

Annual Financial Reporting Update

Tom Adams, Ph.D., CPA, CGMA
June 19, 2026

Tom Adams, Ph.D., CPA, CGMA

Associate Professor of
Accounting at La Salle
University



Tom Adams joined the Accounting Department in the School of Business in 2019. Previously, he was an assistant professor at the University of Connecticut (2016–2019). He completed his Ph.D. in accounting at Temple University (2011–2016).

He is a proud La Salle University graduate. He earned his Bachelor of Science in Business Administration (accounting and finance) at La Salle in 2005. After graduation, he worked as a Senior Associate in the Audit Practice of KPMG (Philadelphia office; 2005–2009) and as a Senior Financial Analyst in the Investor Relations department of Teleflex Incorporated (NYSE: TFX; 2009–2011).

Tom is originally from Northeast Philadelphia and attended St. Bernard's Grade School and Father Judge High School. He is currently teaching *Accounting Analytics* (both undergraduate and graduate), *Accounting Information Systems*, *Advanced Auditing/Financial Forensics*, *Auditing & Assurance Services*, and *Introduction to Financial Accounting*. His research has been published in *Current Issues in Auditing*, the *Journal of Accounting*, *Auditing and Finance*, the *Journal of Accounting and Public Policy*, the *Journal of Futures Markets*, *Review of Financial Economics*, *CPA Now - PICPA's Blog for Pennsylvania CPAs*, *Estate Planning*, the *Journal of Accountancy*, *Practical Tax Strategies*, and the *Tax Insider*.

La Salle is a place near and dear to Tom's heart. His grandfather and father also attended the university and he considers La Salle home.

What is Going on in the World of Accounting and Financial Reporting?

The screenshot shows a news article page with a grid of article thumbnails. The thumbnails include:

- KPMG Taps Anthropic to Revamp Global Tax Advisory Platforms** (May 18, 2025): KPMG agreed a deal with Anthropic to embed Claude directly into a new global platform that houses most of KPMG's tax and legal client data and internal analyses, running on top of Microsoft Azure. The firm says the goal is to merge tax and consulting work faster and more efficient by enabling employees (and, in some cases, clients) to draft materials, build agendas, and summarize documents within the core platform rather than using a standalone chatbot. KPMG plans to move some advisory work onto the Claude-centric platform and have its in-house staff by the end of September, eventually shifting more advisory workflows from its current platform—equipping Claude's reach across most of KPMG's three service lines. Audit workflows won't have Claude embedded directly in core delivery systems, though auditors will still have general access to Claude tools across the firm's ~275,000 people. Anthropic also named KPMG a preferred consultant for advising private-equity firms and portfolio companies on adopting AI to modernize software and speed operations, reflecting a broader trend of AI vendors partnering with consulting firms to drive enterprise adoption.
- The Academic Scramble to Prepare Future Accountants for AI** (May 18, 2025): The article describes how accounting programs are rapidly redesigning curricula as AI automates more entry-level audit and tax work and in many states loosens CPA licensure rules. Faculty who once relied on static textbooks and multi-year curriculum review cycles now feel pressure to update content continuously, often based on what students report back from Big Four internships. Firms expect AI agents to take on a meaningful share of audit work over the next few years, and job postings mentioning AI have surged—prompting schools to teach students how to work with AI tools while strengthening judgment, critical thinking, and evidence gathering. At the same time, new pathways that allow CPA candidates to qualify with a bachelor's degree plus added work experience are reducing demand for master's programs, leading departments to differentiate with applied, audit-focused training such as simulations and "virtual client" interactions. Programs are also investing in faculty development (including innovation grants) to overcome instructor hesitation and ensure professors can confidently integrate AI into teaching.
- In This Critical Part of Audits, the Accountant's Role is Shrinking Fast** (April 7, 2025): The article reports that audit firms—led by KPMG—are moving to reduce human involvement in "routine testing" work (e.g., payroll, expense voucher, cash procedures, accounts receivable, search for unrecorded liabilities, and other transactional testing) by shifting more of it to AI agents. KPMG plans a pilot this summer in which "orchestration agents" coordinate many specialized agents to perform testing, with targeted full deployment for certain tests next year. Humans would still collect data, perform risk assessment, and review the agents' work, with firm leaders emphasizing that accountability remains with the human auditor even as regulators begin issuing guidance. One Big Four firm is pursuing similar agent approaches: PwC is pushing agents toward more judgment-heavy testing and improving tools that match evidence across many document types), and EY is developing agent-to-agent workflows where its auditors' agents interact with clients' agents to request support and draft working papers for human review. Deloitte takes a more human-centric public stance, framing agency AI as augmentation. Overall, firms expect agents to handle a growing share of audit work over the next few years, replacing junior roles and pushing more critical thinking tasks
- The Dirty Job that Accountants Desperately Wish AI Would Take Over** (April 7, 2025): The article describes one of auditing's most unpleasant rites of passage: physically counting client inventory—often in large, open-air freezing conditions (grain bins, manufacturing floors, outdoor arenas, squares, livestock facilities, etc.). While accounting firms and clients are adopting AI, drones, robotics, and other modern tools, there still isn't a reliable end-to-end technological substitute for many inventory counts, so junior auditors continue to be sent on these trips. The pace notes incremental progress (e.g., drones for certain outdoor arena counts and better targeting of higher-risk areas as clients improve inventory systems), but highlights key constraints: auditing standards still emphasize in-person verification, and today's technology can't consistently "see" covered or indoor items or handle complex environments cost-effectively. The result is a mismatch between fast-moving tech and slower-moving regulation and practice limitations—meaning the "dirty job" of inventory counts is likely to persist for the foreseeable future, even as automation gradually improves parts of the process.
- Altman Says OpenAI Is Working on Pentagon Deal Amid Anthropic Standoff** (February 27, 2025): The article reports that OpenAI CEO Sam Altman has entered a high-stakes dispute between Anthropic and the U.S. Defense Department over how advanced AI models may be used in military and national security contexts in an internal memo. Altman told employees OpenAI is exploring a potential agreement that would allow its models to operate in classified environments while preserving the company's safety "guardrails." The goal, he wrote, is to find a practical arrangement that could reduce tensions and potentially serve as a template for other AI firms.
- Government Agencies Raise Alarm About Use of Elon Musk's Grok Chatbot** (February 27, 2025): The article reports growing concern inside the U.S. government about the safety and reliability of Elon Musk's AI chatbot Grok, even as the Pentagon moves to adopt it for sensitive work. People familiar with internal deliberations say multiple agencies have raised red flags in recent months, and those warnings came before the Defense Department approved Grok for use in classified environments.

Articles

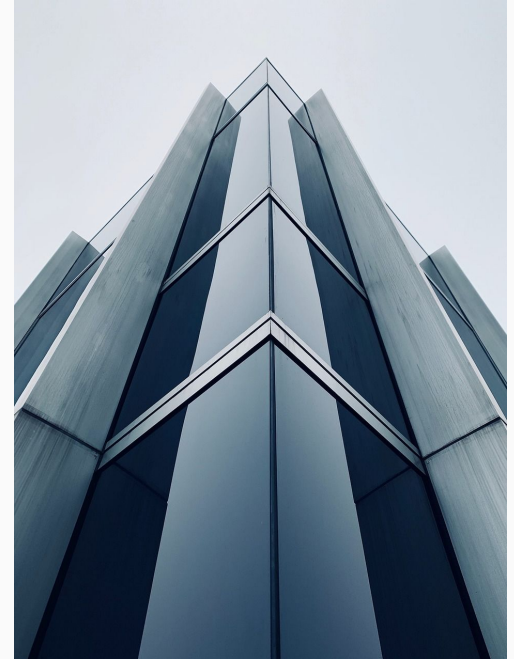
1. FASB Standard-Setting Activity, June 2025 - June 2026

1.1. Semiannual Reporting?



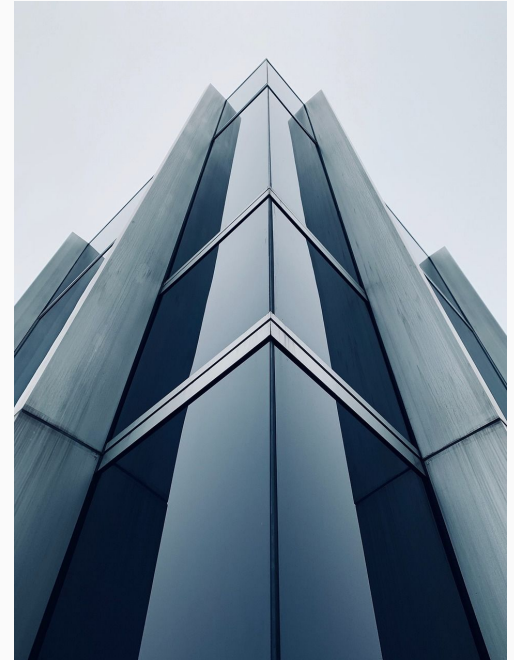
1.2. FASB: Overview

- FASB issued **12 Accounting Standards Updates (ASUs) in 2025, plus ASU 2026-01 in April 2026**, one of the most active periods in recent years
- Major areas addressed: crypto assets, government grants, internal-use software, hedge accounting, credit losses, expense disclosures, share-based payments, codification improvements, and equity instruments
- Several long-pending projects reached finalization: government grants (first-ever GAAP recognition guidance); internal-use software (first update in decades to reflect agile/cloud development)



1.2. FASB: Overview

- FASB also launched ***three new digital asset projects*** (stablecoins, wrapped tokens, transfers of digital assets) following the boom in corporate crypto adoption
- Ongoing agenda consultation: FASB will publish a public report on stakeholder priorities by mid-2026, signals next 3–5 year agenda
- **Key theme:** FASB continues to ***balance investor demand for transparency with preparer concerns about complexity and cost of compliance***



1.3. 2025–2026 ASUs at a Glance

ASU	Topic & Title	Effective Date (PBE)	Effective Date (Non-PBE)
2025-01	Income Statement (220-40): Clarifying Effective Date of ASU 2024-03	Annual: Dec 15, 2026	Same
2025-02	Liabilities (405): Crypto Safeguarding – Amend per SAB 122	Immediately (Jan 2025)	Same
2025-03	Business Combinations (805) / Consolidation (810): VIE Acquirer	Dec 15, 2025	Dec 15, 2025
2025-04	Share-Based Payments to Customers (718/606)	Dec 15, 2026	Same
2025-05	Credit Losses (326): CECL Practical Expedient for A/R	Dec 15, 2025	Dec 15, 2026

