



Accounting, financial reporting, and regulatory developments

FIRST QUARTER 2026

This update highlights some of the more important 2026 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.



Accounting guidance

Accounting guidance effective first quarter 2026 and for years ended 2026: Public companies

ASU 2024-04: DEBT

ASU 2024-04: Debt – *Debt with Conversion and Other Options (Subtopic 470-20) Induced Conversions of Convertible Debt Instruments* was issued to improve the relevance and consistency in application of the induced conversion guidance. The update clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. Under the new guidance, in order for a settlement to be accounted for as an induced conversion, the inducement offer must provide the debt holder with at least the consideration (in form and amount) issuable under the terms of the original instrument. The update also requires that if an instrument is modified within one year of the inducement offer, the entity would compare the terms of the inducement offer to terms in effect one year before the offer (unless the modification results in the instrument being considered substantially different from the original instrument). The amendments also clarify the following items:

- *The incorporation, elimination, or modification of a volume weighted average price formula doesn't automatically cause a settlement to be accounted for as an extinguishment.*
- *The induced conversion guidance applies to a convertible debt instrument that isn't currently convertible as long as it has a substantive conversion feature as of the issuance date and as of the date the inducement offer is accepted.*

The new guidance will be effective for all entities for annual reporting periods beginning after Dec. 15, 2025, and interim reporting periods with those annual reporting periods. Entities have the option to adopt the amendments either prospectively or retrospectively.



ASU 2025-05: FINANCIAL INSTRUMENTS – CREDIT LOSSES

ASU 2025-05: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* was issued to reduce the cost and complexity of determining the allowance for credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, *Revenue from Contracts with Customers*. To reduce the cost and complexity, this ASU introduces a practical expedient for all entities and an accounting policy election for entities other than public business entities.

Practical expedient

The practical expedient allows an entity to assume current conditions as long as the balance sheet date doesn't change for the asset. Historically when determining expected losses, entities were required to consider the following:

- *Historical losses*
- *Adjustments for current conditions*
- *Adjustments for reasonable and supportable forecasts*

If an entity elects to apply the practical expedient, then it would no longer need to make adjustments for reasonable and supportable forecasts and would only be required to consider the following in estimating expected losses:

- *Historical losses*
- *Adjustments for current conditions*

The practical expedient only applies to current accounts receivable and current contract assets. Therefore, if an entity has noncurrent accounts receivable or contract assets, it wouldn't be eligible to apply this practical expedient. If an entity elects to apply the practical expedient, it should be applied consistently to all current accounts receivable and current contract assets.

The guidance will be effective for interim and annual periods for financial years beginning after Dec. 15, 2025. Early adoption is permitted for financial statements that haven't yet been issued (or made available for issuance). Entities should apply the new guidance prospectively.



Accounting guidance effective for years ended Dec. 31, 2026: Private companies

ASU 2023-09: INCOME TAXES

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. Entities other than public business entities will continue to have the option to disclose a qualitative narrative description of the significant differences between the statutory tax rate and the effective tax rate, rather than the tabular rate reconciliation required for public business entities. Once the new ASU has been adopted, that qualitative disclosure should include significant differences by individual jurisdiction.

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). For entities other than public business entities, the guidance is effective for annual periods beginning after Dec. 15, 2025.

ASU 2024-01: COMPENSATION – STOCK COMPENSATION

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. For all other entities, the guidance is effective for annual periods beginning after Dec. 15, 2025, and 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: *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 is not 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. For all other entities, the guidance is effective for annual periods beginning after Dec. 15, 2025.

