

Snapshot

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Highlights of the 2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments

Principles-centered, AI-supported: A new era of transparent reporting

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The AICPA & CIMA held the 2025 Conference on Current SEC and PCAOB Developments on December 8–10, featuring representatives from the AICPA, SEC, PCAOB, FASB, and Center for Audit Quality (CAQ), along with others from the accounting profession and business community.

The predominant theme of the conference was standard setters and regulators taking a “back to basics” approach—emphasizing the necessity to strike the appropriate balance between the needs of all stakeholders and, where possible, to simplify reporting requirements. Additionally, they stressed a reprioritization of the global alignment of both accounting and auditing standards, noting that achieving global alignment will reduce burdens imposed on all stakeholders by the existence of multiple sets of standards while promoting high-quality financial reporting. Finally, conference speakers emphasized the continuous evolution of, and strategic imperative to embrace the use of, artificial intelligence in the financial reporting ecosystem.

This publication provides a summary of these themes and other topics highlighted at the conference, including rulemaking activity; recent SEC consultations; disclosure considerations; capital market transactions, including mergers and acquisitions; and auditor independence.

A. Conference overview

The AICPA & CIMA held the 2025 Conference on Current SEC and PCAOB Developments in Washington, D.C. on December 8-10, featuring representatives from regulatory and standard-setting bodies as well as industry professionals, financial statement preparers, auditors, legal practitioners, decision-makers, thought leaders, and analysts. Speakers and panelists shared their views on current accounting, financial reporting, and auditing topics, as well as other emerging issues.

Standard setting – ‘back to basics’

The conference featured a conversation with SEC Chairman Paul Atkins, who emphasized the need to focus on the profession’s core values: integrity, objectivity, professional skepticism, honesty, fairness, and independence. Chairman Atkins outlined the SEC’s ambitious rulemaking agenda, which prioritizes simplifying financial reporting rules and regulations in an effort to

1. Attract more companies to the capital markets;
2. Reduce costs and burdens for registrants; and
3. Focus disclosure requirements on material and useful information.

He also noted that the Commission’s agenda includes a shift away from regulating the crypto markets through enforcement to developing a clear regulatory framework, as well as simplifying certain Regulation S-K disclosures, such as those for executive compensation and risk factors, for stakeholders in all sectors.

SEC Chief Accountant Kurt Hohl emphasized the need for the SEC and FASB to collaborate on balanced standard-setting activities to meet investors’ demands for greater disclosure while addressing preparers’ costs concerns. Mr. Hohl outlined his priorities for 2026, which include providing oversight of the FASB and encouraging high-quality international standard-setting. He emphasized the importance of developing high-quality accounting standards as well as addressing emerging accounting issues in a timely manner. For example, the staff in the SEC’s Office of the Chief Accountant (OCA) compiled several issues related to the accounting for cryptocurrency transactions and coordinated with the FASB to determine whether and how those issues may be promptly addressed from a standard-setting perspective, including liaisons with the FASB’s Emerging Issues Task Force.

In addition, Mr. Hohl noted his interest in enhancing the rigor of the cost-benefit analysis when it comes to accounting standard-setting, acknowledging that several recent accounting standards require financial statement preparers to present or disclose additional disaggregated information. Mr. Hohl said he wants to engage in a thoughtful manner to understand the compliance costs on companies associated with these new presentation and disclosure standards and how they may impact Chairman Atkins’ goal to make entry into the U.S. capital markets more attractive. In addition, he encouraged financial statement preparers to actively participate in the standard-setting process, especially in the early stages, to ensure that standard setters receive feedback on the costs associated with implementing new accounting guidance.

Chairman Atkins commented on the SEC’s oversight of the PCAOB and echoed his sentiment on getting back to the basics. He stressed the importance of independence and audit quality, and urged the PCAOB to avoid imposing unclear standards or introducing unnecessary complexity. Mr. Hohl encouraged companies, not just accounting firms, to proactively engage in the audit standard-setting process, given

that the implementation of changes in auditing standards by auditors can have a direct impact on the companies' financial reporting activities.

Speakers and panelists also emphasized that auditor independence continues to be essential to maintaining investor trust and encouraged accounting firms to ensure that independence remains a core value as ownership structures evolve and technological developments continue. Further, OCA staff noted that independence rules will be reviewed over time to consider whether any changes are needed due to evolving risks.

Global alignment of standards

During his remarks, Chairman Atkins underscored the strong reputation of the U.S. capital markets and the accounting and auditing profession's role in upholding high standards so that the United States remains the leader in global capital markets. Mr. Hohl noted that foreign private issuers listed in the United States represent \$14 trillion in market capitalization, with 75 percent filing financial statements in accordance with IFRS. Accordingly, the SEC is interested in ensuring that accounting standards promulgated by the IASB are high quality. Mr. Hohl expressed concern that most of the funding to the IFRS Foundation, which oversees both the IASB and the International Sustainability Standards Board (ISSB), currently goes to the ISSB, and noted that this could affect the quality of the accounting standards produced by the IASB.

Mr. Hohl highlighted the importance of the FASB and IASB working together and learning from each other, with the goal of achieving as much coordination and convergence as possible to benefit investors. Coordination among accounting standard setters could also enhance the timeliness of promulgating new accounting standards, as each standard setter leverages work performed by the other, he continued.

OCA staff praised the FASB's and IASB's track record of open dialogue and knowledge sharing, especially on projects related to software, intangible assets, and the cash flow statement. While these exchanges do not always result in identical outcomes, they help narrow gaps and reinforce investor protections, the staff noted. The staff also emphasized that OCA plays a key role in supporting this collaboration by regularly meeting with staff members from both boards to share stakeholder feedback and encourage further alignment.

Finally, OCA staff reported that its members engage in committees with the International Organization of Securities Commissions and other international governance structures on accounting and auditing standard-setting activities. The staff highlighted significant challenges facing international standard-setting systems, including funding instability and strains on governance functions, such as the expansion of the IFRS Foundation's oversight role to include not only the IASB but also the ISSB. The staff called for stakeholders to engage in finding solutions to these issues, warning that failure to do so could result in reduced comparability of financial results and increased costs and complexity in global capital markets.