1.3. 2025–2026 ASUs at a Glance

ASU	Topic & Title	Effective Date (PBE)	Effective Date (Non-PBE)
2025-06	Internal-Use Software (350-40): Targeted Improvements	Dec 15, 2027	Same
2025-07	Derivatives/Revenue (815/606): Share-Based Customer Payments	Dec 15, 2026	Same
2025-08	Credit Losses (326): Purchased Loans / Purchased Seasoned Loans	Dec 15, 2026	Dec 15, 2027
2025-09	Derivatives & Hedging (815): Hedge Accounting Improvements	Dec 15, 2026	Dec 15, 2027
2025-10	Government Grants (832): Recognition & Measurement	Dec 15, 2028	Dec 15, 2029

1.3. 2025–2026 ASUs at a Glance

ASU	Topic & Title	Effective Date (PBE)	Effective Date (Non-PBE)
2025-11	Interim Reporting (270): Narrow-Scope Improvements	Dec 15, 2025	Dec 15, 2026
2025-12	Codification Improvements (Various)	Dec 15, 2026	Same
2026-01	Equity (505): PIK Dividends on Preferred Stock	Dec 15, 2026	Same

1.4. ASU 2025-03: VIE Acquirer Identification (May 2025)

Background

- Prior GAAP: When a Variable Interest Entity (VIE) was acquired in an equity-exchange transaction, the VIE's primary beneficiary was always deemed the accounting acquirer – a default rule that differed from non-VIE transactions
- SPAC problem: The default created inconsistent outcomes in SPAC and other reverse-merger structures where the legal target was a VIE



1.4. ASU 2025-03: VIE Acquirer Identification (May 2025)

What changed

- ASU 2025-03 eliminates the VIE-acquirer default. Entities must now apply the standard ASC 805-10-55-12 through 55-15 factors to identify the accounting acquirer in any equity-based VIE acquisition – the same framework used for voting interest entities
- Scope is narrow: applies only when (1) the transaction is effected primarily by equity exchange, (2) the acquiree is a VIE, and (3) the acquiree is a business



1.4. ASU 2025-03: VIE Acquirer Identification (May 2025)

Effective

- All entities for annual periods beginning after December 15, 2025 (calendar year 2026); early adoption permitted



1.5. ASU 2025-04: Share-Based Payments to Customers (April 2025)

Background

- Revenue from Contracts with Customers (ASC 606) and Share-Based Compensation (ASC 718) intersect when an entity grants equity-based instruments to customers as part of a revenue arrangement – creating diversity in practice

What changed

- Vesting conditions in customer share-based arrangements are now treated as performance conditions (consistent with ASC 718 employee grants) rather than as variable consideration under ASC 606
- Eliminates the forfeiture policy election for these instruments – entities must now recognize the probability of vesting in the measurement instead
- Removes ASC 450-10-S99-1 (the prior SEC guidance), aligning with SAB 122 changes in the digital asset space



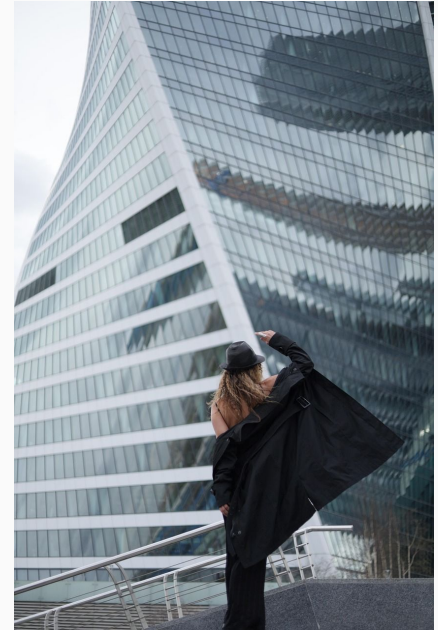
1.5. ASU 2025-04: Share-Based Payments to Customers (April 2025)

Who is affected

- Technology companies, SaaS firms, and others that grant stock or warrants to customers as part of commercial agreements

Effective

- All entities for annual periods beginning after December 15, 2026; early adoption permitted



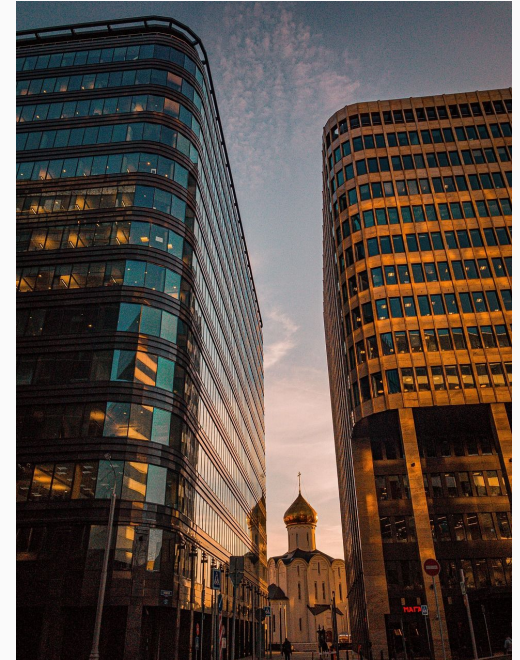
1.6. ASU 2025-05: CECL Practical Expedient – Accounts Receivable (July 2025)

Background

- CECL (ASU 2016-13 / ASC 326) requires entities to estimate expected credit losses using “reasonable and supportable” forecasts of future macroeconomic conditions – a burden that many found disproportionate for short-term trade receivables

What changed

- Introduces a practical expedient available to all entities: For current accounts receivable and contract assets arising from ASC 606 revenue transactions, entities may assume current macroeconomic conditions will remain unchanged over the remaining life of the asset
- Accounting policy election: Must be applied consistently and disclosed
- Entities may still estimate expected credit losses using the full CECL model if they prefer



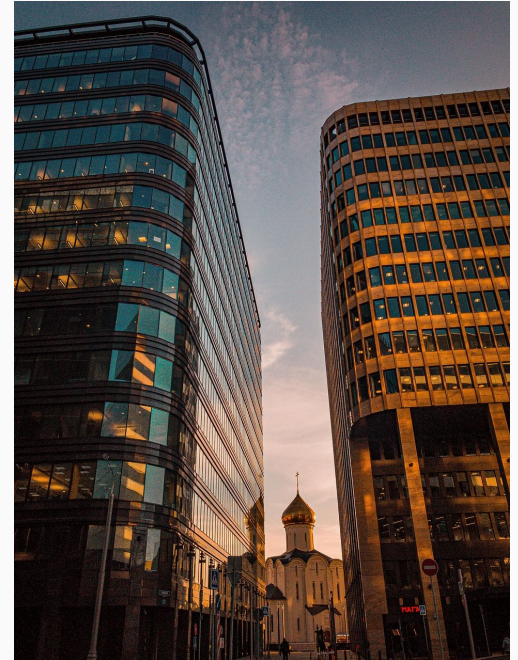
1.6. ASU 2025-05: CECL Practical Expedient – Accounts Receivable (July 2025)

Who benefits most

- Non-financial-institution entities – retailers, manufacturers, service companies – that struggled to build CECL models for routine trade receivables

Effective

- PBEs: Dec 15, 2025 (calendar year 2026). Non-PBEs: Dec 15, 2026 (calendar year 2027). Early adoption permitted



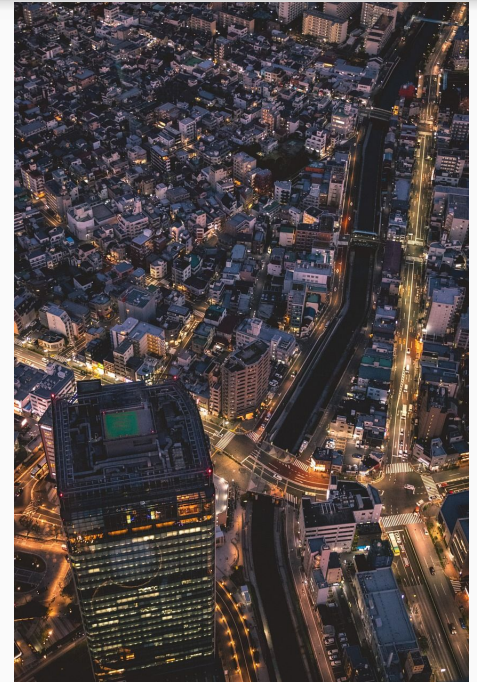
1.7. ASU 2025-06: Internal-Use Software — Landmark Modernization (Sept 2025)

Background

- Subtopic 350-40 was built around the “waterfall” software development lifecycle (preliminary project stage → application development stage → post-implementation stage). Modern development is agile, iterative, and cloud-based — making stage determination artificial and contentious

Major changes

- Removes ALL references to project stages — capitalization begins when it is “probable to complete” the software and expected benefits will be realized; it is judgment-based, not stage-based
- Adds a “significant development uncertainty” consideration: if material uncertainty exists about whether the software will be completed, more costs may need to be expensed earlier
- ASC 350-50 (website development costs) eliminated; website costs now governed by ASC 350-40



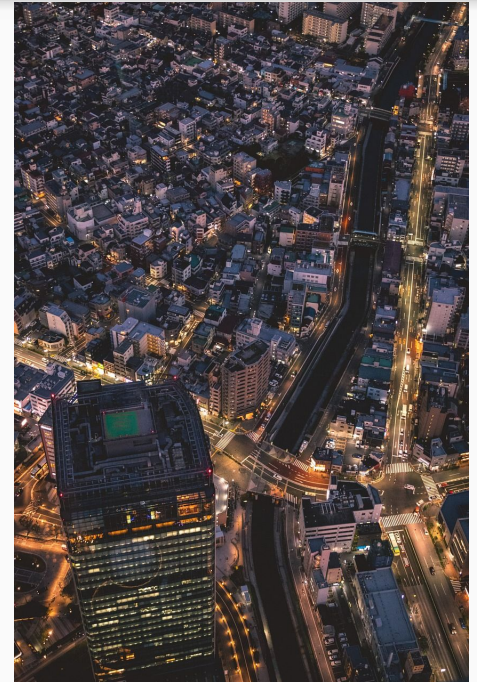
1.7. ASU 2025-06: Internal-Use Software — Landmark Modernization (Sept 2025)

Disclosures

- All capitalized internal-use software must follow ASC 360 (PP&E) disclosure requirements regardless of how costs are presented on the balance sheet

Effective

- All entities for annual periods beginning after December 15, 2027 (calendar year 2028); three transition methods available



1.8. ASU 2025-08: Purchased Loans / Purchased Seasoned Loans (Nov 2025)

Background – the CECL divide

- Under CECL, purchased financial assets fell into two buckets: (1) Purchased Credit-Deteriorated (PCD) loans: used the “gross-up” approach – initial ACL added to purchase price, no Day-1 credit expense. (2) Non-PCD loans: recognized Day-1 provision expense through the income statement – widely criticized as creating a “double count”

