



# AICPA Conference on SEC and PCAOB Developments

## 2025 Top Takeaways

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# Executive summary

The 2025 American Institute of CPAs (AICPA) Conference on Current SEC and PCAOB Developments took place in Washington, D.C., Dec. 8-10, gathering regulators, standard-setters, auditors, lawyers, and industry professionals to discuss current priorities, emerging risks, and key developments affecting accounting, auditing, and financial reporting. Attendees heard an opening keynote from the president and CEO of the AICPA, Mark Koziel, on the future of the accounting and auditing professions. Over the course of three days, participants took in remarks from U.S. Securities and Exchange Commission (SEC) Chair Paul Atkins, SEC Chief Accountant Kurt Hohl and other staff members from the SEC's Office of the Chief Accountant (OCA), and staff from the Division of Corporation Finance (Corp Fin), the Public Company Accounting Oversight Board (PCAOB), and the Financial Accounting Standards Board (FASB). Other sessions focused on the evolving macroeconomic environment, tariffs, trade, tax matters, audit committee oversight, artificial intelligence (AI), and the financial reporting implications of mergers and acquisitions, among other topics.

## SEC developments

### Fireside chats with SEC chair and chief accountant

Julie Bell Lindsay, CEO of the Center for Audit Quality (CAQ), moderated two fireside chats – one with SEC Chair Paul Atkins and another with Chief Accountant Kurt Hohl.

#### Chair Atkins

Atkins opened the discussion by outlining the pillars guiding his chairmanship, describing a “back to basics” approach to financial reporting. He emphasized the foundational principles of high-quality financial reporting, integrity, objectivity, independence, and professional skepticism as essential to maintaining investor confidence and market discipline.

Atkins expressed a desire to reverse the decline in the number of public companies, noting a decrease of approximately 40% over the past 30 years. He said that promoting capital formation is a key priority, stating that forthcoming rulemaking efforts are intended to reduce burdens on public companies and improve conditions for initial public offerings to “make IPOs great again.” In addition to disclosure burdens, Atkins

observed that litigation risk and shareholder activism also disincentivize companies from going public, and he highlighted actions the commission has taken or will take to further capital formation and remove disincentives.

Regarding digital assets, Atkins explained his focus on advancing related rulemaking to “give clear rules of the road,” describing what he characterized as a shift away from “regulation by enforcement” and signaling a “new day at the SEC.” He also addressed matters related to PCAOB oversight, including expected changes in board leadership and the process for selecting a new chair.

### **Chief Accountant Hohl**

Hohl outlined his priorities for the SEC’s OCA, including responsiveness to emerging issues, oversight of the FASB and the PCAOB, and engagement in international standard-setting efforts. With respect to emerging issues, he described the OCA’s focus on understanding the financial reporting implications of new technologies such as AI and digital assets. He also indicated that he has ongoing dialogue with FASB leadership regarding ways to address complex topics (for example, crypto asset accounting issues) through timely standard-setting while balancing cost-benefit considerations.

Hohl emphasized the importance of audit quality to the capital markets and observed that supporting the commission’s oversight of the PCAOB remains a top OCA priority. He expressed his view that the PCAOB should consider recalibrating its inspection process to focus more on auditors’ systems of quality control than on individual audit engagements and should reevaluate inspection reports to improve their usefulness. With respect to PCAOB standard-setting, he suggested the PCAOB consider embarking on an agenda consultation process to better understand stakeholder priorities, similar to efforts the FASB has undertaken in recent years.

He also highlighted a desire to decrease cost and burden through greater international convergence in accounting and auditing standard-setting. He encouraged the FASB and the International Accounting Standards Board to continue working together to achieve convergence whenever possible, noting that such efforts could enhance clarity and the decision-usefulness of information provided to investors as well as enable more efficient development of high-quality standards. Separately, he observed that similar benefits could result from coordination between the PCAOB and the International Auditing and Assurance Standards Board (IAASB), including the potential for the PCAOB to leverage the IAASB’s International Standards on Auditing in its standard-setting activities.

## OCA – Current projects panel

A panel of OCA staff discussed a range of accounting and auditing matters. The session included remarks from Anita Doutt and Nigel James, senior associate chief accountants; Fariba Nasary and Jonathan Duersch, associate chief accountants; and Ella Karafiat, professional accounting fellow.

At the outset, the panelists echoed Hohl's remarks on the importance of international coordination and convergence. They then turned to other recently encountered issues and fact patterns.

### **Accounting matters**

The panelists provided observations related to recent accounting topics and consultations involving application of the normal purchase normal sales derivative scope exception, private credit valuations, AI infrastructure transactions, and various stablecoin fact patterns.

#### ***Natural gas contracts and normal purchase normal sale***

OCA staff described recent accounting questions related to long-term U.S. natural gas contracts tied to non-U.S. price indexes – in this case, Dutch Title Transfer Facility (TTF). The staff explained that normal purchase normal sale (NPNS) derivative scope exception eligibility requires pricing terms to be clearly and closely related to the asset sold.

