



Mid-Year 2025

Standard Setters' Updates



Overview



Welcome to our *Standard Setters' Updates* of FASB & SEC. In this publication, we present a concise overview of the latest developments in financial reporting and highlight key considerations as we move through 2025.

The *Accounting Updates* summarize FASB's new guidance issued in the first half of the current year and highlights the accounting standards that are effective in 2025.

The *FASB Current Projects* section provides an overview and status of the items that FASB is actively working on.

The *Regulatory Updates* section brings you noteworthy updates from the SEC.

The *Sustainability Reporting Developments* section outlines the changes to ISSB's Disclosure and European Union's Reporting requirements.

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Accounting Updates

Accounting Standards Updates (“ASU”)

- 01** [ASU 2025-01 – Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures \(Subtopic 220-40\): Clarifying the Effective Date](#)

The Financial Accounting Standards Board (“FASB”) in November 2024 issued ASU 2024-03 which requires public business entities to disaggregate expenses in the income statement into specific categories and reconcile those to the totals reported in the financial statements. Subsequently the Board realized a clarification was needed to avoid confusion regarding when the standard applies, particularly in interim periods. Therefore, the Board issued this ASU 2025-01 clarifying the effective date to be *“the first annual reporting period beginning after December 15, 2026, and interim reporting period within annual reporting periods beginning after December 15, 2027”*.
- 02** [ASU 2025-02 – Liabilities \(Topic 405\): Amendments to SEC Paragraphs pursuant to SEC Staff Accounting Bulletin No. 122](#)

In 2022, the Securities and Exchange Commission (“SEC”) published an interpretive guidance as Staff Accounting Bulletin (“SAB”) No. 121 on Topic 5. FF, *Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for its Platform Users (“Topic 5.FF”)*. SAB No. 121 provided guidance that it was appropriate for an entity safeguarding crypto-asset to record a liability and a corresponding asset at fair value. However, the guidance created practical challenges and accounting complexities due to which the SEC later issued SAB No. 122 rescinding the interpretive guidance published as SAB No. 121. The amendment removes the obligation to recognize a safeguarding liability and corresponding asset, instead directing entities to apply traditional loss contingency guidance under ASC 450-20: *Loss Contingencies*, when accounting for obligations to safeguard crypto-assets. Therefore, the Board issued this ASU 2025-02 to inform about SAB No. 122 rescinding interpretive guidance in SAB No.121. Entities should apply the rescission of Topic 5.FF on a fully retrospective basis in annual periods beginning after December 15, 2024
- 03** [ASU 2025-03 – Business Combinations \(Topic 805\) and Consolidation \(Topic 810\): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity](#)

The Board issued this Update to address the stakeholders’ concerns regarding application of current guidance on determining the accounting acquirer for transactions involving Variable Interest Entities (VIE). Therefore, on May 12, 2025, the FASB issued ASU 2025-03, amending ASC 805 (Business Combinations) and ASC 810 (Consolidation) to clarify how to identify the accounting acquirer in transactions involving a variable interest entity (VIE) that meets the definition of a business. When a VIE is acquired primarily through an equity exchange, the acquirer should not automatically be presumed to be the primary beneficiary. Instead, to determine which party is the acquirer, the entities must consider guidance in ASC 805-10-55-12 through 55-15 that emphasizes factors such as relative voting rights, composition of governing body, composition of senior management, existence of a large minority voting interest, terms of the exchange of equity interests, and the relative size of the entities. This ASU is effective for annual periods beginning after December 15, 2026, including interim periods, and early adoption is permitted.



04

ASU 2025-04 – Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer

The Board issued this Update to reduce diversity in practice, improve the decision usefulness of the information, and improve operability of guidance, whenever the consideration payable to a customer is share-based.

Current guidance requires that a grantor of share-based consideration to its customer apply Topic 718, *Compensation – Stock Compensation*, to measure and classify the consideration payable. This further requires evaluation of vesting conditions as a performance condition or a service condition. The determination between service and performance condition can affect the timing of the revenue recognition. As an example, for service conditions, instead of estimating forfeitures, a grantor can elect to account for forfeitures as they occur, which may result in delay in revenue recognition.

Therefore, the Board issued ASU 2025-04, which revises the master glossary definition of the term performance condition and removes forfeiture policy election for share-based consideration payable to a customer. The updated definition includes conditions based on volume or monetary amount of a customer's purchases. Further, the amendment also eliminates the policy election permitting a grantor to account for forfeitures as they occur. This ASU is effective for all annual reporting (including interim period within the annual reporting periods) beginning after December 15, 2026. Early adoption is permitted.