Embracing use of artificial intelligence

In the welcome address, AICPA President and CEO Mark Koziel emphasized the profession's history of adapting to technological change and encouraged the audience to view artificial intelligence (AI) as an opportunity rather than a threat. He referenced a recent AICPA & CIMA survey¹ showing that 82 percent

¹ [3Q 2025 AICPA & CIMA Economic Outlook Survey](#).

of business executives expect AI to boost productivity and enhance workforce skills. Mr. Koziel stressed the vital role that accountants play in developing effective controls over AI systems used by their organizations. Industry panelists highlighted AI's potential to greatly improve efficiency by processing large volumes of data faster than at any other time in history. The panelists recommended that organizations empower finance professionals at all levels to experiment with AI and reimagine financial processes by integrating AI throughout the organization.

However, staff from the SEC's Division of Economic and Risk Analysis cautioned that AI's probabilistic nature could lead to errors without structured data. Panelists advised implementing controls over AI systems, such as human-in-the-loop oversight, performance testing, multi-model validation, data analytics, and third-party validation, as well as leveraging existing control frameworks addressing pervasive controls and IT general controls. To establish strong AI controls, panelists emphasized the need for robust governance over data and access management, ensuring only authorized and properly managed datasets are used. Further, Mr. Hohl agreed that AI is transforming the financial reporting ecosystem, including auditing, and stated that the SEC is monitoring how AI is being used by organizations (for example, to calculate reserves in the financial statements or draft financial statement footnotes) and its implications on auditor independence.

CAQ update

The CAQ staff reminded the audience of the resources available through the [Anti-Fraud Collaboration](#), noting its top priorities of culture, risk, professional skepticism, and technology.

B. Accounting matters

FASB standard-setting initiatives

FASB Chair Richard Jones highlighted the progress the Board has made over the past year on completing items on its technical agenda, including nearly all the items that were on the Board's technical agenda when he spoke at last year's conference.

Mr. Jones emphasized the importance of both the standards that the Board finalizes as well as the standard-setting projects that it does not undertake. He explained that in reaching a decision on whether to pursue a certain project, the Board often relies on feedback received from stakeholders in response to Invitations to Comment (ITCs), which provide stakeholders' views on whether standard setting is needed in particular areas and which projects to prioritize, such as the projects on the recognition of intangibles and financial key performance indicators for business entities. Mr. Jones emphasized the importance of obtaining diverse feedback from stakeholders regarding its standard-setting activity, including feedback from investors, financial statement preparers, and auditors.

Regarding the ITC, *Agenda Consultation*, Mr. Jones noted that 72 issues were identified by the FASB staff based on stakeholders' feedback, all of which are expected to be discussed by the Board in public meetings by mid-2026. The Board expects to publish a report summarizing these issues and related resolutions, including whether the Board decides to pursue standard-setting activity.

Mr. Jones also pointed out three items recently added to the Board's agenda:

- The classification of certain digital assets as cash equivalents;
- Accounting for transfers of crypto assets; and
- Targeted improvements to the equity method of accounting.

To conclude his remarks, Mr. Jones provided an overview of the post-implementation review (PIR) process, which begins immediately after a standard is issued and has two objectives: (1) to determine whether the standard worked as intended, and (2) to identify any lessons learned. He noted that the Board recently completed the PIR process for, and issued a [report](#) on, the lease accounting guidance in ASC 842.

Lastly, FASB staff provided an update on the Board's current [technical agenda](#) and [recently issued accounting standards updates](#) (ASUs). A list of recently issued ASUs and their effective dates can be found in Grant Thornton's [Effective Date Schedule](#).

OCA remarks

NPNS scope exception from derivative accounting

OCA staff described a consultation in which it did not object to a registrant's position that certain of its long-dated natural gas forward-sale contracts met the "clearly and closely related" criterion for applying the "normal purchases and normal sales" (NPNS) scope exception from derivative accounting under ASC 815, even though the contract's noncustomary pricing was based on an index related to a geographic market other than the market where the transaction was executed.

OCA staff explained that, to qualify for the NPNS scope exception, a contract to sell or purchase an asset must be priced based on an underlying that is clearly and closely related to the asset being sold or purchased. According to ASC 815-10-15-32(a), an underlying is not clearly and closely related to the asset being sold or purchased if it "is extraneous (that is, irrelevant and not pertinent) to both the changes in the cost and the changes in the fair value of the asset being sold or purchased." If an underlying is determined not to be extraneous to changes in the cost and fair value of the asset, then according to ASC 815-10-15-32(b), an underlying is clearly and closely related to the asset being sold or purchased unless "the magnitude [and direction] of the price adjustment based on the underlying is significantly disproportionate to the impact of the underlying on the fair value or the cost of the asset being purchased or sold."

The contracts considered by OCA staff required delivery of natural gas produced in the United States to a U.S. location but were priced based on the Dutch Title Transfer Facility (TTF), adjusted for a fixed percentage price differential. In reaching its conclusion that the contract qualified for the NPNS scope exception, the staff considered whether:

1. Other contracts existed with a U.S. delivery point and a TTF-indexed pricing provision with a similar price differential; and
2. The contract pricing, including the price differential, was consistent with a contract that specifies a foreign delivery point, which could be evidenced by determining that the price differential was a reasonable approximation of the cost to deliver the natural gas from a U.S. location to a European location.

The staff noted that it did not believe that the buyer's intended use of the natural gas purchased was relevant to this analysis.

OCA staff cautioned that the considerations described above were not an exhaustive list, and that the staff considered all facts and circumstances in reaching its conclusion.

Private credit transactions

OCA staff has observed an increase in private credit transactions whereby lenders outside the traditional banking system provide debt financing to operating companies. Many of these private credit lenders are required to apply investment company accounting, meaning that their investments, including loan receivables, must be initially and subsequently measured at fair value. Oftentimes, these entities' fair value measurements of their loans rely on unobservable "Level 3" inputs, as described in ASC 820.

The staff emphasized that fair value measurements must reflect assumptions that market participants would use to price the asset, including those assumptions related to risk. While a private credit lender would typically use its own proprietary data to estimate the fair value of its loans, it would also consider whether it should adjust its proprietary data to incorporate market participant assumptions into its valuation methodology. For example, in periods where a given borrower's credit risk has increased, a lender measuring the loan at fair value should incorporate the increased credit risk in estimating the price that a market participant would pay to acquire a loan.