What changed

- Creates a new category: “Purchased Seasoned Loans” (PSLs). A PSL is a non-PCD loan that is (a) obtained in a business combination, or (b) acquired more than 90 days after origination in an asset acquisition by a party not involved in origination
- PSLs receive the same gross-up treatment as PCD loans: ACL recognized at acquisition, no Day-1 loss through income; eliminates the volatility and inconsistency



1.8. ASU 2025-08: Purchased Loans / Purchased Seasoned Loans (Nov 2025)

Who is affected

- Financial institutions: banks, credit unions, mortgage companies – any entity that acquires loan portfolios through M&A or asset purchases

Effective

- PBEs: Dec 15, 2026. Non-PBEs: Dec 15, 2027.
Prospective application from adoption date



1.9. ASU 2025-09: Hedge Accounting Improvements (Nov 2025)

Background

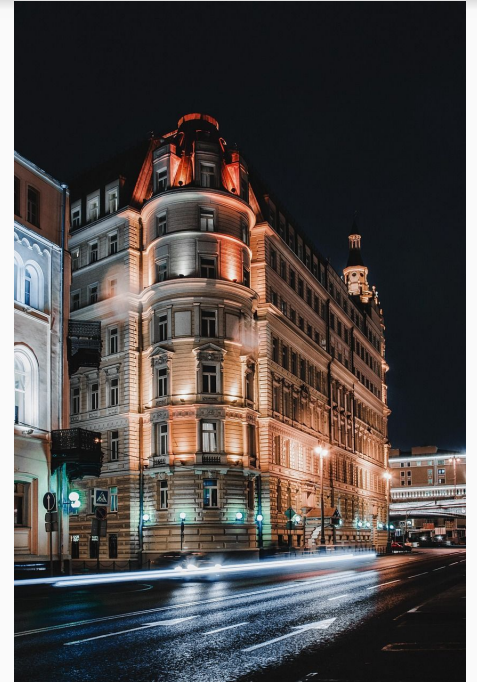
- ASU 2017-12 significantly improved hedge accounting, but practitioners identified additional situations where hedge accounting treatment was unavailable for hedges that were economically effective

Five new areas addressed

- **Terminal rates:** Permits use of separately-traded overnight rate options as the designated rate in interest rate hedges
- **Foreign currency borrowings:** Allows use of foreign-currency-denominated debt as both the hedging instrument and hedged item (dual hedge)
- **Benchmark rate components:** Clarifies when separately identifiable benchmark rate components can be designated
- **Cash flow hedge variability:** Removes the requirement to assess whether changes in the designated rate affect variable cash flows when the benchmark rate is contractually specified
- **Fair value hedges:** Provides additional guidance on hedging partial terms

Effective

- PBEs: Dec 15, 2026. Non-PBEs: Dec 15, 2027. Early adoption permitted



1.10. ASU 2025-10: Government Grants – First GAAP Recognition Guidance (Dec 2025)

Historical problem

- U.S. GAAP (Topic 832) previously provided only disclosure requirements for government grants. Business entities were forced to analogize to IAS 20 (international standard) or ASC 958-605 (not-for-profits), creating significant diversity in recognition, measurement, and presentation – a comparability nightmare as federal grant programs exploded (CHIPS Act, Inflation Reduction Act, broadband, clean energy)

What's new

- Recognition trigger: Probable that (1) entity will comply with conditions AND (2) grant will be received
- Asset-related grants: Present as deferred income (recognized in income when related costs incurred) OR as a reduction of the asset's carrying amount (policy election)
- Income-related grants: Recognized in income over the periods in which the related costs are incurred
- Scope: Monetary grants and tangible nonmonetary grants from any government (domestic or foreign). Excludes: exchange transactions, intangible grants, NFPs, employee benefit plans, tax credits within ASC 740

Effective

- PBEs: Dec 15, 2028. Non-PBEs: Dec 15, 2029. Early adoption permitted



1.11. ASU 2025-11: Interim Reporting Improvements & ASU 2025-12: Codification Cleanup

ASU 2025-11 – Interim Reporting (Topic 270) – December 2025

- Issued December 8, 2025; standardizes interim financial statement disclosures and improves navigability for all entities
- Clarifies which interim disclosure requirements apply to various entity types (PBEs, SRCs, NFPs, EBPs) and which are universal
- Reduces complexity created by scattered cross-references across the codification; aims to make interim disclosures more consistent and less prone to inadvertent omissions
- Effective: PBEs – Dec 15, 2025; Non-PBEs – Dec 15, 2026

ASU 2025-12 – Codification Improvements – December 2025

- Omnibus technical correction update covering multiple codification issues identified in the ongoing “Evergreen” improvements project
- Addresses errors, cross-reference corrections, superseded guidance, and terminology inconsistencies across numerous topics including ASC 310 (receivables), ASC 815 (derivatives), and others
- Effective: All entities for annual periods beginning after December 15, 2026; transition method elected issue-by-issue



1.12. ASU 2026-01: PIK Dividends on Equity-Classified Preferred Stock (April 2026)

Background – diversity in practice

- Paid-in-Kind (PIK) dividend features allow issuers of preferred stock to satisfy dividend obligations by issuing additional preferred shares or increasing the liquidation preference, rather than paying cash
- No authoritative GAAP guidance existed for how to initially measure PIK dividends – some entities used fair value, others used contractual rates, others applied hybrid methods – creating incomparable EPS disclosures

What changed

- Requires PIK dividends on equity-classified preferred stock to be initially measured at: $\text{PIK dividend rate} \times \text{liquidation preference of the preferred stock outstanding}$
- Eliminates fair value measurement and other alternative approaches
- Applies to all entities (not just public); includes convertible and non-convertible preferred stock and mezzanine equity
- Does not change WHEN dividends are recognized or their impact on EPS – only HOW they are initially measured

Effective

- All entities for annual periods beginning after December 15, 2026; early adoption permitted



1.13. FASB Active Agenda: What's Being Deliberated (mid-2026)

Debt Exchanges (finalized – effective Dec 15, 2026)

- Board affirmed prospective application; standardizes when multi-creditor debt exchanges are extinguishments vs. modifications – fills significant diversity in M&A and restructuring transactions

Financial KPIs / Non-GAAP Measures

- Invitation-to-Comment closed April 30, 2025; extensive and divided feedback received; FASB/IASB joint education session October 2025; Exposure Draft expected in 2026; no final standard before 2027

Three New Digital Asset Projects (announced Dec 2025)

- Transfers of digital assets (sales, loans, pledges); Stablecoins as cash equivalents (proposed ASU moving forward per April 2026 board meeting); Wrapped tokens / rights to receive digital assets

Equity Method of Accounting

- New project announced Dec 2025; addressing long-standing practice questions

ASC 842 Post-Implementation Review

- Active review of lease accounting feedback; informing future agenda but no standard changes expected near-term

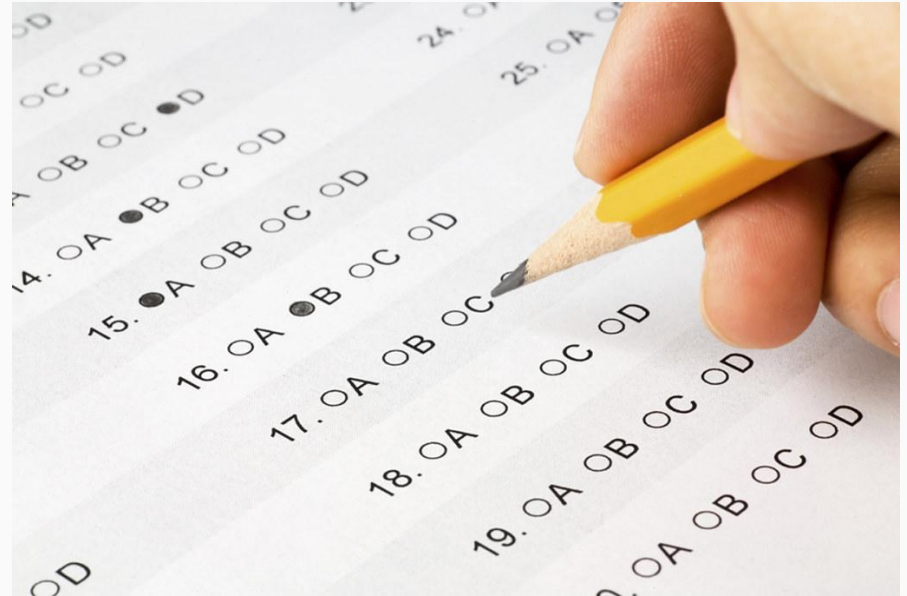
Agenda consultation public report

- Due mid-2026; will signal FASB priorities for the next 3–5 years



Knowledge Check

Knowledge Check 1



2. Key ASUs Now Effective in 2025 & 2026

2.1. Standards Effective for Calendar Year 2025 (PBEs)

Standard	Topic	Key Impact
ASU 2018-12	Long-Duration Insurance Contracts	Non-PBE final adoption; updated discount rates, PAA, DAC amortization
ASU 2022-03	Fair Value Measurement of Equity Securities w/ Contractual Restrictions	FV measured without restriction; disclosure of restriction required
ASU 2023-02	Investments in Tax Credit Structures — Proportional Amortization Method	Expanded to include NMTC, HTCE, RETC and other credits (was limited to LIHTC)
ASU 2023-05	Joint Venture Formations — Recognition & Initial Measurement	JV assets/liabilities recognized at fair value at formation date
ASU 2023-07	Enhanced Segment Disclosures — Annual (PBE)	Disclosure of significant segment expenses; CODM metric; single-segment entities

2.1. Standards Effective for Calendar Year 2025 (PBEs)

Standard	Topic	Key Impact
ASU 2023-08	Crypto Assets — Fair Value Measurement	Fair value at each reporting date; changes in net income; new disclosures
ASU 2023-09	Income Tax Disclosures — Disaggregation (PBE annual)	Rate reconciliation in standardized categories; taxes paid by jurisdiction
ASU 2024-01	Profits Interest Awards — Scope Clarification	Clarifies when profits interest / carried interest awards are in scope of ASC 718

2.2. Standards Effective for Calendar Year 2026 (PBEs)

Standard	Topic	Key Impact
ASU 2023-07 Segment (interim)	PBEs (interim)	Interim segment disclosures now required (annual disclosures were FY2024)
ASU 2023-09 Income Tax (annual)	Non-PBEs	Tax rate reconciliation & taxes paid disaggregation now required for private companies
ASU 2025-02 / SAB 122	All entities	Crypto safeguarding liabilities removed; entities no longer gross up balance sheet
ASU 2025-03 VIE Acquirer	All entities	New acquirer identification framework for equity-based VIE acquisitions

