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Standard Setters' Updates

H2 2025

Overview

Welcome to our H2 2025 edition of the Standard Setters' Updates. As we usher into 2026, this edition delivers a concise overview of the most significant accounting, financial reporting and regulatory developments from the second half of 2025 ("H2 2025").

The *Accounting Update* section covers the latest guidance issued during the H2 2025.

The *FASB Current Projects* section provides a snapshot of ongoing initiatives, including expected timelines and implications.

The *Regulatory Update* section summarizes important announcements, initiatives, and enforcement actions from the SEC and other regulators.

The *Sustainability Reporting Developments* section captures recent changes in global reporting frameworks, such as ISSB standards and the European sustainability reporting requirements.

The *Appendix* details ASU's effective for the year-end 2025 and 2026.

This edition equips readers with critical insights into recent and forthcoming changes, enabling proactive navigation of evolving regulatory requirements.

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Accounting Update

Accounting Standards Updates ("ASU") Issued in H2 2025

01 *ASU 2025-05 – Financial Instruments—Credit Losses (Topic 326) – Measurement of Credit Losses for Accounts Receivable and Contract Assets*

In response to concerns raised by private company stakeholders regarding the intricacy, expense, and limited impact of macroeconomic forecasts on the computation of anticipated credit losses for current accounts receivable and contract assets resulting from revenue contracts under ASC 606, the Board released this update. According to the stakeholders, the present guidance calls for calculating the expected credit losses while creating realistic and credible predictions, including macroeconomic data. This can be expensive and typically has no material impact on the estimate for the short-term assets.

This accounting standard update amends the current guidance by introducing two important provisions: the practical expedient and an accounting policy election. All entities have access to practical expedient, and entities other than public business entities can choose to use the accounting policy. While the practical expedient allows the assumption that the state of the economy on the date of the balance sheet will not change over the asset's remaining life, the accounting policy election allows consideration of cash collection activity that takes place after the balance sheet date but before financial statements are issued.

By concentrating on current circumstances rather than projecting future economic changes, these revisions aim to improve consistency and decision utility while lowering the cost and complexity of assessing credit losses.

The ASU will be effective for annual reporting periods beginning after December15, 2025, and the interim periods within those annual reporting periods. Early adoption is permitted in both interim as well as annual reporting periods.

02 *ASU 2025-06 – Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*

The Board issued this update to change how internal-use software costs are accounted for in response to feedback from stakeholders who are preparers and practitioners. Based on the feedback, the current guidelines are old and do not reflect how software is made nowadays. Recently, a lot of companies have converted from prescriptive and sequential development methods, which are sometimes called "waterfall," to incremental and iterative development methods, like "agile."

Based on the nature of costs and the stages of the project, the current rules say that development costs for software that will only be used internally must be capitalized. It's challenging to follow the current criteria since it's impossible to tell what stage a project is in because development methods have changed to incremental and iterative. The upgrade aims to make recognition guidance more useful by supporting a wider range of software development methods.

There are no longer any phases that are prescriptive or sequential (project stages) in this edition of the accounting standard. For this update, software costs must be capitalized when both of the following happen: Management has approved and paid for the software project, and it is likely that the project will be finished and the software will be used as intended. This is also known as the "probable-to-complete recognition" threshold. Also, when figuring out the probable-to-complete recognition level, a business must take into account the significant development uncertainty. When deciding if there is significant development uncertainty, two factors are considered: (1) unique technological innovation or unproven functions/features and the unresolved uncertainties that come with them; and (2) whether the entity has identified or is still significantly revising the software's performance requirements.

This upgrade makes the instruction more impartial and easier to use across different software development methods than the current guidance. These modifications are not expected to have a big effect on capitalization levels, except for software made for cloud computing arrangements where the capitalization may go down. The Board thinks that this decrease will better match how external-use software is accounted for and help make financial reporting more consistent. This will also assist investors analyze the financial records of companies that primarily develop software.

The changes will affect all businesses that use Subtopic 350-40's internal-use software guidance and Subtopic 350-50's website development cost accounting. They don't change the cost of software for external usage, according to Subtopic 985-20.

The amendments are effective for annual periods beginning after December 15, 2027, with early adoption permitted at the start of an annual period. Entities can apply the new guidance using prospective, modified, or retrospective transition approaches. Financial Accounting Standards Board ("FASB") published ASU provides the accounting under each adoption approach, including cumulative effect adjustments to retained earnings upon adoption.

03 *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*

This accounting standard update addresses stakeholder concerns regarding the following two issues: (#1) the broad application of derivative accounting to contracts with features based on the operations or activities of one of the parties, and (#2) diversity in accounting for share-based noncash consideration from a customer as consideration for goods or services.

