



Accounting, financial reporting, and regulatory developments

SECOND QUARTER 2025

This update highlights some of the more important 2025 second quarter accounting, financial reporting, and regulatory developments that may impact both public and private companies.

The content is not meant to be all-inclusive.



Accounting guidance

Accounting guidance issued in second quarter 2025

ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*, was issued to improve the requirements for identifying the accounting acquirer in Topic 805, *Business Combinations*, where the legal acquiree is a variable interest entity (VIE). In particular, this ASU revises current guidance for determining the accounting acquirer for a transaction effected primarily by exchanging equity interests in which the legal acquiree is a VIE that meets the definition of a business. The amendments require that the same factors be considered that are currently required for determining which entity is the accounting acquirer in other acquisition transactions. The new guidance will be effective for all entities for annual reporting periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Entities are required to apply the new guidance prospectively to any acquisition transaction that occurs after the initial application date. Early adoption of the ASU is permitted.

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*, was issued to reduce diversity in practice and improve existing guidance for share-based consideration payable to a customer in conjunction with selling goods and services. This ASU primarily revises the definition of a “performance condition” to specifically address share-based consideration payable to a customer and eliminates a forfeiture policy election for arrangements that include service conditions. It also clarifies that the variable consideration constraints under Topic 606 don’t apply to shared-based consideration payable to a customer, and instead the probability of an award vesting is based on the guidance in Topic 718. The new guidance will be effective for all entities for annual periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Entities are permitted to apply the new guidance on either a modified retrospective or a retrospective basis. Early adoption of the ASU is permitted.



Regulatory update

SEC publishes new data and analysis about registered investment companies and money market funds

The Securities and Exchange Commission (SEC) recently published [new data and analysis](#) in a pair of reports that provides the investing public with updated key information about registered investment companies and money market funds.

- *The Annual Registered Investment Company Update report contains statistics and SEC staff analysis based on Form N-CEN data. It's designed to facilitate the public's ability to efficiently review, digest, and use key summary information about the industry. This information includes insights into the service providers used by investment companies, the assets they manage, and certain activities they undertake (such as securities lending).*
- *The Money Market Fund Statistics report is an enhanced version of the money market funds report generated by the Division of Investment Management. This report contains additional statistical analysis and enhancements, as well as certain metrics based on Form N-MFP data. The modifications to the report are designed to further facilitate the public's ability to efficiently review, digest, and use aggregate information about the money market fund industry by including summaries of more money market fund data, including information about internal affiliated funds, portfolio investments, flows, and industry concentration. The report extends the downloadable historical statistical series of data back to 2010.*

The statistics reported in both reports may be downloaded in a structured format, which will provide the historical statistical series of information with each publication of the reports.

The Division of Investment Management advises the SEC on rules and forms under the Investment Advisers Act of 1940 and the Investment Company Act of 1940, including oversight of investment advisers, as well as investment companies, such as mutual funds, money market funds, and exchange-traded funds. The Division's Analytics Office provides practical reviews and actionable analysis of the asset management industry.



SEC publishes data on broker-dealers, mergers and acquisitions, and business development companies

The SEC's Division of Economic and Risk Analysis (DERA) has published [new reports and data](#) on broker-dealers, mergers and acquisitions (M&A), and business development companies (BDCs).

The three reports and data issued today are:

- *Broker-dealer activity in the United States provides information on registered broker-dealers and their activities over the period 2010 to 2024, including an analysis of the industry, the structure of activity of different types of broker-dealers, and the revenues and expenses of broker-dealers. As of 2024, there were approximately 3,340 broker-dealers with total assets of approximately \$6.4 trillion. The number of broker-dealers declined by approximately 30% from 2010 to 2024, but assets grew by approximately \$1.7 trillion. These results show a trend of industry consolidation, with a declining fraction of market participants responsible for a larger asset pool by the end of the sample period.*
- *Analysis of M&A activity provides a recent analysis of the U.S. M&A market, including an analysis of the characteristics of a typical deal and the geographic location of the acquirers and targets. The market has exhibited cyclicalities such that years with favorable overall market performance were generally associated with higher deal volume. The average deal value was \$3.5 billion, while the median deal value was \$0.5 billion. The average acquirer had assets of \$40 billion, but the median was close to \$7 billion. In contrast, targets were significantly smaller, with the average target reporting assets of \$5 billion, and the median target reporting assets of \$1 billion. Close to three-quarters of the deals involved acquirers and targets in the same two-digit Standard Industrial Classification industry, and approximately a third of the deals involved targets and acquirers headquartered in the same state.*
- *Business development company data sets provide data extracted from disclosures filed by BDCs with the Commission. The BDC data sets provide a schedule of investments reports, detailed financial data sets, and a summary nonfinancial data set.*



Standards adoption

Standards issued in 2025

Final ASU	Early adoption	Effective date
ASU 2025-04: <i>Compensation — Stock Compensation (Topic 718) and Revenue from Contracts with Customer (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer</i>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-03: <i>Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity</i>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-02: <i>Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122</i>	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: <i>Income Statement — Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date</i>	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

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. ¹
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 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.**

¹ The interim effective date reflects the clarification made in ASU 2025-01, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40) – Clarifying the Effective Date.

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

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 Measurement (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