2.2. Standards Effective for Calendar Year 2026 (PBEs)

Standard	Topic	Key Impact
ASU 2025-05 CECL A/R Expedient	PBEs	Practical expedient for A/R and contract assets now available
ASU 2025-11 Interim Reporting	PBEs	Standardized interim disclosures effective
LIBOR Reform Relief (ASU 2020-04)	All	Relief framework EXPIRED Dec 31, 2025 — all LIBOR references must be resolved

2.3. ASU 2023-07: Segment Reporting – First Year in Practice for PBEs

Effective for PBEs for annual periods beginning after December 15, 2023 (calendar year 2024 annual reports). Interim requirements effective FY2025

Major new requirements

- Significant segment expenses: must disclose each category of segment expense that is (1) significant to the segment and (2) regularly provided to the CODM
- Must disclose how the CODM uses the reported segment profit or loss measure to assess performance – i.e., disclose the CODM’s metric, even if it differs from GAAP net income
- Single-segment entities: now required to provide all the same disclosures as multi-segment entities
- Title/position of CODM must be disclosed

Real-world impact

- Most PBEs had to significantly expand segment note disclosures in 2024 annual reports and 2025 interim filings
- Many entities found that this indirectly expanded MD&A discussions as well – investors can now see segment-level expense detail they never had before
- Non-PBEs: effective for annual periods beginning after December 15, 2024 (calendar year 2025)



2.4. ASU 2023-08: Crypto Asset Fair Value – First Year in Practice (All Entities)



2.4. ASU 2023-08: Crypto Asset Fair Value – First Year in Practice (All Entities)

Effective for all entities for fiscal years beginning after December 15, 2024 (calendar year 2025 – now in full effect)

What this means in practice

- Companies holding Bitcoin, Ethereum, and other in-scope crypto assets must mark to market at every balance sheet date, with fair value changes flowing through net income – no more asymmetric impairment-only model
- New disclosures required: significant crypto holdings by type, cost basis, fair value, period changes, restrictions, and key contract terms
- Transition: Cumulative-effect adjustment to opening retained earnings of FY2025

Scope of the standard

- Fungible, intangible assets secured using cryptography on a distributed ledger. Excludes: NFTs (non-fungible), stablecoins (addressed in a separate upcoming project), wrapped tokens (new project), and crypto assets issued by the entity itself

Market context

- ~20% of U.S. public companies held crypto assets as of 2025. Bitcoin surpassed \$100K in late 2024/early 2025; the pro-crypto SEC stance under Chair Atkins has accelerated institutional adoption
- This standard has materially changed balance sheets and income statements for tech, financial services, and mining entities



2.4. ASU 2023-09: Income Tax Disclosures – PBEs in Full Effect

Effective for PBEs for annual periods beginning after December 15, 2024 (calendar year 2025)

Non-PBEs: effective for annual periods beginning after December 15, 2025 (calendar year 2026)

Required disclosures – Rate Reconciliation

- Must now use standardized GAAP categories for the effective tax rate reconciliation (e.g., state/local taxes, tax credits, foreign rate differences, changes in unrecognized tax benefits)
- Items meeting a quantitative threshold must be disclosed separately with amounts – previously, companies could aggregate many items under “other”

Required disclosures – Taxes Paid

- Annual disaggregation of income taxes paid by federal, state/local, and foreign jurisdictions; domestic vs. foreign subtotals

What has changed in practice

- Significant expansion of the income tax footnote for most public companies
- Investors and analysts now have standardized data to compare effective tax rates across companies for the first time
- High-profile insight: Companies with significant operations in low-tax jurisdictions or with large R&D credits are now more transparent about the source of those benefits



2.5. LIBOR Transition: Relief Has Now Expired

FASB issued ASU 2020-04 (and subsequent amendments through 2022) to ease the accounting burden of transitioning floating-rate instruments from LIBOR to alternative reference rates (ARRs) such as SOFR, AMERIBOR, SONIA, etc.

What the relief provided

- Practical expedients from contract modification accounting: LIBOR-to-ARR contract modifications could be treated as non-substantial changes (no derecognition, no new instrument) without satisfying the normal modification criteria
- Hedge accounting relief: Allowed continuation of existing hedging relationships through the transition without redesignation

Critical: The relief framework EXPIRED on December 31, 2025

- Any contracts still referencing LIBOR after December 31, 2025 can no longer access the expedients
- Entities that had lingering LIBOR references must have transitioned them before year-end 2025 or face normal modification accounting treatment (potentially triggering derecognition or hedge discontinuation)

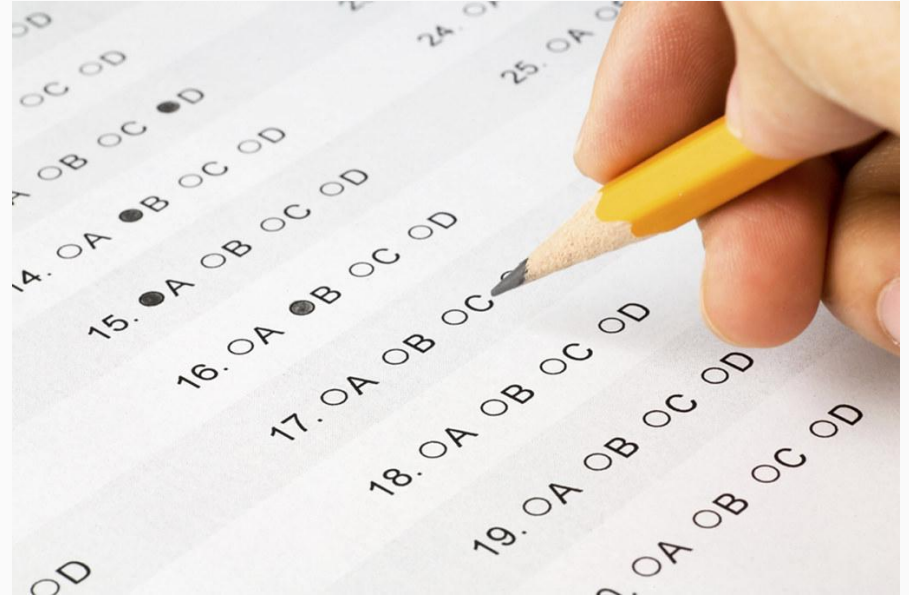
Action items now

- Auditors should confirm clients completed the transition. Any post-2025 modifications of LIBOR-referencing contracts require full analysis under ASC 470, 815, and 842 as applicable



Knowledge Check

Knowledge Check 2



3. ASU 2024-03: Expense Disaggregation Disclosures

3.1. ASU 2024-03: Background & Scope

Issued November 4, 2024 (just before our period, but effective and now actionable). Clarified by ASU 2025-01 (January 2025)

Applies ONLY to public business entities (PBEs) – private companies are not required to comply

Why this matters now

- Effective for annual periods beginning after December 15, 2026 (calendar year 2027). Interim periods: after December 15, 2027 (Q1 2028). Early adoption permitted
- For calendar-year PBEs: first required annual disclosure is in the 2027 10-K. But system and process readiness requires planning that starts NOW

The investor demand

- Investors have long complained that income statement expense line items (e.g., “Cost of Sales” or “Selling, General & Administrative Expenses”) are opaque – the same dollar amount could include very different mixes of labor, materials, or depreciation at different companies
- FASB observed that PBEs provide wildly inconsistent levels of voluntary expense detail, making cross-company comparison nearly impossible



3.2. ASU 2024-03: What Must Be Disclosed

Required tabular disclosure for each relevant income statement expense caption

- Inventory purchases (on either a cost-incurred or expense-incurred basis, with the difference in inventory balances shown as a reconciling item)
- Employee compensation (salaries, wages, benefits – includes stock-based compensation)
- Depreciation, amortization, and depletion (disaggregated by category)
- Intangible asset amortization (separate from above)
- Selling expenses: total selling expenses must be disclosed annually with an entity-defined definition of what is included

Also required

- Qualitative disclosure for items not quantitatively required in the table
- Reconciliation of each category to the income statement line items

What is NOT required

- Entities do not have to disclose disaggregated expenses for every line item – only “relevant expense captions” that contain the specified categories
- Does not change recognition or measurement – disclosure only



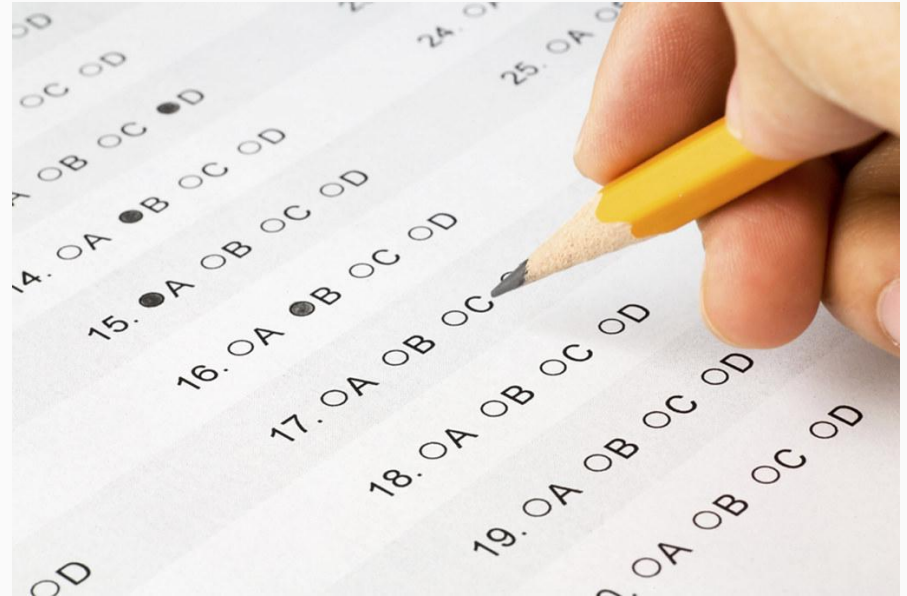
3.3. ASU 2024-03: Practical Implementation Challenges

- System readiness: Most companies track expenses in general ledger accounts that do not map directly to the ASU's natural expense categories. A major chart-of-accounts review and GL mapping project will be needed
- Interim requirements: After December 15, 2027, the same disaggregated expense table must appear in every quarterly 10-Q as well – requiring quarterly data capture processes, not just year-end ones
- Definition of “selling expenses”: The entity defines what it includes in selling expenses, but must disclose that definition and apply it consistently. FASB intentionally did not prescribe the definition
- Retrospective vs. prospective adoption: Entities may adopt prospectively (easier) or retrospectively (more useful for comparative analysis). The choice should be made thoughtfully
- Private company visibility: Though not required for non-PBEs, private companies considering future public offerings should assess compliance readiness
- Audit implications: Auditors must attest to these disaggregated amounts – adding complexity to audit procedures for all major expense line items
- Pro tip for practitioners: Begin client conversations now – system changes of this scope typically require 12–18 months of lead time



