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Keeping You Informed

Q3 Accounting and Financial Reporting Developments

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Contents

Message from Sydney Garmong 3

Third quarter highlights 4

From the FASB 5

- Final standards 5
  - Measurement of credit losses 5
  - Modernizing internal-use software accounting..6
  - Guidance on derivative accounting and customer share-based noncash consideration...7
- Proposals 7
  - Initial measurement of paid-in-kind dividends on equity-classified preferred stock 7
- Other activities... 8
  - Leases implementation roundtable 8
  - Digital assets 8

From the SEC 9

- Leadership changes 9
  - CorpFin director 9
  - Enforcement director 9
- Public statements and announcements......... 9
  - Regulatory agenda.....................................9
  - GENIUS Act endorsement and actions......9
  - Crypto task force activities 10
  - New phase of regulatory coordination 10
  - President's working group participation 11
  - Tokenized securities statement 11
  - Climate disclosure rules court response.. 11
  - AI task force 11
  - New capital markets activity statistics and data visualization webpage 11
  - Data on broker-dealers, M&A activity, and BDCs 11
  - FASB guide for expense disaggregation.. 12
  - Candidates for PCAOB board 12
  - Cross-Border Task Force.......................... 12
  - Investment Advisory Committee meeting.. 12
  - Small Business Capital Formation Advisory Committee meeting 12
- Rules and guidance...................................... 13
  - Amendments to Rules of Practice............ 13
  - Updated and new C&DIs 13
  - Customer protection rule FAQ.................. 13
  - Liquid staking arrangements 13
  - In-kind creations, redemptions for crypto ETPs.. 14
  - Financial Reporting Manual 14
  - Crypto asset ETPs disclosures 14
  - Daily reserve computation rule compliance date extension....................... 14

From the PCAOB 15

- Leadership 15
  - Chair 15
  - Call for PCAOB candidates....................... 15
- Standard-setting and rulemaking 15
  - QC 1000 implementation extension 15
- Guidance and publications 16
  - Policy statement on electronic audit evidence 16
  - Broker-dealer review engagements 16
  - Technology in auditing 16
  - Ethical responsibilities 16
  - Engagement acceptance.......................... 17
- Advisory groups.. 17
  - Investor Advisory Group meeting 17
  - SEIAG and IAG member nominations 17

From the AICPA 18

- Digital assets practice aid update 18
- Auditor responsibilities related to fraud........ 18
- Stablecoin framework control objectives..... 19

From the CAQ 20

- Investor views on fraud 20
- SEC and PCAOB enforcement actions analysis 20
- Use of AI survey results................................ 21
- S&P 500 sustainability reporting analysis 21

From the GASB 22

- Final standards 22
- Proposals 22

Accounting Standards Updates (ASU) effective dates 23

Checklist A A-1

- ASU effective dates for public business entities (PBEs) A-1

Checklist B B-1

- ASU effective dates for nonpublic business entities (non-PBEs) B-1

Governmental Accounting Standards Board (GASB) statement effective dates 33

Checklist C C-1

- Effective dates for all GASB statements C-1

Learn more 36

Message from Sydney Garmong

Partner, National Office

Dear readers,

Sept. 22 brought the beginning of fall and all things pumpkin. We hope your fall and fourth quarter are off to a great start!

On the standard-setting front, the Financial Accounting Standards Board (FASB) advanced the ball this quarter, issuing three final standards and one proposal. Next quarter, we should have more to cover as the FASB expects to issue six final standards:

- “Accounting for Environmental Credit Programs”
- “Accounting for Government Grants”
- “Codification Improvements (Evergreen)”
- “Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets”
- “Interim Reporting – Narrow-Scope Improvements”
- “Topic 815 – Hedge Accounting Improvements”

On Sept. 4, the Securities and Exchange Commission (SEC) posted its Spring 2025 Regulatory Agenda, which reflects “it is a new day” at the SEC, according to Chair Paul Atkins. Only four items are retained from the Fall 2024 agenda. The agenda also provides estimated timing for rulemaking. At an AICPA & CIMA conference last month, SEC Chief Accountant Kurt Hohl flagged the following agenda items, noting the last one is his favorite:

- “Crypto Assets” – 2026
- “Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies” – 2026
- “Shelf Registration Modernization” – 2026
- “Updating the Exempt Offering Pathways” – 2026
- “Shareholder Proposal Modernization” – 2026
- “Rationalization of Disclosure Practices” – 2026

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

Third quarter highlights

During the third quarter of the 2025 calendar year, the Financial Accounting Standards Board (FASB) issued three final standards: one on measurement of credit losses for accounts receivable and contract assets, one on internal-use software accounting improvements, and one on derivative scope refinements. The FASB also issued one proposal on initial measurement of paid-in-kind dividends, announced the addition of a digital assets project to its research agenda, and held a roundtable on implementation of the leases standard.