The stakeholders’ concern regarding issue #1 was that, due to the broad scope of the definition of a derivative, numerous contracts involving features related to the operations or activities of one of the parties are being assessed and potentially recognized as derivative, whereas alternative guidance should be applied for the appropriate accounting of such contracts. Consequently, these contracts classified as derivatives do not furnish decision-useful information. The amendment in this update was issued as a refinement to the scope of derivatives. The scope refinement of derivatives excludes non-exchange-traded contracts where the underlying assets are founded on operations or activities exclusively to one of the contracting parties. However, the scope refinement does not apply to (a) contracts (or feature) involving the issuer’s own equity that are evaluated under the guidance in subtopic 815-40, (b) variables based on the price or performance of a financial asset or liability of one of the parties to the contract, (c) variables based on a market rate, market price, or market index, and (d) call options and put options on debt instruments. The changes are intended to improve comparability and decision-usefulness in financial reporting, lower complexity and expense, and more accurately depict the economics of a contract in the financial statements.

The stakeholders concern for issue #2 was lack of clarity about which guidance should be applied to transactions where noncash considerations are received from customers in exchange for transfer of goods or services. For example, an entity receives share-based noncash consideration, and the consideration is contingent on the satisfaction of performance obligation. In this case, (a) should the consideration be recognized at contract inception as a derivative asset under topic 815 or an equity security under topic 321, or (b) should the consideration not be recognized until the entity satisfies its performance obligation under topic 606. The amendment in this update clarifies that an entity should apply the guidance in topic 606 and the guidance in other topics (topic 815 on derivatives and hedging and topic 321 on equity securities) does not apply unless and until the entity’s right to receive or retain the share-based noncash consideration is unconditional under topic 606. This clarification is intended to reduce diversity in practice, provide investors with more comparable information, and reduce complexity and reporting costs.

The amendments are effective for annual periods beginning after December 15, 2026, including interim periods, with early adoption permitted. Entities can apply the amendments prospectively or on a modified retrospective basis with cumulative-effect adjustments to retained earnings upon adoption.

04 *ASU 2025-08 – Financial Instruments—Credit Losses (Topic 326): Purchased Loans*

The Board issued this update in response to stakeholder concerns regarding the accounting for acquired financial assets raised by ASU 2016-13’s post implementation review.

Purchased financial assets are categorized into two, with credit deterioration (“PCD”) and without credit deterioration (“non-PCD”). Under the current accounting guidance, a PCD is accounted for using a “gross-up” approach, wherein the allowance for expected credit losses (“ACL”) is recorded with an offsetting gross-up adjustment to purchase price of the purchased financial asset. For a non-PCD, ACL is recorded with a corresponding charge to credit loss expense.

Stakeholders, including investors, lenders, and preparers, noted that the current distinction between purchased financial assets with credit deterioration (PCD) and non-PCD assets creates unnecessary complexity, reduces comparability, and does not reflect the economics of acquired assets recorded at fair value, because the non-PCD approach results in double-counting of expected credit losses through a Day 1 expense.

This accounting standard update expands the population of acquired financial assets subject to the gross-up approach in Topic 326. The expanded population now includes purchased seasoned loans. An acquired loan is first determined whether it is a non-PCD (assessed based on credit deterioration since origination) and then whether it is seasoned. All non-PCD loans (excluding credit cards) acquired in a business combination are deemed seasoned, and other non-PCD loans (excluding credit cards) are seasoned if acquired more than 90 days after origination and the acquirer was not involved in origination.

The amendment in this update improves decision usefulness, by enhancing consistency and comparability, of the financial reporting for acquired financial assets, particularly loans. The amendments apply to all entities subject to Topic 326 guidance on financial instruments measured at amortized cost.

The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted prospectively to loans acquired on or after the initial application date.

05 *ASU 2025-09 – Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*

The Board issued this update to clarify certain aspects of hedge accounting guidance from ASU 2017-12 and address incremental issues arising from global reference rate reform, in response to stakeholder requests following the 2019 proposed ASU and 2021 Agenda Consultation. The objective of these amendments in this update is to better align hedge accounting with entities' risk management activities and to achieve and maintain hedge accounting for highly effective economic hedges of forecasted transactions.