In evaluating contracts priced using a Dutch TTF index with fixed percentage adjustments, the OCA considered whether market participants use similar pricing for U.S. deliveries and whether the adjustment reasonably approximates costs associated with delivery to European markets.

Based on available evidence associated with a recent formal submission, the OCA did not object to NPNS designation that the TTF-based pricing with a percentage reduction was clearly and closely related to the fair value of the natural gas, acknowledging judgment is required as markets evolve.

#### ***Private credit and fair value considerations***

OCA staff addressed accounting considerations for the expanding private credit market, where nontraditional lenders such as private equity funds and business development

companies provide financing. These entities typically apply investment company accounting and measure their investments at fair value. Fair value measurement of inherently illiquid investments typically involves using unobservable (Level 3) inputs under FASB Accounting Standards Codification (ASC) 820, “Fair Value Measurement.” Staff observations included the following:

- Entities must reflect assumptions that market participants would use, including assumptions about credit risk.
- Increases in credit risk must be incorporated into the fair value measurement through a premium that compensates market participants for that increased risk.
- Entities must calibrate their valuation models so that at initial recognition, the valuation technique produces a fair value equal to the transaction price; in other words, the valuation technique should not engineer gains or losses.

The panel also highlighted Rule 2a-5, which governs good faith fair value determinations for registered investment companies and business development companies, emphasizing the need for robust processes to assess and manage material risks, select and test valuation methodologies, and evaluate pricing services.

### ***AI infrastructure transactions***

OCA staff noted that several areas of existing GAAP remain particularly important as AI-related development accelerates, especially in complex data center arrangements involving multiple parties. Accounting considerations include:

- **Consolidation analysis.** Data centers that are under construction or in operation are often held by a variable interest entity (VIE). Under ASC 810, “Consolidation,” a holder of a variable interest in a VIE must determine if the holder is the primary beneficiary, which often requires significant judgment in identifying the activities that most significantly affect the VIE’s economic performance (for example, design, construction, leasing, operations, or remarketing).
- **Lease accounting.** In certain data center arrangements, an entity may conclude it is leasing an asset, such as the data center itself or a power plant supporting the data center. Under ASC 842, “Leases,” a lessee must determine when a lease commences and whether the lessee is deemed to be the owner

during construction. The examples of factors demonstrating control in ASC 842 are not an exhaustive list, and the totality of facts and circumstances should be considered.

- **Fixed asset accounting.** Entities must continually evaluate the appropriateness of useful lives assigned to long-lived assets. The staff said that it does not view the recognition of an impairment charge to be an acceptable substitute for choosing an appropriate useful life. In addition, recoverability assessments must incorporate all available information, including budgets, projections, incentive-compensation inputs, and other information communicated.

### ***Digital assets – Stablecoin fact patterns***

The staff highlighted two separate consultations the OCA recently considered involving a stablecoin issuer and a stablecoin holder.

- **Stablecoin issuer.** OCA staff described a consultation focused on the balance sheet treatment of reserve assets and the redemption obligation associated with a stablecoin issuance. In the fact pattern, a stablecoin issuer concluded the issuer should not recognize the reserve assets backing the stablecoin, asserting that the assets were held in segregated accounts for the benefit of the stablecoin holder and that regulatory requirements limited how reserve assets could be invested. The OCA objected to the conclusion that reserve assets and related redemption obligations should not be recognized on the balance sheet, noting, among other considerations, that the entity was regulated as a stablecoin issuer and was the sole obligor responsible for redeeming the stablecoins. The staff observed that the stablecoin issuer controlled and managed the reserve assets by investing those assets within the bounds of the regulatory requirements, benefiting from the resulting yield, which could include sharing it with partners.
- **Stablecoin holder.** The OCA described a consultation with a stablecoin holder on the classification of a U.S. dollar-pegged stablecoin as a cash equivalent. Under U.S. GAAP, cash equivalents are defined as short-term, highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. In this fact pattern, the registrant had a specific agreement with the respective stablecoin issuer, separate and apart from the general terms and conditions of the stablecoin issuer, that provided

the registrant a guaranteed one-for-one redemption of the stablecoin to U.S. dollars within two business days. In addition, the stablecoin issuer was subject to regulation requiring all issued stablecoins to be fully backed by an equivalent amount of specified liquid assets, limited to financial instruments that otherwise would meet the definition of cash equivalents. Based on these unique facts and circumstances, the OCA did not object to the registrant's classification of these stablecoin holdings as cash equivalents.

### **Auditing matters**

OCA staff advised preparers and auditors to carefully evaluate governance frameworks, change management, and fraud risk associated with the use of AI-based tools. The staff highlighted the importance of explainability – that is, being able to demonstrate an understanding of AI model design and related outputs. With respect to change management, the staff emphasized the need to monitor for model drift to assess whether AI models remain fit for purpose on an ongoing basis. OCA staff also underscored the importance of maintaining an auditable trail for AI-generated outputs, including prompt logs, model documentation, and oversight mechanisms. Finally, OCA staff noted increasing regulatory interest in AI governance globally and encouraged registrants to proactively communicate emerging issues to the OCA.