Standards Effective in 2025

01

ASU 2025-02 – Liabilities (Topic 405): Amendments to SEC Paragraphs pursuant to SEC Staff Accounting Bulletin No. 122

This Update was issued as a reaction to challenges and complexities posed by the prior SEC Staff Accounting Bulletin (SAB 121) related to obligations to safeguard crypto assets. The amendments rescind SAB 121 guidance, requiring entities to no longer recognize the crypto assets of their users on their balance sheets, instead directs entities to apply traditional loss contingency guidance under ASC 450-20: *Loss Contingencies*.

The amendments in this Update are effective immediately upon issuance and fully retrospective to annual periods beginning after December 15, 2024.

02

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.

The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025.



03 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*

For public business entities, this Update is effective with annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the effective date is for annual periods beginning after December 15, 2025, and interim periods within those annual periods.

04 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.

For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025.

05 ASU 2023-08 – Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets

This Update added Subtopic 350-60 to ASC 350, *Intangibles – Goodwill and Other*. The newly added Subtopic provides guidance on subsequent measurement, presentation and disclosure requirements of certain digital assets. It requires measurement of these assets at fair value and recognizes the changes in fair value in current period earnings. It adds new presentation and disclosure requirements to those already required as per ASC Topic 820, *Fair Value Measurement*.

The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years.

06 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*. This newly added Subtopic provides guidance on recognition and initial measurement of assets acquired and liabilities assumed upon formation of a joint venture. This Update provides decision-useful information to investors and reduces diversity in practice.

The amendments in this Update are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025.



07 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. This method allows the recognition of the investment's income tax credits and benefits on a systematic and rational basis, reflecting the economic substance of the investment.

For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years.

08 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. Its primary purpose was to address inconsistencies and enhance comparability in financial reporting related to how such securities should be measured under U.S. GAAP.

For public business entities, this Update was effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years.

09 ASU 2018-12 – *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long Duration Contracts. (ASU 2018-12 issued in August 2018; effective date amended by ASU 2020-11)*

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. This Update changed how these entities recognize, measure, present and disclose long duration contracts.

This Update was effective for all public business entities that met the SEC filer definition for fiscal years beginning after December 15, 2022, and interim period within those fiscal years. But for all other entities, this Update is effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025.

FASB: Current Projects



Recognition & Measurement Projects

Accounting for and disclosure of Software costs



- **Summary:** In June 2022, the Board added this project to its technical agenda to make targeted improvements to Subtopic 350-40, *Intangibles – Goodwill and other – Internal-Use Software*, to modernize the accounting for internal-use software. Subsequently, the Board issued a proposed ASU and received comment letters on it.
- **Status:** In May 2025, the Board reviewed feedback on the proposed Update and completed its redeliberation.
- **Next Steps:** The Board directed the Staff to draft a final ASU for voting.

Accounting for Debt Exchange



- **Summary:** In October 2024, the Emerging Issues Task Force (EITF) recommended the Board to provide accounting guidance on debt transactions involving multiple creditors. In November 2024, the Board added this project to its technical agenda to clarify whether such transactions be accounted as debt extinguishment and issuance of new debt.
- **Status:** On April 30, 2025, the Board issued a proposed update on accounting for debt exchanges. Comments were due by May 30, 2025.
- **Next Steps:** The Board will begin redeliberations after comments are received on the proposed Update.

Accounting for Environmental Credit Programs



- **Summary:** In May 2022, the Board added a project related to improvement of 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 creators of environmental credits.
- **Status:** In December 2024, the Board issued a proposed ASU. Comments were due by April 15, 2025.
- **Next Steps:** The Board will begin redeliberations after the comments are received on the proposed Update.



Accounting for Government Grants

- Summary: In November 2023, the Board added a project to its technical agenda to establish recognition, measurement, and presentation requirements for business entities that receive government grants. In November 2024, the Board issued a proposed ASU and received comment letters on it.
- Status: In June 2025, the Board reviewed feedback on the proposed Update, *Government Grants (Topic 832)* and completed its redeliberations.
- Next Steps: The Board directed the Staff to draft a final ASU for voting.

Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets



- Summary: Since the issuance of ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Board has received several feedback on the complexity of accounting of acquired financial assets. In July 2021, the Board decided to add this project to its technical agenda to address the accounting for acquired financial assets within the scope of Update 2016-13. The Board issued a proposed ASU and received comment letters on it.
- Status: On April 30, 2025, the Board met and concluded redeliberations on the proposed Accounting Standards Update, *Financial Instruments–Credit Losses (Topic 326): Purchased Financial Assets*.
- Next Steps: The Board directed the Staff to draft a final ASU for voting.