Knowledge Check

Knowledge Check 3



4. Digital Assets & Crypto Accounting Updates

4.1. SAB 122: The Rescission of SAB 121 (January 2025)

On January 23, 2025, the SEC issued Staff Accounting Bulletin No. 122, rescinding SAB 121 (issued March 2022)

What SAB 121 required

- Any entity custodialing crypto assets for others was required to recognize the fair value of those assets as BOTH an asset and a corresponding liability on its balance sheet – even though the entity did not own the assets
- This was highly unusual – it required balance sheet recognition of assets the entity did not control – and created massive balance sheet grossing-up for exchanges and custodians

What SAB 122 changed

- Removes the SAB 121 safeguarding liability recognition requirement. Entities holding crypto for others now apply ASC 450-20 (contingency/loss recognition) – recognize a liability only if a loss is probable
- FASB simultaneously issued ASU 2025-02 to align the codification with the SAB 122 change, removing ASC 450-10-S99-1

Effective

- Annual periods beginning after December 15, 2024; retrospective application required for those periods. Early application permitted from January 30, 2025
- Impact: Banks, custodians, and exchanges saw significant balance sheet reductions where SAB 121 liability had been recognized



4.1. SAB 122: The Rescission of SAB 121 (January 2025)

Project 1: Stablecoins as Cash Equivalents

- April 15, 2026 FASB board meeting: Board unanimously approved moving forward with a proposed ASU; stablecoins meeting certain criteria (e.g., redeemable 1:1 for USD on demand) could be classified as cash equivalents under ASC 230
- Currently no authoritative guidance; stablecoins held by entities are generally classified as crypto assets under ASU 2023-08
- Proposed ASU expected to narrow the stablecoin definition eligible for cash-equivalent treatment; exposure draft anticipated in 2026

Project 2: Wrapped Tokens / Rights to Receive Digital Assets

- April 2026 board meeting: FASB unanimously agreed to expand scope of Subtopic 350-60 (Crypto Assets) to cover assets that provide enforceable rights to receive another in-scope crypto asset (e.g., wBTC, stETH)
- These assets are economically similar to the underlying but were outside the ASU 2023-08 scope – addressed as a separate disclosure category

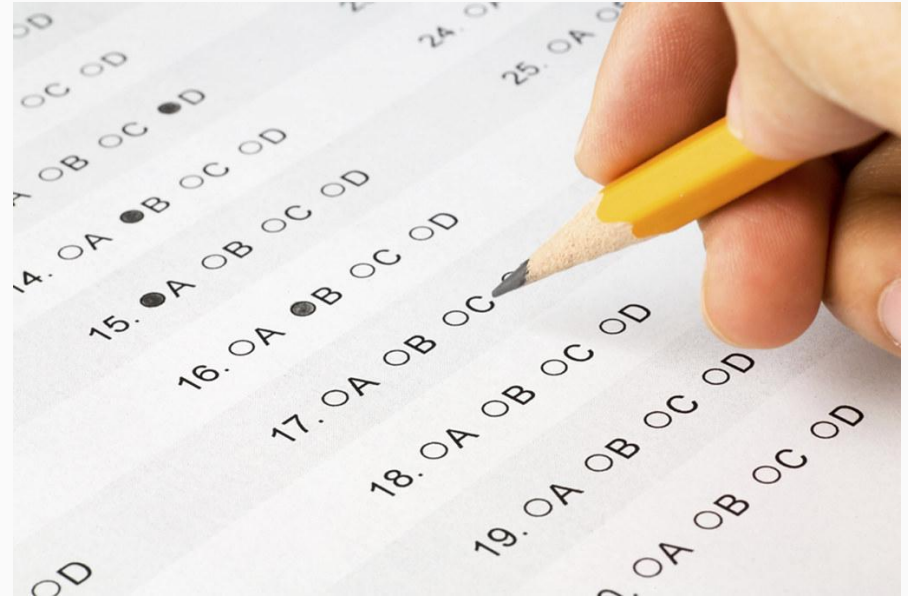
Project 3: Transfers of Digital Assets

- New project covering the accounting for sales, loans, pledges, and other transfers of crypto assets – filling a major gap where diversity in practice has proliferated
- All three projects signal FASB is committed to keeping pace with the rapidly evolving digital asset landscape



Knowledge Check

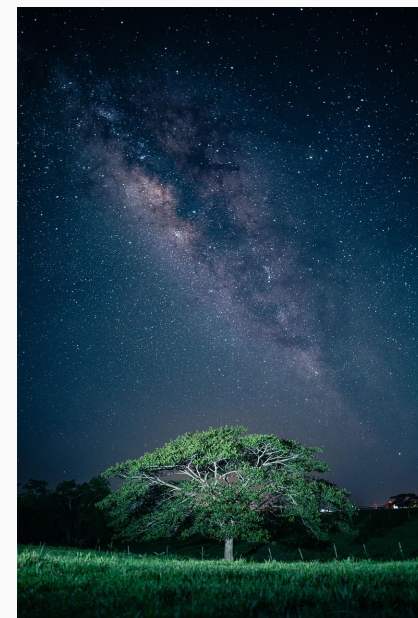
Knowledge Check 4



5. SEC Regulatory Developments

5.1. SEC Leadership & Regulatory Philosophy Shift

- SEC Chair Gary Gensler resigned January 20, 2025. Mark Uyeda served as interim chair. Paul Atkins confirmed and sworn in as permanent chair on April 21, 2025
- Atkins is a long-time critic of PCAOB, proponent of deregulation, and has strongly opposed crypto regulation – signaling major philosophical shift from the Biden-era SEC
- Paul Munter, SEC Chief Accountant (a critical role for accounting policy), retired January 2025; his successor has not been confirmed as of mid-2026
- Overall 2025 regulatory posture: fewer rules, less enforcement, narrower interpretation of SEC’s statutory authority
- Atkins’ stated priorities: reducing disclosure burden, restoring “materiality” as the core disclosure standard, deregulating crypto, and streamlining capital formation
- SEC initiated only 10 accounting and auditing enforcement actions in 2025 – the lowest level in nine years; down from 31 in 2024
- Only 4 of those 10 actions were initiated after Atkins became chair in April – a dramatic de-escalation



5.2. SEC Climate Disclosure Rule: Formal Rescission Process

Timeline of the climate rule

- March 6, 2024: SEC adopted climate disclosure rules (3-2, party-line vote) requiring public companies to disclose climate risks, GHG emissions, and financial impacts of severe weather
- April 4, 2024: SEC stayed the rules pending Eighth Circuit litigation
- March 27, 2025: New SEC voted (3-2) to end defense of the rules in court
- September 12, 2025: Eighth Circuit refused to rule on the case; ordered SEC to either formally rescind via notice-and-comment rulemaking or renew its defense
- May 7, 2026: SEC notified court it will not renew its defense and has begun rescission process

June 3, 2026: SEC formally proposed rescission in the Federal Register

- Comment period: 60 days (closes August 3, 2026); finalization expected in late 2026

Key point

- The rules never took effect. Rescission, if finalized, returns U.S. to principles-based disclosure obligations under existing Reg S-K materiality standards
- State-level requirements (California) and international rules (EU CSRD) will still apply to many U.S. companies



5.3. SEC Crypto Task Force & Digital Asset Regulation

- January 2025: SEC established a dedicated Crypto Task Force under interim chair Uyeda, signaling a collaborative (rather than adversarial) approach to digital asset regulation
- SEC issued statements clarifying that certain proof-of-work mining activities and meme coins do not constitute securities – major departures from the Gensler-era enforcement posture
- Multiple lawsuits against crypto exchanges (Coinbase, Binance, Kraken) that began under Gensler were dropped or settled on favorable terms in 2025
- Staff Accounting Bulletin No. 122 (SAB 122) rescinded the crypto safeguarding liability requirement (see Section 4)
- SEC under Atkins expected to support legislation providing a formal regulatory framework for digital assets rather than relying on securities law enforcement
- Impact on financial reporting: Companies no longer need to apply SAB 121 disclosures, but still have disclosure obligations under Reg S-K, ASC 275 (risk disclosures), and ASC 450-20 (contingencies)
- Auditors: Must understand the new landscape – prior period audit opinions that referenced SAB 121 treatment may require attention in comparative periods

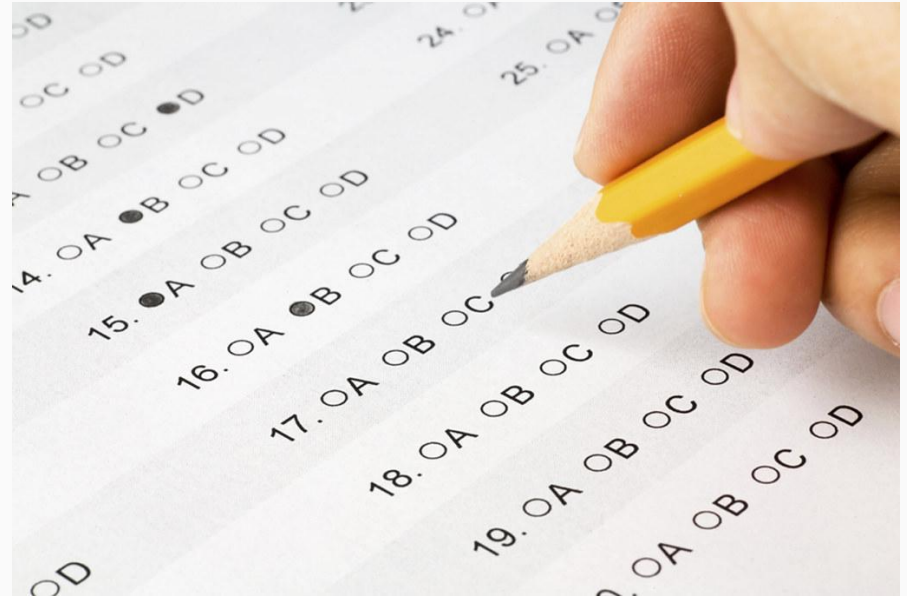


5.4. Environmental Defense Fund, response to SEC's proposed climate rule rescission (June 2026)

“The Commission should withdraw this proposal and focus instead on implementing disclosure requirements that give both investors and the public the transparency they need.”