## **Division of Corporation Finance (Corp Fin)**

### **Remarks from Director James Moloney**

Moloney provided an overview of Corp Fin's priorities following the 43-day government shutdown. He noted that the staff is working diligently to address a backlog of more than 1,000 registration statements, with particular focus on processing capital-formation-related filings. Moloney highlighted the division's work on upcoming rules and roundtables, including semiannual reporting. He stressed Corp Fin is interested in engaging with stakeholders and encouraged registrants to stay transparent and communicate openly with Corp Fin staff.

### **Panel discussion and FAQ**

Corp Fin Chief Accountant Heather Rosenberger was joined by Corp Fin Deputy Chief Accountant Sarah Lowe, acting Deputy Chief Accountant Melissa Raminpour, Associate Chief Accountant Tricia Armelin, and Associate Chief Accountant Jarrett Torno to discuss frequent questions and areas of staff focus including issuing interpretive

guidance, segment reporting, non-GAAP measures, determining a predecessor for financial reporting purposes, revenue presentation and disclosure, and management's discussion and analysis (MD&A).

### **Interpretive guidance**

CorpFin staff noted several achievements for the year including issuing three updates to the Financial Reporting Manual (FRM) and various compliance and disclosure interpretations (C&DI). After issuing the third FRM update right before the conference, Rosenberger said the FRM now includes updated interpretive guidance on all recent rulemakings such as significant business acquisitions, MD&A, and special purpose acquisition companies (SPACs).

Staff highlighted several C&DI issued during the year, including the topics of clawback rules and the reporting obligations of SPACs. In addition, the staff discussed [C&DI](#) Question 130.05, issued in August 2025. That C&DI clarifies when an issuer becomes an accelerated filer or large accelerated filer after determining it no longer qualifies as a smaller reporting company (SRC) under the SRC revenue test.

### **Segment reporting**

Segment reporting began with the issuance of FASB Statement 131, "Disclosures About Segments of an Enterprise and Related Information," in 1997. This topic is addressed every year at this conference, likely since the standard became effective in 1998, so it was not surprising the topic came up again, especially in the first year after the adoption of an accounting standard. The staff had multiple observations based on filing reviews from registrants' implementation of Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."

### ***Required measure of segment profit or loss***

The staff noted that when the chief operating decision-maker (CODM) uses multiple measures to allocate resources and assess performance, registrants must identify the single required measure under ASC 280. The required measure is the one, according to 280-10-50-28, "which management believes is determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the public entity's consolidated financial statements." The staff referred to this as identifying the measure "closest to GAAP" and described three hypothetical scenarios:

- **All measures based on GAAP.** When all measures reviewed by the CODM are based on GAAP, the measure that includes more GAAP revenue and expense line items generally is considered the required measure. For example, if the CODM reviews both gross margin and operating income, operating income is the required measure because it includes more GAAP line items.
- **One GAAP and one non-GAAP measure.** When the CODM uses one GAAP-based measure and one non-GAAP measure, the GAAP-based measure is typically the required measure.
- **All non-GAAP-based measures.** When none of the measures are based on GAAP, identifying the required measure might require judgment. Factors include the number and nature of adjustments and the relative inclusion of revenue and expense line items. For instance, if the CODM reviews EBITDA and adjusted EBITDA, EBITDA typically would be deemed the required measure because EBITDA has fewer adjustments in relation to GAAP than adjusted EBITDA. As another example, if the CODM uses adjusted gross profit and adjusted operating income, both of which exclude only share-based compensation expense, adjusted operating income would be the required measure because it includes more revenue and expense line items.

### ***Single reportable segment entities***

One of the more significant changes in ASU 2023-07 is that registrants with a single reportable segment must provide all required segment disclosures. Corp Fin has seen instances where registrants with a single operating and reportable segment, managed on a consolidated basis, included a reference to the primary financial statements as the basis for their segment disclosures. The staff noted that while referencing the primary financial statements is contemplated in the basis for conclusions to the ASU, it might not be sufficient in all cases. For example, a reference may not substitute for disclosures that, by their nature, are not provided on the face of the financial statements, such as:

- Factors used to identify the reportable segment
- Identification of the CODM
- How the measure(s) of segment profit or loss are used to assess performance and allocate resources

In addition, in single reportable segment entities, the expenses regularly provided to the CODM might differ from the expenses presented on the face of the income statement. When that is the case, it would not be appropriate to simply refer users

to the consolidated income statement for segment expense information because the standard requires additional significant expense information.

However, if the CODM uses the same expense information that is presented on the face of the income statement, then referring to the primary financial statements might be appropriate. In those situations, it would be helpful to clearly state that the CODM relies on the consolidated income statement information so it is clear that the CODM is not receiving additional expense information beyond what is already presented in the financial statements.

