Crowe

July 2026

Keeping You Informed

Q2 Accounting and Financial Reporting Developments

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Contents

Message from Sydney Garmong

Partner, National Office

Dear readers,

Whether you attended a cookout, watched fireworks, or spent other quality time with family and friends, we hope the Fourth of July holiday provided many ways for you to recharge and return to work refreshed for closing out the second quarter.

As I shared last quarter, we launched our first quarterly State and Local Government Executive Briefing on April 8, 2026. In addition to updates from the Governmental Accounting Standards Board (GASB) and the checklist of effective date for GASB statements, my colleague Tony Boras provides industry developments and insights. We hope you find this "one-stop shop" for the state and local government industry useful. If you are interested, please look for the second quarterly briefing later this month.

Since September, the Securities and Exchange Commission (SEC) has signaled that it will consider removing the requirement for quarterly reporting. The second quarter brought that proposal and other significant proposals as the SEC continues to focus on capital formation. To recap the four proposals of highest interest:

Proposal	What it does	Issued	Comment deadline
"Semiannual Reporting" (S7-2026-15)	Permits issuers to elect semiannual reporting, replacing three quarterly Form 10-Q filings with a single midyear Form 10-S	May 5, 2026	July 6, 2026
"Enhancement of Emerging Growth Company Accommodations and Simplification of the Filer Status Framework for Reporting Companies" (S7-2026-18)	Simplifies the filer-status framework by largely moving to a large accelerated filer/non-accelerated filer structure and extends many emerging growth company/smaller reporting company accommodations to non-accelerated filers	May 19, 2026	July 20, 2026
"Registered Offering Reform" (S7-2026-17)	Expands Form S-3 eligibility, broadens shelf-registration flexibility, modernizes Form S-1, and streamlines the registered offering process	May 19, 2026	July 27, 2026
"Rescission of Climate-Related Disclosure Rules" (S7-2026-19)	Rescinds the SEC's 2024 climate-related disclosure rules and returns climate disclosure considerations to the traditional materiality-based framework	May 29, 2026	Aug. 3, 2026

I am grateful to my Crowe colleagues Julia Bell, Jason Eaves, and Mark Shannon for their significant contributions to this publication. We hope you find this report useful, and we welcome any feedback.

Second quarter highlights

During the second quarter of the 2026 calendar year, the Financial Accounting Standards Board (FASB) issued two final standards: one on the initial measurement of paid-in-kind dividends on equity-classified preferred stock and one establishing guidance for environmental credits and environmental credit obligations. The FASB also issued two proposals addressing application of Topic 715 to market-return cash balance plans and targeted improvements to hedge accounting guidance in Topic 815.

The Securities and Exchange Commission (SEC) announced a leadership change in the Division of Enforcement, published a draft strategic plan, and issued several proposals focused on public company reporting, capital formation, market structure, and disclosure modernization. These included proposals to rescind the climate-related disclosure rules, permit optional semiannual reporting, simplify filer status, modernize registered offerings, amend Form PF, and rescind certain Regulation NMS rules. The SEC also issued a concept release on the Consolidated Audit Trail, established joint data standards under the Financial Data Transparency Act of 2022, addressed Treasury market clearing implementation, rescinded its “no-deny” settlement policy, and continued to discuss crypto assets, privacy, artificial intelligence, and onchain finance.

The Public Company Accounting Oversight Board (PCAOB) named a chief operating officer, issued proposed amendments to QC 1000, formed an Inspections Modernization Council, updated its standard-setting and rulemaking projects, and released its 2025 annual report. The PCAOB also published perspectives from conversations with audit committee chairs, released its annual broker-dealer inspection report, discussed inspection modernization and strategic priorities, and held meetings of its Investor Advisory Group and Standards and Emerging Issues Advisory Group.

The American Institute of Certified Public Accountants (AICPA) approved a new auditing standard on external confirmations, requested feedback on proposed strategic plans for its ethics and peer review bodies, and launched a global initiative focused on the future of finance and accounting.

The Center for Audit Quality (CAQ) announced a leadership transition, submitted comment letters on GENIUS Act implementation and PCAOB strategic priorities, and published a resource addressing fraud risks related to artificial intelligence, deepfakes, and digital assets.

Checklists for the effective dates of FASB Accounting Standards Updates (ASUs) are provided in the appendix.

From the FASB

Final standards

Initial measurement of PIK dividends on equity-classified preferred stock

On April 23, 2026, the FASB issued ASU 2026-01, "Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock," to reduce diversity in practice related to how issuers initially measure paid-in-kind (PIK) dividends on equity-classified preferred stock, including preferred stock classified in temporary equity. The ASU requires an issuer to initially measure a PIK dividend using the PIK dividend rate stated in the preferred stock agreement. For example, if the agreement states that the PIK dividend is calculated by multiplying a stated rate by the preferred stock's liquidation value, the issuer would use that stated rate and liquidation value to initially measure the dividend. The ASU does not change when PIK dividends are recognized.

Effective date

The amendments are effective for all entities for annual reporting periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted. Entities may apply the amendments prospectively or using a modified retrospective transition approach.

Environmental credits and environmental credit obligations

On May 19, 2026, the FASB issued ASU 2026-02, "Environmental Credits and Environmental Credit Obligations (Topic 818)," to establish comprehensive guidance for environmental credits and environmental credit obligations. The ASU creates Topic 818 and applies to transferable environmental credits such as emissions allowances, renewable identification numbers, renewable energy certificates, and carbon offsets, as well as regulatory compliance obligations that may be settled with environmental credits. The amendments address recognition and measurement of environmental credits and related obligations, including when environmental credits qualify for asset recognition and when costs are expensed. In general, environmental credits are recognized as assets when it is probable they will be used to settle an environmental credit obligation, transferred or sold, or used in a nonreciprocal transfer. Credits acquired solely for voluntary initiatives, such as carbon-neutral or net-zero commitments, generally are expensed as incurred. Environmental credit obligations are recognized when events through the reporting date create a regulatory obligation, with measurement based on the carrying amount of credits held for the funded portion and fair value or specified settlement amounts for any unfunded portion. The ASU also adds presentation and annual disclosure requirements.

