



# Accounting, financial reporting, and regulatory developments

## FOURTH QUARTER 2025

*This update highlights some of the more important 2025 fourth 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 fourth quarter 2025

### ASU 2025-12 CODIFICATION IMPROVEMENTS

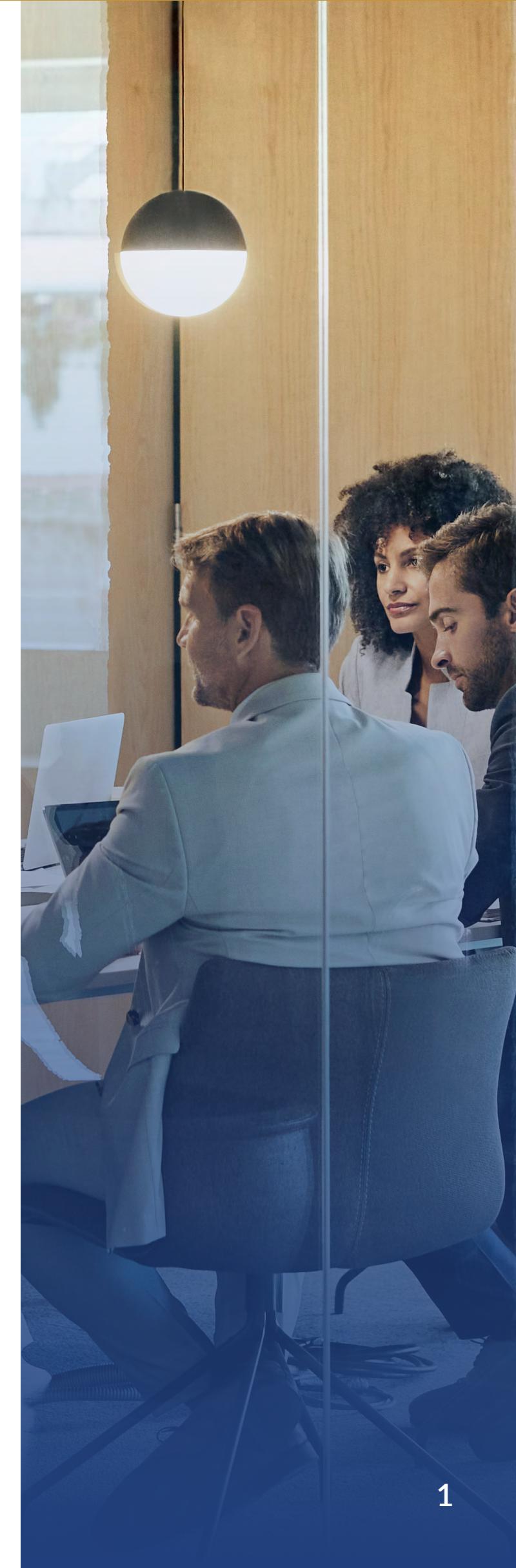
ASU 2025-12 *Codification Improvements* (ASU 2025-12) was issued as a part of the Financial Accounting Standards Board's (FASB) ongoing project to maintain the Accounting Standards Codification. ASU 2025-12 includes 33 technical corrections, clarifications, and other minor improvements. The improvements aren't expected to have a significant effect on current accounting practice or result in significant costs for most entities.

The amendments in this update are effective for all entities for annual reporting periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted. Entities may elect to early adopt the improvements on an issue-by-issue basis.

### ASU 2025-11 INTERIM REPORTING (TOPIC 270): NARROW-SCOPE IMPROVEMENTS

ASU 2025-11 *Interim Reporting (Topic 270): Narrow-Scope Improvements* (ASU 2025-11) was issued to clarify the interim disclosure requirements and the applicability of *Topic 270 Interim Reporting*. The update provides a comprehensive list of interim disclosures that entities are required to make. The amendments are meant to provide clarity about the existing disclosure requirements and are not intended to significantly change the disclosure requirements for interim reporting. ASU 2025-11 also adds a disclosure principle that requires entities to disclose events since the end of the last annual reporting period that have a material impact on the entity.

The guidance will be effective for public business entities for interim reporting periods within annual reporting periods beginning after Dec. 15, 2027. For entities other than public business entities, the guidance will be effective for interim reporting periods within annual reporting periods beginning after Dec. 15, 2028. Early adoption is permitted for all entities.