### ***Additional segment disclosure observations***

The staff reminded registrants of several other areas of focus:

- **How the CODM uses reported measure.** ASC 280-10-50-29(f) requires disclosure of how measures are used in assessing performance and allocating resources. The staff has observed disclosures that state usage without explaining how the measures are used.
- **When no significant segment expenses are disclosed.** ASC 280-10-50-26(c) requires an explanation of the nature of expense information provided to the CODM and disclosure of an amount and qualitative description of “other segment items” for each reportable segment, even when the entity does not report significant segment expenses for one or more reportable segments.
- **Clarity of category labels and measurement.** Registrants should clearly describe what significant segment expense categories include and how they are measured, particularly when measurement principles differ from GAAP or when labels resemble consolidated income statement captions.

### ***Non-GAAP segment considerations***

The staff noted instances when registrants included information in the segment footnote that is not required by ASC 280 (for example, presenting totals for significant expense categories or subtotals creating nonreportable segment subgroupings), potentially creating non-GAAP concerns. Registrants were encouraged to first ensure compliance with ASC 280 and then separately evaluate whether any supplemental disclosure complies with SEC non-GAAP rules.

### ***Non-GAAP measures***

Corp Fin staff members said they remain focused on whether non-GAAP measures are potentially misleading under Regulation G, “Conditions for Use of Non-GAAP Financial Measures,” and Item 10(e) of Regulation S-K, “Use of non-GAAP financial measures in

Commission filings." The staff noted that companies sometimes do not understand why a particular measure or adjustment is viewed as problematic and encouraged registrants to contact the review team directly when clarification is needed.

When a non-GAAP measure or adjustment is deemed misleading, the measure generally should be removed or revised immediately, meaning in the next filing and in all future filings and public disclosures, including prior-period non-GAAP amounts presented for comparability.

The staff acknowledged that in certain circumstances – such as when an objection is raised shortly before an earnings release – immediate change might be impracticable. In those situations, registrants should consult with the staff. When registrants have sufficient time to communicate changes to investors, the staff continues to expect immediate correction.

### **Predecessor determinations in spinoff transactions**

The staff noted an increase in questions related to identifying the predecessor in spinoff transactions. The determination of the predecessor depends on the specific structure of the transaction and the historical operations of the business.

In some spinoff transactions, the predecessor financial statements might include only the operations ultimately being spun off. This might be appropriate when operations of multiple business lines were historically commingled across many legal entities and the portion being spun was a distinct reportable segment with separately managed activities. In other cases, the predecessor financial statements might need to reflect the full historical results of the legal entity being spun off, including business lines not ultimately contributed. The staff indicated this might be appropriate when the legal entity historically operated as an integrated business with shared management, shared services, and combined financing. In these situations, the impact of operations retained by the parent can be addressed through pro forma information.

The staff highlighted that the predecessor is not always the accounting acquirer, particularly in put-together transactions. Although it is uncommon, some transactions might result in more than one predecessor. Staff members consider factors including timing of acquisitions, relative size and fair value of the businesses, and management structure.

Panelists addressed predecessor questions for certain licensing arrangements, which are common in the life sciences industry. Determining whether the licensor, or a carve-out of its operations, is a predecessor for financial reporting purposes depends on factors such as the development stage of the licensed asset, the terms

of the license, and whether the registrant is succeeding to substantially all of the licensor's related activities. Given the complexity of these arrangements, the staff said it encourages consultation.

### **Revenue presentation and disclosure**

Corp Fin continues to receive questions about the application of Regulation S-X, "Form and Content of and Requirements for Financial Statements," Rule 5-03, "Statements of comprehensive income," in software arrangements involving licenses, updates, post-contract support (PCS), and software as a service (SaaS). The staff reiterated that when a software license is a separate performance obligation under ASC 606, "Revenue From Contracts With Customers," license revenue should be presented as product revenue on the face of the income statement if material, consistent with long-standing staff views and with ASC 606's objectives. Because licenses typically are recognized at a point in time while PCS, updates, and SaaS generally are recognized over time, separate presentation can help investors better evaluate the company's historical results and future prospects.

The staff also discussed incentives provided by agents to end users, an area that continues to raise questions. Evaluating whether such incentives represent a reduction of revenue or a marketing expense might require assessing who the customer is, whether an explicit or implicit promise to provide the incentive exists, and whether a supplier has a valid expectation that the agent will provide the incentive. The staff said that incentives classified as marketing expense and material should be quantified and discussed in MD&A to provide transparency into their impact on operating results.

The staff addressed the interaction of Rule 5-03 with ASC 606 and the FASB's new disaggregation of income statement expenses standard (DISE). Rule 5-03 remains relevant because it prescribes specific income statement line items for both revenues and costs and promotes consistency of presentation. ASC 606 and DISE do not replace these requirements, as their disclosures might not align with the product-versus-service distinction required by Rule 5-03.

