



Quarterly Financial Reporting Update

Q4 2025

forv/s
mazars

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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 five new Accounting Standards Updates (ASUs)
- 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

This update includes highlights from the AICPA & CIMA Conference on Current SEC and PCAOB Developments, along with other targeted guidance issued by the SEC or its divisions during the quarter. These items include procedural updates related to the Rule 14a-8 shareholder proposal process and operational considerations arising from the October 2025 federal government shutdown. The matters highlighted are those most relevant to financial reporting professionals and are detailed to the extent they may affect reporting timelines, disclosures, or compliance judgments.

Effective Dates

Summaries of ASU effective dates are provided in:

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

This update builds on accounting and regulatory topics detailed in prior Quarterly Financial Reporting Updates, including matters that progressed through multiple standard-setting phases before being finalized during Q4 2025. Readers are encouraged to review prior issues of our Quarterly Financial Reporting Update for additional background, historical context, and earlier details on these topics. For other updates issued during 2025, please refer to the [Q1](#), [Q2](#), and [Q3](#) 2025 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 January 8, 2026.

FASB Activity

New Accounting Standards Updates

Topic & Title	Description	Effective Date
<u>ASU 2025-12</u> Codification Improvements Issued: December 2025	<ul style="list-style-type: none"> Introduced multiple targeted clarifications and technical corrections to several Accounting Standards Codification (ASC) topics. Key Clarifications <ul style="list-style-type: none"> Diluted EPS (ASC 260): Potential common shares may still be dilutive even when a loss from continuing operations exists; they cannot be automatically excluded. Lease receivables: Receivables from sales-type and direct-financing leases are excluded from certain loan-modification disclosures. Credit losses: Clarifies the reference amount for beneficial interests to avoid double-counting expected credit losses and how interest income is recognized. Treasury stock: Allows excess repurchase price over par to be charged to additional paid-in capital, if APIC remains non-negative. Revenue/transfers: Receivable transfers from customer contracts that qualify as financial assets are subject to ASC 860. 	<ul style="list-style-type: none"> Annual periods beginning after December 15, 2026 and interim reporting periods within those annual reporting periods Early adoption permitted
<u>ASU 2025-11</u> Interim Reporting (Topic 270) <i>Narrow-Scope Improvements</i> Issued: December 2025	<ul style="list-style-type: none"> Scope <ul style="list-style-type: none"> Apply to all entities that issue interim financial statements in accordance with GAAP. Covers both full and condensed interim financial statements. Key Provisions <ul style="list-style-type: none"> Centralizes all GAAP interim disclosure requirements within ASC 270. Clarifies when interim reporting guidance applies. Distinguishes form and content requirements: <ul style="list-style-type: none"> ✓ SEC registrants follow SEC rules, e.g., Regulation S-X. ✓ Non-SEC entities may present using annual-period aggregation or condensed presentation. Adds a disclosure principle requiring disclosure of material events and changes since the last annual period. Allows omission of interim disclosures that duplicate recent annual disclosures, when appropriate. 	<ul style="list-style-type: none"> PBEs: Interim reporting periods within annual reporting periods beginning after December 15, 2027 Other Entities: Interim reporting periods within annual reporting periods beginning after December 15, 2028 Early adoption is permitted for all entities

Topic & Title	Description	Effective Date
<p><u>ASU 2025-10</u></p> <p>Government Grants (Topic 832)</p> <p><i>Accounting for Government Grants Received by Business Entities</i></p> <p>Issued: December 2025</p>	<ul style="list-style-type: none"> Introduces accounting guidance for government grants received by business entities. Definition: A government grant is a nonexchange transfer of monetary or nonmonetary assets from a government. Recognition: Grant recognized only when receipt and compliance with provisions are probable. Classification: Grants are asset -related or income-related. Asset-related grants: Accounted for either as deferred income recognized in earnings on a systemic and rational basis over the asset's useful life, or as a reduction of the asset's carrying amount (cost accumulation approach). Income-related grants: Recognized in earnings as related costs are incurred. Presentation: Grants may be presented as gross, e.g., in other income, or net (as a reduction of related expenses or assets). Disclosure: Nature of the grant received, accounting policies applied, significant terms and conditions, affected financial statement line items, and if applicable, the fair value and useful life of nonmonetary asset received (cost accumulation approach). Transition <ul style="list-style-type: none"> Modified Prospective: Grants entered into or not complete as of the effective date. No cumulative effect adjustment. Modified Retrospective: Grants entered into or not complete as of the beginning of the earliest period presented. Retrospective: All grants, with a cumulative-effect adjustment to opening retained earnings at the beginning of the earliest period presented. 	<ul style="list-style-type: none"> PBEs: Annual periods beginning after December 15, 2028 and interim reporting periods within those annual reporting periods Other Entities: Annual periods beginning after December 15, 2029 and interim reporting periods within those annual reporting periods Early adoption permitted

