public RMBS issuance, and enhance market efficiency. Comments are due December 1, 2025.

Rule changes the commission could consider as an outcome of the concept release could lower barriers to public RMBS issuance, improve market liquidity, and expand investor access to securitized products. For issuers, streamlined disclosure and harmonized definitions may reduce compliance complexity and make registered offerings more viable, while investors could benefit from greater transparency and comparability in asset data.

AICPA Activity

AICPA Effort to Build Frameworks for Stablecoins

The AICPA is advancing initiatives to bring transparency and establish consistency in the stablecoin ecosystem, particularly in how the issuers report and manage reserves. These efforts aim to strengthen market confidence and help issuers prepare for emerging regulatory expectations.

Key developments:

- Stablecoin Reporting Criteria (issued in March 2025): Established criteria for how stablecoin issuers should present and disclose information about outstanding tokens and the assets backing them. The framework is designed to promote consistent and transparent reserves to enhance user and investor confidence.

- Proposed Criteria for Controls Supporting Token Operations (Exposure Draft, June 2025): Outlines a proposed set of control objectives for stablecoin issuers covering governance over token issuance, key management, reserve safeguarding, and related operational processes. The criteria are intended for use in assurance engagements. The proposal was released for public comment (comment period ended August 11, 2025) to gather feedback prior to finalization.

Appendix A – Upcoming Effective Dates – PBEs

For fiscal years/annual periods beginning after:

December 15, 2024
- 2018-12, 2019-09, 2020-11 Insurance (SRC)
- 2022-05 Insurance Transition (SRC)
- 2023-08 Crypto
- 2023-09 Income Taxes
- 2024-01 Profits Interests
- 2024-02 Codification Improvements

January 1, 2025
- 2023-05 Joint Ventures

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 & Consoliation
- 2025-04 Stock Compensation & Revenue Recognition
- 2025-07 Derivative & Hedging & Revenue Recognition

December 15, 2027
- 2025-06 Accounting for Internal-Use Software

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, 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
  - ASU 2025-05 Credit Losses for Account Receivable & Contract Assets
- **December 15, 2026**
  - 2025-03 Business Combinations & Consolidation
  - 2025-04 Stock Compensation & Revenue Recognition
  - ASU 2025-07 Derivative & Hedging & Revenue Recognition
- **December 15, 2027**
  - 2025-06 Accounting for Internal-Use Software
- **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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