The Securities and Exchange Commission (SEC) announced changes in leadership, released its updated regulatory agenda, endorsed the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* (GENIUS Act), held multiple crypto task force roundtables, issued statements on the President's Working Group and tokenized securities, responded to the court on climate disclosure rules, formed an AI task force and a cross-border task force, and announced a new webpage providing interactive information on capital market activity. The SEC also addressed questions on the amended customer protection rule, clarified liquid staking arrangements, approved orders permitting in-kind creations and redemptions of crypto asset exchange-traded products (ETPs), outlined disclosures for crypto asset ETPs, updated its Financial Reporting Manual, and published new and updated Compliance and Disclosure Interpretations (C&DIs).

The Public Company Accounting Oversight Board (PCAOB) announced changes in leadership, postponed the effective date of QC 1000 by one year, released a policy statement on electronic audit evidence, and published reports on broker-dealer review engagements, technology innovation in auditing, ethical responsibilities, and engagement acceptance. It also announced that it is seeking nominations for its Standards and Emergency Issues Advisory Group and Investor Advisory Group and held a meeting of its Investor Advisory Group.

The Center for Audit Quality (CAQ) published results of a survey on investor views of fraud and a survey on use of AI, issued an analysis of SEC and PCAOB enforcement actions, and examined S&P 500 sustainability reporting.

In addition, we have included recent developments from the American Institute for Certified Public Accountants (AICPA) and the Governmental Accounting Standards Board (GASB).

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

From the FASB

Final standards

Measurement of credit losses

On July 30, 2025, the FASB issued Accounting Standards Update (ASU) 2025-05, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets," to simplify CECL for short-term receivables by creating 1) a practical expedient for all entities and 2) an optional accounting policy for entities other than public business entities (PBEs), both limited to current accounts receivable and current contract assets arising under Topic 606. Under the expedient, entities estimate expected credit losses assuming conditions at the balance sheet date will continue over the asset's remaining life, while still adjusting historical loss data for known, current customer or company factors. For non-PBEs that also 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.

Effective date

The amendments are effective for all entities for annual reporting periods beginning after Dec. 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both an interim and annual reporting period.

For additional information, see the Crowe article "FASB Simplifies Credit Losses for Accounts Receivable and Contract Assets."

Modernizing internal-use software accounting

On Sept. 18, 2025, the FASB issued ASU 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software," to modernize recognition by eliminating prescriptive project stages and requiring 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 (probable-to-complete recognition threshold). 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. The ASU supersedes stand-alone website-development guidance by incorporating relevant requirements into Subtopic 350-40 and clarifies that property, plant, and equipment disclosures in Subtopic 360-10 apply to all capitalized internal-use software (and that the intangibles disclosures in Subtopic 350-30 do not).

Effective date

The amendments are effective for all entities for annual reporting periods beginning after Dec. 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period.

For additional information, see the Crowe article "FASB Revises Internal-Use Software Cost Guidance."

Guidance on derivative accounting and customer share-based noncash consideration

On Sept. 29, 2025, the FASB issued ASU 2025-07, "Derivatives and Hedging (Topic 815) and Revenue From Contracts With Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration From a Customer in a Revenue Contract," to refine 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 (for example, regulatory approvals, sales or earnings measures, emissions targets, or litigation outcomes). The scope exception does not extend to variables tied to market rates, prices, or indexes. It also does not apply to the price or performance (including default) of a party's financial assets or liabilities, to contracts in an entity's own equity evaluated under Subtopic 815-40, or to call and put options on debt instruments. The ASU also 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.

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.

For additional information, see the Crowe article "Accounting for Share-Based Payment From Customers."

Proposals

Initial measurement of paid-in-kind dividends on equity-classified preferred stock

On Sept. 30, 2025, the FASB issued a proposed ASU, "Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock," to reduce diversity in practice by prescribing how issuers initially measure paid-in-kind (PIK) dividends. The proposal would require PIK dividends on equity-classified preferred stock (including instruments classified as temporary equity) to be initially measured using the stated PIK dividend rate in the instrument (for example, rate x liquidation value). The amendments would not change when PIK dividends are recognized.