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



- Summary: During its March 2025 meeting, EITF recommended (along with suggested amendments) that the Board add a project to its technical agenda related to paid-in-kind (PIK) dividends on equity-classified preferred stock. On April 30, 2025, the Board decided to add this project to its technical agenda.
- Status: The Board completed its discussions on EITF recommended accounting updates.
- Next Steps: The Board has directed the Staff to draft a proposed ASU for voting,

Topic 815 – Derivatives Scope Refinements



- Summary: In 2021, the Board added a project to its technical agenda related to definition of a derivative and derivative scope exceptions to arrangements with contingent features. In July 2024, the Board issued a proposed ASU and received comment letters on it.
- Status: During its April 2025 meeting, the Board discussed the comments received on the proposed ASU and have completed its redeliberations.
- Next Steps: The Board has asked the Staff to draft a final ASU for voting.



Topic 815 – Hedge Accounting Improvements

- Summary: The question raised by stakeholders on the ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, made the Board consider potential improvements to hedge accounting guidance in Topic 815. This project is to address issues related to hedging forecasted interest payments on choose-your-rate debt instruments, cash flow hedges of nonfinancial forecasted transactions, foreign-currency-denominated debt instrument as hedging instrument and hedged item, cash flow hedges, and net written option as hedging instruments. The Board issued a proposed ASU and received comment letters on it.
- Status: During its March 2025 meeting, the Board discussed the comments received on the proposed ASU and have completed its redeliberations.
- Next Steps: The Board has asked the Staff to draft a final ASU for voting.

Presentation & Disclosure Projects

Interim Reporting – Narrow-Scope Improvements



- Summary: The Board received feedback from stakeholders that Topic 270, *Interim Reporting*, is challenging and complex to navigate. Complexity is mainly due to the development of the original guidance, initial codification of the historical content, and subsequent amendments over time. As a result, the required disclosure list for Topic 270 is lengthy, incomplete, inconsistent, and lacks organization. The Board issued a proposed ASU and received comment letters on it.
- Status: During its June 18, 2025, meeting, the Board discussed feedback received on the proposed Accounting Standards Update, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, and completed its redeliberations.
- Next Steps: The Board directed the Staff to draft a final ASU for voting.

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 of a financial institution. Several preparers and investors have continuously stated that the information is not decision useful.
- Status: The Board decided to add this project to its technical agenda to make targeted improvements to the statement of cash flows such that it is decision-useful information for an investor.
- Next Steps: The Board has directed the Staff to perform research to determine the scope of entities that would be subject to proposed changes and to explore possible revised definitions of *investing and financing* activities for the entities within the scope of this project.

Regulatory Updates



SEC: Leadership Appointment

- President Donald J. Trump nominated Paul S. Atkins as the Chairman of the Securities and Exchange Commission (SEC) on January 20, 2025. U.S. Senate confirmed Paul Atkins on April 9, 2025, and sworn him into the office on April 21, 2025. Until Paul Atkins was sworn as the Chairman of SEC, President Trump had designated Mark T. Uyeda as the Acting Chairman of the SEC.

SEC Forms a New Crypto Task Force

- In January 2025, Acting Chairman, Mark T. Uyeda, launched a new crypto task force, led by Commissioner Hester Peirce, to develop a comprehensive and clear regulatory framework for crypto assets. The new task force's aim is to draw clear regulatory lines, provide clear guidelines for registration, craft sensible disclosure frameworks, and deploy enforcement resources judiciously.

SEC Forms CETU to Protect Retail Investors

- The Cyber and Emerging Technologies Unit (CETU) replaces the Crypto Assets and Cyber Unit. This new Unit will complement the work of the new Crypto Task Force led by the Commissioner. The purpose of this Unit is not only to protect investors but also to clear the way for innovation to grow, which will facilitate capital formation and market efficiency. This Unit will also identify and prevent those users who intend to misuse innovations to harm investors and diminish confidence in innovative technology.

SEC Facilitates Capital Formation for Companies Planning Public Offerings

- SEC made an announcement that its Division of Corporation Finance is enhancing the accommodations that are available to companies for nonpublic review of draft registration statements to facilitate capital formation. Prior guidance allowed all companies to conduct certain offerings, including initial public offering (IPO) and follow on offering within one year of their IPO. The enhanced accommodation will expand the type of forms eligible to be submitted for nonpublic review and will permit the companies to submit regardless of the time passed since their IPO. Also, these accommodations include omission of certain underwriter disclosures required in the initial submissions. This facilitation will give companies greater flexibility in exploring and planning public offerings while maintaining investor protection.



Climate Laws

- In March 2024, SEC adopted amendments to its rules under the Securities Act of 1933 and the Securities Exchange Act of 1934, that required SEC filers to provide certain climate-related information in their registration statements and annual reports. Many States and private parties had challenged this rule, and the litigation was consolidated in the Eighth Circuit and the Commission was defending it. In February 2025, the Acting Chairman, issued a statement that the rule was flawed and could inflict significant harm on the capital markets and economy, and directed the Staff to notify the court of the changed circumstances and request the court to provide time for the Commission to deliberate and determine the next step. In March 2025, the SEC voted to end its defense of the rules requiring disclosure and withdrew its defense in court.