### **MD&A**

Panelists stated that MD&A remains a leading area of comment. They encouraged companies to reassess disclosures each year in light of macroeconomic developments such as tariffs and related trade restrictions, AI developments and governance considerations, and other emerging issues.

When considering, for example, the impact of tariffs, registrants should evaluate whether:

- Material changes in reported results already have occurred and require explanation
- Known events or uncertainties could have a material future impact and therefore warrant forward-looking MD&A disclosure

The staff reminded registrants that MD&A must include disclosure of known trends, demands, commitments, events, or uncertainties that are reasonably likely to have a material effect on results of operations or financial condition. In some cases, even when the likelihood of a particular outcome cannot be precisely assessed, disclosure still might be required.

### **Other topics**

Corp Fin staff also addressed the financial reporting for common control transactions in IPO scenarios and reverse spinoffs, cautioned against inappropriate netting on the statement of cash flows, and reminded attendees that related-party amounts should be presented on the face of the primary financial statements, among other topics.

## **PCAOB developments**

### **Remarks from acting Chair George Botic**

The acting chair delivered remarks reiterating the PCAOB's mission of investor protection and emphasized the critical role high-quality audits play in supporting the integrity and functioning of the capital markets, framing auditing as a noble profession and a sentinel for the capital markets. He noted that professional skepticism remains foundational to effective audits, particularly amid emerging technologies in AI and evolving business models.

Botic highlighted three core pillars of investor protection supported by PCAOB oversight: the inspections program, new and revised auditing standards, and transparency into the audit process through Form AP and critical audit matters.

Finally, Botic encouraged the "one more degree" mindset for auditors – taking one more step or asking one more question to protect investors.

## PCAOB staff panel discussion

PCAOB Division of Registration and Inspections Director Christine Gunia explained that PCAOB inspectors have observed measurable audit quality improvements over the past two years, driven largely by stronger systems of quality control and more consistent application of engagement performance principles. She highlighted practices associated with higher-quality audits: consistent involvement of specialists, effective consultations, well-tailored risk assessments, stronger acceptance and continuance processes, and a firm culture that reinforces audit quality. She also noted firms' own explanations for improvement – greater in-person work, increased training (especially for less experienced staff), enhanced technology-enabled supervision, standardized templates, and expanded pre-issuance monitoring. Looking ahead, she emphasized that sustaining improvement requires vigilance (it's not a "one and done" exercise); strong quality control systems under QC 1000, "A Firm's System of Quality Control"; and proactive oversight of risks.

PCAOB Chief Auditor and Director of Professional Standards Barbara Vanich discussed the delayed effective date of QC 1000 – now Dec. 15, 2026 – explaining that firms reported implementation challenges requiring more time to execute the standard thoughtfully rather than hastily. She emphasized that the delay does not imply firms should pause preparation; instead, firms should continue refining design, performing dry runs, updating policies, and training personnel. She also addressed questions about certain new technology-related amendments (specifically, amendments to PCAOB Auditing Standard (AS) 1105, "Audit Evidence," and AS 2301, "The Auditor's Responses to the Risks of Material Misstatement"), noting common inquiries about evaluating external electronic information and clarifying when separate testing is or isn't needed.

PCAOB Division of Enforcement and Investigations Chief Counsel William Ryan outlined the division's four priority areas: significant audit failures, independence violations, interference with PCAOB processes and ethical breaches, and quality control failures. He referenced recent enforcement actions illustrating these themes, including improper issuance of component audit opinions, manipulated independence testing data, answer sharing on internal exams, and work paper alteration before inspections.

# FASB update

The FASB panel, featuring Chair Rich Jones, Technical Director Jackson Day, and Deputy Technical Directors Nellie Debbeler and Rosemarie Sangiuolo, reported significant progress on completing existing technical agenda items and beginning to advance projects arising from the FASB's 2025 agenda consultation. They noted strong stakeholder engagement on the agenda consultation, with nearly 130 comment letters encompassing 72 potential agenda items. FASB leadership indicated that during public meetings over the coming year, the board expects to consider whether these topics should result in future standard-setting projects.

Early additions to the technical agenda resulting from the agenda consultation include stablecoins as cash equivalents, digital asset transfers, and equity method investments.

## Recently issued and pending standards

The board's recent progress includes several final or near final ASUs of note:

- **Credit losses on accounts receivable and contract assets.** ASU 2025-05, issued July 2025, provides a practical expedient available to all entities and a policy election available to nonpublic business entities to simplify application of the current expected credit losses (CECL) standard (ASC 326, "Credit Losses") to accounts receivable and contract assets. It is effective calendar year 2026 for all entities.
- **Software costs.** ASU 2025-06, issued September 2025, makes targeted improvements to internal-use software guidance, eliminating the stage-based model and adopting a principles-based approach. The ASU revises the cost capitalization threshold. It is effective calendar year 2028 for all entities.
- **Derivative scope refinements.** ASU 2025-07, issued September 2025, provides a scope exception for contracts with underlyings based on operations or activities specific to one of the parties to the contract. It also clarifies accounting for share-based noncash consideration received from customers. The ASU is effective calendar year 2027 for all entities.
- **Purchased loans.** ASU 2025-08, issued November 2025, expands the population of loans subject to the "gross up approach" to address the double-count issue related to accounting for credit losses for purchased loans. It applies

to “purchased seasoned loans” without credit deterioration. The ASU is effective calendar year 2027 for all entities; early adoption is permitted.