Effective date

For public business entities, the amendments are effective for fiscal years beginning after Dec. 15, 2027, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2028, and interim periods within those fiscal years. Early adoption is permitted.

For more information, see the Crowe article "ASU 2026-02 Addresses Accounting for Environmental Credits."

Proposals

Guidance on market-return cash balance plans

On June 10, 2026, the FASB issued a proposed ASU, "Compensation – Retirement Benefits – Defined Benefit Plans – Pension (Subtopic 715-30): Discount Rate Used to Measure the Benefit Obligation for Certain Market-Return Cash Balance Plans," to clarify the discount rate used to measure the projected benefit obligation for certain market-return cash balance plans. Market-return cash balance plans are a type of cash balance plan in which benefits are communicated to employees as a current account balance that includes principal credits and interest credits based on investable market returns.

The proposed amendments would apply to plans in which the interest crediting rate is based on the return on plan assets, the return on a subset of plan assets that approximates the associated cash balance liabilities, or the return on a regulated investment company. Plans in the scope of the proposed amendments also must provide participants the option to elect lump-sum payments. For plans within the scope of the proposed guidance, an entity would measure the benefit obligation under the existing defined benefit accounting model in Subtopic 715-30 by setting the discount rate equal to the assumed interest crediting rate. The proposal is intended to reduce diversity in practice and better align the accounting with the economics of these plans.

Comments are due Aug. 10, 2026.

Targeted improvements to hedge accounting

On June 17, 2026, the FASB issued a proposed ASU, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Interest Rate Risk Hedging and Net Investment Hedging," to improve the hedge accounting guidance for certain interest rate risk and net investment hedging strategies. The proposal addresses three targeted areas identified through stakeholder feedback: hedging interest rate risk for held-to-maturity debt securities, updating the Secured Overnight Financing Rate (SOFR) benchmark interest rate guidance, and expanding eligibility for certain cross-currency swaps in net investment hedges.

The proposed amendments would permit entities to apply hedge accounting to hedges of interest rate risk for held-to-maturity debt securities. The proposal also would amend the existing SOFR benchmark rate guidance by permitting designation of any tenor of SOFR. In addition, the proposal would expand the population of eligible net investment hedging instruments by permitting certain float-to-float cross-currency swaps with different reset dates to qualify as hedging instruments if the repricing intervals occur frequently enough to support that the variable payments or receipts are at a market rate. The proposed amendments would apply to all entities that elect to apply hedge accounting.

Comments are due Aug. 17, 2026.

For more information, see the Crowe article "FASB Proposes New Updates to Hedge Accounting in ASC 815."

From the SEC

Leadership changes

Enforcement director

On April 8, 2026, the SEC announced that David Woodcock was appointed director of the Division of Enforcement, effective May 4, 2026. Woodcock rejoins the SEC after serving as director of the Fort Worth Regional Office from 2011 to 2015 and most recently as a partner at Gibson, Dunn & Crutcher LLP. Sam Waldon continued serving as acting director until Woodcock's effective date.

Public statements and announcements

Capital formation and public company reporting

At the 2026 Reagan National Economic Forum on May 29, SEC Chair Paul Atkins discussed the commission's capital formation mandate and the regulatory environment for public companies. Atkins stated that the SEC's disclosure and regulatory burden had expanded over time and that the number of companies listed on U.S. exchanges had fallen roughly 40% from the time he left the SEC as a staff member in 1994 to when he returned as chair.

Atkins described several current SEC initiatives related to going and staying public, including a recent proposal to provide companies flexibility between quarterly and semiannual reporting cadences. He also referenced two rule proposals related to filer status and registered offering reforms. These proposals are intended to reduce public company burdens by recalibrating disclosure requirements and making it easier for companies to access the public markets. Atkins also discussed the commission's proposal to rescind the climate-related disclosure rule.

On June 9, 2026, Director of Corporation Finance (CorpFin) Jim Moloney, discussed recent SEC proposals related to registered offerings and filer status. The proposals include registered offering reforms that would expand access to shelf registration for smaller public companies and filer status reforms that would raise the large accelerated filer threshold from $700 million to $2 billion in public float.

Moloney stated that the proposals aim to "improve and remodel" the SEC's regulatory frameworks while preserving "the cornerstone principle of financial materiality." He also noted that this principle is reflected in the proposal to rescind the climate disclosure rules and will guide future reform efforts for Regulation S-K, including executive compensation disclosure requirements.

Artificial intelligence and onchain finance

On May 8, 2026, Atkins delivered remarks addressing artificial intelligence, agentic finance, and onchain financial markets. He said firms remain responsible for the outcomes of the tools they deploy and for informing investors how those tools are used, while also stating that the SEC will not dictate which models firms must use or make today's technology the standard for tomorrow.

He also noted that while AI has the potential to improve market efficiency and broaden participation in the financial markets, it might create vulnerabilities when models are opaque, errors propagate across widely adopted tools, or malicious actors gain access to the technology. For onchain markets, he identified potential areas for additional clarity, including onchain trading systems, broker and dealer definitions, clearing agency treatment for onchain clearing and settlement, and crypto vaults.

Privacy and crypto market structure

On May 27, 2026, Commissioner Hester Peirce delivered remarks at the Regulatory PETshop Series on privacy-enhancing crypto technologies and financial services regulation. She discussed the role of privacy in financial transactions as well as the SEC Crypto Task Force's consideration of transfer agent recordkeeping and related technologies. Her remarks also addressed technologies that could support know-your-customer and anti-money laundering objectives while minimizing the collection and retention of personally identifiable information.