<p>ASU 2025-09</p> <p>Derivatives and Hedging (Topic 815)</p> <p><i>Hedge Accounting Improvements</i></p> <p>Issued: November 2025</p>	<ul style="list-style-type: none"> • Cash Flow Hedges – Groups of Forecasted Transactions <ul style="list-style-type: none"> ○ Replaces the “shared risk exposure” requirement to more flexible “similar risk exposure” criteria, evaluated at the inception and ongoing basis. • Choose-Your-Rate (CYR) Debt <ul style="list-style-type: none"> ○ Introduces an optional model allowing cash flow hedging of interest payments on variable-rate CYR debt without automatic hedge dedesignation when the reference rate or tenor change. • Nonfinancial Forecasted Transactions <ul style="list-style-type: none"> ○ Expands the ability to hedge variable price components using a principles-based “clearly and closely related” approach rather a strict contractual specification. • Net written options <ul style="list-style-type: none"> ○ Revises the net written option assessment to avoid automatic disqualification of commonly used compound instruments, e.g., swap plus written option. • Dual Hedges of Foreign-Currency Debt <ul style="list-style-type: none"> ○ Eliminates accounting mismatches by excluding fair value hedge basis adjustments from net investment hedge effectiveness assessments. • Transition <ul style="list-style-type: none"> ○ Apply prospectively. ○ Adoption permits modification of specified critical terms in existing hedging relationships without requiring hedge dedesignation. 	<ul style="list-style-type: none"> • PBEs: Annual periods beginning after December 15, 2026 and interim periods within those annual reporting periods • Other Entities: Annual periods beginning after December 15, 2027 and interim periods within those annual reporting periods • Early adoption permitted
<p>ASU 2025-08</p> <p>Financial Instruments— Credit Losses (Topic 326)</p> <p><i>Purchased Loans</i></p> <p>Issued: November 2025</p> <p>FORsights™ Resource: FASB Releases ASU 2025-08: Update to ASC 326</p>	<ul style="list-style-type: none"> • Expands CECL gross-up accounting to purchased seasoned loans (PSLs) to eliminate Day-1 credit loss expense previously required for most acquired loans. • PSLs: Defined as loans acquired more than 90 days after origination where the acquirer was not involved in origination. Loans acquired in a business combination automatically qualify. • Requires gross-up of amortized cost for PSLs by adding the allowance for credit losses (ACL) at acquisition (no immediate profit and loss impact). • Exclusions: Credit cards, debt securities, and Topic 606 trade receivables excluded from PSL scope. • Subsequent measurement/policy election: PSLs are subsequently measured like other CECL assets. This ASU permits a policy election (by acquisition) to measure ACL using amortized basis versus unpaid principal balance when nondiscounted cash flow method is used. • Transition <ul style="list-style-type: none"> ○ Prospective adoption. 	<ul style="list-style-type: none"> • Annual periods beginning after December 15, 2026 and interim reporting periods within those annual reporting periods • Early adoption permitted

Exposure Drafts

No Exposure Drafts were issued by FASB during the fourth quarter of 2025.