OCA staff also reminded the audience that when an entity's valuation model utilizes Level 3 inputs and produces an initial fair value measurement that differs from the transaction price, the entity must calibrate its model so that the initial fair value measurement produced by its valuation model equals the transaction price. In other words, the valuation model should not, in and of itself, generate gains and losses associated with the investment being measured.

Finally, OCA staff highlighted Investment Company Act of 1940, Rule 2a-5, which addresses good faith determinations of fair value. Specifically, Rule 2a-5 addresses how registered investment companies and business development companies must determine the fair value of their investments, including the role of an entity's board of directors. The rule also explains that good faith fair value determinations require an entity to (1) assess and manage material risks; (2) select, apply, and test fair value methodologies; and (3) evaluate any pricing services used. The staff emphasized the importance of good faith fair value determinations, especially in the expanding private credit environment.

Stablecoins

Issuer

Another OCA consultation related to a stablecoin issuer in which the staff objected to a registrant's conclusion that it should not recognize either the reserve assets backing an issued stablecoin or its obligation to redeem the stablecoin when requested by the stablecoin holder.

In this fact pattern, each stablecoin was required to be fully backed by segregated reserve assets held by financial institutions for the benefit of the stablecoin holders that consisted only of certain types of assets, such as short-term treasury bills. An important element of the stablecoin issuer's business model was managing the reserve assets to minimize liquidity risk related to redemption requirements rather than maximizing yield.

In reaching its conclusion, the staff considered various factors, including, not limited to, the following:

- The stablecoin issuer was regulated as such and was solely obligated to redeem outstanding stablecoins.
- The stablecoin issuer controlled and managed the reserve assets, subject to regulatory requirements, and benefited from the yield generated, which could be shared with partners or used to expand the business, including supporting the issuance of additional stablecoins.

OCA staff noted that the stablecoin issuer's recognition of the reserve assets and redemption obligation on its balance sheet helps investors understand the nature and value of the reserve assets relative to the redemption obligation.

Holder

In a second consultation, the staff did not object to a registrant's conclusion that its stablecoin holdings pegged to the U.S. dollar were cash equivalents. As defined in the Codification, "cash equivalents" are short-term, highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that there is insignificant risk of any change in value due to fluctuations in interest rates.

In this fact pattern, the registrant had a specific agreement with the stablecoin issuer guaranteeing that the issuer would exchange one U.S. dollar for one stablecoin within two business days. In addition, the stablecoin issuer was required by regulation to fully back its issued stablecoins with specified liquid assets, limited to financial instruments that qualify as cash equivalents.

The staff also noted that the FASB recently added a project to its agenda regarding the classification of certain digital assets as cash equivalents.

Data centers

OCA staff noted that as the pace of AI development increases, so does the need to finance, construct, operate, and maintain data centers. The staff stressed that data-center-development arrangements often involve multiple parties, including entities that provide AI technology, financing, construction services, and power. The staff highlighted several complex areas of accounting related to these arrangements, as follows:

- If a data center is held by a variable interest entity (VIE), each party that holds a variable interest in the VIE should consider whether it is the primary beneficiary of, and should therefore consolidate, the VIE. The primary beneficiary is the variable interest holder that has both (1) the power to direct the activities that most significantly affect the VIE's economic performance, and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant.

A key element of identifying the primary beneficiary is determining which VIE activities most significantly affect its economic performance. In the context of a data center held in a VIE, the activities over the life of the VIE may include design and construction, leasing, operations and maintenance, and remarketing. Identifying those activities that most significantly affect a VIE's economic performance can require significant judgment and consideration of all facts and circumstances.

- The staff explained that a data-center arrangement may involve leases for the right to use the data center, distinct elements of a data center, or a power plant that supplies electricity to the data center. When the underlying asset must be constructed prior to a lease commencing, the lessee must consider the factors in ASC 842-40-55-5 to determine whether it controls, and should therefore recognize, the asset during the construction period, along with a financing obligation to the asset owner to the extent that the lessee is not funding the construction costs. The staff reminded the audience that the factors in ASC 842-40-55-5 are not an exhaustive list and that lessees should consider all facts and circumstances in determining whether they control the asset under construction that will be leased. The staff also reminded the audience about the importance of properly identifying the lease commencement date, which determines when the lessee recognizes a right-of-use asset and lease liability.

Finally, OCA staff provided two reminders about accounting for long-lived assets:

- Registrants must continually assess the useful lives assigned to long-lived assets; applying the impairment guidance in ASC 360 is not a substitute for this continuous assessment.
- When assessing whether the carrying amount of an asset or asset group is recoverable under the first step of ASC 360's long-lived asset impairment guidance, entities should estimate future cash flows using their own assumptions about the asset's or asset group's intended use. These estimates should incorporate all available information, including data used in other areas such as budgeting, forecasting, and calculations related to incentive compensation.

Data center considerations raised on practitioner panel

A panel of practitioners addressed some additional issues for preparers to consider with respect to consolidation and leasing activities related to data center projects:

- In many cases, the constructed asset within a VIE is leased, and if the lease contains such provisions as a residual value guarantee, renewal options, or purchase options, it might provide the lessee with a variable interest in the VIE.
- It is important to determine the appropriate unit of account when identifying lease components, which, in the case of a data center, might be the entire data center, a distinct floor or a cage within the data center, or even a distinct computer chip.
- If an arrangement includes lease and nonlease components, it is important to note that the guidance on allocating variable payments differs between ASC 606 and ASC 842, with the former requiring entities to estimate the variable payments that will be received during the contract term and the latter prohibiting these estimations. In addition, under ASC 842, lessees cannot allocate variable payments solely to a single component in a multiple component arrangement, whereas lessors may be able to allocate variable payments entirely to a nonlease component in certain circumstances.

IFRS 18

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which represents a significant change in how entities communicate through the financial statements and, once effective, will replace the existing requirements in IAS 1, *Presentation of Financial Statements*. IFRS 18

introduces requirements for aggregating and disaggregating information in the primary financial statements, and requires the presentation of defined subtotals, including profit or loss before financing and income taxes. In addition, under IFRS 18, entities must disclose information about management-defined performance measures (MPMs) in the notes to the financial statements when the entity discloses those measures outside the financial statements.