On June 2, 2026, Peirce participated in the IC3 Blockchain Camp, where she discussed regulatory boundaries for the crypto world. She stated that the SEC is considering where regulation should apply, including through a staff statement on certain user interfaces and a planned innovation exemption for onchain trading of National Market System stock. Her remarks also addressed principles related to open-source code, blockchains as general-purpose technology, base-layer neutrality, centralized actors in crypto markets, and direct transactions without intermediaries.

SEC publishes draft strategic plan

On June 2, 2026, the SEC published its draft strategic plan for public comment, which focuses on the agency's three-part mission of protecting investors, facilitating capital formation, and maintaining fair, orderly, and efficient markets. The draft plan includes three goals: renewing regulatory policy to support innovation, capital formation, market efficiency, and investor protection; shifting regulatory practices to increase stakeholder engagement and facilitate compliance; and optimizing operational efficiency through organizational, technology, and performance management initiatives.

Comments on the strategic plan were due July 2, 2026.

Investor Advisory Committee meeting

On June 4, 2026, Peirce delivered remarks at the SEC Investor Advisory Committee meeting addressing the committee's draft recommendation on the SEC's semiannual reporting proposal. Peirce noted that the draft recommendation reflected concerns raised by commenters during the first half of the comment period. She asked the committee to consider whether concerns related to Form 10-Q reporting costs and investor benefits should be addressed through streamlining reporting burdens rather than adjusting reporting frequency.

Peirce also asked whether any such streamlining should occur as part of the current rulemaking or through the commission's broader review of disclosure requirements. She also asked whether quarterly reporting should be optional for smaller companies, even if not made optional for all companies, and recommended future consideration of proposals related to filer status determination and the registered offering process.

Rules and guidance

SEC proposes rescission of climate-related disclosure rules

On May 29, 2026, the SEC issued a proposal rescinding the climate-related disclosure rules adopted in 2024 in their entirety. If adopted as proposed, registrants would not be required to provide the climate disclosures contemplated by the 2024 rules, including greenhouse gas emissions attestation requirements for certain filers.

In separate statements, Atkins, Peirce, and Commissioner Mark Uyeda discussed the proposal in relation to the SEC's statutory authority and materiality-based disclosure framework.

Comments on the proposal are due Aug. 3, 2026.

For more information, please see the Crowe article "Change in Climate: Proposed Rescission of SEC Climate Rule."

SEC proposes optional semiannual reporting

On May 5, 2026, the SEC proposed amendments that would allow public companies subject to the Securities Exchange Act of 1934 to elect semiannual reporting on new Form 10-S instead of quarterly reporting on Form 10-Q. Companies choosing the semiannual option would file one semiannual report and one annual report each fiscal year, with the Form 10-S due 40 or 45 days after the end of the first semiannual period, depending on filer status.

Atkins issued a statement on the proposal, describing it as part of his "Make IPOs Great Again" agenda and stating that it is intended to provide companies greater flexibility to evaluate reporting costs, management time, investor expectations, cost of capital, business stage, business model, and alternative disclosure avenues. Uyeda characterized the proposal as a focus on flexibility, stating that a reporting framework developed nearly 75 years ago should not be presumed to serve all companies optimally today. Peirce voiced support for the proposal but questioned whether the commission should instead focus on reducing the burden of Form 10-Q reporting itself rather than changing the cadence of reporting.

Comments on the proposal were due July 6, 2026.

For more information, please see the Crowe article "Form 10-S: SEC Proposes Optional Semiannual Reporting."

SEC proposes filer status and emerging growth company accommodation reforms

On May 19, 2026, the SEC proposed amendments, "Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies," which would simplify public company filer status categories and extend disclosure scaling and other accommodations to a broader range of public companies. Under the proposal, the number of categories would move from five to two (large accelerated and nonaccelerated) and be recalibrated. The threshold for a public company to become a large accelerated filer would increase from $700 million to $2 billion, and a company would not become a large accelerated filer for at least 60 months following its initial public offering regardless of public float.

All other public companies would be categorized as nonaccelerated filers and generally would benefit from disclosure scaling and other accommodations, including exemption from the requirement to obtain an auditor's attestation on internal control over financial reporting. The proposal also would establish a subcategory of small nonaccelerated filers with additional time to file annual and quarterly reports.

Comments on the proposal are due July 20, 2026.

For more information, see the Crowe article "SEC Proposes Filer Status and Registered Offering Reforms."

SEC proposes registered offering reforms

On May 19, 2026, the SEC separately proposed amendments to modernize registered offerings. The proposal would revise Form S-3 eligibility requirements to enable more public companies, regardless of public float, to conduct shelf offerings while also extending certain registration and offering communication accommodations that currently are limited to "well-known seasoned issuers" to a broader range of public companies. In addition, the amendments would:

- Broaden accommodations permitting broker-dealers participating in registered offerings to publish issuer-specific research reports
- Preempt state securities law registration and qualification requirements for all registered reports
- Extend certain Form N-2 shelf registration and communication accommodations to a broader group of business development companies and registered closed-end funds
- Expand access to broad-based advertising for certain non-variable annuity insurance products
- Expand the ability to incorporate information by reference into Form S-1 registration statements

Comments on the proposal are due July 27, 2026.

For more information, please see the Crowe article "SEC Proposes Filer Status and Registered Offering Reforms."

SEC and CFTC propose Form PF amendments

On April 20, 2026, the SEC and Commodity Futures Trading Commission (CFTC) jointly proposed amendments to Form PF, the confidential reporting form for certain SEC-registered private fund advisers. The proposal would raise the Form PF filing threshold from $150 million to $1 billion in private fund assets under management and raise the "large" hedge fund adviser reporting threshold from $1.5 billion to $10 billion in hedge fund assets under management.