Comments are due Oct. 27, 2025.

Other activities

Leases implementation roundtable

The FASB hosted a public roundtable on Sept. 12, 2025, as part of its Post-Implementation Review of Topic 842, "Leases." The session gathered feedback from investors, preparers, auditors, and other stakeholders on the standard's costs, benefits, implementation challenges, and ongoing application. The event was held at FASB's Norwalk, Connecticut, offices, streamed on its website, and will be archived for one year.

Digital assets

At its Aug. 13, 2025, meeting, the FASB announced the addition of a digital assets project to its research agenda. This initiative will evaluate potential targeted improvements to the accounting and disclosure requirements for certain digital assets and related transactions. Specifically, the project will examine 1) whether certain payment-oriented digital assets should be classified as cash equivalents, and 2) the accounting treatment of specific digital asset transfers, such as cryptocurrency lending arrangements. The research will incorporate input from stakeholders provided through the FASB's 2025 Invitation To Comment: Agenda Consultation as well as recommendations outlined in the report issued by the President's Working Group on Financial Markets regarding digital asset markets.

From the SEC

Leadership changes

CorpFin director

On Sept. 10, 2025, the SEC announced that James J. Moloney was named director of its Division of Corporation Finance (CorpFin), effective in October. He succeeds Cicely LaMothe, who had been acting director and will return to her prior role as deputy director. Moloney was with the SEC before entering private practice at Gibson Dunn & Crutcher.

Enforcement director

On Aug. 21, 2025, the SEC announced the appointment of Judge Margaret Ryan as director of the Division of Enforcement, effective Sept. 2, 2025. Ryan's career spans military, judicial, and private practice roles, including service as a senior judge on the U.S. Court of Appeals for the Armed Forces and as a partner at two law firms. She will lead the division's enforcement program and oversee efforts to safeguard market integrity. She succeeds acting Director Sam Waldon, who will return to his prior position as chief counsel for the division.

Public statements and announcements

Regulatory agenda

On Sept. 4, 2025, Chair Paul Atkins announced availability of the SEC's Spring 2025 Regulatory Flexibility Agenda. Atkins outlined the highlights of the agenda including a focus on crypto assets, capital formation, investor protection, and modernization of existing rules and regulations.

GENIUS Act endorsement and actions

On July 18, 2025, President Donald Trump signed the GENIUS Act into law. It drew supportive statements from SEC leadership. Atkins called the legislation "a monumental step forward," citing its potential to modernize financial infrastructure through improved efficiency and transparency. He also encouraged staff to consider additional guidance or rulemaking to facilitate the use of payment stablecoins for settlement and margin in securities markets.

Commissioner Hester Peirce described the law as "an important milestone to bring regulatory clarity to crypto." Peirce emphasized that this regulatory clarity is essential to fostering innovation and protecting users. She encouraged SEC registrants to engage with the task force to ensure they can effectively and safely serve customers interacting with stablecoins.

The GENIUS Act creates a federal regulatory framework for payment stablecoins in the United States. The legislation introduces a dual charter system, authorizes select entities to issue stablecoins, mandates 1-to-1 asset backing, requires PCAOB-registered attestation, and sets compliance standards for anti-money laundering and consumer protections. It clarifies that stablecoins are neither securities nor commodities, placing them under banking regulators' oversight. The law directs federal and state banking agencies to begin joint rulemaking and oversight coordination, with final rules to be published within one year after the law goes into effect. As implementation begins, financial institutions must shift from observation to strategic planning, evaluating their roles in the evolving digital payments landscape.

On Aug. 18, 2025, the U.S. Department of the Treasury issued a request for comment as required by the GENIUS Act. The request focuses on the use of innovative methods to detect and mitigate illicit finance risks associated with digital assets. Comments are due Oct. 17, 2025.

For more information, see the Crowe articles "GENIUS Act: A Defining Moment for Stablecoin Regulation" and "Payment Stablecoins: What You Need To Know."

Crypto task force activities

The SEC's Crypto Task Force launched a series of regional roundtables beginning Aug. 4, 2025, targeting small crypto startups with fewer than 10 employees and less than two years in operation. Led by Peirce, the initiative aims to broaden stakeholder input and inform future digital asset policy.