OCA staff emphasized the significant implementation efforts and challenges required to comply with IFRS 18. The staff stressed the impact of implementation efforts on registrants, including potential changes to systems, processes, and internal controls, especially due to the retrospective adjustments to comparative periods that are required once the standard becomes effective on January 1, 2027. Further, the staff reminded registrants to engage with auditors and audit committees about the various impacts of the new standard.

The staff of the SEC's Division of Corporation Finance (CorpFin) also discussed IFRS 18 and indicated that MPMs, as defined in IFRS 18, that are used in public communications outside the notes of the financial statements are subject to the SEC's non-GAAP rules. However, the staff clarified that MPMs presented within the financial statement footnotes are excluded from the definition of *non-GAAP measures* and, therefore, are not subject to the non-GAAP rules. The staff, who previously provided certain views on applying non-GAAP rules to MPMs during a [joint meeting](#) with the CAQ's International Practices Task Force in May 2025, also mentioned that it will share additional guidance in 2026.

Lastly, OCA staff reminded the audience that the IFRS Interpretations Committee (IFRIC) is actively engaged in addressing application questions related to IFRS 18. The staff noted that the Committee has already received multiple inquiries from stakeholders in 2025 and intends to publish final agenda decisions prior to the effective date of IFRS 18.

Other current accounting issues

A panel of practitioners discussed several current accounting issues related to changes in entities' business models, the economic environment, and U.S. GAAP. The panel also provided an update on the activities of the AICPA's Financial Reporting Executive Committee (FinREC).

Changes in business models

The panelists acknowledged that the rapid development of AI technology has already required, and will continue to require, significant investment in infrastructure, including capital-intensive assets such as data centers and power plants. Many of these assets are held in single-asset legal entities that issue debt to finance construction.

Panelists pointed out that investors in single-asset entities may execute other arrangements with the entity, such as leases or revenue contracts, and emphasized the importance of considering the economic substance of revenue arrangements with investors and making appropriate disclosures about related-party transactions in these circumstances. Additionally, panelists observed that investors that do not consolidate these entities often account for their investment under the equity method of accounting in ASC 323, whose requirement to eliminate the investor's portion of intra-entity profit in certain circumstances may be complex to apply.

The panelists noted that changing business models often leads to changes in reportable segments, whether through an obvious change (such as an acquisition or a disposition) or through a more subtle change (such as one that affects margins at the operating-segment level, which might change previous conclusions about whether operating segments should be aggregated into a single reportable segment under ASC 280).

Financial reporting implications of tariffs noted by panelists

- Tariffs may indirectly affect revenue recognition by triggering contract modifications or changes to estimates of variable consideration.
- Entities should not present tariffs net against revenue, as they are not linked to a revenue-generating activity.
- Tariffs may create or increase losses on construction-type or production-type contracts.
- Tariffs may affect uncertain tax positions and the realizability of deferred tax assets.
- Entities should consider the guidance in ASC 275 that requires disclosures about risks and uncertainties, especially when outcomes may differ significantly from current expectations. Disclosure is required when it is reasonably possible that an estimate could change materially in the near term.

Changes in the economic environment

Panelists explained that changes in the economic environment may have a significant accounting impact, especially in terms of asset impairment. Refer to Grant Thornton's [Snapshot](#) 2025-04, "Changing economic and fiscal policies: Accounting and financial reporting considerations," and [Viewpoint](#), "Impairment: Indefinite-lived intangibles and goodwill," for more information.

Changes in U.S. GAAP

Panelists acknowledged that recent changes in U.S. GAAP may significantly affect entities' financial reporting, and provided insights related to certain recently issued ASUs.

Derivatives scope refinements and noncash share-based payments from customers

The panel discussed the guidance in ASU 2025-07, which amends the scope of ASC 815 to exclude contracts with underlyings based on the operations or activities of one of the parties to the contract, such as R&D funding and litigation funding arrangements. Once an entity has adopted the amendments in ASU 2025-07, many R&D funding and litigation funding arrangements are no longer accounted for as derivatives; in some cases, it might not be clear what measurement and recognition guidance applies to these contracts outside of ASC 815.

These amendments also update the revenue recognition guidance in ASC 606 to clarify that noncash share-based payments received from customers should be accounted for under ASC 606 until the right to receive or retain the noncash share-based payments is "unconditional" under ASC 606 (meaning it no longer depends on the entity satisfying a performance obligation). While within the scope of ASC 606,

noncash share-based payments included in the transaction price may result in the entity recognizing a contract asset that should be evaluated under the expected credit loss model in ASC 326-20.

Refer to Grant Thornton's [Snapshot](#) 2025-12, "Derivatives scope refinements," and [Snapshot](#) 2025-13, "FASB clarifies share-based noncash consideration in revenue contracts," for more information.

Disaggregation of income statement expenses

Panelists discussed the significant effort underway by financial statement preparers to adopt the amendments in ASU 2024-03, which require entities to report disaggregated expense information. Many preparers are discovering that adopting this disaggregation guidance requires a significant data-gathering effort as well as updates to financial reporting systems, which is generally demanding more time and effort than expected.

FinREC update

Rahul Gupta, Grant Thornton partner and FinREC Chair, provided an update on FinREC's recent activities during the panel discussion. Mr. Gupta noted that FinREC is working on several technical Q&As addressing how the direct effects of the One Big Beautiful Bill Act should be reflected in entities' income tax rate reconciliation disclosures, with the goal of publishing the Q&As in time for entities to use in their 2025 year-end reporting process.

Mr. Gupta also provided a summary of FinREC's [recent activities](#), including

- Issuance of an updated Accounting and Valuation Guide, *Business Combinations*, in November 2024, providing FinREC's views on prevailing accounting practices and valuation considerations.
- Updating Q&As in the Digital Assets Practice Aid in February 2025 to address the amendments in ASU 2023-08 related to purchasing digital assets for cash and determining the cost basis of digital assets, as well as to incorporate new guidance on wrapped tokens, non-fungible tokens (NFTs), transaction costs, and gains and losses.
- Updating the Digital Assets Practice Aid in September 2025 to add considerations for auditing crypto asset lending and borrowing arrangements.
- Enhancing the Audit and Accounting Guide, *Brokers and Dealers in Securities*, including updated information on segment reporting and income tax disclosures.