- **Hedge accounting improvements.** ASU 2025-09, issued November 2025, addresses five targeted practice issues, including a “similar risk” assessment for pooled cash flow hedges and a tailored model for pick-your-rate debt. It is effective calendar year 2027 for public business entities.
- **Government grants.** ASU 2025-10, issued December 2025, establishes initial U.S. GAAP guidance for the receipt of government grants by business entities, leveraging International Accounting Standard (IAS) 20, “Accounting for Government Grants and Disclosure of Government Assistance,” as a foundation. The ASU separates grants into asset-related and income-related approaches with corresponding recognition guidance. It is effective calendar year 2029 for public business entities.
- **Environmental credits.** This ASU is expected in the first quarter of 2026. Existing U.S. GAAP does not provide explicit guidance on the recognition and measurement of environmental credits. The standard will establish accounting guidance for environmental credits. The panel noted the standard focuses solely on financial accounting, not policy matters.

### **Post-implementation reviews**

The panel discussed the nature and status of the FASB’s post-implementation review (PIR) process for major ASUs. During 2025, the board concluded its PIR of the leases standard (ASC 842, “Leases”), determining that the standard achieved its intended objectives; however, the costs associated with implementation were higher than initially anticipated. The PIR of the CECL standard is currently in progress.

## **Accounting hot topics panel**

A panel of national office partners from various accounting firms discussed accounting challenges driven by evolving business models, changing economic conditions, and recent standard-setting activity.

### **Complex transaction structures**

Building on OCA staff commentary in a separate session, panelists observed that transactions involving AI data centers and power generation assets continue to present complex accounting considerations. These arrangements frequently are structured through single-asset legal entities with multiple sources of financing, making the

consolidation analysis a key first step – in some cases resulting in significant debt being recognized on the investor's balance sheet.

Leasing considerations for these arrangements might present further challenges, including the assessment of whether a lease exists and the identification of lease and nonlease components. For lessors with arrangements containing nonlease components, navigating the interaction of ASC 842 and ASC 606 can be particularly challenging.

The panel also discussed other complex arrangements that require careful evaluation of the related accounting implications. For example, a guarantee provided to a customer in a service arrangement might require judgment to determine whether it is within the scope of ASC 460, "Guarantees," or instead represents a guarantee of an entity's own future performance, in which case other guidance, such as ASC 606 on variable consideration, might apply.

### **Segment reporting**

The panel cautioned that incremental changes in business models can have significant segment reporting implications. For example, such changes could result in changes in margins and could therefore affect the aggregation of operating segments, among other potential implications under the segment reporting standard.

### **Impairment testing in uncertain times**

Economic uncertainty continues to drive impairment considerations across multiple asset classes. The panel highlighted the importance of identifying the appropriate unit of account and evaluating impairment on a timely basis.

Panelists noted cash flow projections require significant judgment and cautioned against using company-specific risk premiums in discount rates to offset aggressive cash flow assumptions, as such adjustments are difficult to support and cannot be applied in undiscounted cash flow tests.

### **New standards: DISE and software costs**

DISE was highlighted as an ASU that might present a significant implementation effort for many companies. Disaggregation of income statement expense captions that include employee compensation, inventory purchases, and depreciation can be operationally complex, particularly when existing systems are not designed to track this information with sufficient precision. Although the standard permits estimates or other methods to produce reasonable approximations of the required disaggregated disclosure information, companies will need well-documented, auditable processes and are encouraged to begin implementation efforts early.

The panel also discussed the new internal-use software costs guidance, which eliminates stage-based capitalization in favor of a principles-based model. While this

approach might reduce the judgment required to apply the legacy guidance to modern software development practices, it shifts the focus to different judgments. The panel said that capitalization might be largely unaffected in many instances, such as traditional enterprise resource planning implementations; however, companies that use software to provide SaaS solutions might experience reduced capitalization.

### **IPO readiness and M&A complexity**

Panelists observed that companies pursuing initial public offerings often underestimate the time and effort required to achieve readiness. Beyond unwinding private company accounting elections, companies also must prepare for expanded public company reporting and disclosure requirements, including segment disclosures, DISE, and earnings per share considerations, as well as disclosures outside the financial statements, such as MD&A.