## ASU 2025-10 GOVERNMENT GRANTS (TOPIC 832): ACCOUNTING FOR GOVERNMENT GRANTS RECEIVED BY BUSINESS ENTITIES

*ASU 2025-10 Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities* (ASU 2025-10) was issued to establish authoritative guidance for accounting for government grants received by business entities. Historically, U.S. GAAP didn't provide specific guidance on the recognition, measurement, and presentation of such grants. As a result, business entities often analogized to either IAS 20 or ASC 958-605 when they received government grants.

ASU 2025-10 requires the following criteria to be met before a business entity can recognize a government grant:

- 1. It's probable that (a) a business entity will comply with the conditions attached to the grant and (b) the grant will be received.**
- 2. A business entity meets the recognition guidance for a grant related to an asset or a grant related to income.**

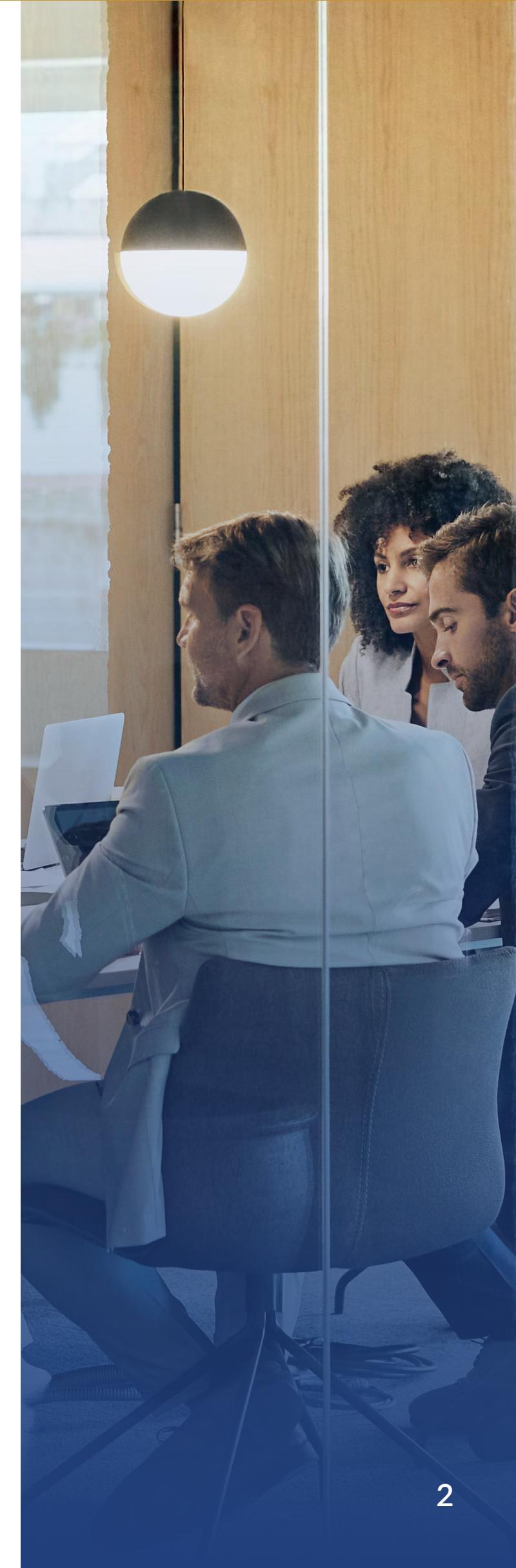
Additionally, amendments in this update provide comprehensive guidance for accounting for government grants related to assets and government grants related to income. The new guidance closely aligns with IAS 20, reducing diversity in practice and improving comparability across entities.

The guidance will be effective for public business entities for annual reporting periods beginning after Dec. 15, 2028, and interim reporting periods within those annual reporting periods. For entities other than public business entities, the amendments are effective for annual reporting periods beginning after Dec. 15, 2029, and interim reporting periods within those annual reporting periods.

Early adoption is permitted in both interim and annual reporting periods. If a business entity adopts the amendments in this update in an interim reporting period, it must adopt them as of the beginning of the annual reporting period that includes that interim reporting period.

## ASU 2025-09 DERIVATIVES AND HEDGING (TOPIC 815): HEDGE ACCOUNTING IMPROVEMENTS

*ASU 2025-09 Derivatives and Hedging (Topic 815): Hedge Accounting Improvements* (ASU 2025-09) was issued to clarify of the guidance around hedge accounting and better align the accounting guidance with the economics of an entity's risk management activities. The ASU addresses the five different issues that have been identified in practice when applying hedge accounting guidance.