This accounting standard update addresses five targeted issues: (#1) expands hedged risks in cash flow hedges of groups of forecasted transactions from "shared risk exposure" to "similar risk exposure" and assessed quantitatively (highly effective threshold) or qualitatively at inception and ongoing; (#2) introduces a model for cash flow hedges of forecasted interest payments on choose-your-rate debt instruments (variable-rate debt with borrower option to change index/tenor), allowing hedge continuation without dedesignation upon rate changes if criteria met, with simplified effectiveness assessments; (#3) expands cash flow hedges of forecasted nonfinancial purchases/sales to variable price components/subcomponents clearly and closely related to the asset (spot/forward markets), superseding contractually specified component guidance; (#4) permits net written options (compound swap + written option) in cash flow/fair value interest rate risk hedges without net written option test; and (#5) eliminates recognition mismatch in dual hedges where foreign-currency debt is both net investment hedge instrument and fair value interest rate hedge item, by excluding fair value hedge basis adjustment from net investment effectiveness.

The amendments improve GAAP by enabling hedge accounting for broader, highly effective economic hedges, reducing dedesignation risks/missed forecasts, enhancing comparability/operability, and better reflecting risk management economics in financial statements, particularly for financial institutions and nonfinancial entities using diverse reference rates. The amendments apply to all entities electing hedge accounting under Topic 815.

The amendments are effective for public business entities for annual periods beginning after December 15, 2026, and interim periods within those annual periods; for other entities, after December 15, 2027. Early adoption is permitted prospectively for all hedging relationships.

06 *ASU 2025-10 – Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*

The Board issued this update to establish authoritative GAAP for the recognition, measurement, and presentation of government grants received by business entities, addressing the lack of specific guidance and the resulting variability in practice, where entities analogize to IAS 20, Topic 450, or Subtopic 958-605. Stakeholders, including practitioners, preparers, and investors, through the 2021 Agenda Consultation, the 2022 GG ITC, and the 2024 proposed ASU, emphasized that the absence of guidance results in inconsistent application, thereby diminishing comparability and transparency beyond the disclosure guidance provided in ASU 2021-10.

This accounting standard update characterizes a government grant as a transfer of a monetary (e.g., cash, forgivable loans when forgiveness is probable) or tangible non-monetary asset (e.g., land, equipment) provided by a government (domestic, foreign, local, regional, national, or related entities), excluding exchange transactions (even at a discount), income taxes, below-market loans, and guarantees. Recognition occurs when it is probable that the entity will comply with the conditions and receive the grant, then as follows: (a) a grant related to an asset (conditioned on asset purchase, construction, or acquisition)—either deferred income (recognized systematically over the related expense periods, such as depreciation) or cost accumulation (reducing the asset's carrying amount, with no separate income recognition); (b) a grant related to income (e.g., reimbursement of operating expenses)—recognized systematically over the related expense periods or immediately if related to prior expenses or for immediate support. Tangible non-monetary grants assessed at fair value (deferred income) or at cost (cost accumulation).

The amendments enhance financial reporting by standardizing accounting practices (building upon IAS 20 with specific enhancements), minimizing variability, and promoting greater consistency and comparability across entities, including multinational corporations. Additionally, they improve investor understanding of the impact of grants on assets, expenses, and earnings, while allowing for elections to reflect economic substance.

The amendments pertain to all business entities (excluding nonprofit organizations and employee benefit plans) that receive qualifying government grants.

The amendments are effective for public business entities for annual periods beginning after December 15, 2028, and interim periods within those annual periods; for other entities, after December 15, 2029. Early adoption permitted prospectively or via modified prospective, retrospective, or modified retrospective transition (no prior restatement under modified prospective).

07 *ASU 2025-11 – Interim Reporting (Topic 270): Narrow-Scope Improvements*

The Board issued this update to refine the guidance in Topic 270 by enhancing the navigability of interim disclosure requirements, clarifying their applicability to all interim financial statements and notes in accordance with GAAP, and providing a comprehensive list of required disclosures, without altering the core scope of interim reporting. Stakeholders observed that Topic 270's complexity, stemming from its historical codification and evolution, results in application difficulties; amendments have been introduced to enhance clarity, drawing upon Securities and Exchange Commission ("SEC") practices.

This accounting standard update: (a) broadens the scope to include all entities preparing interim financial statements and notes in accordance with GAAP (whether full or condensed); (b) defines "condensed statements" as aggregated versus annual reports with limited notes; (c) introduces a disclosure principle requiring material post-year-end events that impact the entity; (d) enumerates over 50 specific interim disclosures, such as revenue disaggregation in accordance with ASC 606, earnings per share, segment information per ASC 280, fair value measurements per ASC 820, derivatives per ASC 815, credit losses per ASC 326, offsetting disclosures per ASC 210, and changes in accumulated other comprehensive income per ASC 220; (e) clarifies the form and content requirements (e.g., SEC registrants per Regulation S-X; non-SEC entities: balance sheet assets exceeding 10%, income exceeding 20%, cash flow totals); and (f) incorporates conforming amendments across the Codification, including updates to ASC 250 on accounting changes, ASC 205 on discontinued operations, and ASC 310 on foreclosures.