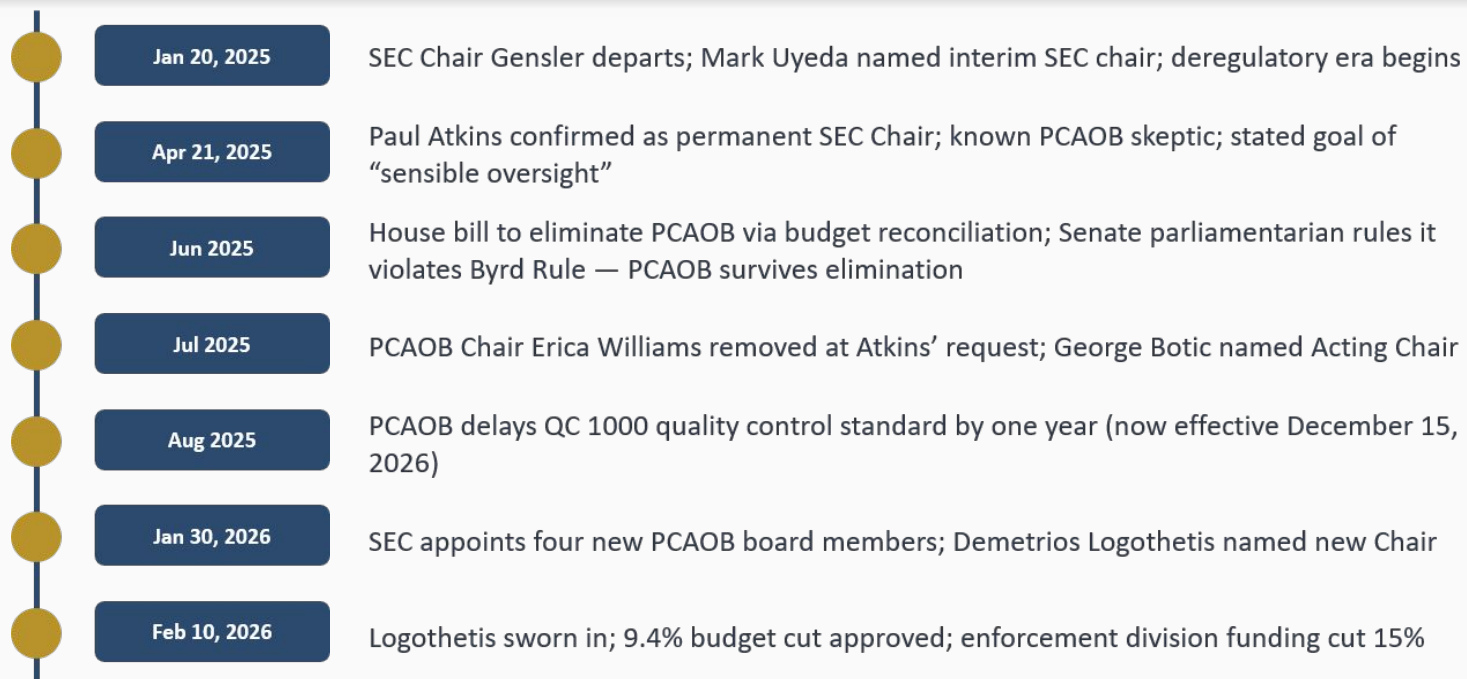
Knowledge Check

Knowledge Check 5



6. PCAOB: Leadership, Enforcement, and Standards

6.1. PCAOB Enforcement: A Historic Decline



6.2. PCAOB Enforcement: A Historic Decline

39

Total SEC+PCAOB enforcement actions in 2025 (vs. 58 in 2024 — down 33%)

\$17.9M

Total 2025 monetary sanctions (vs. \$52.2M in 2024 — down 66%)

2

SEC enforcement actions against auditors in all of 2025 — lowest in 8+ years of data

-9.4%

PCAOB 2026 budget; enforcement division cut an additional 15%

6.3. PCAOB: What Changed and What Stayed

What changed

- Enforcement actions against auditors dropped 33% in 2025; monetary penalties dropped 66%; SEC brought only 2 auditor enforcement actions all year
- PCAOB Chair Williams removed July 2025. New board installed January 2026; new chair Logothetis' stated goal: "sensible, efficient oversight"
- Budget cut 9.4% overall; enforcement division specifically cut 15% for 2026
- QC 1000 (Firm System of Quality Control) delayed one year to December 15, 2026

What did NOT change

- PCAOB was NOT abolished: Budget reconciliation attempt failed when Senate parliamentarian ruled it violated the Byrd Rule (requires 60-vote threshold)
- Audit quality expectations have not been formally lowered in any written standard

PCAOB 2026 inspection priorities remain

- AI use in audits and documentation; PE-backed firm governance and audit quality; foreign issuer audit quality (especially China-related); digital asset audit risks; quality control systems
- Investor advocates (CFA Institute, CAQ) continue to warn that weakened oversight risks return to pre-SOX conditions



6.4. PCAOB: WITHDRAWN Rules & Standards Update

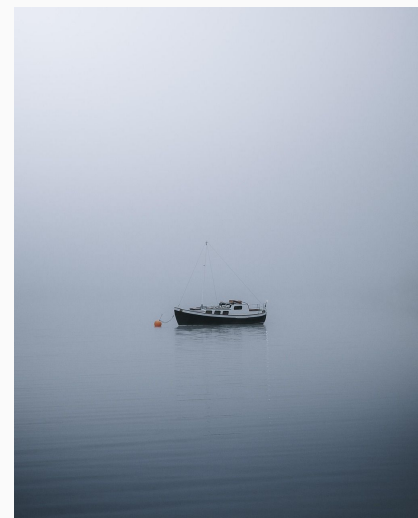
February 2025: PCAOB withdrew its proposed rules requiring extensive firm and engagement metrics disclosures (the “metrics proposal”) – a rule that would have required public disclosure of audit hours, restatement rates, partner workloads, and other firm-level data. Withdrawal cited cost/benefit concerns

QC 1000 – Firm System of Quality Control

- This is the PCAOB’s analog to the AICPA’s SQMS No. 1 – a risk-based quality management system replacing the prior quality control standard
- Originally effective December 15, 2025; delayed to December 15, 2026
- Investor advocates warned PCAOB not to use the delay to weaken the standard itself; the board committed to not substantive revisions during the delay
- Firms that completed or nearly completed implementation for the original deadline are urged to maintain their systems

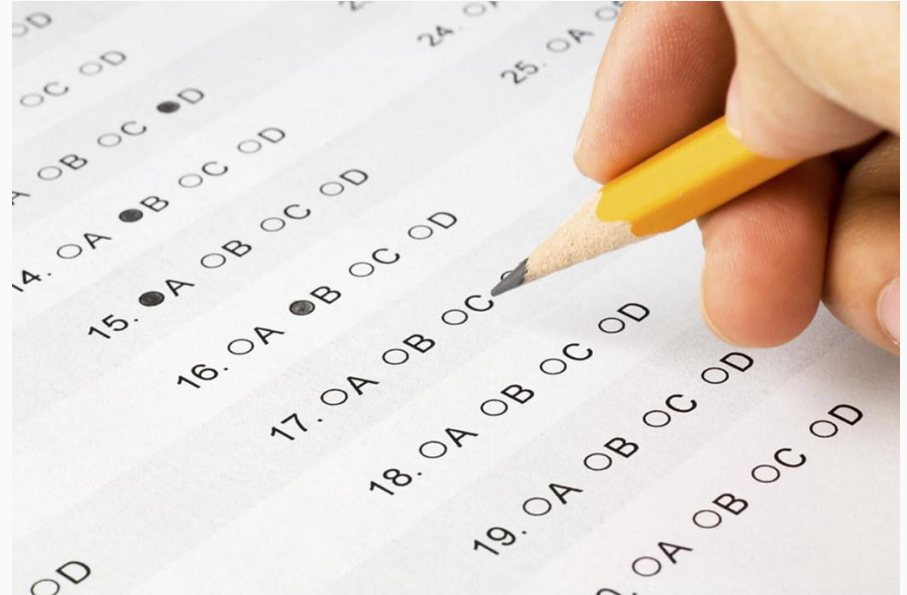
Confirmation standard (AS 2310 enhancement)

- PCAOB enhanced its external confirmation standard effective for fiscal years ending on or after June 15, 2025 – now requires positive confirmations for all cash and cash equivalent balances; aligns with AICPA proposed SAS on External Confirmations
- Auditors of public companies should ensure their confirmation procedures meet the enhanced PCAOB standard



Knowledge Check

Knowledge Check 6



7. GASB Updates for Government Entities

7.1. GASB Statement No. 103: Financial Reporting Model Improvements – NOW Effective

Background

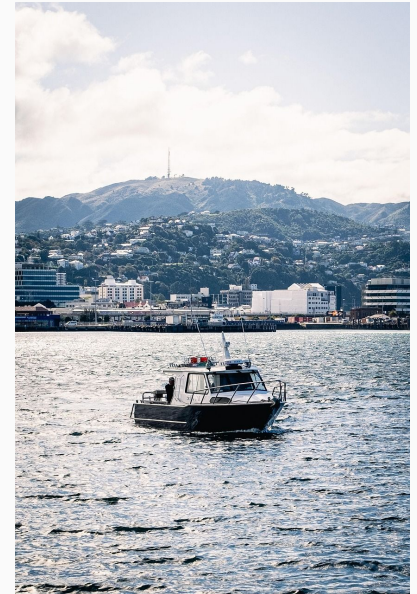
- GASB Statement No. 103 is described as the most significant update to governmental financial reporting since GASB Statement No. 34 was issued in 1999 (over 25 years ago)
- Effective for fiscal years beginning after June 15, 2025 – meaning this standard is actively being implemented for June 30, 2026 year-end governments RIGHT NOW

Key changes

- Unusual or Infrequent Items: Eliminates the prior categories of “special items” and “extraordinary items.” Replaced with two new classifications: (1) Unusual items and (2) Infrequent items (or both) – presented separately with gross inflows and outflows
- MD&A: Must include known facts and future conditions that may significantly affect financial results; generic boilerplate language no longer sufficient
- Proprietary Funds: New framework for classifying operating vs. nonoperating revenues and expenses; new “noncapital subsidies” category introduced
- Budgetary Comparison: Changes to presentation and reconciliation requirements
- Component Unit Reporting: Clarifications on aggregation and presentation

Implementation urgency

- June 30, 2026 year-end governments are the first widespread implementation group. GASB released Implementation Guide 2025-1 to assist; proposed implementation guide on subsidies issued February 2026



7.2. GASB Statement No. 105: Subsequent Events (December 2025)

Issued December 2025; effective for fiscal years beginning after June 15, 2026 – applies to June 30, 2027 year-end governments

Background

- Prior GAAP for governmental subsequent events was embedded in GASB Statement No. 56 (which codified AICPA guidance). The guidance contained inconsistencies, applied differently to different entity types, and resulted in considerable diversity in practice