The guidance will be effective for public business entities for interim reporting periods within annual reporting periods beginning after Dec. 15, 2026. For entities other than public business entities, the guidance will be effective for interim reporting periods within annual reporting periods beginning after Dec. 15, 2027. Early adoption is permitted for all entities.

### **Issue 1: Similar risk assessment for cash flow hedges**

*The update changes how hedge risks are permitted to be aggregated in a group of individual forecasted transactions in a cash flow hedge. Existing guidance requires that hedged risks have a shared risk exposure in order to be aggregated. The new guidance will expand this by allowing hedged risks with similar risk exposure to be aggregated. It's expected this change will result in more instances when entities meet the requirements to apply hedge accounting to groups of similar forecasted transactions.*

### **Issue 2: Hedging forecasted interest payments on choose-your-rate debt instruments**

*The ASU introduces a model to facilitate cash flow hedge accounting for forecasted interest payments on variable-rate debt instruments that allow the borrower to change the interest rate index and reset frequency on the debt.*

### **Issue 3: Cash flow hedges of nonfinancial forecasted transactions**

*The amendments expand for the number of situations where forecasted purchases and sales of nonfinancial assets can meet the requirements to apply hedge accounting. A principle-based approach permits hedges of variable price components that are clearly and closely related to the nonfinancial asset being purchased or sold. This includes expressly allowing entities to hedge price components in forecasted nonfinancial spot-market transactions by adding ASC 815-20-25-22C.*

### **Issue 4: Net written options as hedging instruments**

*ASU 2025-09 updates the guidance on using net written options as hedging instruments by accommodating differences in the loan and swap markets that developed after the sunset of London Interbank Offered Rate (LIBOR).*

### **Issue 5: Foreign currency denominated debt instrument as hedging instrument and hedged item (dual hedge)**

*ASU 2025-09 removes recognition and presentation mismatch that resulted when entities entered into a dual hedging strategy to hedge related to its foreign currency denominated debt. These amendments are intended to better reflect the economics when entities enter into dual hedging strategies.*



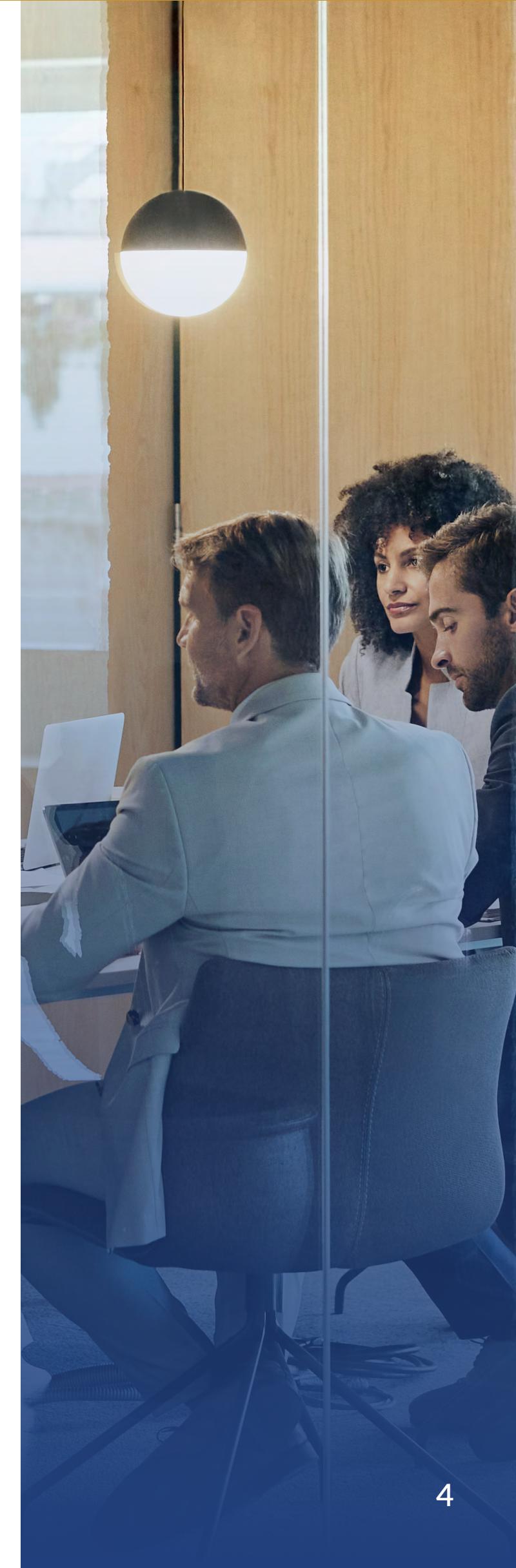
## ASU 2025-08 FINANCIAL INSTRUMENTS – CREDIT LOSSES (TOPIC 326): PURCHASED LOANS