The amendments enhance GAAP by elucidating existing requirements (without imposing additional burdens), decreasing diversity and application complexity, improving consistency and comparability in interim reports, and supporting user analysis of trends without modifying the overall annual-interim perspective.

The amendments pertain to all entities preparing interim financial statements and annotations in accordance with GAAP.

The amendments are effective for public business entities for interim periods within annual periods beginning after December 15, 2027; for others, after December 15, 2028. Early adoption permitted prospectively or retrospectively to prior periods.

08 *ASU 2025-12 – Codification Improvements*

The Board issued this update through its evergreen Codification Improvements project to make ~33 narrow-scope amendments addressing stakeholder suggestions, such as technical corrections, clarifications, minor improvements, error fixes, and outdated references. Such improvements are not significant enough to effect accounting practice or result in significant cost to most entities.

The amendments improve Codification usability/clarity, resolve post-ASU inconsistencies, eliminate errors/outdated terms, enhance precision, and reduce diversity without changing substance. The amendments apply to all entities within affected Topics' scopes.

The amendments are effective for annual periods beginning after December 15, 2026, and interim periods within; early adoption permitted issue-by-issue, prospectively or retrospectively (except topic 260, Earnings Per Share, which is retrospectively only).

FASB -Current Projects

Recognition & Measurement Projects

Accounting for Debt Exchange

- Summary: In October 2024, the Emerging Issues Task Force (“EITF”) suggested the Board to issue an accounting guidance update for debt exchange transaction. Current generally accepted accounting principles (“GAAP”), when an entity amends its existing debt, it must assess whether the transaction is a modification or an extinguishment. The stakeholders have raised concerns that classifying an amendment as a modification fails to accurately represent the economic substance when the issuance of new debt and simultaneous repayment of existing debt are independent, plus the quantitative analysis of change in financial flow is costly and difficult to implement. Thus, the Board, in November 2024, added this project to its technical agenda. In April 2025, the Board issued a proposed update and subsequently received comments.
- Status: In September 2025, the Board reviewed feedback received on the proposed accounting standard update, *Debt—Modifications and Extinguishments (Subtopic 470-50) and Liabilities—Extinguishments of Liabilities (Subtopic 405-20)* and completed its redeliberation’s.
- Next Steps: The Board directed the Staff to draft a final ASU for voting.

Accounting for Environmental Credit Programs

- Summary: In May 2022, the Board included in its technical agenda a project to enhance recognition, measurement, presentation, and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for the non-governmental entities that create environmental credits. In December 2024, the Board issued a proposed update and subsequently received comments.
- Status: In August 2025, the Board reviewed feedback received on the proposed accounting standard update, *Environmental Credits and Environmental Credit Obligations (Topic 818)*, and completed its redeliberation’s.
- Next Steps: The Board directed the Staff to draft a final ASU for voting.

Accounting for Transfers of Crypto Assets

- Summary: In August 2025, after reviewing input from 2025 Invitation to Comment ("ITC"), Agenda Consultation – including suggestions from the President's Working Group on Digital Assets Markets – the FASB Chair launched a research project on Digital Assets.
- Status: The research work led the Board to add to its technical agenda a project on crypto asset transfers, covering two main changes: (a) broadening the scope of subtopic 350-60, *Intangibles – Goodwill and Other – Crypto Assets*, to include wrapped and receipt tokens, and (b) clarifying rules for when control of crypto transfers to another party.
- Next Steps: Initial Board discussions will begin at a future meeting.

Equity Method of Accounting: Targeted Improvements

- Summary: The Board started a project to simplify equity method accounting rules after it received feedback on 2025 ITC, Agenda Consultation. The scope of the project will target two issues: (a) accounting for certain partnership investments where the investor lacks real control but must use equity method due to presumed levels of influence, and (b) clarifying equity earnings for equity method investors with complex allocation structures.
- Status: The Board included this equity method project to its technical agenda in November 2025.
- Next Steps: Initial Board discussions will begin at a future meeting.

Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock

- Summary: Per EITF's suggestion, the Board, in April 2025, included a project to its technical agenda for initial measurement of paid-in-kind dividends on equity-classified preferred stock. In September 2025, the Board issued proposed ASU and received feedback.
- Status: In December 2025, the Board reviewed feedback and finished its redeliberation's.
- Next Steps: The Board has directed the Staff to draft a final ASU for voting.