ASU 2024-04: DEBT – DEBT WITH CONVERSION AND OTHER OPTIONS

ASU 2024-04: *Debt – Debt with Conversion and Other Options (Subtopic 470-20) Induced Conversions of Convertible Debt Instruments* was issued to improve the relevance and consistency in application of the induced conversion guidance. The update clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. Under the new guidance, in order for a settlement to be accounted for as an induced conversion, the inducement offer must provide the debt holder with at least the consideration (in form and amount) issuable under the terms of the original instrument. The update also requires that if an instrument is modified within one year of the inducement offer, the entity would compare the terms of the inducement offer to terms in effect one year before the offer (unless the modification results in the instrument being considered substantially different from the original instrument). The amendments also clarify the following items:

- *The incorporation, elimination, or modification of a volume weighted average price formula does not automatically cause a settlement to be accounted for as an extinguishment.*
- *The induced conversion guidance applies to a convertible debt instrument that is not currently convertible as long as it has a substantive conversion feature as of the issuance date and as of the date the inducement offer is accepted.*

The new guidance will be effective for all entities for annual reporting periods beginning after Dec. 15, 2025, and interim reporting periods with those annual reporting periods. Entities have the option to adopt the amendments either prospectively or retrospectively.

ASU 2025-05: FINANCIAL INSTRUMENTS – CREDIT LOSSES

ASU 2025-05: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* was issued to reduce the cost and complexity of determining the allowance for credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, *Revenue from Contracts with Customers*. To reduce the cost and complexity, this ASU introduces a practical expedient for all entities and an accounting policy election for entities other than public business entities.



Practical expedient

The practical expedient allows an entity to assume current conditions as long as the balance sheet date doesn't change for the asset. Historically when determining expected losses, entities were required to consider the following:

- *Historical losses*
- *Adjustments for current conditions*
- *Adjustments for reasonable and supportable forecasts*

If an entity elects to apply the practical expedient, then it would no longer need to make adjustments for reasonable and supportable forecasts and would only be required to consider the following in estimating expected losses:

- *Historical losses*
- *Adjustments for current conditions*

The practical expedient only applies to current accounts receivable and current contract assets. Therefore, if an entity has noncurrent accounts receivable or contract assets, it wouldn't be eligible to apply this practical expedient. If an entity elects to apply the practical expedient, it should be applied consistently to all current accounts receivable and current contract assets.

Accounting policy election

In addition to the practical expedient above, the ASU introduces an accounting policy election for entities that are not public business entities. The new accounting policy election allows entities to consider collection activity after the balance sheet date when estimating expected credit losses on current account receivable and current contract assets.

When applying this accounting policy election, entities can select a date after the balance sheet date but before the financial statements are available to be issued to consider subsequent collection activity. For the amounts collected during that time period, the entity would base its expected losses on the actual collection activity. For any current accounts receivable not collected as of the date selected, the entity would determine the amount of expected losses using the practical expedient discussed above based on the delinquency status as of the date used to evaluate subsequent collections through.

The guidance will be effective for interim and annual periods for financial years beginning after Dec. 15, 2025. Early adoption is permitted for financial statements that haven't yet been issued (or made available for issuance). Entities should apply the new guidance prospectively.



Regulatory update

SEC proposes amendments to reduce burdens in reporting of fund portfolio holdings

The Securities and Exchange Commission (SEC) today [proposed amendments](#) to the form used by most registered investment companies to report portfolio-related information. The changes are designed to reduce reporting burdens without significantly affecting the SEC's use of the data or the public's ability to assess relevant information about a fund.

The proposed amendments to Form N-PORT follow a review (in accordance with a presidential memorandum) of the amendments the SEC made to the form in 2024. The proposal considers developments that have occurred after the SEC's adoption of those amendments.

The proposed amendments to Form N-PORT would:

- *Provide reporting funds with an additional 15 days to file monthly reports of portfolio-related information on Form N-PORT, which is designed to reduce the potential for errors and resubmissions.*
- *Reduce the publication of reports from monthly to quarterly, a change designed to protect a fund's shareholders by reducing the risks of more frequent public disclosure, such as external parties using information about a fund's portfolio holdings in ways that increase costs for the fund and its shareholders.*
- *Modify Form N-PORT reports to streamline or remove certain reported information, including removing "Names Rule" reporting, and add information about funds with share classes that operate as exchange-traded funds.*

In connection with the proposed amendments, but by separate action, the SEC is extending the compliance dates for those Form N-PORT reporting requirements related to the "Names Rule" under the Investment Company Act of 1940, which addresses certain investment company names. This extension will provide additional time for funds and the SEC to consider the proposed amendments to Form N-PORT and avoid certain costs associated with regulatory requirements that the SEC is proposing to eliminate.