*ASU 2025-08 Financial Instruments – Credit Losses (Topic 326): Purchased Loans* (ASU 2025-08) was issued to amend the guidance in ASC 326 on the accounting for certain purchased loans. The new ASU broadens the population of financial assets that are within the scope of the “gross-up approach” under ASC 326. The broadened scope of financial assets includes purchased seasoned loans, which are defined as either of the following:

- Non-PCD loans that are obtained in a business combination.
- Non-PCD loans that (1) are obtained in an asset acquisition or upon consolidation of available interest entity that is not a business and (2) are acquired more than 90 days after their origination date by a transferee that was not involved in their origination.

The ASU also includes an accounting policy election related to the subsequent measurement of expected credit losses for entities that use a method other than a discounted cash flow analysis to estimate credit losses on purchased seasoned loans. The accounting policy election allows entities to measure its allowance for credit losses on purchased seasoned loans using the amortized cost basis rather than unpaid principal balance. Entities can elect this option on an acquisition-by-acquisition basis in the period that the acquisition occurred and apply it to all purchased seasoned loans recognized in that acquisition.

The guidance will be effective for all entities for annual reporting periods beginning after Dec. 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted.



# Regulatory update

## SEC proposes amendments to the small entity definitions for investment companies and investment advisers for purposes of the Regulatory Flexibility Act

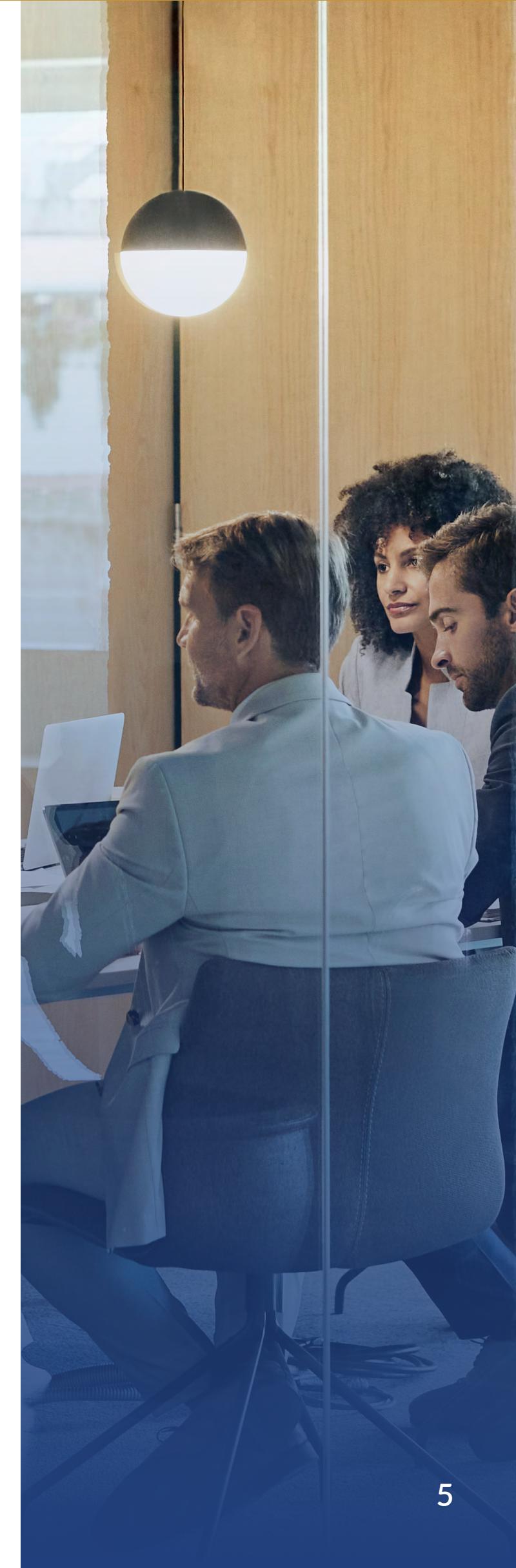
The Securities and Exchange Commission proposed [amendments](#) to the rules that define which registered investment companies, investment advisers, and business development companies qualify as small entities for purposes of the Regulatory Flexibility Act (RFA).