Presentation & Disclosure Projects

Classification of Certain Digital Assets of Cash Equivalents

- Summary: In August 2025, after reviewing input from 2025 ITC, Agenda Consultation–including suggestions from the President's Working Group on Digital Assets Markets–the FASB Chair launched a research project on Digital Assets.
- Status: The research work led the Board to add to its technical agenda a project to clarify whether certain digital assets may be classified as cash equivalents.
- Next Steps: Initial Board discussions will begin at a future meeting.

Statement of Cash Flows – Targeted Improvements

- Summary: The financial institutions have continuously commented that many of the activities of a non-financial institution that are classified as investing or financing activities are in fact operating activities (for example, investing and certain borrowing activities) of a financial institution. Similarly, activities such as accepting deposits and making loans, which are normal operational activity for a financial institution, are not currently classified in the operating section. As such the information is not decision useful.
- Status: The Board decided to add a project to its technical agenda to make targeted improvements to the statement of cash flows such that it is decision useful.
- Next Steps: Staff will conduct more research and outreach towards revisions to definitions of *investing and financial activities* as well as entities that would be within the scope of this project.

Regulatory Updates

SEC: Restructuring and Leadership Appointments

In 2025, the SEC experienced notable leadership transitions under the direction of Chairman Paul Atkins, whose appointment was confirmed by the U.S. Senate and who assumed office in April 2025. The subsequent appointments coincide with the SEC's transition towards a market-oriented regulatory framework, characterized by a more efficient rulemaking process and organizational realignment:

- Erik Hotmire as Chief External Affairs Officer & Director of the Office of Public Affairs, June 13, 2025
- Jamie Selway as Director of the Division of Trading and Markets, June 17, 2025.
- Kevin Muhlendorf as SEC Inspector General, June 23, 2025.
- Kurt Hohl as Chief Accountant, July 7, 2025.
- Brian Daly as Director of the Division of Investment Management, July 8, 2025.
- Judge Margaret Ryan as Director of the Division of Enforcement, August 21, 2025.
- James Moloney as Director of the Division of Corporation Finance, September 10, 2025.

SEC Releases Statements Related to Crypto Assets

The SEC has issued several statements addressing key aspects of crypto assets, including:

- *Exchange-Traded Products (ETPs)*: On July 1, 2025, the SEC's Division of Corporation Finance released a statement discussing the application of federal securities laws to crypto asset exchange-traded products. The statement addresses disclosure requirements for issuers of crypto asset ETPs, providing insights into the SEC's approach to regulating these financial instruments.
- *Liquid Staking*: On August 5, 2025, the SEC's Division of Corporation Finance issued a statement providing clarity on the application of federal securities laws to liquid staking activities. "Liquid Staking" refers to a type of Protocol Staking whereby owners of Covered Crypto Assets deposit their Covered Crypto Assets with a third-party Protocol Staking service provider (such owners, "Depositors") and in return receive newly "minted" (or created) crypto assets ("Staking Receipt Tokens") that evidence Depositors' ownership of the deposited Covered Crypto Assets and any rewards (as described in the Protocol Staking Statement) that accrue to the deposited Covered Crypto Assets. The SEC's guidance aims to offer greater transparency regarding the regulatory status of such activities.

- *Spot Crypto Assets Products*: On September 2, 2025, the SEC and the Commodity Futures Trading Commission (CFTC) released a joint staff statement outlining their coordinated efforts to enable the trading of certain spot crypto asset products. This initiative, part of SEC's Project Crypto and CFTC's Crypto Sprint, aims to facilitate the development of a regulatory framework for spot crypto asset markets.
- *Project Crypto Speech*: SEC Chairman Paul Atkins' November 12, 2025, speech advanced Project Crypto by previewing a token taxonomy to classify digital assets clearly under securities laws, distinguishing non-security categories like functional network tokens, digital collectibles (e.g., NFTs), and utility tools from tokenized traditional securities. This builds directly on prior Crypto Task Force statements by applying economic reality—mature, decentralized protocols generally fall outside securities regulation once investment contract expectations end—while enabling unified trading platforms and innovation exemptions

These statements reflect the SEC's ongoing efforts to establish a clear regulatory framework for crypto assets, balancing innovation with investor protection.

SEC announces formation of Fraud Task Force

On September 5, 2025, the U.S. Securities and Exchange Commission (SEC) announced the formation of a new Cross-Border Fraud Task Force aimed at enhancing the agency's ability to combat international fraud and market manipulation that harm U.S. investors. The SEC Chairman Paul Atkins said, "*We welcome companies from around the world seeking access to the U.S. capital markets, but we will not tolerate bad actors – whether companies, intermediaries, gatekeepers or exploitative traders – that attempt to use international borders to frustrate and avoid U.S. investor protections. This new task force will consolidate SEC investigative efforts and allow the SEC to use every available tool to combat transnational fraud. I have also directed the staff in other SEC divisions and offices, including the Divisions of Corporation Finance, Examinations, Economic and Risk Analysis, and Trading and Markets as well as the Office of International Affairs, to consider and recommend other actions that would better protect U.S. investors, including new disclosure guidance and any necessary rule changes*". The task force is designed to leverage the SEC's full range of enforcement tools to address transnational fraud effectively.