The agencies said the proposal would continue to collect information on more than 90% of private fund gross assets, require detailed exposure information for funds managed by large hedge fund managers, and enable a method to identify funds active in the private credit market. Peirce, in remarks titled "'PF' Stands for Please Fix: Statement on the Proposed Amendments to Form PF," stated that Form PF has expanded beyond its original purpose of assisting the Financial Stability Oversight Council in monitoring systemic risk. Uyeda separately stated that the proposal would better focus reporting obligations on the largest and most systemically significant advisers and periodically reassess reporting thresholds over time.

Comments on the proposal were due June 23, 2026.

SEC proposes rescission of Regulation NMS rules

On June 11, 2026, the SEC proposed amendments to remove Rules 611 and 610(e) from Regulation NMS. This change would end the trade-through prohibition for national market system stocks, lift restrictions on locking and crossing quotations, eliminate related definitions in Rule 600, and update other relevant provisions accordingly.

Comments are due Aug. 17, 2026.

SEC establishes joint data standards

On June 8, 2026, the SEC established joint data standards under the Financial Data Transparency Act of 2022. The final rule sets technical standards for data submitted to certain financial regulatory agencies and is intended to promote interoperability through common identifiers and machine-readable data formats.

Alongside the SEC, eight additional agencies have either implemented or are expected to implement joint standards.

SEC staff addresses crypto asset securities user interfaces

On April 13, 2026, the SEC Division of Trading and Markets staff issued a statement on broker-dealer registration requirements for certain user interfaces used to prepare user-initiated crypto asset securities transactions through self-custodial wallets. The staff said it would not object to a covered user interface provider operating without broker-dealer registration under specified circumstances.

Peirce welcomed the staff statement but made remarks that she favors a more permanent regulatory approach addressing the broker definition in light of current market circumstances.

SEC provides Treasury clearing implementation update

On April 20, 2026, Uyeda issued an update on the SEC's work toward implementation of the U.S. Department of the Treasury Clearing Rule. He said the commission published for comment a request from the Securities Industry and Financial Markets Association for targeted changes to the interaffiliate exemption and reopened comment on a request from the Institute of International Bankers addressing the extraterritorial application of the trade submission requirement.

Comments were due May 29, 2026.

Uyeda said implementation should preserve Treasury market functioning while enhancing resilience and noted market participant questions involving interaffiliate repo activity, time zone differences, the absence of 24-hour clearing, and enforceability of netting arrangements.

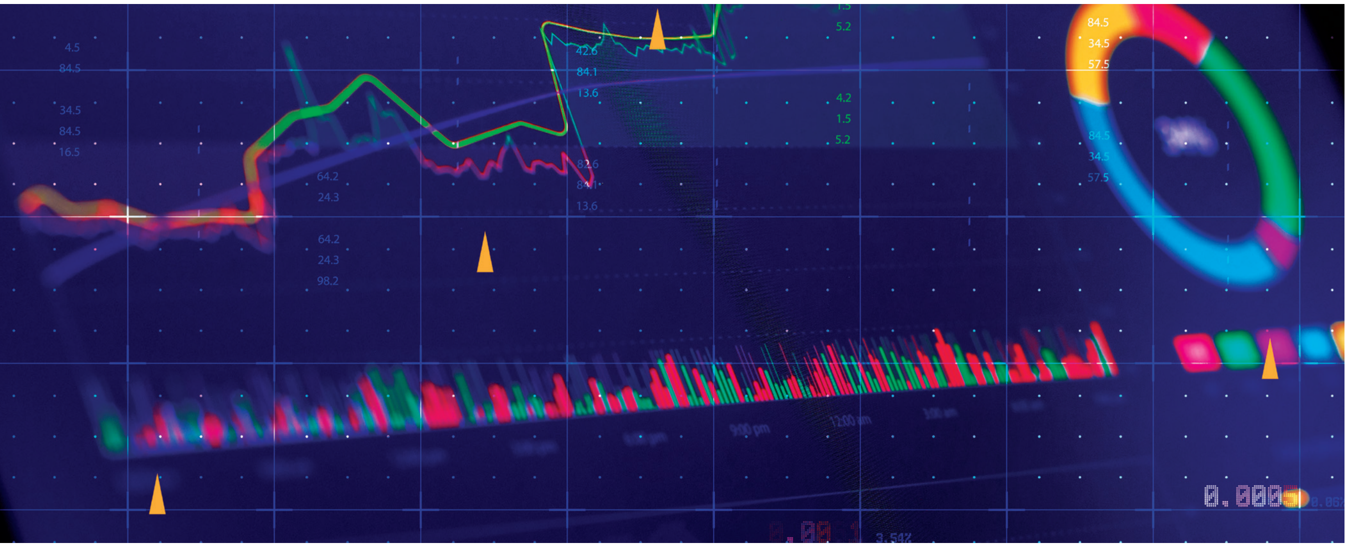
CAT concept release

On April 16, 2026, the SEC issued a concept release seeking public comment as part of a comprehensive review of the Consolidated Audit Trail (CAT), other audit trails, and related data sources used in regulating U.S. securities markets. The release requests input on CAT funding and costs, regulatory purpose, structure and governance, design and scope, cybersecurity, data privacy, civil liberties considerations, and the appropriate balance between regulatory need and confidentiality.

Comments were due June 22, 2026.

Updated C&DIs

On May 4, 2026, the Division of Corporation Finance (CorpFin) updated its compliance and disclosure interpretations (C&DIs). The update added new Question 118.01 to the Securities Act Section 3(a)(2) interpretations addressing pooled employer plans, and new Question 126.45 to the Securities Act Forms interpretations for Form S-8 addressing registration of employer securities and plan interests.



