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Accounting, financial reporting, and regulatory developments

FIRST QUARTER 2025

This update highlights some of the more important 2025 first quarter accounting, financial reporting, and regulatory developments that may impact both public and private companies. The content is not meant to be all-inclusive.

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Accounting guidance

Accounting guidance issued in first quarter 2025

ASU 2025-01 *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosure (Subtopic 220-40): Clarifying the Effective Date* was issued to clarify the effective date of ASU 2024-03 related to interim reporting periods. The ASU makes it clear that all public business entities should initially adopt the disclosure requirement in the first annual reporting period beginning after Dec. 15, 2026, and interim reporting periods within annual reporting periods beginning after Dec. 15, 2027. Early adoption of the ASU is permitted.

ASU 2025-02 *Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*. This ASU amends an SEC paragraph pursuant to the issuance of SEC Staff Accounting Bulletin No. 122. SAB 122 rescinded the guidance in Topic 5 of the Saff Accounting Bulletin Series for reporting entities with obligations to safeguard crypto assets held for their platform users. With this guidance being rescinded, entities that safeguard crypto assets for their platform users should apply the recognition and measurement guidance in ASC 450-20, *Loss Contingencies*, when determining if a liability should be recognized. The guidance is effective for annual reporting periods beginning after Dec. 31, 2024, and should be applied on a fully retrospective basis. Early adoption is permitted.

On April 1, 2025, FASB released a **FASB Staff Education Paper** in response to questions on how to apply the presentation and disclosure requirements in ASC 606 to construction contracts that contain retainage or retention provisions.
The education paper includes illustrative examples of balance sheet presentation and voluntary disclosures that entities may make to provide additional detail.

Accounting guidance effective first quarter 2025: Public companies

ASU 2023-05: *Business Combination — Joint Venture Formation (Subtopic 805-06) — Recognition and Initial Measurement* addresses the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. ASU 2023-05 is intended to reduce diversity in practice related to the accounting by a joint venture that has resulted from the lack of authoritative guidance on measuring assets and liabilities contributed upon the initial formation of a joint venture. The ASU requires a joint venture to initially measure all assets and liabilities contributed upon initial formation at fair value. The new guidance doesn't change the definition of a joint venture or the accounting by the investors with an investment in a joint venture.

The new guidance is effective for all joint ventures formed on or after Jan. 1, 2025. For joint ventures formed before the effective date of ASU 2023-05, entities may elect to apply the guidance either prospectively or retrospectively, if the joint venture has sufficient information.

ASU 2023-08: *Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60) — Accounting for and Disclosure of Crypto Assets (ASU 2023-08)* improves the accounting for and disclosure of crypto assets. Before the issuance of ASU 2023-08, there was no authoritative guidance specific to accounting for crypto assets, which generally required crypto assets to be accounted for as indefinite-lived intangible assets. ASU 2023-08 requires entities to subsequently account for crypto assets at fair value if the asset meets all of the following criteria:

- *The asset meets the definition of an intangible asset.*
- *The asset doesn't provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets.*
- *The asset is created or resides on a distributed ledger based on blockchain or similar technology.*
- *The asset is secured through cryptography.*
- *The asset is fungible.*
- *The asset isn't created or issued by the reporting entity or its related parties.*

In addition to requiring in scope crypto assets to be subsequently measured at fair value, the ASU provides presentation and disclosure guidance for crypto assets. Crypto assets that don't meet the requirements in the ASU will generally continue to be accounted for as indefinite-lived intangible assets. The new guidance is effective for entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years.

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ASU 2024-01: *Compensation — Stock Compensation (Topic 718) — Scope Application of Profits Interests and Similar Awards* was issued to address diversity in practice in determining whether profits interests and similar awards should be accounted for in accordance with Topic 718 or Topic 710. The update doesn't change the scope for either Topic 718 or Topic 710; however, it provides implementation guidance and examples to assist entities in determining if profits interests or similar awards are within the scope of Topic 718. The guidance is effective for public business entities for annual periods beginning after Dec. 15, 2024, including interim periods within those annual periods. Entities will have the option to apply the guidance either prospectively to new awards or retrospectively to all prior periods presented.