SEC creates a task force on AI

On August 1, 2025, the SEC announced the formation of an Artificial Intelligence (AI) Task Force aimed at integrating AI technologies to enhance innovation and efficiency across the agency. Valerie Szczepanik has been appointed as the Chief AI Officer to lead this initiative. The SEC Chairman Paul Atkins said, "*The AI Task Force will empower staff across the SEC with AI-enabled tools and systems to responsibly augment the staff's capacity, accelerate innovation, and enhance efficiency and accuracy, by ingraining innovation into our culture SEC-wide, we will further our mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.*" Ms. Szczepanik said, "*The AI Task Force will aim to centralize and align efforts to advance AI-enabled transformation across the entire Commission.*"

SEC Updates Financial Reporting Manual

On August 28, 2025, the SEC announced updates to its Financial Reporting Manual (FRM), effective as of June 30, 2025. The updates include (i) additional updates related to real estate and other areas to align with the May 20, 2020 amendments to the S-X Acquisition Rules, (ii) revisions concerning amendments to Management's Discussion & Analysis (MD&A), selected financial data, and supplementary financial information, (iii) updates reflecting changes to standards issued by the Public Company Accounting Oversight Board (PCAOB) and other clarifications related to the involvement of independent accountants, and (iv) Other minor updates to ensure the FRM remains current and accurate.

On December 5, 2025, the SEC's Division of Corporation Finance staff released further FRM revisions (effective December 4) incorporating SEC's final rules on Special Purpose Acquisition Companies ("SPAC"), shell companies, and projections—building on prior acquisition rule alignments

These updates are part of the SEC's ongoing efforts to provide clear and up-to-date guidance on financial reporting requirements.

H.R.1 – One Big Beautiful Bill Act

The *One Big Beautiful Bill Act* (H.R.1, Public Law 119-21), one of the most comprehensive fiscal packages in recent years, was signed into law on July 4, 2025. This bill, also introduced as budget-reconciliation measure, combines major tax reforms with shifts in federal spending priorities, raising the statutory debt limit and redefining allocations across defense, healthcare, energy, and agriculture.

Key provisions include making several 2017 Tax Cuts and Jobs Act provisions permanent, adjustments to individual and business tax rates, expanded defense and border-security funding, and IRS Notice 2025-42 clarifying farm loan exclusions for rural real property secured after July 4, 2025. Many of the provisions of the 2017 Tax Cuts and Jobs Act (TCJA) were expiring or already expired in 2025 (commonly referred to as the tax cliff of 2025), and this bill extends or modifies many of those provisions. While most of the provision changes affect future tax years, some may affect current tax year. The bill's complex provision could affect the current and deferred tax as well as valuation allowances.

The law also revises Medicaid and SNAP eligibility, modifies clean-energy tax credits, and updates agricultural support programs.

According to the Congressional Budget Office, the bill will increase federal deficits over the next decade, primarily through tax reductions and new spending, adding upward pressure on long-term Treasury yields and potentially influencing market risk pricing.

For businesses, the Act offers new tax-planning opportunities but also heightened fiscal uncertainty. Financial, energy, and healthcare sectors are expected to feel the most immediate impact as regulatory agencies release implementing guidance through 2026.

While agencies such as the IRS (Internal Revenue Service) and USDA (U.S. Department of Agriculture) have issued preliminary updates, the SEC has not yet commented on the Act's potential market-oversight implications.

Sustainability Reporting Developments

1. ISSB Developments

On July 3rd, 2025, the ISSB published two exposure drafts: *Proposed Amendments to the SASB Standards*, and *Proposed Amendments to the Industry-based Guidance on implementing IFRS S2*. The proposed amendments will affect companies process of determining disclosures and set a tone for ISSB's approach to industry guidance. The ISSB included these enhancements in its 2024–2026 work plan to provide timely support to companies applying IFRS Sustainability Disclosure Standards (ISSB Standards) and to enhance the decision-usefulness of information provided to investors. This work will support implementation of the ISSB Standards and will also benefit companies that apply to the SASB Standards on a voluntary basis. Comments on these exposure drafts were due by November 30, 2025, and the ISSB is currently analyzing feedback with final enhancements expected during 2026.