Key provisions

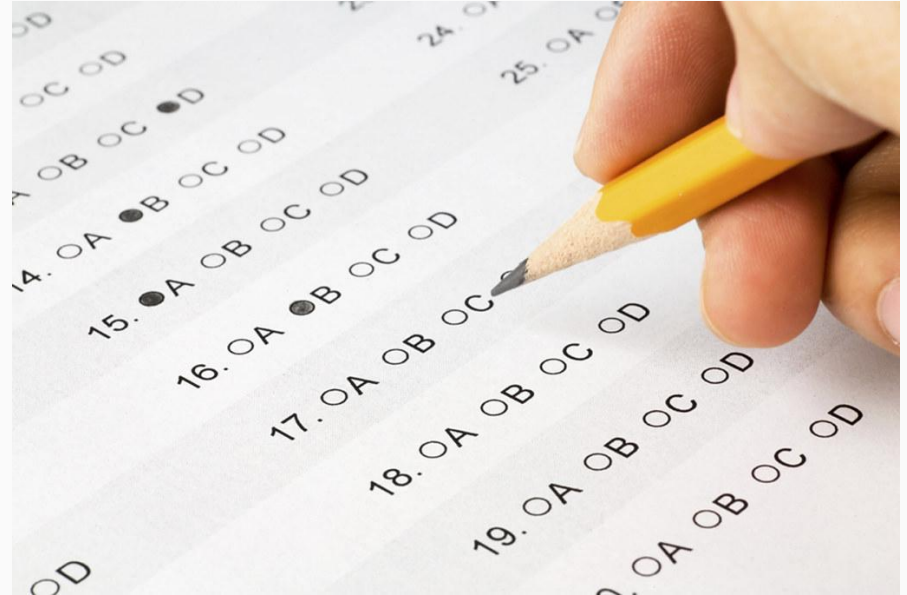
- Defines the “subsequent events time frame”: from the date of the financial statements through the date the statements are available to be issued (governmental entities) or the date financial statements are issued (conduit bond obligors)
- Recognized subsequent events: Conditions that existed at the financial statement date that become known after that date – must be reflected in the financial statements
- Nonrecognized subsequent events: New conditions arising after the financial statement date – disclosed if significant
- Provides clear disclosure requirements for both types, and requires disclosure of the date through which subsequent events were evaluated

Practical importance

- Governments, school districts, and governmental NFPs that consistently struggled with whether to recognize or disclose specific post-year-end events now have clearer guidance

Knowledge Check

Knowledge Check 7



8. International Standards: IFRS 18 and IASB Activity

8.1. IFRS 18: Presentation and Disclosure in Financial Statements

Issued April 9, 2024 by the IASB; effective January 1, 2027 (retrospective application required, so 2026 becomes the comparative period). UK endorsed December 10, 2025

What IFRS 18 does

- Replaces IAS 1 (Presentation of Financial Statements). Requires classification of all income and expenses in the statement of profit or loss into FIVE mandatory categories: 1. Operating, 2. Investing, 3. Financing, 4. Income taxes, and 5. Discontinued operations.
- Two new mandatory subtotals: “Operating Profit or Loss” and “Profit or Loss Before Financing and Income Taxes” – providing standardized benchmarks that do not currently exist under IAS 1

Management-Defined Performance Measures (MPMs)

- If a company communicates a non-GAAP measure to the public (e.g., “Adjusted EBITDA”), IFRS 18 requires that measure to be disclosed and explained in the notes to the financial statements – bringing non-GAAP measures INTO the audited financial statements

U.S. relevance

- Direct analog to FASB’s KPI project. Multinational companies with IFRS subsidiaries, foreign private issuers, and companies compared to IFRS peers must understand these changes. FASB is actively monitoring IFRS 18 for U.S. convergence opportunities



8.2. IFRS 18: Implementation Challenges & U.S. Comparisons

Implementation complexity is significant

- Companies must reclassify all income and expense items into the five new categories, which requires mapping from existing general ledger charts of accounts
- Many companies have multiple ERPs and complex organizational structures that make consistent categorization challenging across subsidiaries
- 2026 becomes the comparative year – companies must capture IFRS 18-categorized data throughout 2026 even before the standard's effective date

The MPM (non-GAAP) requirement is particularly significant

- Companies will need to identify all measures they communicate externally, determine which are MPMs under IFRS 18, and prepare disclosures bringing those measures into the financial statement notes
- This subjects MPM disclosures to the same internal controls and audit procedures as GAAP numbers – a major change

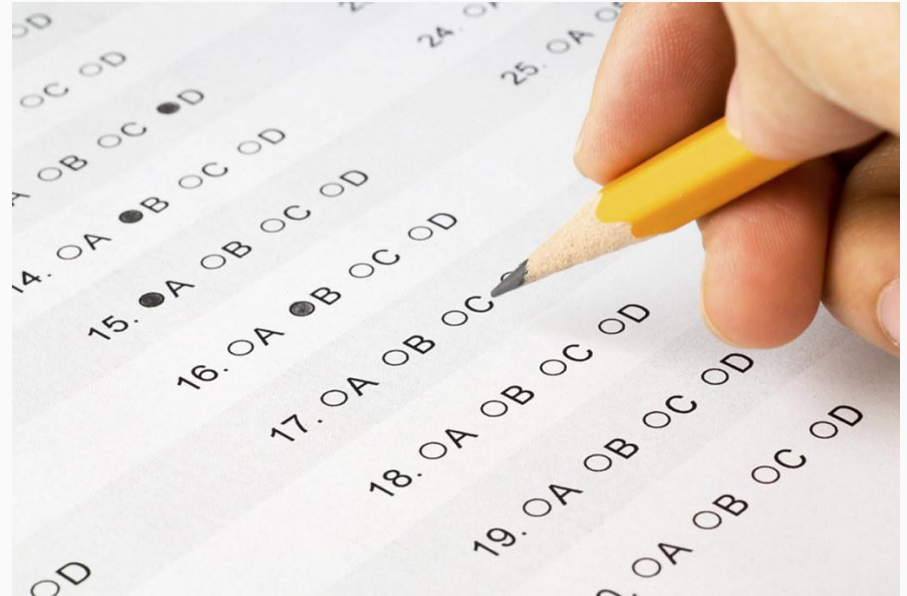
FASB's KPI project parallel

- The FASB's Financial KPIs Invitation-to-Comment (Nov 2024) and the IFRS 18 MPM requirement are addressing the same problem from different directions. At their October 2025 joint meeting, FASB and IASB discussed the potential for convergence in this area
- Watch for whether the FASB's eventual ED on KPIs mirrors the IFRS 18 MPM approach



Knowledge Check

Knowledge Check 8



9. Audit and Quality Management Standards

9.1. AICPA Quality Management Standards: Now Effective (Dec 15, 2025)

Effective December 15, 2025 for accounting and auditing practices of CPA firms. Four new quality management standards issued by AICPA in 2022 are NOW in effect:

SQMS No. 1 – A Firm’s System of Quality Management

- Replaces the prior QC 10 quality control standard. Shifts from prescriptive rules to a risk-based approach: firms assess their specific quality risks and design a system scaled to those risks
- Requires firms to set quality objectives, identify and assess quality risks, design responses proportionate to risk, and monitor the effectiveness of the system

SQMS No. 2 – Engagement Quality Reviews

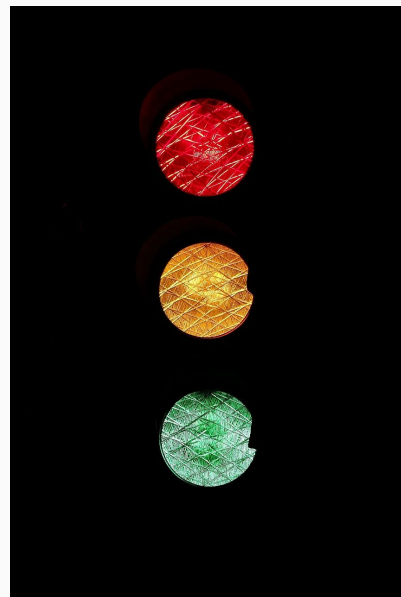
- Replaces QC 32; updates requirements for engagement quality reviewers (EQR); clarifies independence and timing requirements

SAS No. 146 – Quality Management for Individual Engagements

- The engagement-level companion to SQMS No. 1; engagement partners now have explicit documented responsibility for managing quality objectives for each engagement

SSARS No. 26 – Quality Management for Accounting & Review Engagements

- Applies the same risk-based framework to review and compilation engagements under SSARS



9.2. AICPA Quality Management: What Firms Must Have Done

By December 15, 2025, every CPA firm subject to SASs, SSAEs, or SSARs was required to have an operational system of quality management in place

Gap analysis – what most firms needed to address

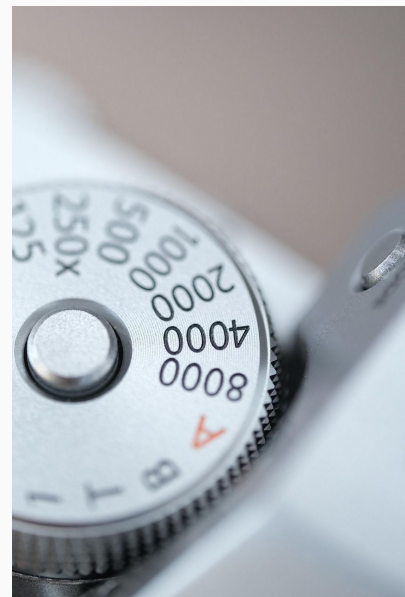
- Risk identification documentation: formal assessment of the firm’s specific quality risks (new for most firms; prior QC standards did not require this level of documented risk assessment)
- Quality objectives: explicitly stated objectives for each functional area of the QM system
- Responses designed proportionate to risk: policies and procedures calibrated to the firm’s assessed risks, not just a generic compliance checklist
- Monitoring and remediation: a defined process for ongoing evaluation of QM system effectiveness and remediation of identified deficiencies

AICPA resources

- 2025 updated practice aid: “Establishing and Maintaining a System of Quality Management for a CPA Firm’s Accounting and Auditing Practice”
- Second practice aid: “The Monitoring and Remediation Process for a Firm’s System of Quality Management”

Peer review implications

- Firms with system review years ending after December 15, 2025 will be peer reviewed under the new standards; peer reviewers are assessing QM systems for the first time



9.3. AICPA Exposure Drafts: External Confirmations & Attestation Reviews

Proposed SAS: External Confirmations (February 2025):