SEC Issued SAB No. 122 Rescinding SAB No. 121

- In March 2022, SEC issued Staff Accounting Bulletin (SAB) No. 121, which added section FF to SAB Topic 5 providing guidance to entities that often provide services that obligate them or their agents to safeguard user's crypto assets. The guidance stated such obligation will require the entity to record a liability and a related asset measured at fair value. It also listed several disclosures required related to this in SEC filings.

After feedback from stakeholders, the SEC, in January 2025, issued SAB 122 rescinding SAB 121. Under SAB 122, the entity is directed to measure the liability by applying the recognition and measurement guidance under ASC Subtopic 450-20, *Loss Contingencies*, or *International Accounting Standards (IAS) 37, Provisions, Contingent Liabilities and Contingent Assets*. The disclosure requirements laid out in SAB 121, still apply under SAB 122.

Executive Compensation Disclosure Requirements

- The SEC held a roundtable on June 26, 2025, at its headquarters in Washington DC. The event was open for public participation, was presented live as webcast, and recorded webcast is saved on SEC website. The roundtable was to evaluate its existing rules on executive compensation disclosures to assess whether the current requirements remain cost-effective and deliver sufficient, relevant information, along with other related considerations.



Foreign Private Issuer Definition

- The SEC has issued a concept release seeking public input on whether to revise the definition of a foreign private issuer (FPI). The current definition assumes most FPIs are regulated and traded primarily outside the U.S., but SEC staff found that over half of FPIs have little or no trading outside the U.S. The release explores potential changes, such as requiring foreign listings or evaluating the home country's regulations. Chairman Atkins noted the importance of balancing investor protection with attracting foreign companies to U.S. markets. Comments are due by September 8, 2025.

Data Published on Crowdfunding Offerings, and Private Fund Beneficial Ownership Concentration

- On May 28, 2025, the SEC released three reports to provide insights on capital formation and private fund ownership:
 - Regulation A Market Analysis – Reviews a decade of Regulation A activity, including offering levels, proceeds, and issuer characteristics.
 - Crowdfunding Under the JOBS Act – Examines Title III crowdfunding activity from 2016 to 2024 based on SEC filings.
 - Hedge Fund Ownership Study – Analyzes how beneficial ownership concentration relates to outcomes for qualifying hedge funds (2013–2023).

Offerings and Registrations of Securities in the Crypto Asset Markets

- The SEC's Division of Corporation Finance has issued a statement in April 2025 addressing their views on disclosure requirements in connection with offerings and registrations under the Securities Act of 1933 ("Securities Act") and the Securities Exchange Act of 1934 ("Exchange Act"). The issued statement discusses several disclosures in detail including the suggested content of the disclosure. The statement includes following disclosure items – Description of Business; Risk Factors; Description of Securities; Rights, Obligations, and Preferences; Technical Specifications; Supply; Directors, Executive Officers, and Significant Employees; Financial Statement; Exhibits; and Contacting the Division. Issuers should apply judgement based on their specific circumstances and avoid redundant disclosures.



Sustainability Reporting Developments

1. ISSB Proposes Amendments Related to GHG Disclosure Requirements

- On April 28, 2025, the International Sustainability Standards Board (ISSB) issued an exposure draft (*ISSB/ED/2025/1*) proposing targeted changes to IFRS S2 *Climate-related Disclosure* requirements. These amendments aim to support entities by reducing the complexity, minimizing the risk of potential duplication of reporting, and lowering related compliance costs – without reducing the usefulness of greenhouse gas (GHG) information. Overall, the proposed amendments are intended to provide additional and clarified relief from certain disclosure requirements, while maintaining the relevance and quality of sustainability-related financial information. The comments on the exposure draft were due by June 27, 2025.

2. EU Postpones Sustainability Reporting Requirements

- On April 16, 2025, the European Union (EU) published the “stop-the-clock” directive, delaying key sustainability reporting and due diligence requirement. The directive became effective April 14, 2025. The postponement is for:
 - Corporate Sustainability Reporting Directive (CSRD) requirements, by two years, for large companies that have not yet started reporting, as well as listed SME’s (small and medium entities),
 - the transposition and the first phase of the application of the Corporate Sustainability Due Diligence Directive (CSDDD), by one year, and
 - one extra year i.e. until July 26, 2027, for the member states to transpose the rules into national legislation.



Pierag Consulting

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 USA, SEA, India and UK in the field of Assurance, Accounting & Transactions Advisory, Business Risk, Technology Risk Advisory and ESG Services.

With more than 300+ team members and offices across India (Gurugram, Jaipur, Chandigarh, Mumbai and Bengaluru), USA and Singapore, 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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