On Sept. 8, 2025, the SEC announced a public roundtable will be held on Oct. 17, 2025, focusing on financial surveillance and privacy. It will explore privacy-protecting technologies and policy frameworks intended to safeguard individuals' control over their financial data.

New phase of regulatory coordination

On Sept. 5, 2025, the SEC and Commodity Futures Trading Commission issued a joint statement focused on harmonizing oversight across securities and derivatives markets, including crypto assets, decentralized finance (DeFi), and other emerging financial products. The agencies noted that greater alignment is needed as financial products converge and emphasized the importance of coordinated regulation to support innovation and maintain U.S. market competitiveness.

President's working group participation

On July 30, 2025, Atkins issued a statement highlighting the SEC's ongoing participation in the President's Working Group. He expressed support for its recommendations aimed at advancing a unified federal framework for digital asset regulation. The report, developed through interagency collaboration, outlines a road map aligned with Trump's directive to position the U.S. as a global leader in crypto innovation.

Tokenized securities statement

On July 9, 2025, Peirce issued a statement reflecting on the evolving conversation around tokenized securities. She noted that while blockchain technology may enhance capital formation and collateral efficiency, the core legal and regulatory principles remain unchanged and must guide innovation in this space. Peirce encouraged market participants to engage proactively with staff when developing tokenization models.

Climate disclosure rules court response

On July 23, 2025, the SEC responded to an April 2025 8th U.S. Circuit Court of Appeals request for information on whether the SEC intended to review or reconsider its climate-related disclosure rules. The request followed the SEC's March 2025 decision to discontinue its defense of related litigation challenging those rules. In its July 2025 filing, the SEC asked the court to proceed with the litigation and to decide the case. The SEC also indicated the court's decision would inform the SEC's future action on the rules. Commissioner Caroline Crenshaw provided a related statement.

AI task force

On Aug. 1, 2025, the SEC announced the formation of an agencywide Artificial Intelligence Task Force, to be led by Chief AI Officer Valerie Szczepanik. It is intended to harness AI tools to enhance operational efficiency, support innovation, and improve the agency's execution of its regulatory mission.

New capital markets activity statistics and data visualization webpage

On Aug. 13, 2025, the SEC announced a new webpage providing interactive statistics and data visualizations on capital markets activity.

Atkins noted that the goal of this initiative is to enhance transparency and accessibility for investors and the public. The resource includes information on IPOs, exempt offerings, bond issuances, and other market data, reflecting the SEC's broader efforts to make regulatory information more usable and support informed decision-making.

Data on broker-dealers, M&A activity, and BDCs

On June 26, 2025, the SEC's Division of Economic and Risk Analysis released updated data on broker-dealers, merger and acquisition (M&A) activity, and business development companies (BDCs). The report highlights continued consolidation among broker-dealers and provides insights into regulatory and registration trends for M&A advisers and BDCs.

FASB guide for expense disaggregation

The SEC on July 28, 2025, urged investors, filers, analysts, software providers, and all interested parties to review and comment on the FASB's proposed Taxonomy Implementation Guide, "Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." It illustrates how to model disaggregated income statement expenses based on the 2025 GAAP Financial Reporting Taxonomy and is part of improving the process of creating and using XBRL-structured financial statements. Comments were due Sept. 19, 2025.

Candidates for PCAOB board

On July 23, 2025, SEC Chair Paul Atkins announced the selection process for five seats on the PCAOB board, including the chair. The terms for these roles are staggered, with the earliest expiring in October 2026 and the latest extending through October 2030. Candidate submissions were due by Aug. 25, 2025.

Cross-Border Task Force

The SEC announced on Sept. 5, 2025, formation of a Cross-Border Task Force to address fraud risks from foreign-based companies impacting U.S. investors. The task force will focus on market manipulation schemes, the role of gatekeepers such as auditors and underwriters, and risks tied to companies in heavily state-controlled jurisdictions. The SEC also directed other divisions to explore additional protective measures, such as enhanced disclosure guidance and potential rule changes.

Investment Advisory Committee meeting

On Sept. 18, 2025, the SEC's Investment Advisory Committee held a meeting primarily devoted to a two-part panel discussion on reconsidering the eligibility criteria and regulatory treatment of foreign private issuers. The committee also discussed recommendations for retail investors' access to private market assets.

Small Business Capital Formation Advisory Committee meeting

The SEC's Small Business Capital Formation Advisory Committee met on July 22, 2025, to finalize its review of Regulation A and examine the regulatory framework for "finders." The meeting also focused on potential enhancements to support small business capital formation, particularly for founders operating outside traditional capital hubs.