### **AICPA Financial Reporting Executive Committee (FinREC) update**

As part of the panel presentation, the FinREC chair delivered an update on the committee's activities, including:

- Updates to the accounting and valuation guide for business combinations
- Two revisions to the digital assets practice aid in 2025
- Ongoing updates to the accounting guides for airlines and for life and health insurance
- The forthcoming release of new chapters in the AICPA guide, "Valuation of Privately Held Companies Equity Securities Issued as Compensation," including consideration of complex capital structures.

## **Economic update**

Jason Schenker, chair of the Futurist Institute and president of Prestige Economics, delivered an engaging keynote address covering geopolitical developments viewed through a long-term historical lens. Schenker suggested the United States and China might be entering a prolonged "Cold War II" driven by economic, political, and military competition.

Among the many data points he covered, three were particularly entertaining. First, in the most recent core consumer price index (CPI) report, which measures changes in prices for a broad basket of goods and services, Schenker compared the impact of pets and pet food to the impact of major appliances, noting pets and

pet food are nine times more important to the CPI than major appliances. Second, he, tongue in cheek, described crypto as “fake magic internet money” to facilitate a demonstration of the power of AI. Third, he noted trends of companies disclosing use of AI in public statements and documents. Per Schenker, in the not-too-distant future, these disclosures will be akin to disclosing that a company “uses the internet” or “has running water.”

Schenker also reviewed global economic conditions, highlighting continued growth, resilient U.S. consumer spending, a tight labor market, and evolving inflation dynamics. Additional topics included global debt levels, demographic trends, supply chain concentration risks, and the expanding role of AI as a productivity tool. While acknowledging AI’s potential benefits, he emphasized the importance of data quality, controls, and thoughtful adoption. The session concluded with observations on economic resilience, risk preparedness, and the expectation that geopolitical dynamics will continue to influence policy, trade, and corporate planning.

## Tariffs, trade, and tax matters

The conference included two panel discussions dedicated to various tariff, trade, and tax matters.

One panel, which included Rochelle Hodes, Crowe principal, discussed the rapidly evolving tax legislative and regulatory landscape. Panelists noted that recent U.S. and global developments – including *Inflation Reduction Act of 2022* and *CHIPS and Science Act* credits, the corporate alternative minimum tax (CAMT), Global Anti-Base Erosion Model Rules (Pillar 2) global minimum tax rules, and the *One Big Beautiful Bill Act* – are creating overlapping regimes with direct implications for financial reporting under ASC 740, “Income Taxes.”

Panelists observed that tax policy and accounting are increasingly interconnected, as many regimes rely on financial statement income as a tax base. This dynamic requires companies to explain statutory and effective tax rates, CAMT outcomes, global effective tax rates, and cash taxes in parallel, often using complex and data-intensive models. Increased transparency under Pillar 2, including public country-by-country reporting, heightens the risk of misinterpretation if disclosures are not carefully aligned across filings.

The panel also discussed implementation challenges associated with ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which will require more granular jurisdiction-level disclosures related to rate reconciliations and

cash taxes paid. For many companies, the required data resides across multiple functions and systems, necessitating changes to data models, processes, and internal controls. Panelists emphasized the importance of early planning and cross-functional coordination when evaluating adoption approaches and related disclosures.

On the third day of the conference, a second panel addressed the rapidly shifting landscape of tariffs, trade policy, and global tax rules. Panelists discussed ongoing Pillar 2 developments, underscoring the need for robust governance, forecasting, and coordination across tax and controllership functions. Speakers also emphasized that the convergence of trade, tax, and accounting policy has created material uncertainty, particularly in light of tariff volatility, geopolitical pressures, and legal challenges.

Panelists highlighted the U.S. Supreme Court's ongoing consideration of the legality of tariffs imposed in early 2025 under the *International Emergency Economic Powers Act* (IEEPA) and said if the Supreme Court ultimately determines the tariffs were unlawfully imposed, importers who remitted such duties may be entitled to refunds, though various uncertainties regarding refund eligibility collection might continue to exist. For example, the possibility of refunds ultimately will depend on how the Supreme Court structures its ruling, including whether it issues a retroactive order authorizing refunds and whether it provides guidance on refund administration. Additionally, any resulting refund claim processes likely would be administratively complex and require significant levels of documentation to demonstrate eligibility. Moreover, President Donald Trump could seek to reimpose tariffs under other statutory authorities, or Congress could consider potential legislation to retroactively impose similar duties. While it remains unclear how the Supreme Court will rule, panelists encouraged companies to begin preparing for the potential invalidation of the IEEPA tariffs by inventorying tariff payments, substantiating positions, and modeling potential refund scenarios.

Furthermore, both the second panel and the aforementioned accounting hot topics panel discussed accounting and financial reporting considerations related to tariffs. With respect to the payment of tariffs, the panels highlighted the following matters:

- The payment of tariffs often does not directly affect revenue recognition, as tariffs are paid by importers and included in inventory costs; however, when tariff costs are passed to customers, they might result in contract modifications or impact variable consideration assessments under ASC 606.
- Tariff costs generally should not be presented as a reduction of revenue, as they are not directly linked to revenue-generating activities.
- Tariffs might give rise to losses on construction-type or production-type contracts.