From the PCAOB

Leadership

Chief operating officer

On May 19, 2026, the PCAOB announced the appointment of Randy L. Thornton as chief operating officer. Thornton had been serving as acting chief operating officer since July 2025 and chief human resources officer since December 2022. As chief operating officer, Thornton oversees the PCAOB's Office of the Chief Operating Officer, including human resources, finance, technology, enterprise strategy and project management, and facilities and operations.

Guidance and publications

Quality control standard

On June 9, 2026, the PCAOB issued for public comment a supplemental release proposing targeted amendments to QC 1000, "A Firm's System of Quality Control," and related amendments to PCAOB forms and the quality control reporting rule. The proposal is intended to improve coherence, where appropriate, with other quality management standards and potentially reduce compliance costs without compromising the PCAOB's investor protection mission. Proposed changes would include rescinding the "design-only" requirement, providing increased flexibility in assigning certain quality control roles, rescinding the external quality control function requirement for firms with the largest PCAOB audit practices, narrowing certain communication requirements related to metrics, allowing firms to select the date as of which they annually evaluate their quality control system, and simplifying document retention requirements. QC 1000 remains scheduled to take effect Dec. 15, 2026.

Comments were due July 9, 2026.

Standard-setting, rulemaking, and research projects

On May 5, 2026, the PCAOB posted updates to its standard-setting, rulemaking, and research projects while its strategic planning process remains underway. According to the board, the updated projects page describes staff activities being performed in the interim period while comments on the PCAOB's strategic priorities are received and analyzed before a new agenda is issued.

Conversations with audit committee chairs

On April 27, 2026, the PCAOB released a staff Spotlight, "2025 Conversations With Audit Committee Chairs," summarizing insights gathered from discussions with more than 250 audit committee chairs at U.S. public companies. The publication presents high-level observations and takeaways from those conversations and adds to the PCAOB's recent efforts to engage more directly with audit committee stakeholders.

2025 annual report

On April 14, 2026, the PCAOB released its 2025 Annual Report. The report discusses how the PCAOB advanced its investor-protection mission during fiscal year 2025 and includes the PCAOB's financial results, audited financial statements, auditor's report, and management's report on internal control over financial reporting.

Inspections

Inspections modernization council

On May 28, 2026, the PCAOB announced that it is forming an Inspections Modernization Council and is seeking participation from investors, audit committee members, financial executives, academics, technologists, regulators, and practitioners. The PCAOB said the new advisory body is intended to help inform modernization of the inspections program so it remains relevant and resilient within an evolving audit environment. PCAOB Chair Demetrios (Jim) Logothetis commented, "The Inspections Modernization Council will help us shape the future of PCAOB inspections, and we invite individuals of the highest integrity to join us in this effort."

Broker-dealer audit inspection program

In remarks on April 21, 2026, PCAOB board member Mark Calabria said one of the board's near-term projects is to make the PCAOB's broker-dealer audit inspection program permanent. Calabria noted that the PCAOB has operated under an interim broker-dealer audit inspection program for more than a decade and said the board should consider how to build a permanent, fit-for-purpose program focused on investor protection. His remarks also emphasized tailoring oversight based on investor risk, including whether broker-dealers hold or handle customer assets, and considering whether the current reporting approach for broker-dealer audit inspection results remains fit for purpose.

Broker-dealer inspection report

On June 11, 2026, the PCAOB released its "Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers," along with supplementary information related to those audits. The report summarizes the PCAOB's 2025 inspections approach and observations from broker-dealer audit and attestation engagements. In 2025, the PCAOB inspected 61 firms and reviewed 103 broker-dealer audits. The report notes that deficiency rates decreased in examination, review, and audit engagements, though the PCAOB continued to identify opportunities for improvement. For audit engagements, the percentage reviewed with deficiencies decreased to 66% in 2025 from 76% in 2024. The audit procedures with the highest number of deficiencies were in the areas of revenue, evaluating audit results, and journal entries.

Speeches and announcements

Inspection modernization and strategic priorities

On June 4, 2026, Logothetis delivered remarks at the USC SEC Financial Reporting Conference. He said stakeholder feedback on the PCAOB's strategic priorities is informing the next phase of the board's strategic planning, including plans to release strategic goals and priorities for public comment later in 2026 and seek public comment on the standard-setting agenda. Logothetis also discussed inspection modernization, stating that the PCAOB is moving toward a model in which inspections focus more heavily on firms' systems of quality control, with engagement-level work used to corroborate how those systems operate in practice.

Advisory groups

Investor Advisory Group and Standards and Emerging Issues Advisory Group meetings

The PCAOB Investor Advisory Group met on April 29, 2026. Topics included the PCAOB's strategic priorities, PCAOB inspections, and a presentation on artificial intelligence.
The PCAOB Standards and Emerging Issues Advisory Group met on May 6, 2026, with discussion topics including a standard-setting update, the PCAOB inspection report, and the PCAOB's strategic priorities.

From the AICPA

Auditing standards

External confirmations

On May 14, 2026, the Auditing Standards Board (ASB) approved a standards update on external confirmations. According to the AICPA, the new "Statement on Auditing Standards: External Confirmations" modernizes confirmation procedures by requiring the auditor to use external confirmations for cash and cash equivalents held by third parties unless certain conditions exist, updating the guidance to reflect the widespread use of intermediaries, and establishing new conditions for the use of negative confirmations. The standard also provides guidance on directly accessing information maintained by a knowledgeable external source as a means of satisfying certain confirmation requirements.

Other activities

Strategic plans for ethics and peer review bodies

On June 1, 2026, the AICPA announced that it is seeking public comment on proposed 2027-2030 strategic plans for its Professional Ethics Executive Committee and Peer Review Board. The draft plans address issues affecting the profession including AI and automation, emerging assurance areas such as sustainability and cybersecurity, mergers and acquisitions within the profession, and increasing business and regulatory complexity. The plans also outline initiatives related to standards, stakeholder engagement, and modernization of operations.