Rules and guidance

Amendments to Rules of Practice

On Sept. 17, 2025, the SEC adopted final amendments to its Rules of Practice, refining procedural requirements for reviews of staff actions taken under delegated authority. The amendments provide that certain staff actions in determinations of the effectiveness of registration statements and post-effective amendments, and determinations of the qualification of offering statements and post-qualification amendments under Regulation A will no longer be automatically stayed when a petition for commission review is filed.

Updated and new C&DIs

On Aug. 27, 2025, CorpFin issued a new C&DI on the application of Rule 12b-2. The interpretation addresses the smaller reporting company revenue test in determining filer status changes and provides clarity on how issuers should evaluate their status over time, including how such determinations affect filer classifications for subsequent reporting periods.

On July 11, 2025, CorpFin updated several C&DIs related to Exchange Act Sections 13(d) and 13(g), and Regulation 13D-G. The revisions clarify beneficial ownership reporting expectations.

Customer protection rule FAQ

On Aug. 6, 2025, the Division of Trading and Markets published a new FAQ addressing broker-dealer inquiries about amendments under the customer protection rule related to the clearing of Treasury securities.

Liquid staking arrangements

On Aug. 5, 2025, CorpFin issued a staff statement clarifying that certain liquid staking arrangements and associated tokens, such as staking receipt tokens, do not constitute securities under federal securities laws. The guidance offers additional regulatory clarity for DeFi market participants. Peirce supported the staff's position and encouraged continued dialogue on legal questions surrounding staking. Crenshaw expressed concern that the guidance "only muddies the waters" and called for further analysis.

In-kind creations, redemptions for crypto ETPs

On July 29, 2025, the SEC approved orders permitting in-kind creations and redemptions for crypto asset ETPs. This change aligns crypto ETPs with traditional commodity-based ETP mechanics, reduces transaction costs, and enhances operational efficiency.

Financial Reporting Manual

On July 2, 2025, the CorpFin announced updates to the Financial Reporting Manual to reflect amendments to the SEC's disclosure rules. The update incorporates changes to Regulation S-X Acquisition Rules 3-05, 3-14, 8-04, and 8-06, which now consolidate into Section 2900. Additional revisions were made to reflect the 2020 amendments to Rules 3-10 and 3-16 relating to financial disclosures for guaranteed securities.

CorpFin noted that the current update does not include revisions related to other rulemakings, including those on the qualifications of accountants, management's discussion and analysis, selected financial data, supplementary financial information, special purpose acquisition companies, shell companies, and projections.

On Aug. 28, 2025, CorpFin issued additional updates to the Financial Reporting Manual, incorporating revisions to align with amendments to Regulation S-X, updates to MD&A, selected financial data, and PCAOB-related guidance.

Crypto asset ETPs disclosures

On July 1, 2025, CorpFin issued a statement outlining key disclosure considerations for crypto asset ETPs. The guidance emphasizes the importance of providing clear and comprehensive disclosures related to ETPs such as custody arrangements, net asset value calculation methodologies, risk factors, and other material aspects of the offering.

Daily reserve computation rule compliance date extension

On June 25, 2025, the SEC extended the compliance date to June 30, 2026, from Dec. 31, 2025, for amendments requiring certain broker-dealers to perform daily customer reserve computations. Atkins stated the extension is intended to provide firms adequate time to implement and test operational changes without undue burden.

From the PCAOB

Leadership

Chair

On July 15, 2025, Erica Williams, PCAOB chair since January 2022, announced her departure, effective July 22, 2025. During her tenure, Williams led the PCAOB in finalizing seven projects addressing 24 rules and standards, enhancing enforcement efforts with record-breaking penalties, and improving international audit oversight – most notably by gaining historic access to inspect and investigate firms in China. The PCAOB described this period as one of record accomplishments in advancing investor protection and audit quality.

On July 21, 2025, the SEC announced George Botic would serve as acting chair. Botic joined the PCAOB board on Oct. 25, 2023. He was previously director of the PCAOB's Division of Registration and Inspections.

Call for PCAOB candidates

On July 23, 2025, SEC Chair Paul Atkins announced he is soliciting candidates for all five PCAOB positions, including the chair. Applications were due Aug. 25, 2025.