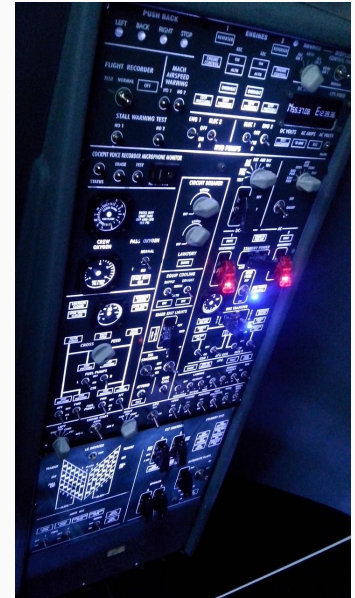
- AICPA issued exposure draft for a revised AU-C Section 505, External Confirmations – designed to align GAAS with the PCAOB’s enhanced AS 2310
- Key proposed changes: New requirement to confirm cash and cash equivalents directly with financial institutions (currently not explicitly required under GAAS)
- Aligns GAAS procedures with PCAOB’s June 2025-effective confirmation standard; auditors of both public and nonpublic entities would face similar requirements
- If finalized, effective for audits of periods ending on or after December 15, 2026

Proposed SSAE: Scope Limitations in Attestation Reviews (February 2025)

- Permits practitioners to issue a qualified conclusion OR a disclaimer of conclusion when a scope limitation exists in an attestation review engagement
- Responds to practice issues around sustainability reporting attestation – particularly relevant where management restricts access to evidence related to ESG metrics
- If finalized, effective for reports dated on or after December 15, 2026

ASB 2026–2030 Strategic Plan

- Draft released March 14, 2025; emphasizes alignment with international standards, responding to AI in auditing, and addressing going concern guidance



9.4. PCAOB & IAASB: Other Auditing Standards Activity

PCAOB Enhanced Confirmation Standard (AS 2310 – effective June 15, 2025)

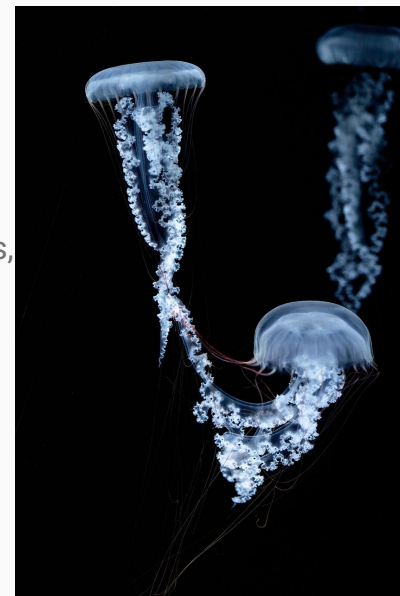
- Enhances requirements for the confirmation process in public company audits; requires positive confirmation for all cash and cash equivalent balances
- Requires auditors to evaluate the reliability of electronic confirmation sources and to investigate unresponded confirmations more rigorously

PCAOB Withdrawn: Firm and Engagement Metrics Proposal

- February 2025: PCAOB withdrew its controversial proposed rules that would have required public disclosure of detailed firm metrics (audit hours by experience level, restatement rates, partner-level workloads). Withdrawn under the new deregulatory posture

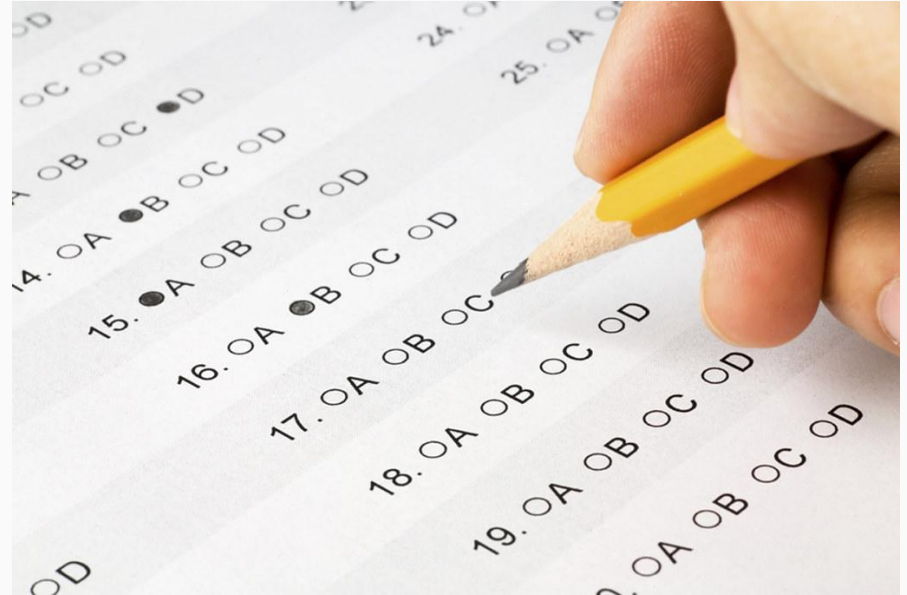
IAASB – ISA 570 (Revised 2024) on Going Concern

- International standard updated; effective for audits of financial statements for periods beginning on or after December 15, 2026
- Strengthens auditor responsibilities for identifying and communicating going concern risks; adds new requirements for auditor communication with management and those charged with governance
- U.S. impact: Non-GAAS engagements under ISAs, and context for AICPA/ASB convergence going forward



Knowledge Check

Knowledge Check 9



10. The Profession: Pipeline, PE, and AI

10.1. Private Equity in Accounting Firms: Acceleration & Ethics Response

As of early 2026, approximately half of the top 30 U.S. CPA firms have some form of PE investment or Alternative Practice Structure (APS)

Major transactions (June 2025 – June 2026)

- Citrin Cooperman (2025): New Mountain Capital → Blackstone: First-ever “sponsor-to-sponsor” transfer in U.S. accounting PE – a historic milestone
- Baker Tilly + Moss Adams (~\$7B): Creates 6th-largest U.S. accounting firm; largest PE-backed firm in the profession
- January 2026: 25+ PE-related transactions recorded in a single month – the highest monthly total ever
- Annual pace: 22 transactions (2023) → 65 (2024) → 100+ (2025) – still accelerating in 2026
- IFAC reported 1,052+ total global accounting firm transactions impacted by PE between 2015–2025

Regulatory response

- December 29, 2025: AICPA PEEC issued landmark exposure draft proposing major revisions to APS/independence rules – the most significant since 2000
- PCAOB Acting Chair Botic (Dec 2025): More than half of 90+ significant PE transactions since 2020 occurred in 2025 alone; explicit 2026 inspection focus on PE-backed firms



10.2. AI in Accounting & Auditing: The State of Practice (mid-2026)

AI in accounting market: \$6.68B in 2025 and growing rapidly; 70% of accounting firms using AI for tax compliance (Bloomberg Tax 2024)

How AI is being used today

- Audit evidence evaluation: AI reviews large populations of transactions, identifies anomalies, and risk-stratifies populations that would take humans weeks to analyze manually
- Generative AI in reporting: Drafting footnote disclosures, regulatory filing narratives, and MD&A sections for controller review; Deloitte reported 20% productivity gain in audit processes
- Tax compliance: AI performs research, computation, and return preparation in tax workflows
- Fraud detection: 100% transaction review, duplicate invoice detection, pattern recognition (PwC GL.ai and similar tools)

Agentic AI – the emerging frontier

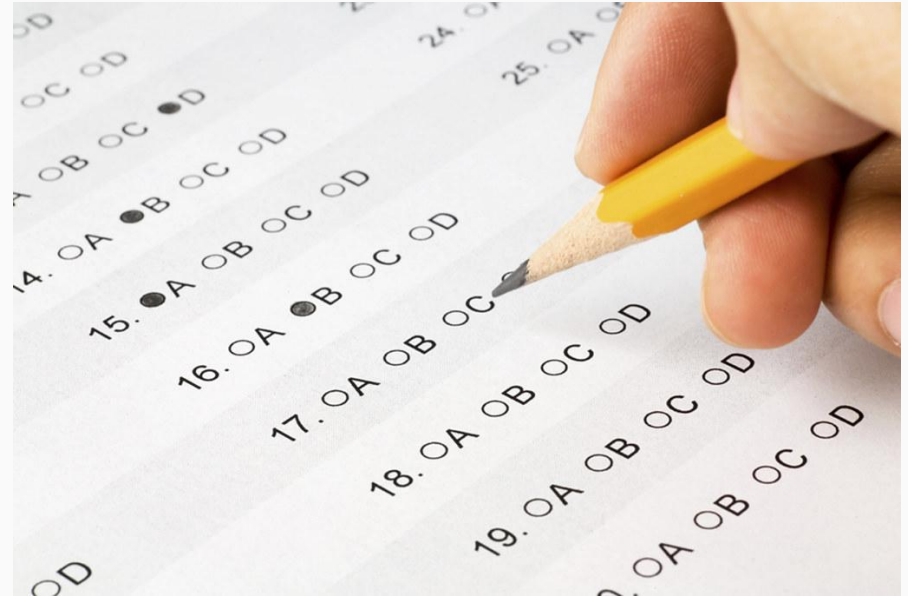
- Next-generation AI systems that execute multi-step tasks autonomously; 2025 CPA Practice Advisor Innovation Awards highlighted tools that can autonomously plan and execute audit tasks with “human-in-the-loop” approval checkpoints

Regulatory response

- PCAOB 2026 inspection priority: how firms use AI in audits, including professional skepticism documentation and reliability of AI-generated conclusions
- COSO released new GenAI Risk Roadmap integrating AI oversight into Internal Control – Integrated Framework (early 2026)
- New professional role emerging: CPAs as “AI system evaluators” – assessing AI reliability, bias, and security (AICPA Journal, Nov 2025)

Knowledge Check

Knowledge Check 10



11. Key Takeaways & What to Watch

11.1. The Top 10 Things to Know from This Year

1. FASB issued 13 ASUs (2025-01 through 2026-01) – busy year with major new territory in government grants, internal software, hedge accounting, and equity instruments
2. ASU 2024-03 (Expense Disaggregation) is coming – PBE planning must begin now for 2027 implementation
3. ASU 2023-08 (Crypto) and ASU 2023-09 (Tax Disclosures) are in full effect in 2025 – review any PBE financial statements for compliance
4. LIBOR relief expired December 31, 2025 – any unresolved LIBOR references now face standard modification accounting
5. SEC formally proposed rescission of climate disclosure rules (June 3, 2026) – comment period closes August 3, 2026
6. PCAOB survived but is significantly weakened: enforcement down 66%, budget cut, QC 1000 delayed, new leadership; watch 2026 inspection reports
7. GASB 103 (Financial Reporting Model) is NOW being implemented by governments with June 30, 2026 year-ends – most significant governmental accounting change in 25 years
8. IFRS 18 takes effect January 1, 2027: companies must prepare comparative data for 2026; MPM disclosure brings non-GAAP measures into audited financials
9. AICPA Quality Management Standards (SQMS 1, SQMS 2, SAS 146, SSARS 26) are now effective – every CPA firm must have an operational risk-based QM system
10. The CPA pipeline is being restructured in real time: 45+ states acting; ~50% of top-30 firms are PE-touched; AI is transforming workflows – the profession you entered is changing faster than ever