Rise2040 initiative

On June 8, 2026, the Association of International Certified Professional Accountants, representing AICPA and CIMA, launched "Rise2040: Shaping the Future of Finance and Accounting." The initiative is a global, profession-led effort intended to assess forces reshaping the accounting and finance profession including artificial intelligence, data expansion, changing talent expectations, evolving value models, and regulatory and trust considerations. The initiative is based on input from more than 6,000 accounting and finance professionals across more than 25 countries and is intended to provide ongoing insights and practical tools for the profession.

From the CAQ

Leadership

Leadership transition

On April 16, 2026, the CAQ announced that Julie Bell Lindsay will step down following seven years as CEO. The CAQ Governing Board appointed Mark Koziel, CEO of the AICPA, to serve as temporary interim CEO effective immediately, with Lindsay supporting the transition through the end of April.

Comment letters

GENIUS Act implementation rulemaking

On May 1, 2026, the CAQ submitted a comment letter to the Office of the Comptroller of the Currency (OCC) on its proposed rulemaking to implement the GENIUS Act. In the letter, the CAQ said it supports the OCC's objective of enhancing transparency, reliability, and accountability for permitted payment stablecoin issuers and focused its comments on areas affecting public company auditors including financial statement audits, examinations of monthly composition reports, and mechanisms to improve the reliability of reported information such as examinations of internal controls over stablecoin operations and reserves.

On June 9, 2026, the CAQ submitted a similar comment letter to the Federal Deposit Insurance Corp. (FDIC) on its proposed rulemaking to implement the GENIUS Act for FDIC-supervised permitted payment stablecoin issuers and insured depository institutions. The CAQ again emphasized transparency, reliability, and accountability, and provided views on financial statement audits, examination of monthly composition reports, and internal controls over stablecoin operations and reserves.

PCAOB strategic priorities

On May 11, 2026, the CAQ submitted a comment letter in response to the PCAOB's request for comment on its strategic priorities. The CAQ recommended that the board prioritize modernization of inspections to incorporate firms' quality control systems under QC 1000, execute inspections with greater transparency, timeliness, and consistency, improve inspection reporting to focus on material matters and stakeholder needs, and pursue standard setting selectively through a formal and transparent agenda-setting process.

Also on May 11, 2026, the CAQ's Audit Committee Council submitted a separate comment letter to the PCAOB outlining recommendations for the board's 2026-2030 strategic priorities. The council emphasized strengthening the inspections program, promoting regulatory efficiency and durable standards, prioritizing initiatives with the greatest impact, enhancing inspection reporting, focusing on quality control, and increasing stakeholder engagement.

Fraud and emerging technologies

AI, deepfakes, and digital assets

On May 12, 2026, the CAQ published "AI, Deepfakes, & Digital Assets: Fighting Fraud in an Era of Emerging Technologies," addressing how generative AI and digital assets are changing the fraud risk landscape. The publication notes that generative AI can strengthen fraud mitigation through improved fraud risk assessment, anomaly detection, and automation, but also can be used by bad actors to create deepfake text, images, audio, and video; falsify documents and accounting records; and carry out scams at greater scale and speed. The publication also discusses digital asset-related fraud risks including hacks and scams targeting blockchain vulnerabilities, asset misappropriation when custody controls are weak, and improper use by third-party custodians.