Standard-setting and rulemaking

QC 1000 implementation extension

On Aug. 28, 2025, the PCAOB announced it is postponing the effective date of its new quality control standard, "QC 1000: A Firm's System of Quality Control," and related standards and rules by one year to Dec. 15, 2026. The delay also applies to the rescission of certain interim quality control and ethics standards, which will remain in force until that date. Importantly, the content of the standards and rules adopted in May 2024 remains unchanged, and firms may still choose to comply early (except as to reporting to the PCAOB on the evaluation of the quality control system). The PCAOB explained that the extension responds to feedback from firms reporting significant implementation challenges.

Guidance and publications

Policy statement on electronic audit evidence

On Sept. 18, 2025, the PCAOB issued a board policy statement clarifying how auditors should implement paragraph .10A of new Auditing Standard 1105, "Audit Evidence," which is effective for audits of fiscal years beginning on or after Dec. 15, 2025. The standard requires auditors to understand the source of electronic information provided by a company from external parties as well as the company's processes for receiving, maintaining, and processing the information, including any modifications. Auditors must then either test the information for modifications or test the relevant controls, such as IT general controls and automated application controls. The policy emphasizes that these requirements are principles-based and scalable, and auditors are not required to perform additional testing if the risk of modification is no more than remote.

Broker-dealer review engagements

The PCAOB on Sept. 11, 2025, issued a new staff publication titled "Broker-Dealer Audit Focus: Review Engagements Regarding Exemption Reports," which emphasizes recurring deficiencies observed in reviews performed under PCAOB Attestation Standard No. 2. The publication outlines common challenges in compliance, offers reminders of auditors' responsibilities under the standard, and shares observed good practices. The aim is to promote higher audit quality and support investor protection by ensuring these reviews meet the applicable standards.

Technology in auditing

On Sept. 3, 2025, the PCAOB published two reports from its Technology Innovation Alliance Working Group, an advisory panel of external experts examining the impact of emerging technologies on auditing. The first report, "Current State Deliverable" (August 2023), outlines how auditors and preparers are adopting technology, including challenges and opportunities for improving audit quality. The second, "Transforming Audit Quality Through Technology" (May 2024), recommends steps such as encouraging AI adoption, promoting structured data, enhancing auditor technology skills, and creating regulatory innovation capacity. While reflecting the views of the working group rather than the PCAOB itself, the reports highlight the growing importance of adapting oversight to support responsible technological innovation in auditing.

Ethical responsibilities

On July 22, 2025, the PCAOB published "Investor Bulletin: The Importance of Auditor Professional Responsibilities and Ethics," emphasizing the essential role of auditors in maintaining trust in financial reporting. It highlights the core ethical principles of independence, objectivity, integrity, professional judgment, and professional skepticism as fundamental to audit quality. The bulletin also explains how the PCAOB's oversight protects investors through standard-setting, inspections, and enforcement.

Engagement acceptance

The PCAOB on July 7, 2025, published "Audit Focus: Engagement Acceptance," outlining key considerations and good practices for auditors evaluating whether to accept a new engagement. While intended for audit firms, the publication is relevant for executives and audit committees, who play a vital role in ensuring a successful auditor selection and onboarding process.

Key points for consideration include:

- **Engagement risk evaluation.** Firms must assess management integrity, prior restatements or control issues, and their own independence and qualifications before accepting an engagement.
- **Auditor transition.** Successor auditors should conduct detailed inquiries with predecessor auditors in accordance with AS 2610, "Initial Audits – Communications Between Predecessor and Successor Auditors," including any audit difficulties, disagreements, or compliance issues.
- **Governance awareness.** Audit committees should be prepared to discuss management changes, governance effectiveness, and any known issues from prior audits.
- **Good practices observed.** Use of workload scorecards for partners, preengagement risk templates, and policies to decline engagements with audit firms lacking industry expertise.

Executives and audit committees can use this publication as a guide to strengthen their own readiness and transparency during auditor selection, supporting improved audit quality and risk mitigation.

Advisory groups

Investor Advisory Group meeting

At its Sept. 25, 2025, meeting, the PCAOB Investor Advisory Group (IAG) presented information on private market valuations, internal controls of financial reporting, and decision-useful critical audit matters. The IAG also received an update on foreign inspections from the Division of Registration and Inspections.