2. European Sustainability Reporting Standards

A summary of European Sustainability Reporting Standards (ESRS) history is, European Financial Reporting Advisory Group (EFRAG) developed the ESRS under the Corporate Sustainability Reporting Directive (CSRD) in the European Union (EU) and the ESRS was adopted in 2023. Subsequently, the feedback from the companies and the stakeholders was that the standards were overly complex, required too much data, and heavy implementation burden.

As such, in February 2025, the European Commission launched its "Omnibus" package which included simplifying ESRS. In March 2025, the European Commission requested EFRAG to work on simplification of the ESRS with an objective to make sustainability reporting under CSRD more manageable while preserving its relevance and alignment with the European Green Deal.

In July 2025, EFRAG published a revised exposure draft to its original 2023 ESRS (simplified set of ESRS, reducing data points by 57%) with the following proposed key changes:
- Simplifying the application guidance and general disclosures
- Eliminating or moving most of the optional disclosures requirements into separate nonmandatory implementation section
- Improving flexibility on how the information is presented and focusing more on how a company manages its sustainability impacts, risks and opportunities
- Emphasizing materiality of the information
- Enhancing interoperability with ISSB and other frameworks

The EFRAG gathered feedback on the proposed exposure draft through September 29, 2025, comment deadline, and on December 3, 2025, EFRAG submitted its final technical recommendations on simplified ESRS to the European Commission, achieving a **61% reduction in mandatory datapoints** from the original 2023 ESRS. The European Commission will now conduct its due process before issuing a Delegated Act, which is expected in Q1 2026. The Council endorsed the provisional agreement on December 10, 2025, with EP plenary vote expected on December 16. This further simplifies CSRD scope, dramatically reducing affected companies.

Appendix A: ASU's Effective in 2025

The table below lists the ASU's that are effective in annual and / or interim periods beginning in 2025 (Periods beginning after December 15, 2024):

ASU	**Summary**	**Effective for Annual Periods beginning in 2025**		**Effective for Interim Periods within annual periods of adoption**	**Early Adoption**	**Transition Method**
		For Public Business Entities	For All Other Entities			
ASU 2024-02: *Codification Improvements – Amendments to Remove Reference to the Concept Statements*	This Update removes all references to FASB concept statements from the codifications as the reference were deemed to be unnecessary and does not significantly impact the accounting on most entities.	Yes	No	No	Permitted	Either Prospective or Retrospective
ASU 2024-01: *Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards:*	This Update added illustrations that pointed four fact patterns to demonstrate how the scoping guidelines can be applied in determining whether a profit interest and similar awards should be accounted in accordance with *ASC Topic 718, Compensation – Stock Compensation.*	Yes	No	Yes	Permitted	*Refer Note (1)*
ASU 2023-09: *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	This Update requires the entities to significantly expand their annual income tax disclosure, specifically addressing their effective tax rate and income tax paid during the year.	Yes	No	No	Permitted	Either Prospective or Retrospective

ASU	Summary	Effective for Annual Periods beginning in 2025		Effective for Interim Periods within annual periods of adoption	Early Adoption	Transition Method
		For Public Business Entities	For All Other Entities			
ASU 2023-08: *Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*	The newly added Subtopic provides guidance on subsequent measurement, presentation and disclosure requirements of certain digital assets. Requires measurement at fair value and report change in fair value in current period earnings.	Yes	Yes	Yes	Permitted	*Refer Note (2)*
ASU 2023-05: *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*	This Update added *Subtopic 805-60* to *ASC 805, Business Combinations,* which provides guidance on recognition and initial measurement of assets acquired and liabilities assumed upon formation of a joint venture.	Joint entities formed on or after Jan. 1, 2025	Joint entities formed on or after Jan. 1, 2025	N/A	Permitted *Refer Note (3)*	Prospectively
ASU 2023-02: *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*	This Update provides clarity and consistency by granting all entities the option to use the proportional amortization method for investments in tax credit structures.	In 2024	Yes	Yes	Permitted	Either Modified Retrospective or Retrospective

ASU	Summary	Effective for Annual Periods beginning in 2025		Effective for Interim Periods within annual periods of adoption	Early Adoption	Transition Method
		For Public Business Entities	For All Other Entities			
ASU 2022-05: *Financial Services – Insurance (Topic 944): Transition for Sold Contracts*	This Update amends the Long-Duration Contracts (LDTI) transition guidance to allow an insurance entity to make an accounting policy election, which allows to exclude contracts that meet certain criteria (listed in this Update) from applying the amendments listed in ASU 2018-12.	In 2023	Yes	PBEs: Yes, All other entities: No; interim reporting periods within annual reporting periods beginning after Dec. 15, 2025	Permitted	*Refer Note (4)*
ASU 2022-03: *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*	This Update was created to clarify the guidance for fair value measurement of equity securities subject to contractual sale restrictions.	In 2024	Yes	Yes	Permitted	Prospectively for all entities, except that investment companies are only required to apply amendments to contractual restrictions executed or modified after the adoption date