The RFA requires federal agencies to conduct certain analyses, with the goal of minimizing the significant economic impact of federal rulemaking on small entities. This proposal would raise the small entity thresholds for investment companies and advisers. It's designed to help the commission better tailor its analyses to address the specific regulatory challenges that these small entities face and consider adapting its rulemaking accordingly.

Specifically, this proposal would:

- *Increase the asset-based thresholds under which investment companies and investment advisers are deemed small entities.*
- *Update the way that related funds' assets are aggregated for purposes of defining small entities.*
- *Provide for inflation adjustments to the asset-based thresholds by order every 10 years.*

The proposing release will be published in the Federal Register. The public comment period will remain open until 60 days after the date of publication of the proposing release in the Federal Register.



# Standards adoption

## Standards issued in 2025

Final ASU	Early adoption	Effective date
<b>ASU 2025-12: Codification Improvements</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
<b>ASU 2025-11: Interim Reporting (Topic 270): Narrow Scope Improvements</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years. <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years.
<b>ASU 2025-10: Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years. <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2029, including interim periods within those fiscal years.
<b>ASU 2025-09: Derivatives and Hedging (Topic 815): Hedge Accounting Improvements</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2026, including interim periods within those fiscal years. <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years.
<b>ASU 2025-08: Financial Instruments-Credit Losses (Topic 326): Purchased Loans</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
<b>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</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.

Final ASU	Early adoption	Effective date
<b>ASU 2025-06: Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2027, and interim periods in within those annual reporting periods.
<b>ASU 2025-05: Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2025, and interim periods in within those annual reporting periods.
<b>ASU 2025-04: Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customer (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
<b>ASU 2025-03: Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
<b>ASU 2025-02: Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122</b>	Yes	The amendments in this update are effective immediately and on a fully retrospective basis to annual periods beginning after Dec. 15, 2024.
<b>ASU 2025-01: Income Statement – Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in annual periods beginning after Dec. 15, 2027.

## Standards issued in prior years effective 2025 or after

Final ASU	Early adoption	Effective date
<b>ASU 2024-04: Debt – Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments</b>	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.
<b>ASU 2024-03: Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expense</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in annual periods beginning after Dec. 15, 2027. <sup>1</sup>
<b>ASU 2024-02: Codification Improvements – Amendments to Remove References to the Concepts Statements</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years. <sup>**</sup> <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
<b>ASU 2024-01: Compensation – Stock Compensation (Topic 718) – Scope Application of Profits Interests and Similar Awards</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years. <sup>**</sup> <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
<b>ASU 2023-09: Income Taxes (Topic 740) – Improvements to Income Tax Disclosures</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2024. <sup>**</sup> <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2025.
<b>ASU 2023-08: Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60) – Accounting for and Disclosure of Crypto Assets</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. <sup>***</sup>
<b>ASU 2023-07: Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures</b>	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. <sup>***</sup>
<b>ASU 2023-06: Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</b>	No	<b>SEC registrants or other entities subject to SEC disclosure requirements:</b> Effective date based on date on which the SEC removes the related disclosure from Regulation S-X or Regulation S-K. <b>All other entities:</b> The amendments will be effective two years after the effective date for entities following the SEC disclosure requirements.

<sup>1</sup>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*.

Final ASU	Early adoption	Effective date
<b>ASU 2023-05: Business Combinations – Joint Venture Formations (Subtopic 805-60) – Recognition and Initial Measurement</b>	Yes	Effective for all joint ventures with a formation date on or after Jan. 1, 2025.**
<b>ASU 2023-02: Investments – Equity Method and Joint Ventures (Topic 323) – Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</b>	Yes	<b>Public:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. <b>Nonpublic:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.*
<b>ASU 2022-05: Financial Services – Insurance (Topic 944) – Transition for Sold Contracts</b>	Yes	<b>SEC registrants (excluding entities that qualify as SRCs):</b> Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.**
<b>ASU 2022-03: Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions</b>	Yes	<b>Public:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. <b>Nonpublic:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.*
<b>ASU 2020-11: Financial Services – Insurance (Topic 944): Effective Date and Early Adoption</b>	Yes	<b>SEC registrants (excluding entities that qualify as SRCs):</b> Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.**
<b>ASU 2018-12: Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts</b>	Yes	<b>SEC registrants (excluding entities eligible to be SRCs):</b> Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods beginning after Dec. 15, 2025.**