SEIAG and IAG member nominations

On Aug. 20, 2025, the PCAOB announced it is seeking nominations for upcoming vacancies on its IAG and Standards and Emerging Issues Advisory Group (SEIAG). Terms for the new members are two years, Jan. 1, 2026, through Dec. 31, 2027. Members provide critical perspectives to support the PCAOB's mission of protecting investors and enhancing audit quality. Nominations closed Sept. 29, 2025.

From the AICPA

Digital assets practice aid update

On Sept. 2, 2025, the AICPA released an updated Accounting for and Auditing of Digital Assets Practice Aid. The update introduced a new chapter addressing considerations for crypto intangible asset lending and borrowing, including illustrative examples of substantive audit procedures for both lenders and borrowers. The guidance highlights key factors such as whether borrowers are required to post collateral and provides practical insights to help practitioners navigate complex audit and accounting issues in this emerging area. While nonauthoritative, the practice aid offers timely resources to support consistency and quality in applying existing accounting and auditing standards to digital asset transactions.

Auditor responsibilities related to fraud

On July 1, 2025, the AICPA released an exposure draft of a proposed Statement on Auditing Standards (SAS), "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements." This proposed update seeks to enhance and clarify the auditor's role in identifying and responding to fraud during the audit process. The exposure draft introduces several notable revisions, including the establishment of mandatory procedures auditors must follow when fraud or suspected fraud is identified. Additionally, it reinforces the importance of maintaining professional skepticism throughout the audit engagement, a foundational element in the auditor's approach to fraud risk.

Comments were due Oct. 3, 2025.

Stablecoin framework control objectives

On June 12, 2025, the AICPA issued an exposure draft: "Proposed Criteria for Controls Supporting Token Operations: Specific to Asset-Backed Fiat-Pegged Tokens." This draft introduces a dual framework designed to enhance transparency, consistency, and assurance in the reporting of stablecoin operations. The first part outlines presentation and disclosure criteria, requiring detailed reporting on redeemable token quantities, redemption asset composition, and the comparison between the two. These criteria aim to address the current lack of standardization across issuers, improve stakeholder confidence, and support regulatory oversight.

The second part proposes control objectives across eight key areas, establishing a foundational framework for assessing the design and effectiveness of controls over stablecoin operations. The objectives address the following areas: token generation and management, client onboarding and maintenance, customer transaction processing, key and backup management, redemption asset management, vendor management, reporting, and IT general controls. Illustrative disclosures and implementation guidance are also provided to support practical application, while aligning with emerging regulatory expectations.

Comments were due Aug. 11, 2025.

From the CAQ

Investor views on fraud

On July 29, 2025, the CAQ published the results of the institutional investor survey conducted by KRC Research in April 2025, which focused on fraud. The survey reveals growing concern among investors regarding fraud risks at U.S. public companies. Most investors perceive fraud as a significant and ongoing threat to corporate integrity and shareholder value. Internal audit teams, corporate management, and boards of directors are seen as the key lines of defense, with internal audit viewed as carrying the primary responsibility. When fraud does occur, senior management is most often held accountable. Investors cite a need for stronger deterrents, emphasizing enhanced employee training, ethical corporate cultures, and greater use of advanced technologies like artificial intelligence and machine learning to improve detection efforts. There is a prevailing sense that fraud has become more prevalent in recent years, and that it will continue to rise. Cyber-related threats, in particular, are seen as both the most likely and most damaging forms of fraud facing companies today.

SEC and PCAOB enforcement actions analysis

The CAQ announced the release of a recent analysis by the Anti-Fraud Collaboration which reviewed more than 400 enforcement actions from 2021 through 2024 to highlight areas of regulatory focus. The report reveals sustained scrutiny around revenue recognition, M&A-related accounting, ethical breaches, and compliance practices.

Highlights include:

- Revenue recognition remains the top enforcement area (33% of SEC, 27% of PCAOB actions), with executives frequently held accountable.
- Post-merger accounting is a growing PCAOB concern, especially acquisition accounting and goodwill impairment.
- Severe penalties are increasingly imposed for violations tied to auditor integrity and misconduct.
- Regulatory sweeps target widespread compliance failures, including poor audit committee communication and off-channel messaging.

Use of AI survey results

On June 16, 2025, the CAQ published the results of the institutional investor survey conducted by KRC Research during May 2025, which focused on the use of AI in the audit process and the use of generative AI (GenAI) within portfolio companies. Overwhelmingly, investors expressed strong confidence in AI's ability to enhance audit accuracy, efficiency, and risk assessment, with 90% believing it increases trust in audit results. Top benefits include improved error reduction, data analysis speed, and fraud detection. However, investors underscored the need for structured safeguards: The most critical measures cited were regular audits of AI systems, clearly defined usage policies, and transparency about AI applications. Concerns persist on data privacy, lack of human oversight, and insufficient regulatory clarity.