New Developments & Issues on the Horizon

The following ASUs are expected to be issued during the **first quarter of 2026**:

Topic & Title	Description
<u>Accounting for Environmental Credit Programs (Topic 818)</u>	<p>The ASU will include the following provisions:</p> <ul style="list-style-type: none">• 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.
<u>Accounting for Debt Exchanges (Topic 470-50 & 405-20)</u>	<p>The ASU will include the following provisions:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ New debt involves multiple creditors.○ Existing debt was repaid per contractual terms or repurchased at market.○ New debt was issued at market terms.

The following ASU is expected to be issued during the **second quarter of 2026**:

Topic & Title	Description
<u>Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock (Topic 505)</u>	<p>The ASU will include the following provisions:</p> <ul style="list-style-type: none">• Applies to paid-in-kind (PIK) dividends on equity-classified preferred stock, including temporary equity under SEC guidance.• PIK dividends should be initially measured using the dividend rate stated in the preferred stock agreement.• The proposal does not change when PIK dividends are recognized—only how they are measured once recognition is required.

FASB – Other Updates

- Leases (Topic 842) – [Post-Implementation Review](#)

FASB completed its post-implementation review of the leases standard, concluding that ASC 842 is meeting its objective of improving balance-sheet transparency, though lessee implementation and ongoing costs were higher than expected; no immediate changes to the standard are planned.

- **New Items Added to the Technical Agenda**

- **Digital Assets:** FASB added new digital asset projects to its technical agenda, reflecting the growing prevalence of digital asset transactions and the need to address gaps and diversity in existing guidance. These projects include:
 - [Cash equivalent classification](#): Clarifying whether, and under what conditions, certain digital assets (such as payment stablecoins) may qualify as cash equivalents.
 - [Accounting for Transfer of Crypto Assets](#): Expanding the scope of ASC 350-60 (Crypto Assets) to address wrapped tokens and receipt tokens, and clarifying derecognition guidance for crypto transfer arrangements, including crypto lending and similar transactions.
- [Equity Method of Accounting](#): FASB added a project to improve the operability of the equity method by addressing application issues for certain partnership investments and clarifying how investors determine equity in earnings for investees with complex allocation structures.

Important Reminder(s)

- **New Legislation Alert: *One Big Beautiful Bill Act (OBBBA or OB3)*:** On July 4, the OB3 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 2023-09, 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. As public companies finalize adoption, attention should be focused on execution, data completeness, and related control considerations associated with the enhanced disclosure requirements. 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. For additional insights, see our related FORsights article, "[Unpacking DISE: Insights Into Disaggregation Requirements](#)."
- **Tariff Developments & Financial Reporting Considerations**
 - **Measurement & Revenue Recognition**

Broad tariffs imposed during 2025 remain in effect while their legality is under U.S. Supreme Court review, with a decision expected in early 2026. Under U.S. GAAP, tariffs are generally capitalized into inventory costs (ASC 330), increasing cost of goods sold and potentially elevating the risk of net realizable value (NRV) write-down if pricing adjustments cannot be implemented on a timely basis. In the current environment where tariffs may be imposed or modified after contracts are executed, entities often incur tariff costs before having an enforceable right to recover them from customers. Accordingly, tariff cost pass-throughs are recognized as revenue only when enforceable, typically through variable consideration or an approved contract modification under ASC 606; otherwise, entities absorb the costs, resulting in margin compression.

- **Refunds & Subsequent Events**

Depending upon the outcome of the pending litigation or regulatory developments, entities may become entitled to refunds of previously paid tariffs. Given the ongoing uncertainty, legal or regulatory developments occurring after the balance-sheet date would most likely be considered Type II (nonrecognized) subsequent events, requiring disclosure under ASC 855 rather than balance-sheet recognition.

Selected SEC Activity

Recent Comments on Segment Disclosures

At the December 2025 AICPA Conference on Current SEC and PCAOB Developments, the SEC staff noted that segment disclosures are likely to remain a focus of the SEC's Division of Corporation Finance (Corp Fin) reviews for 2025 Forms 10-K in this second year following the adoption of *ASU 2023-07 – Improvements to Reportable Segment Disclosures*. Registrants were reminded to carefully determine and explain the required measure of segment profit or loss used by the chief operating decision maker, provide clear and complete disclosure of significant segment expenses (or state when there are none to disclose), and ensure single-segment registrants fully comply with all segment disclosure requirements. The staff also cautioned against embedding “buried” or contrived non-GAAP measures within segment disclosures, reinforcing the SEC's continued emphasis on disclosure quality, transparency, and effective disclosure controls.