ASU 2024-02: *Codification Improvements — Amendments to Remove References to the Concepts Statements (ASU 2024-02)* updates various Topics within the Accounting Standards Codification to remove references to the Concept Statements. The update isn't intended to change existing accounting guidance and therefore is not expected to have a significant impact for most entities. However, it's possible that accounting changes could occur for some entities, and transition guidance has been provided for those circumstances. The changes are effective for public business entities for annual periods beginning after Dec. 15, 2024, including interim periods within those annual periods.

Accounting guidance effective for years ended Dec. 31, 2025: Public companies

ASU 2018-12: *Financial Services — Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* provides updated guidance on the accounting and disclosures for long-duration insurance contracts issued by an insurance entity. The amendments in the new standard are intended to:

- *Improve the timeliness of recognizing changes in the liability for future policy benefits & modify the rate used to discount cash flows.*
- *Simplify & improve the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts.*
- *Simplify the amortization of deferred acquisition costs.*
- *Improve the effectiveness of the required disclosures.*

The new guidance on long-duration insurance contracts is effective for SEC registrants, that qualify as smaller reporting entities, and all entities that are not SEC registrants for fiscal years beginning after Dec. 15, 2024.

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ASU 2023-09: *ASU 2023-09: Income Taxes (Topic 740) — Improvements to Income Tax Disclosures (ASU 2023-09)* enhances the disclosure requirements related to income taxes. The most significant changes are requiring additional disaggregation in the rate reconciliation disclosure (for public business entities) and income taxes paid disclosure (for all entities). The changes to the rate reconciliation disclosures require entities to disclose specific categories in the rate reconciliation by taxing jurisdiction for any individual reconciling item that exceeds 5% of pretax income multiplied by the statutory tax rate. The updates to the income taxes paid disclosure requires entities to disclose amounts paid (net of refunds) for the following categories:

- *Federal income taxes.*
- *State income taxes.*
- *Foreign income taxes.*

In addition, entities would be required to disclose any individual jurisdiction where income taxes paid exceeds 5% of total income taxes paid (net of refunds). The new guidance is effective for public business entities for annual periods beginning after Dec. 15, 2024.

Accounting guidance effective for years ended Dec. 31, 2025: Private companies

ASU 2022-03: *Fair value Measurement (Topic 820) — Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions* provides updated guidance on determining the fair value of equity securities when those securities have contractual sales restrictions. The new ASU clarifies that a contractual sales restriction shouldn't be considered when determining the fair value of the equity security. The new guidance also adds additional disclosure requirements for equity securities subject to contractual sales restrictions. The guidance is effective for private companies for fiscal years ending after Dec. 15, 2024. For entities not in the scope of ASC 946, *Financial Services — Investment Companies*, the guidance should be applied prospectively. For entities in the scope of ASC 946, the amendments should be applied to an investment in an equity security subject to a contractual sale restriction that's executed or modified on or after the date of adoption. An investment company with an equity security subject to a contractual sale restriction that was executed before the date of adoption should continue to account for the equity security until the contractual restrictions expire or are modified using the accounting policy applied before the adoption of the amendments.

ASU 2023-02: *Investments — Equity Method and Joint Ventures (Topic 323) — Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* expands the situations where entities can make an accounting policy election to account for tax credit investments by applying the proportional amortization method. Previously, the use of the proportional amortization method was limited to low-income housing tax credit structures. However, ASU 2023-02

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expands this to allow entities to elect this accounting approach for all tax credit investments. Electing the proportional amortization method is an accounting policy election that can be made on a tax-credit-program by tax-credit-program basis. The guidance is effective for private companies for fiscal years beginning on or after Dec. 15, 2024. Upon adoption, the new guidance should be applied using either a modified retrospective approach or a retrospective approach.