When considering GenAI in portfolio companies, institutional investors said they remain optimistic but cautious. Nearly all surveyed expressed confidence in companies' ability to manage AI-related risks, though data protection and cybersecurity top their list of concerns. While over half consider current federal regulations to be clear and comprehensive, a notable minority believe gaps remain. Investors prioritize proactive governance, including regular risk assessments and formal AI policies, as essential to responsible AI use.

S&P 500 sustainability reporting analysis

The CAQ's "S&P 500 Sustainability Reporting and Assurance Analysis," which examines sustainability disclosures and third-party assurance practices among S&P 500 companies, was updated in June 2025, reflecting its latest findings for the fiscal yearend 2023 reporting period. The CAQ reported that S&P 500 companies continue to embrace sustainability reporting as 99% disclosed ESG/sustainability information in 2023 (up slightly from 98% in 2022), with 73% of those obtaining third-party assurance for some of their data, up from 70% the prior year. Most companies had auditors check greenhouse gas emissions and one to three additional sustainability metrics. Specifically, 24% of companies relied on public company auditors (up from 21%), and 94% of those engaged the same firm that audits their financials.

From the GASB

Final standards

The GASB issued no new standards during the third quarter of 2025.

Proposals

The GASB issued no new proposals during the third quarter of 2025.

Accounting Standards Updates (ASU) effective dates

Checklist A – ASU effective dates for public business entities (PBEs) **A-1**

Checklist B – ASU effective dates for nonpublic business entities (non-PBEs) **B-1**

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**For SEC filers, excluding smaller reporting companies, March 31, 2023** **For all other PBEs, including smaller reporting companies, Dec. 31, 2025**	**Permitted**
Amendments to SEC Paragraphs Pursuant to SAB 122 (ASU 2025-02) Removes text of SEC Staff Accounting Bulletin (SAB) Topic 5.FF, "Accounting for Obligations To Safeguard Crypto-Assets an Entity Holds for Its Platform Users," from Accounting Standards Codification 405-10-S99-1 as SAB 122 rescinded this topic.	**March 18, 2025 (upon issuance)**	**Not applicable**
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**March 31, 2025**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Crypto Assets **(ASU 2023-08)** Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value on an interim and annual basis, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**March 31, 2025**	**Permitted, including in an interim period**
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.	**March 31, 2025**	**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.	**March 31, 2025**	**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 PBEs	Early adoption
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into income tax disclosures. Requires annual disclosure of certain information relating to the rate reconciliation, 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, 2025**	**Permitted**
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**
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**
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 Securities and Exchange Commission 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 disclosure from Regulation S-X or Regulation S-K becomes 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
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**Dec. 31, 2025**	**Permitted**
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**Dec. 31, 2025**	**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
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**Dec. 31, 2026**	**Permitted, including in an interim period**
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.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
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.**
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**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
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**
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**
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**
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 Securities and Exchange Commission 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**

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C – Effective dates for all GASB statements........C-1

Checklist C

Effective dates for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Compensated Absences (GASB Statement 101) Provides recognition and measurement guidance for all types of compensated absences under a unified model. This statement requires that a liability for compensated absences be recognized if all of these occur: 1) The leave is attributable to services already rendered. 2) The leave accumulates. 3) The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement amends the existing disclosure requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability, and it no longer requires the government to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.	**Dec. 15, 2023**	**Permitted**
Certain Risk Disclosures (GASB Statement 102) Provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If these criteria are met, the statement provides disclosure requirements that will enable users of financial statements to understand the nature of the concentrations or constraints identified and the government's vulnerability to the risk of a substantial impact.	**June 15, 2024**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Financial Reporting Model Improvements (GASB Statement 103) Improves key areas of the current financial reporting model, including enhancements of management's discussion and analysis (MD&A); presentation of the proprietary fund statement of revenues, expenses, and changes in net position; budgetary comparison information requirement changes; display of unusual or infrequent items; presentation of major component unit information; and other application issues.	**June 15, 2025**	**Permitted**
Disclosure of Certain Capital Assets (GASB Statement 104) Provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets.	**June 15, 2025**	**Permitted**

Learn more

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