The new compliance dates are Nov. 17, 2027, for fund groups with net assets of \$10 billion or more, and May 18, 2028, for fund groups with less than \$10 billion in net assets as of the end of their most recent fiscal year.

The proposing release for Form N-PORT amendments will be published in the Federal Register, and the public comment period will remain open until 60 days after the Federal Register publication date.



SEC publishes staff report on capital-raising dynamics

The SEC's Office of the Advocate for [Small Business Capital](#) Formation published and delivered to Congress its 2025 staff report that serves as a comprehensive and data-rich resource on capital-raising dynamics nationwide.

The report presents data across three company life cycle stages to provide a fulsome picture of what's happening in the small business marketplace. It also highlights the past year's work of the Office of the Advocate for Small Business Capital Formation, which advances the interests of small businesses and their investors at the SEC and in the capital markets.

The report's contents include:

- *Data on small business capital formation, segmented by:*
 - » *Small and emerging businesses.*
 - » *Mature and later-stage businesses.*
 - » *Initial public offerings and small public companies.*
- *Highlights of the office's outreach and public engagements during fiscal year 2025.*
- *A summary of the activities of the SEC's Small Business Capital Formation Advisory Committee in fiscal year 2025.*

SEC appoints new chairman and board members to PCAOB

The SEC [announced the appointment](#) of Demetrios (Jim) Logothetis, as chairman, and Mark Calabria, Kyle Hauptman, and Steven Laughton, as board members, of the Public Company Accounting Oversight Board (PCAOB). George Botic will continue his service as a board member and will remain as acting chairman until Mr. Logothetis is sworn in.

The Sarbanes-Oxley Act of 2002 established the PCAOB to oversee the audits of public companies and broker-dealers in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB accomplishes these goals through registering public accounting firms, setting auditing standards, conducting inspections, and pursuing disciplinary actions. The PCAOB is subject to oversight by the SEC.



Standards adoption

Standards issued in prior years effective 2026 or after

Final ASU	Early adoption	Effective date
ASU 2025-12: Codification Improvements	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-11: Interim Reporting (Topic 270): Narrow Scope Improvements	Yes	Public: Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years. Nonpublic: Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years.
ASU 2025-10: Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities	Yes	Public: Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years. Nonpublic: Annual periods beginning after Dec. 15, 2029, including interim periods within those fiscal years.
ASU 2025-09: Derivatives and Hedging (Topic 815): Hedge Accounting Improvements	Yes	Public: Annual periods beginning after Dec. 15, 2026, including interim periods within those fiscal years. Nonpublic: Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years.
ASU 2025-08: Financial Instruments-Credit Losses (Topic 326): Purchased Loans	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
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	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-06: Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2027, and interim periods in within those annual reporting periods.
ASU 2025-05: Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2025, and interim periods in within those annual reporting periods.

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

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.
ASU 2024-04: <i>Debt – Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments</i>	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: <i>Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expense</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. ¹
ASU 2024-02: <i>Codification Improvements – Amendments to Remove References to the Concepts Statements</i>	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: <i>Compensation – Stock Compensation (Topic 718) – Scope Application of Profits Interests and Similar Awards</i>	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: <i>Income Taxes (Topic 740) – Improvements to Income Tax Disclosures</i>	Yes	Public: Annual periods beginning after Dec. 15, 2024.** Nonpublic: Annual periods years beginning after Dec. 15, 2025.
ASU 2023-08: <i>Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60) – Accounting for and Disclosure of Crypto Assets</i>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years.***

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 2023-07: 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.**
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