Accounting Standards Updates (ASU) effective dates

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Induced Conversions of Convertible Debt Instruments (ASU 2024-04) Clarifies whether certain settlements of convertible debt instruments should be accounted for as an induced conversion if certain conditions are met and provides certain clarifications.	**March 31, 2026**	**Permitted**
Measurement of Credit Losses (ASU 2025-05) Simplifies CECL for short-term receivables by creating a practical expedient. Under the expedient, entities estimate expected credit losses assuming conditions at the balance sheet date continue over the asset's remaining life, while still adjusting historical loss data for known, current customer or company factors.	**March 31, 2026**	**Permitted, including in an interim period**
Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity (ASU 2025-03) Enhances the guidance in Topic 805, "Business Combinations," for determining the accounting acquirer. When an acquisition is primarily executed through an exchange of equity interests and the legal acquiree is a VIE that qualifies as a business, the amendments require entities to apply the factors outlined in ASC 805-10-55-12 through 55-15 to identify the accounting acquirer.	**March 31, 2027**	**Permitted, including in an interim period**
Clarifications to Share-Based Consideration Payable to a Customer (ASU 2025-04) Clarifies guidance in Topic 606 and Topic 718 related to share-based payments made as consideration payable to a customer. The update revises the Master Glossary definition of a "performance condition" to include conditions tied to a customer's purchases or those of other parties within the distribution chain. This revised definition applies only to share-based consideration payable to customers and cannot be analogized to awards granted to employees or nonemployees. Additionally, the ASU clarifies that grantors must evaluate the likelihood of vesting using Topic 718 alone and should not apply the variable consideration constraints from Topic 606.	**March 31, 2027**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Derivative Accounting and Customer Share-Based Noncash Consideration (ASU 2025-07) Refines Topic 815 by excluding from derivative accounting any non-exchange-traded contracts whose underlyings are based on operations or activities specific to one of the parties with certain scoping exceptions. Clarifies that share-based noncash consideration received from a customer in a revenue contract is accounted for under Topic 606 until the right to receive or retain that consideration is unconditional, at which point other topics apply.	**March 31, 2027**	**Permitted, including in an interim period**
Credit Losses – Purchased Loans (ASU 2025-08) Simplifies accounting for acquired loans under CECL by expanding use of the gross-up method to a new category of purchased seasoned loans (PSLs). PSLs are acquired loans purchased more than 90 days after origination (or acquired in a business combination) when the acquirer was not involved in origination. For PSLs, an ACL is recorded at acquisition with an equal increase to amortized cost, eliminating Day 1 credit loss expense. Excludes credit cards, Topic 606 trade receivables, and debt securities.	**March 31, 2027**	**Permitted, including in an interim period**
Hedge Accounting Improvements (ASU 2025-09) Provides targeted updates including a new “similar risk exposure” criterion for grouping forecasted transactions in cash flow hedges, an optional model for hedging forecasted interest payments on choose-your-rate debt, expanded eligibility to hedge price components and subcomponents of nonfinancial forecasted transactions using the clearly-and-closely-related principle, revised eligibility for certain compound derivatives containing written options, and corrected effectiveness assessment for dual hedges involving foreign-currency-denominated debt.	**March 31, 2027**	**Permitted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Codification Improvements (ASU 2025-12) Makes targeted technical corrections and clarifications across the codification to address unintended application, outdated references, and minor inconsistencies. The ASU affects 33 issues spanning multiple topics, including earnings per share, beneficial interests, receivables, transfers and servicing, and not-for-profit accounting, and generally is not expected to significantly change current practice.	**March 31, 2027**	**Permitted, including in an interim period**
Measuring PIK Dividends on Equity-Classified Preferred Stock (ASU 2026-01) Requires issuers to initially measure paid-in-kind (PIK) dividends based on the PIK dividend rate stated in the preferred stock agreement. The guidance applies to all entities that issue PIK dividends on equity-classified preferred stock, including temporary equity preferred stock, but does not change when PIK dividends are recognized.	**March 31, 2027**	**Permitted, including in an interim period**
Disaggregation of Income Statement Expenses (ASU 2024-03) Requires disclosure of information about certain costs and expenses for public business entities relating to purchases of inventory, employee compensation, depreciation, intangible asset amortization; and depreciation, depletion, and amortization recognized as part of oil and gas-producing activities included in each relevant expense caption. The amendments also require certain other disclosures. Clarifying standard: **ASU 2025-01** – Clarifies the effective date.	**Dec. 31, 2027**	**Permitted**
Modernizing Internal-Use Software Accounting (ASU 2025-06) Eliminates prescriptive project stages and requires capitalization of internal-use software costs only after 1) management authorizes and commits to funding the project and 2) it is probable the software will be completed and used as intended. Entities also must evaluate and, if present, resolve significant development uncertainty, limited to 1) novel or unproven functionality not yet resolved through coding and testing and 2) situations in which significant performance requirements have not been identified or continue to be substantially revised.	**March 31, 2028**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Interim disclosures (ASU 2025-11) Provides narrow-scope improvements to Topic 270 by clarifying that GAAP interim reporting guidance applies to all entities issuing interim financial statements and by creating a comprehensive list of required interim disclosures. Reorganizes and refines interim disclosure requirements, adds a disclosure principle requiring entities to report events after year-end that materially affect interim results, and clarifies form-and-content expectations for both full and condensed interim financial statements.	**March 31, 2028**	**Permitted, including in an interim period**
Environmental Credits and Credit Obligations (ASU 2026-02) Applies to all entities that generate, buy, receive, or use transferable environmental credits or that have regulatory compliance obligations settleable with those credits. Environmental credits are recognized as assets only when it is probable they will be used to settle an environmental credit obligation, sold or transferred, or used in a nonreciprocal transfer. Costs to obtain other environmental credits are recognized as an expense when incurred. Compliance credits are generally measured at cost and not impaired, while other recognized credits are measured at cost less impairment unless a fair value policy election applies. Environmental credit obligations are recognized when events through the reporting date create a regulatory obligation, measured using the carrying amount of credits held for the funded portion and fair value or specified settlement amounts for any unfunded portion.	**March 31, 2028**	**Permitted**
Accounting for Government Grants (ASU 2025-10) Establishes the authoritative guidance for business entities on accounting for government grants, including definitions, recognition criteria based on a probable threshold, and models for both asset-related and income-related grants. Permits either a deferred income approach or a cost-accumulation approach for asset-related grants and requires expanded annual disclosures.	**March 31, 2029**	**Permitted, including in an interim period**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the SEC in its August 2018 Release No. 33-10532, “Disclosure Update and Simplification.”	**For SEC filers and certain entities required to file or furnish financial statements with the SEC, when removal of the related disclosures from Regulation S-X or Regulation S-K are proposed and become effective**	**Prohibited**