- Tariffs can affect uncertain tax positions and the realizability of deferred tax assets.
- Panelists emphasized the importance of adequate disclosures to address material tariff-related risks and impacts. Such disclosures may include information about the use of significant estimates, as required by ASC 275, "Risks and Uncertainties." SEC registrants also should evaluate whether tariff-related disclosures are necessary in various sections of SEC filings, such as MD&A, risk factors, or the business section.

If the Supreme Court ultimately invalidates the IEEPA tariffs, additional accounting judgments might be required. For example, companies might need to carefully consider which accounting model to apply for recognition and measurement of potential tariff refunds, and any obligations to share tariff refunds with customers could affect variable consideration assessments under the revenue recognition guidance.

## Center for Audit Quality (CAQ)

The CAQ panel highlighted the Anti-Fraud Collaboration, a multistakeholder initiative focused on fraud risk, culture, professional skepticism, and technology. Results from recent survey conducted by the CAQ in partnership with the Association of Certified Fraud Examiners indicate that external threats, such as cyber fraud and vendor schemes, remain highly likely, while internal risks, including financial statement fraud and asset misappropriation, continue to warrant attention. Speakers emphasized the importance of ethical corporate culture, particularly in remote and hybrid work environments, and framed professional skepticism as a continuum of critical thinking that requires awareness of bias and deliberate challenge. The session also addressed the dual role of emerging technologies, including AI, in both amplifying fraud risks and strengthening detection through enhanced analytics and continuous monitoring.

## Artificial intelligence

As already noted, AI was a recurring theme in speeches and panel presentations. The conference also included two AI-specific presentations.

### **"AI in Financial Reporting: Practical Applications and Control Considerations"**

One of the panels addressed how AI is increasingly embedded in financial reporting processes. Panelists described current uses of generative AI in research, document review, work paper analysis, invoice validation, variance analysis, budgeting, and

regulatory review. The panelists also discussed the SEC's use of structured data and AI to analyze disclosures.

Looking forward, panelists emphasized governance and internal control considerations, noting that existing frameworks based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) remain relevant but must be adapted to address AI-specific risks, such as model bias and drift. Control approaches include human-in-the-loop review, performance testing, model validation, analytics monitoring, and third-party assurance supported by strong entity-level governance and IT general controls.

### **“Degrees, Data, and Disruption: The New Reality for Accounting Education”**

David Wood, a professor at Brigham Young University, discussed structural challenges facing accounting education, including declining enrollments, reduced CPA exam participation, faculty shortages, and demographic shifts. These challenges are occurring alongside rapid advancements in AI, which are reshaping skill requirements for accounting professionals.

Wood demonstrated that AI systems can outperform humans in certain analytical tasks, underscoring the need for education models to shift from knowledge transfer toward skills development, judgment, and applied problem-solving. The session highlighted the importance of governance, integration of AI into both education and practice, and reconsideration of core competencies for future and young professionals.

## **Audit committee priorities**

A panel that included Michele Sullivan, the audit committee chair of Community Financial System Inc. and former Crowe partner and board member, discussed evolving audit committee responsibilities and emphasized the importance of governance quality, management integrity, and effective risk oversight. Panelists highlighted the critical role of internal audit in supporting audit committee agendas, system implementations, and risk assessment, and they stressed the need for adequate resources and specialized skills.

The discussion also addressed agenda-setting practices; emerging risks such as AI, cybersecurity, and environmental, social, and governance risks; and audit committee review of periodic filings. Panelists emphasized the importance of proactive communication, coordination among stakeholders, and avoiding year-end surprises as audit committee responsibilities continue to expand.

## M&A reminders

The third day of the conference featured a panel on financial reporting for mergers and acquisitions, covering the end-to-end financial reporting implications of transactions from early planning through post-close integration. Panelists emphasized that accounting, tax, legal, and disclosure considerations arise well before a transaction is announced and require early coordination across functions.

Key topics included business versus asset acquisition determinations, significance testing under Regulation S-X, preparation of historical and pro forma financial information, and post-close accounting considerations such as purchase price allocation, valuation of contingent consideration, system integration, and restructuring. Speakers underscored the importance of proactive planning, documentation, and continuous communication to support timely and transparent financial reporting throughout the transaction life cycle.

## Other panels

Rounding out the conference, other panels included:

- External lawyers discussing the status of leadership changes within the SEC's Division of Enforcement
- Securities counsel discussing upcoming SEC rule proposals and topics for year-end financial reporting (including AI, geopolitical risk, cybersecurity risk, and the upcoming proxy season)
- Various stakeholders discussing aspects of shareholder activism
- Investor relations personnel and analysts discussing how investors are increasingly focused on AI governance and how analysts are using AI

## Mark your calendar

The 2026 AICPA Conference on Current SEC and PCAOB Developments will be held Dec. 7-9, 2026, at the Washington Hilton in Washington, D.C.

## Learn more

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