The Committee is also in the process of completing the following projects:

- Updating the Audit and Accounting Guide, *Airlines*, with expected issuance of a fully revised guide in 2026;
- Updating the Audit and Accounting Guide, *Life and Health Insurance Entities*, to reflect the amendments in ASU 2018-12, with expected issuance in early 2026; and
- Revising the Audit and Accounting Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, including guidance on allocating value in complex capital structures.

CorpFin remarks

Reportable segments – Comments on implementing ASU 2023-07

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to expand the disclosure requirements for reportable segments made by public entities. CorpFin staff shared its views and observations on specific matters related to the adoption of the ASU's amendments.

Single required measure of segment profit or loss

CorpFin staff stressed the importance of identifying the single required measure of segment profit or loss for each reportable segment, as determined under ASC 280. The staff emphasized that if the Chief Operating Decision Maker (CODM) uses multiple measures, the single required measure should be the one most consistent with the corresponding amount in the public entity's consolidated financial statements and illustrated this concept through the scenarios outlined in the following table.

Scenario	Measure of profit or loss used by the CODM	CorpFin's considerations
Scenario #1 - All measures on GAAP basis	<ul style="list-style-type: none"> Gross profit (GAAP) Operating income (GAAP) 	If all CODM measures are GAAP-based, the measure including more GAAP revenue and expense line items (that is, operating income over gross profit) is the required measure.
Scenario #2 - Mixed GAAP and non-GAAP measures	<ul style="list-style-type: none"> Operating income (GAAP) EBITDA (non-GAAP) 	If one measure is GAAP-based and another is not (that is, operating income versus EBITDA), the GAAP-based measure is the required measure.
Scenario #3 - No measures on a GAAP basis	<ul style="list-style-type: none"> EBITDA (non-GAAP) Adjusted EBITDA (non-GAAP) 	If none of the measures are GAAP-based (that is, EBITDA versus Adjusted EBITDA), the measure with fewer adjustments (meaning the measure closest to GAAP) is the required measure.

CorpFin staff provided an additional factor to consider when both measures used by the CODM are non-GAAP and are subject to the same type of adjustment, such as Adjusted Gross Profit and Adjusted Operating Income—for example, each measure's only adjustment is the exclusion of stock-based compensation. In this scenario, the staff indicated that Adjusted Operating Income would be the required measure because it encompasses a greater number of operating expense line items compared to gross profit, similar to Scenario #1 in the table above.

The staff emphasized that the factors discussed in these examples are not intended to be exhaustive and that careful consideration of all relevant facts and circumstances is essential.

Disclosure requirements for single reportable segment entities

The amendments in ASU 2023-07 newly require entities with a single reportable segment to provide all segment disclosures. CorpFin staff has observed instances whereby registrants with a single operating and reportable segment managed on a consolidated basis have been omitting disclosures and instead have been referring to their primary financial statements in lieu of providing specific reportable segment disclosures in their footnotes.

The staff discussed the following disclosure review observations of omitted disclosures for single reportable segment entities:

- Factors used to identify the reportable segment
- Identification of the CODM
- How the measure(s) of segment profit or loss are used by the CODM to assess segment performance and allocate resources
- Disclosure of significant segment expenses regularly provided to the CODM, which often differ from the expenses presented on the consolidated income statement.
 - For situations where the income statement expenses are consistent with the significant segment expenses provided to the CODM, the staff noted that a clear reference should be provided to indicate that no additional information has been used.

Additional segment disclosure observations

CorpFin staff noted instances of missing or incomplete disclosures regarding how the CODM uses the segment measure of profit or loss in assessing performance and allocating resources. The staff referred to illustrative examples in ASC 280-10-55-47bb and ASC 280-10-55-54C for additional guidance in complying with the disclosure requirements.

The staff also reminded registrants to disclose the nature of the expense information used by the CODM to manage operations, as required by ASC 280-10-50-26C, when significant expense categories and amounts are not disclosed for one or more reportable segments. Additionally, the staff directed registrants to review the illustrative example in ASC 280-10-55-15G.

Lastly, CorpFin staff encouraged registrants to adopt clear and appropriate naming conventions for significant segment expenses, along with sufficiently detailed descriptions, so that users can understand how segment expenses are measured and which expenses comprise significant expense categories. The staff has observed instances where significant segment expenses and measures of segment profit or loss were based on principles that differ from U.S. GAAP, yet the registrant used naming conventions similar to the categories of line items on the consolidated statement. To avoid confusion, the staff recommended providing a transparent disclosure of the composition of significant segment expense categories.

Format of segment disclosures

CorpFin staff observed a wide range of approaches used by registrants in presenting new segment disclosures. While many formats comply with the ASC 280 requirements, some registrants have included additional information that could inadvertently introduce non-GAAP measures or prohibited disclosures.

One recurring issue, the staff noted, involved a registrant's segment reconciliations for the total of the reportable segments' amount for each measure of profit or loss to the public entity's consolidated income before income taxes and discontinued operations. The staff observed that registrants were combining nonreportable segments, corporate amounts, and eliminations to create consolidated measures of segment profit or loss—items not required by the standard. The staff emphasized that reconciliations should begin with totals of reportable segments only.

Other problematic practices noted by the staff include disclosing consolidated totals of significant segment expense categories, presenting segment data for nonreportable groupings, and creating pseudo-consolidations that resemble hypothetical reporting entities. Additionally, the staff indicated that registrants have introduced subtotals or alternative measures of segment profit or loss without providing all required disclosures.

CorpFin staff cautioned registrants to avoid unnecessary disclosures that could raise non-GAAP concerns and to adhere strictly to ASC 280 requirements.

C. SEC reporting matters

SEC rulemaking and initiatives

CorpFin Director James Moloney noted that over 1,000 registration statements were filed during the recent government shutdown and that the staff has reviewed approximately half of the filings. The staff has prioritized reviewing capital-raising and IPO registration statements along with other offerings using a first-in, first-out approach and plans to be back to its normal review process and timing in early 2026. As for rulemaking activities, Mr. Moloney highlighted the division's recent interactions with stakeholders through roundtables focusing on executive compensation and cryptocurrency, and stated that those discussions will inform the content of upcoming proposals. Additional anticipated proposals noted by CorpFin staff are included in the [SEC's Spring Regulatory Agenda](#).