Corp Fin Statement on Rule 14a-8

In November 2025, Corp Fin announced that for the 2025–2026 proxy season, due to effects of the backlog from the government shutdown and extensive body of existing guidance, it will generally no longer respond to no-action requests to exclude shareholder proposals under Rule 14a-8. Corp Fin will continue to review and respond only to requests under Rule 14a-8(i)(1) (relating to proposals that are not proper under the law in the registrant's state of incorporation).

Registrants that intend to exclude a proposal must still provide the required 80-day notice to the SEC and the proposal proponent. While not required to seek SEC staff input, those wishing to receive some form of SEC response may include in the notification a statement that they have a reasonable basis for the exclusion; in those cases, the SEC will issue an acknowledgment based solely on the registrant's representations without evaluating or expressing a view on the legal analysis. This statement applies for the current proxy season and to certain pending requests not yet addressed.

Government Shutdown Considerations for Registration Statements

In October 2025, during the federal government shutdown, Corp Fin issued guidance outlining how it would operate during a lapse in appropriations, *i.e.*, a government shutdown. While the EDGAR system remained fully operational and filing deadlines continued to apply, SEC staff reviews effectively paused, including comment letters, registration statement effectiveness, and no-action or interpretive responses. To address capital markets disruption, Corp Fin clarified that it would not recommend enforcement action if certain registration statements filed without a delaying amendment became automatically effective under Section 8(a) of the Securities Act, even if final pricing information was omitted.

The SEC is still working through a post-shutdown backlog, which Corp Fin stated numbered more than 1,000 filings, and the October framework continues to influence how the SEC staff is prioritizing reviews and processing filings submitted during and immediately after the shutdown. For registrants and their advisers, the guidance remains relevant as a reference point for understanding current timing delays, staff expectations, and the practical constraints that continue to affect transaction planning in early 2026. In addition, it could represent precedent for future government shutdowns.

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	December 15, 2027	December 15, 2028	TBD
2018-12, 2019-09, 2020-11 Insurance (SRC)	2023-05 Joint Ventures	2024-04 Induced Conversions	2024-03, 2025-01 DISE	2025-06 Accounting for Internal-use Software	2025-10 Government Grants	2023-06 ** SEC Disclosures in GAAP
2022-05 Insurance Transition (SRC)		2025-05 Credit Losses for Account Receivable & Contract Assets	2025-03 Business Combinations & Consoliation	2025-11 Interim Reporting		
2023-08 Crypto			2025-04 Stock Compensation & Revenue Recognition			
2023-09 Income Taxes			2025-07 Derivative & Hedging & Revenue Recognition			
2024-01 Profits Interests			2025-08 Credit Losses - Purchased Loans			
2024-02 Codification Improvements			2025-09 Derivatives & Hedging			
			2025-12 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	January 1, 2025	December 15, 2025	December 15, 2026	December 15, 2027	December 15, 2028	December 15, 2029	TBD
2018-12, 2019-09, 2020-11 Insurance	2023-05 Joint Ventures	2023-09 Income Taxes	2025-03 Business Combinations & Consolidation	2025-06 Accounting for Internal-use Software	2025-11 Interim Reporting	2025-10 Government Grants	2023-06 ** SEC Disclosures in U.S. GAAP
2022-05 Insurance Transition		2024-01 Profits Interests		2025-09 Derivatives & Hedging			
2022-03 Restricted Equity Securities		2024-02 Codification Improvements	2025-04 Stock Compensation & Revenue Recognition				
2023-02 Tax Credits		2024-04 Induced Conversions	ASU 2025-07 Derivative & Hedging & Revenue Recognition				
2023-08 Crypto		2025-05 Credit Losses for Account Receivable & Contract Assets	2025-08 Credit Losses-Purchased Loans				
			2025-12 Codification Improvements				

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