Checklist B

ASU effective dates for nonpublic business entities (non-PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into an entity's income tax disclosures. Requires annual disclosure of qualitative information about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory and effective tax rate. Requires annual disclosure of income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. Eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2026**	**Permitted**
Scope Application of Profits Interest Awards (ASU 2024-01) Provides an illustrative example compromised of four fact patterns to demonstrate how an entity should apply the guidance in paragraph 718-10-15-3 when determining whether a profits interest award should be accounted for in accordance with Topic 718. The four fact patterns illustrate how the guidance in paragraph 718-10-15-3 applies to common award features.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Amendments to Remove References to the Concepts Statements (ASU 2024-02) Removes references to concept statements, a nonauthoritative source of literature, in the guidance. The amendments simplify the codification and distinguish between authoritative and nonauthoritative literature by addressing 16 topical issues.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Induced Conversions of Convertible Debt Instruments (ASU 2024-04) Clarifies whether certain settlements of convertible debt instruments should be accounted for as an induced conversion if certain conditions are met and provides certain clarifications.	**Dec. 31, 2026**	**Permitted**
Measurement of Credit Losses (ASU 2025-05) Simplifies CECL for short-term receivables (current accounts receivable and current contract assets) by creating a practical expedient and an optional accounting policy for non-PBEs. Under the expedient, entities estimate expected credit losses assuming conditions at the balance sheet date continue over the asset's remaining life, while still adjusting historical loss data for known, current customer or company factors. For non-PBEs that elect the optional accounting policy, subsequent cash collections through a selected date before issuance may be considered such that amounts collected by that date carry a zero allowance and any uncollected balances are evaluated using the expedient.	**Dec. 31, 2026**	**Permitted, including in an interim period**
Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity (ASU 2025-03) Enhances the guidance in Topic 805, "Business Combinations," for determining the accounting acquirer. When an acquisition is primarily executed through an exchange of equity interests and the legal acquiree is a variable interest entity (VIE) that qualifies as a business, the amendments require entities to apply the factors outlined in ASC 805-10-55-12 through 55-15 to identify the accounting acquirer.	**Dec. 31, 2027**	**Permitted, including in an interim period**
Clarifications to Share-Based Consideration Payable to a Customer (ASU 2025-04) Clarifies guidance in Topic 606 and Topic 718 related to share-based payments made as consideration payable to a customer. The update revises the Master Glossary definition of a performance condition to include conditions tied to a customer's purchases or those of other parties within the distribution chain. This revised definition applies only to share-based consideration payable to customers and cannot be analogized to awards granted to employees or nonemployees. Additionally, the ASU clarifies that grantors must evaluate the likelihood of vesting using Topic 718 alone and should not apply the variable consideration constraints from Topic 606.	**Dec. 31, 2027**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Derivative Accounting and Customer Share-Based Noncash Consideration (ASU 2025-07) Refines Topic 815 by excluding from derivative accounting any non-exchange-traded contracts whose underlyings are based on operations or activities specific to one of the parties with certain scoping exceptions. Clarifies that share-based noncash consideration received from a customer in a revenue contract is accounted for under Topic 606 until the right to receive or retain that consideration is unconditional, at which point other topics apply.	**Dec. 31, 2027**	**Permitted**
Credit Losses – Purchased Loans (ASU 2025-08) Simplifies accounting for acquired loans under CECL by expanding use of the gross-up method to a new category of purchased seasoned loans (PSLs) – acquired loans purchased more than 90 days after origination (or acquired in a business combination) when the acquirer was not involved in origination. For PSLs, an ACL is recorded at acquisition with an equal increase to amortized cost, eliminating Day 1 credit loss expense. Excludes credit cards, Topic 606 trade receivables, and debt securities.	**Dec. 31, 2027**	**Permitted, including in an interim period**
Codification Improvements (ASU 2025-12) Makes targeted technical corrections and clarifications across the codification to address unintended application, outdated references, and minor inconsistencies. The ASU affects 33 issues spanning multiple topics, including earnings per share, beneficial interests, receivables, transfers and servicing, and not-for-profit accounting, and generally is not expected to significantly change current practice.	**Dec. 31, 2027**	**Permitted, including in an interim period**
Measuring PIK Dividends on Equity-Classified Preferred Stock (ASU 2026-01) Requires issuers to initially measure paid-in-kind (PIK) dividends based on the PIK dividend rate stated in the preferred stock agreement. The guidance applies to all entities that issue PIK dividends on equity-classified preferred stock, including temporary equity preferred stock, but does not change when PIK dividends are recognized.	**Dec. 31, 2027**	**Permitted, including in an interim period**
Modernizing Internal-Use Software Accounting (ASU 2025-06) Eliminates prescriptive project stages and requires capitalization of internal-use software costs only after 1) management authorizes and commits to funding the project and 2) it is probable the software will be completed and used as intended. Entities also must evaluate and, if present, resolve significant development uncertainty, limited to 1) novel or unproven functionality not yet resolved through coding and testing and 2) situations in which significant performance requirements have not been identified or continue to be substantially revised.	**Dec. 31, 2028**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Hedge Accounting Improvements (ASU 2025-09) Provides targeted updates including a new “similar risk exposure” criterion for grouping forecasted transactions in cash flow hedges, an optional model for hedging forecasted interest payments on choose-your-rate debt, expanded eligibility to hedge price components and subcomponents of nonfinancial forecasted transactions using the clearly-and-closely-related principle, revised eligibility for certain compound derivatives containing written options, and corrected effectiveness assessment for dual hedges involving foreign-currency-denominated debt.	**Dec. 31, 2028**	**Permitted**
Interim Disclosures (ASU 2025-11) Provides narrow-scope improvements to Topic 270 by clarifying that GAAP interim reporting guidance applies to all entities issuing interim financial statements and by creating a comprehensive list of required interim disclosures. Reorganizes and refines interim disclosure requirements, adds a disclosure principle requiring entities to report events after year-end that materially affect interim results, and clarifies form-and-content expectations for both full and condensed interim financial statements.	**March 31, 2029**	**Permitted, including in an interim period**
Environmental Credits and Credit Obligations (ASU 2026-02) Applies to all entities that generate, buy, receive, or use transferable environmental credits or that have regulatory compliance obligations settleable with those credits. Environmental credits are recognized as assets only when it is probable they will be used to settle an environmental credit obligation, sold or transferred, or used in a nonreciprocal transfer. Costs to obtain other environmental credits are recognized as an expense when incurred. Compliance credits are generally measured at cost and not impaired, while other recognized credits are measured at cost less impairment unless a fair value policy election applies. Environmental credit obligations are recognized when events through the reporting date create a regulatory obligation, measured using the carrying amount of credits held for the funded portion and fair value or specified settlement amounts for any unfunded portion.	**Dec. 31, 2029**	**Permitted**
Accounting for Government Grants (ASU 2025-10) Establishes the authoritative guidance for business entities on accounting for government grants, including definitions, recognition criteria based on a probable threshold, and models for both asset-related and income-related grants. Permits either a deferred income approach or a cost-accumulation approach for asset-related grants and requires expanded annual disclosures.	**Dec. 31, 2030**	**Permitted, including in an interim period**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the SEC in its August 2018 Release No. 33-10532, “Disclosure Update and Simplification.”	**Two years after removal of the related disclosure from Regulation S-X or Regulation S-K are proposed and become effective**	**Prohibited**

Learn more

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