SEC's Spring Regulatory Agenda – expected CorpFin proposals

- Clarifying the regulatory framework for the offer and sale of crypto assets, including creating certain exemptions and safe harbors
- Modernizing shareholder proposals to reduce burdens for registrants
- Rationalizing disclosure practices to facilitate material disclosures
- Enhancing accommodations available to emerging growth companies (EGCs), simplifying registrant categories, and reducing compliance burdens
- Modernizing the shelf registration process to reduce burdens for registrants
- Simplifying exempt offering pathways

In June 2025, the SEC issued a [Concept Release](#) seeking input on the definition of a “foreign private issuer” (FPI), including the eligibility criteria for FPI status, due to significant changes in the population of FPIs over the years. FPIs benefit from accommodations and exceptions from certain disclosures and filing requirements under the federal securities laws. CorpFin Chief Accountant Heather Rosenberger provided

an update on the FPI eligibility Concept Release, stating that the SEC has received approximately 75 comment letters and the staff is still evaluating the responses.

Ms. Rosenberger further alluded to other topics expected on the SEC's forthcoming Fall Regulatory Agenda, including rulemaking to address the recent hot topic of semiannual versus quarterly reporting.

Interpretive guidance updates

FRM updates

Ms. Rosenberger noted that CorpFin's [*Financial Reporting Manual*](#) (FRM) was updated to reflect amendments from the [*acquired businesses final rule*](#), the [*Management's Discussion and Analysis \(MD&A\) final rule*](#), and the [*special purpose acquisition company \(SPAC\) final rule*](#), among others, as well as to codify certain recent and existing staff positions.

C&DI updates

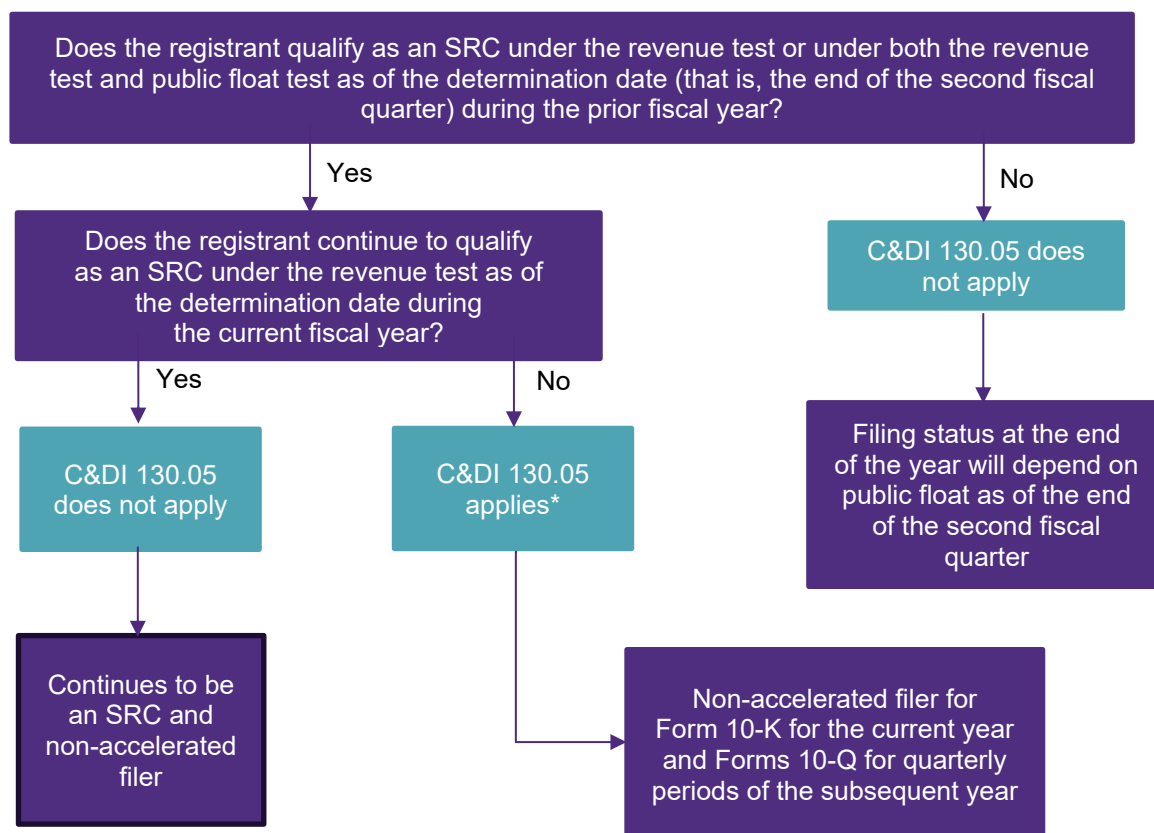
CorpFin staff highlighted recent updates to its Compliance and Disclosure Interpretations (C&DIs), including the following new questions:

- Question 253.03 was added to the *Exchange Act Rules* C&DIs to address questions related to the filing requirements of a target company once a de-SPAC transaction has been consummated. CorpFin staff stated that after a registration statement becomes effective, the target company can terminate its Exchange Act reporting obligations by filing Form 15 if the target is wholly owned by the combined company and the target company is current in its filings. Additionally, the staff clarified that a target company that files Form 15 after its fiscal year-end, but before Form 10-K is due, is not required to file Form 10-K.
- Questions 104.20 through 104.25 were added to the *Exchange Act Forms* C&DIs to address questions related to the "check the box" criteria in annual reports indicating that a correction of an error in previously issued financial statements occurred and the related clawback disclosures required under S-K Item 402(w).

Filing status during transition from SRC status

In August 2025, CorpFin staff added Question 130.05 to the *Exchange Act Rules* C&DIs to clarify how to determine filing status when a registrant that qualified as a smaller reporting company (SRC) under the revenue test no longer qualifies as an SRC as of the determination date during the current year. The question explains that these registrants are eligible to continue using the SRC requirements through the current fiscal year-end and, accordingly, will not meet the definition of an accelerated or large accelerated filer as of the end of the year.