ASU	Summary	Effective for Annual Periods beginning in 2025		Effective for Interim Periods within annual periods of adoption	Early Adoption	Transition Method
		For Public Business Entities	For All Other Entities			
ASU 2018-12: *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long Duration Contracts.*	This Update was issued to improve, simplify, and enhance the financial reporting requirements for long-duration contracts issued by insurance entities. This Update is applicable to all public business entities that meet the definition as per SEC filer, excluding entities eligible to be smaller reporting companies (SRCs) as defined by the SEC.	In 2023	Yes	PBEs: Yes, All other entities: No; interim reporting periods within annual reporting periods beginning after Dec. 15, 2025	Permitted	*Refer Note (4)*

Notes

(1) Either (a) retrospectively to all prior periods presented in the financial statements, or (b) prospectively to profits interest and similar awards granted or modified on or after the date when amendments are first applied

(2) Modified-retrospective method, with a cumulative effect adjustment to opening balance of retained earnings (or other appropriate component) as of beginning of annual reporting period in which entity adopts the amendments

(3) Entity may elect to apply amendments retrospectively or prospectively as of the date of the formation of the joint venture entity, including early adoption in any interim or annual period if the financial statements have not yet been issued or been made available for issuance.

(4) For the liability for future policyholder benefits for traditional and limited-payment contracts and deferred acquisition costs, apply amendments to contracts in force as of beginning of earliest period presented based on their existing carrying amounts, adjusted for removal of any related amounts in accumulated other comprehensive income. Insurance entity may elect to apply the amendments retrospectively, with a cumulative catch-up adjustment to opening balance of retained earnings as of beginning of earliest period presented, using actual historical information as of contract inception. For market risk benefits, insurance entity should apply the amendments retrospectively as of beginning of earliest period presented

Appendix B: ASU's Effective in 2026

The table below lists the ASU's that are effective in annual and / or interim periods beginning in 2026 (Periods beginning after December 15, 2025) :

ASU	Summary	Effective for Annual Periods beginning in 2026		Effective for Interim Periods within annual periods of adoption	Early Adoption	Transition Method
		For Public Business Entities	For All Other Entities			
ASU 2025-05: *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*	Refer Accounting Update section above.	Yes	Yes	Yes	Permitted	Prospectively
ASU 2024-04: *Debt-Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*	This Update was issued to improve the relevance and consistency of the accounting for induced conversions of convertible debt instruments by clarifying when a settlement should be treated as an induced conversion rather than a debt extinguishment, particularly for instruments with cash-settlement and other complex features.	Yes	Yes	Yes	See Note (5)	Either Prospective or Retrospective

ASU	Summary	Effective for Annual Periods beginning in 2026		Effective for Interim Periods within annual periods of adoption	Early Adoption	Transition Method
		For Public Business Entities	For All Other Entities			
ASU 2024-02: *Codification Improvements – Amendments to Remove Reference to the Concept Statements*	Refer Appendix A: ASU's Effective in 2025 for a brief summary.	In 2025	Yes	No	Permitted	Either Prospective or Retrospective
ASU 2024-01: *Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*	Refer Appendix A: ASU's Effective in 2025 for a brief summary.	In 2025	Yes	Yes	Permitted	See Note (6)
ASU 2023-09: *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	Refer Appendix A: ASU's Effective in 2025 for a brief summary.	In 2025	Yes	No	Permitted	Either Prospective or Retrospective

Notes-

(5) Early adoption permitted as of beginning of annual reporting period for entities that have already adopted the amendments in ASU 2020 06

(6) Either (1) retrospectively to all prior periods presented in the financial statements, or (2) prospectively to profits interest and similar awards granted or modified on or after the date when amendments are first applied

About Us

Pierag Consulting was founded in February 2021 by Abhishek Gupta, Thomas Raffa and Pierian Services as a unique business model to serve clients globally by blending domestic proficiency with global expertise. Since then, we have been serving prominent clients across the US, SEA, India and UK in the field of Assurance, Accounting & Transactions Advisory, Business Risk, Technology Risk Advisory and ESG & Sustainability.

With a team of highly skilled professionals, we are fueled by our purpose of 'Inspiring people to do things that inspires them' and our values of 'Excellence, Equity & Empathy'.

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