ASU 2023-05: *Business Combination — Joint Venture Formation (Subtopic 805-06) — Recognition and Initial Measurement* addresses the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. ASU 2023-05 is intended to reduce diversity in practice related to the accounting by a joint venture that has resulted from the lack of authoritative guidance on measuring assets and liabilities contributed upon the initial formation of a joint venture. The ASU requires a joint venture to initially measure all assets and liabilities contributed upon initial formation at fair value. The new guidance doesn't change the definition of a joint venture or the accounting by the investors with an investment in a joint venture.

The new guidance is effective for all joint ventures formed on or after Jan. 1, 2025. For joint ventures formed before the effective date of ASU 2023-05, entities may elect to apply the guidance either prospectively or retrospectively, if the joint venture has sufficient information.

ASU 2023-08: *Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60) — Accounting for and Disclosure of Crypto Assets (ASU 2023-08)* improves the accounting for and disclosure of crypto assets. Before the issuance of ASU 2023-08, there was no authoritative guidance specific to accounting for crypto assets, which generally required crypto assets to be accounted for as an indefinite-lived intangible assets. ASU 2023-08 requires entities to subsequently account for crypto assets at fair value if the asset meets all of the following criteria:

- *The asset meets the definition of an intangible asset.*
- *The asset doesn't provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets.*
- *The asset is created or resides on a distributed ledger based on blockchain or similar technology.*
- *The asset is secured through cryptography.*
- *The asset is fungible.*
- *The asset isn't created or issued by the reporting entity or its related parties.*

In addition to requiring in scope crypto assets to be subsequently measured at fair value, the ASU provides presentation and disclosure guidance for crypto assets. Crypto assets that don't meet the requirements in the ASU will generally continue to be accounted for as indefinite-lived intangible assets. The new guidance will be effective for entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years.

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Regulatory update

SEC votes to end defense of climate disclosure rules

The SEC has ended its defense of the rules requiring disclosure of **climate-related risks** and greenhouse gas emissions.

The rules, adopted by the Commission on March 6, 2024, create a detailed and extensive special disclosure regime about climate risks for issuing and reporting companies.

States and private parties have challenged the rules. The litigation was consolidated in the Eighth Circuit (Iowa v. SEC, No. 24-1522 (8th Cir.)), and the Commission previously stayed effectiveness of the rules pending completion of that litigation. Briefing in the cases was completed before the change in administrations.

SEC staff sent a letter to the court stating that the SEC withdraws its defense of the rules and that its counsel is no longer authorized to advance the arguments in the brief it had filed.

SEC crypto 2.0: Acting chairman Uyeda announces formation of new crypto task force

SEC Acting Chairman Mark T. Uyeda launched a **crypto task force** dedicated to developing a comprehensive and clear regulatory framework for crypto assets.

The task force will collaborate with SEC staff and the public to set the SEC on a sensible regulatory path that respects the bounds of the law. To date, the SEC has relied primarily on enforcement actions to regulate crypto retroactively and reactively, often adopting novel and untested legal interpretations along the way. Clarity regarding who must register, and practical solutions for those seeking to register, have been elusive. The result has been confusion about what is legal, which creates an environment hostile to innovation and conducive to fraud.

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The task force's focus will be to help the SEC draw clear regulatory lines, provide realistic paths to registration, craft sensible disclosure frameworks, and deploy enforcement resources judiciously.

The task force will operate within the statutory framework provided by Congress and will coordinate the provision of technical assistance to Congress as it makes changes to that framework. The task force will coordinate with federal departments and agencies, including the Commodity Futures Trading Commission, and state and international counterparts.