At the conference, CorpFin staff further clarified the applicability of Question 130.05, as shown in the following flowchart. The flowchart assumes that the registrant (1) has been subject to the Exchange Act reporting requirements for at least 12 calendar months, and (2) has filed at least one annual report on Form 10-K.



** Applicability of the C&DI will not be impacted based on whether the registrant qualifies as an SRC under the public float test as of the determination date in the current fiscal year. Further, if the registrant is an EGC, it will continue to remain an EGC at the end of the current fiscal year, unless other disqualifying provisions are met.*

Non-GAAP measures

CorpFin staff stated that although non-GAAP C&DIs are not updated annually, the staff is continuously considering enhancements and communicating through various channels to educate registrants on the non-GAAP rules.

The staff observed that registrants often disclose non-GAAP measures to provide investors with internal measures used by management to analyze operating trends. The staff noted instances where registrants justify the use of such non-GAAP measures, which would otherwise be potentially misleading, by claiming that the measures reflect management's internal analysis or meet investor expectations. The staff clarified that these justifications alone do not override regulatory requirements or mitigate the possibility that such measures may be misleading under applicable non-GAAP rules and referred the audience to Question 100.04 of the *Non-GAAP Financial Measures* C&DI.

The staff also acknowledged that there are exceptions to the rule, however, such as a non-GAAP measure presented to comply with GAAP requirements (for example, the required measure of segment profit or loss under ASC 280) or computed in accordance with debt agreements. The staff encouraged registrants to contact the review staff if a non-GAAP comment indicates that the staff believes a non-GAAP measure is potentially misleading and the reasons are unclear.

CorpFin staff also noted that when it determines that a non-GAAP measure or an adjustment within the measure is misleading or inconsistent with the non-GAAP rules, registrants are expected to remove or revise the measure beginning with the next filing, unless doing so is unreasonable or impracticable due to timing. The staff stressed the importance of registrants continuing to communicate with the review team and to update disclosures as quickly as possible, while also keeping investors informed about any forthcoming changes.

Waiver and interpretive requests

Ms. Rosenberger noted that the volume and nature of requests under Rule 3-13 of Regulation S-X on the acquisition of a business remains consistent with prior years. She reminded registrants that there is a presumption under S-X Article 11 that a separate entity, subsidiary, or division is considered a “business” for SEC reporting purposes and that this presumption can only be overcome in very limited circumstances based on specific facts and circumstances.

While not a new topic in the FRM, she also reminded the audience of the guidance in FRM 2905.05 that stipulates while S-X Rule 3-05 does not apply to the acquiree of an acquiree, a registrant should consider whether the omission of the financial statements of that business would render the acquiree’s financial statements, filed in compliance with S-X Rule 3-05, misleading or substantially incomplete.

Additionally, Ms. Rosenberger noted an uptick in inquiries about predecessor determination in light of the increase in the volume of spinoffs and put-together transactions. She highlighted that predecessor determination is complex and depends on the specific facts and circumstances of each transaction.

Refer to Grant Thornton’s [Viewpoint](#), “Carve-out financial statements,” for more information.

Spin-off transactions

CorpFin staff shared that registrants determining the predecessor in spin-off transactions should consider several factors, including the legal structure of the transaction, how the business was historically conducted, and whether investors have historically seen the results of the spun-off business. The staff discussed the following examples:

- *Spin-off of a line of business*: The staff discussed a fact pattern where the registrant was spinning off a line of business that had been commingled with the operations of other business lines within multiple legal entities. This business had operated independently of other lines of businesses and was a separate reportable segment. The spin-off contemplated the contribution of several legal entities to the spinnee upon removal of the other lines of businesses that were retained by the registrant. Full combined financial statements of the legal entities would not have been representative of the business being spun off and would be distortive. In this fact pattern, the staff did not object to the registrant’s proposal to present the financial statements of the spun-off business (that is, limited to the spun assets, liabilities, and operations) as those of the predecessor.
- *Spin-off of a legal entity*: In another fact pattern, the registrant was spinning off a legal entity operating in a foreign country, with the spun entity becoming a new registrant. This entity included other lines of businesses that were being retained by the registrant. The business being spun off and the

businesses being retained by the registrant were complementary and used the same shared services, financing, and management. In this fact pattern, the staff concluded that the historical financial statements of the legal entity, including the lines of businesses retained by the registrant, should be presented as the predecessor financial statements, and that the retained businesses should be adjusted through the pro forma financial information presented under S-X Article 11.

Reverse spin-off transactions

CorpFin staff observed that in a reverse spin-off transaction, the registration statement filed by the legal spinnee would ordinarily include two sets of financial statements: (1) the existing registrant as the predecessor, and (2) the carve-out financial statements of the legal spinnee. Further, the registration statement would ordinarily include S-X Article 11 pro forma financial information reflecting the predecessor's disposal of the legal spinor. The staff stated that it may not object to the omission of the carve-out financial statements of the legal spinnee from the registration statement only in very limited situations where the legal spinnee represents substantially all of the existing registrant.

The staff also noted that upon consummation of the transaction, the existing registrant (legal spinor) would ordinarily undergo a change in reporting entity, and the historical financial statements of the legal spinnee would be those of the existing registrant, reflecting discontinued operations for the business retained by the legal spinor, if appropriate.

'Put-together' transactions

CorpFin staff explained that ordinarily, the predecessor is the accounting acquirer; however, while the new registrant may be the accounting acquirer in a "put-together" transaction, one or more of the acquired businesses would be the predecessor to the registrant, because the registrant's historical operations are insignificant compared to the operations of the acquired businesses. Key considerations in determining which entity is the predecessor(s) include (1) timing of the acquisition, (2) relative fair values, (3) relative size of business operations, and (4) management structure.

License arrangements and IP acquisitions

CorpFin staff noted that certain licensing arrangements, which are commonly seen in the life sciences industry, may be viewed as an operating right and may therefore meet the definition of a business under S-X Rule 11-01(d). The staff provided examples in which, based on facts and circumstances, it noted that (1) the historical financial statements of the licensor or carve-out financial statements of the licensing activity may be deemed the predecessor for reporting purposes as the registrant succeeds to the activities of the licensor, and (2) a similar outcome may result in an acquisition of intellectual property.

The staff reminded registrants to also consider the stage of drug development and the terms of the license when making the predecessor determination.

Disclosure observations

General financial statement presentation

CorpFin staff reminded the audience that the statement of cash flows should be detailed, with clear, separate line items for material components (that is, changes in receivables, inventory, payables, and more) and that items should not be aggregated or netted inappropriately. The staff emphasized that care should be taken when combining dissimilar items, for example, "other assets" and "other liabilities."

The staff reiterated that all material related-party amounts must appear on the face of the balance sheet, income statement, and cash flow statement, as required by S-X Rule 4-08(k).

The staff also emphasized the requirement to comply with S-X Rule 5-03 for income statement captions in nonspecialized industries and reminded registrants that changes to captions may be necessary if their business changes, such as the introduction of a new product or service.

Revenue disclosures

CorpFin staff reminded registrants to comply with S-X Rule 5-03(b), which requires separate presentation of revenue from the sale of tangible products and services on the face of the income statement if revenue exceeds 10 percent of net sales. In a typical software arrangement, where an entity transfers a functional intellectual property license as well as updates and post-contract customer support (or PCS) in accordance with ASC 606, the registrant typically identifies distinct performance obligations for the license (transferred at a point in time) and for the updates and the PCS (both transferred over time). The staff stated that it believes the license should be characterized as product revenue on the face of the income statement, if material, to comply with S-X Rule 5-03(b). Further, the staff linked this disclosure requirement to S-K Item 303, which aims to provide material information relevant to assessing a registrant's financial condition and the results of its operations.

The staff also addressed accounting for incentives provided by agents to end users, noting that registrants must carefully evaluate whether such payments reduce revenue or qualify as marketing expenses under ASC 606. The staff reminded registrants to disclose material incentive payments classified as marketing expenses with quantification and discussion in MD&A. Registrants should anticipate comments from the staff if they have concluded that an incentive payment made to a customer qualifies to be presented as a marketing expense rather than a reduction in revenue in accordance with ASC 606, the staff noted. The evaluation continues to be complex and focuses on whether the entity has an implicit or explicit promise to provide the incentive or whether there is a valid expectation that the registrant will provide an incentive payment.

The staff further addressed the continued relevance of S-X 5-03(b) when considering the disclosure requirements under ASC 606 and the forthcoming disaggregation of income statement expenses (DISE) standard. The staff emphasized that S-X 5-03(b) remains critical because it specifies which line items must appear on the face of the income statement, ensuring more consistency in presentation. While ASC 606 and DISE introduce disaggregation requirements, they do not fully replace the information required by S-X 5-03(b).

The staff reiterated that under ASC 606, companies must disaggregate revenue based on economic factors such as nature, amount, timing, and uncertainty. However, the standard does not prescribe specific categories. For example, a registrant may choose to break down revenue by geography under ASC 606, whereas Rule S-X 5-03(b) requires product and service categories to be presented on the income statement.

Similarly, the staff stated that DISE focuses on disaggregating expense captions in the notes to the financial statements, rather than requiring disclosure of the cost of tangible goods sold or services rendered on the face of the income statement.

Summarized quarterly financial information

CorpFin staff clarified that summarized quarterly financial information provided in Form 10-K pursuant to S-K Item 302(a) is not required to be repeated in the subsequent year if there are no additional changes requiring retrospective application. The staff clarified its position with the following example:

- A non-SRC registrant reported discontinued operations during the third quarter of 2025. As a result, the registrant included that summarized quarterly financial information pursuant to S-K Item 302(a) in Form 10-K for the year ended December 31, 2025. The staff clarified that it would not object if the registrant does not include that summarized quarterly financial information for 2025 in Form 10-K for the year ending December 31, 2026, provided there are no other retrospective revisions necessitating further adjustment of earlier financial data.

MD&A

Ms. Rosenberger reminded registrants to evaluate disclosures in MD&A on an annual basis considering macro-economic changes, such as tariffs, trade restrictions resulting from tariffs, and developments in AI, including related governance matters.

Using tariffs as an example, Ms. Rosenberger observed that disclosure in MD&A may be required if a tariff could have resulted in a material change in the reported results of operations or if a tariff is reasonably likely to have a material effect on a registrant's future results or financial condition. She noted that registrants may refer to the disclosure guidance published by the staff on COVID-19 in 2020 for considerations related to MD&A disclosures. In determining disclosures that should be included, she encouraged registrants to consider (1) the magnitude of the business affected, (2) its ability to mitigate the tariffs' impact on its business, (3) its ability to pass increased costs on to customers through higher prices, (4) the resulting effects on profitability, financial condition, and liquidity, and (5) potential impairments or increased allowance for credit losses. Further, Ms. Rosenberger highlighted the importance of including forward-looking information in the MD&A section related to known trends and uncertainties and encouraged registrants to refer to the guidance in FRM Section 9240.

The following table summarizes pertinent disclosure reminders.

Disclosure area	Reminder
Statement of cash flows	Break out material components
	Disaggregate line items into gross balances where appropriate
Related-party disclosures	Disclose all material related-party amounts on all related statements—balance sheet, income statement, and statement of cash flows
Income statement presentation	Adhere to S-X 5-03 for income statement captions in nonspecialized industries
	Adjust the income statement if there is a change in business

Disclosure area	Reminder
Summarized quarterly financial information	Not required to repeat quarterly data in future year's Form 10-K
MD&A	Disclose material changes in macro-economic factors in the reported results of operations and forward-looking disclosures

D. Auditing matters

PCAOB standard-setting update

Barbara Vanich, PCAOB Chief Auditor and Director of Professional Standards, provided a PCAOB [standard-setting update](#), focusing on the deferral of QC 1000, *A Firm's System of Quality Control*, whose effective date was postponed for one year to December 15, 2026. She encouraged firms to use the additional time to finalize the details of their quality control systems and to perform dry runs, and invited firms to reach out to the Office of the Chief Auditor with questions. Ms. Vanich also covered recent [guidance](#) issued by the PCAOB staff related to the Board's amendments on the auditor's responsibilities when using technology-assisted analysis, which are effective for audits of financial statements for fiscal years beginning on or after December 15, 2025. This guidance was issued subsequent to the Board's [policy statement](#), which provides relevant information on the implementation of certain requirements included in the amendments.

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