Staff Accounting Bulletin No. 122

On Jan. 23, 2025, the SEC issued **Staff Accounting Bulletin No. 122,** which rescinded the interpretive guidance included in Section FF of Topic 5 in the Staff Accounting Bulletin Series entitled, *Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for its Platform Users*, (Topic 5.FF). Upon application of the rescission of Topic 5.FF, an entity that has an obligation to safeguard crypto assets for others should determine whether to recognize a liability related to the risk of loss under such an obligation, and if so, the measurement of such a liability, by applying the recognition and measurement requirements for liabilities arising from contingencies in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Subtopic 450-20, *Loss Contingencies*, or International Accounting Standard (IAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, under U.S. generally accepted accounting principles and IFRS Accounting Standards, respectively. Entities should affect the rescission of Topic 5.FF on a fully retrospective basis in annual periods beginning after Dec. 15, 2024. Entities may elect to affect the rescission in any earlier interim or annual financial statement period included in filings with the Commission after the effective date of this SAB. Entities should include clear disclosure of the effects of a change in accounting principle upon initial application of this rescission.

Standards adoption

Standards issued in 2025

Final ASU	Early adoption	Effective date
ASU 2025-02: *Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*	Yes	The amendments in this update are effective immediately and on a fully retrospective basis to annual periods beginning after Dec. 15, 2024.
ASU 2025-01: *Income Statement — Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in annual periods beginning after Dec. 15, 2027.

*Effective 2025 for nonpublic companies
**Effective 2025 for public business entities

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Standards issued in prior years effective 2025 or after

Final ASU	Early adoption	Effective date
ASU 2024-04: *Debt — Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2025, including interim periods within those fiscal years. Early adoption is permitted for all entities that have adopted the amendments in Update 2020-06.
ASU 2024-03: *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expense*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in annual periods beginning after Dec. 15, 2027.
ASU 2024-02: *Codification Improvements — Amendments to Remove References to the Concepts Statements*	Yes	**Public:** Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years.** **Nonpublic:** Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
ASU 2024-01: *Compensation — Stock Compensation (Topic 718) — Scope Application of Profits Interests and Similar Awards*	Yes	**Public:** Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years.** **Nonpublic:** Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
ASU 2023-09: *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures*	Yes	**Public:** Annual periods beginning after Dec. 15, 2024.** **Nonpublic:** Annual periods year beginning after Dec. 15, 2025.
ASU 2023-08: *Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60) — Accounting for and Disclosure of Crypto Assets*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years.*,**
ASU 2023-07: *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures*	Yes	Effective for all entities that are required or elect to disclose segment information for fiscal years beginning after Dec. 15, 2023, and interim periods beginning in fiscal years beginning after Dec. 15, 2024.*,**
ASU 2023-06: *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*	No	**SEC registrants or other entities subject to SEC disclosure requirements:** Effective date based on date on which the SEC removes the related disclosure from Regulation S-X or Regulation S-K. **All other entities:** The amendments will be effective two years after the effective date for entities following the SEC disclosure requirements.
ASU 2023-05: *Business Combinations — Joint Venture Formations (Subtopic 805-60) — Recognition and Initial Measurement*	Yes	Effective for all joint ventures with a formation date on or after Jan. 1, 2025.**

**Effective 2025 for nonpublic companies*
***Effective 2025 for public business entities*

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Final ASU	Early adoption	Effective date
ASU 2023-02: *Investments — Equity Method and Joint Ventures (Topic 323) — Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*	Yes	**Public:** Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. **Nonpublic:** Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.*
ASU 2022-05: *Financial Services — Insurance (Topic 944) — Transition for Sold Contracts*	Yes	**SEC registrants (excluding entities that qualify as SRCs):** Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. **All other entities:** Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.**
ASU 2022-03: *Fair Value Measurements (Topic 820) — Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions*	Yes	**Public:** Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. **Nonpublic:** Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.*
ASU 2020-11: *Financial Services — Insurance (Topic 944): Effective Date and Early Adoption*	Yes	**SEC registrants (excluding entities that qualify as SRCs):** Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. **All other entities:** Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.**
ASU 2018-12: *Financial Services — Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*	Yes	**SEC registrants (excluding entities eligible to be SRCs):** Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. **All other entities:** Fiscal years beginning after Dec. 15, 2024, and interim periods beginning after Dec. 15, 2025.**

**Effective 2025 for nonpublic companies*
***Effective 2025 for public business entities*