

Financial reporting briefs

What you need to know about this quarter's accounting, financial reporting and other developments

March 2025

In this issue:

| | |
|-------------------------------|---|
| Accounting update | 2 |
| Regulatory developments | 4 |
| Other considerations | 6 |
| Reference library | 7 |



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Accounting update

Welcome to the March 2025 Financial reporting briefs. This edition highlights the latest developments in financial reporting and alerts you to some important considerations for 2025.

In our Accounting update section, we discuss the FASB's proposed improvements to the Codification and its Invitation to Comment on its future standard-setting agenda, among other topics.

In our Regulatory developments section, we provide updates on SEC, PCAOB and other developments.

Need more information? Check out our Reference library, where we list our recent publications on the topics discussed here and provide links to them.

FASB proposes amendments to Codification to clarify, correct errors or make improvements

The Financial Accounting Standards Board (FASB or Board) proposed amendments to clarify, correct errors in or make other minor improvements to a broad range of topics in the Accounting Standards Codification (Codification or ASC), including ASC 260, *Earnings Per Share*; ASC 325, *Investments – Other*; and ASC 958, *Not-for-Profit Entities*. The proposal is part of the Board's ongoing Codification improvements project to make technical corrections, clarifications and other incremental improvements to US GAAP.

The proposal would, among other things, clarify the guidance in ASC 260 on how to calculate diluted earnings per share when an entity has a loss from continuing operations and a contract that may be settled in stock or cash that is reported as an asset or liability for accounting purposes. Entities would apply the amendments to ASC 260 retrospectively and all other amendments either prospectively or retrospectively.

The proposal would apply to all reporting entities in the scope of the affected accounting guidance (i.e., both public and nonpublic entities). While the Board does not intend for the amendments to result in significant changes for most entities, the proposal may result in accounting changes for some entities.

FASB staff seeks input on future standard-setting agenda

The FASB staff issued an Invitation to Comment (ITC) seeking stakeholder feedback on the Board's future standard-setting agenda. The staff said this feedback is critical for making sure the FASB continues to allocate resources to standard-setting projects that fulfill its mission and address financial accounting and reporting topics that are of the highest priority to its stakeholders.

The staff is requesting feedback on improvements to financial accounting and reporting that are needed to provide investors with more useful financial statement information, reduce unnecessary cost and complexity, and maintain and improve the Codification. The staff seeks input on the following areas: (1) combination of entities, (2) financial instruments, (3) intangibles, (4) other assets and liabilities, (5) retirement and other employee benefits, (6) income and expenses, (7) presentation and disclosure of financial reporting information and (8) current research agenda projects.

We encourage all stakeholders to carefully consider the issues and questions raised in the ITC and provide their perspectives to help inform the direction of the FASB's agenda.

FASB staff seeks input on pursuing standard setting on intangibles

The FASB staff issued an ITC seeking feedback on whether the Board should pursue standard setting on intangibles. Responses to the questions in the ITC will help inform the Board as it considers whether to add a project to its technical agenda on intangibles and, if added, determine the objective and scope of the project.

The staff is requesting feedback on, among other things, whether there is a pervasive need to improve US GAAP related to the accounting for and disclosure of intangibles and, if so, which intangibles or groups of intangibles the Board should consider addressing. Potential solutions range from narrow approaches targeting specific types of intangibles to broader frameworks that could apply to groups of intangibles. The staff seeks input on whether different accounting for intangibles should exist depending on how the asset is obtained (i.e., whether it is internally developed, acquired through a business combination or purchased as part of an asset acquisition).

The staff is also looking for insights into the type of information about intangibles that investors currently use or would find valuable and how this information impacts their capital allocation decisions.

We encourage interested parties to carefully consider the issues and questions raised in the ITC and provide perspectives that can inform the direction of the staff's research and the Board's approach.

FASB proposes guidance on accounting for environmental credit programs

The FASB proposed amendments that would establish guidance for the recognition, measurement, presentation and disclosure of environmental credits and environmental credit obligations.

The proposal would apply to all entities that buy, receive or internally generate environmental credits that an entity plans to sell or trade, or use for compliance or voluntary purposes (e.g., for use in carbon-neutral or net-zero initiatives) and to obligations arising from regulatory compliance programs.

The proposal would address when an entity would recognize the cost of an environmental credit as an asset or an expense and, if it is recognized as an asset, how the entity would measure it. It also would address when an entity would recognize an environmental credit obligation liability and how such liabilities would be measured. Under the proposal, an entity would be required to disclose information about significant environmental credit asset holdings, significant environmental credit obligation liabilities and cash paid for environmental credits on an annual and interim basis.

The proposal is intended to address stakeholder feedback that US GAAP does not provide specific guidance on how to recognize and measure environmental credits or the related obligations that result from regulatory compliance programs.

What's next in FASB standard setting

The FASB recently directed the staff to draft a proposed Accounting Standards Update (ASU) to clarify whether a transaction involving multiple creditors and the contemporaneous exchange of cash between the same debtor and creditor in connection with the issuance of new debt and the satisfaction of an existing debt by the debtor should be accounted for as an extinguishment.

While some entities currently account for these debt exchange transactions as extinguishments under ASC 405-20, others evaluate them in accordance with ASC 470-50, which requires entities to determine whether the terms of the new debt and the original debt are substantially different. If they are, the exchange is accounted for as an extinguishment, the original debt is derecognized and the new debt is recorded at fair value, with the difference recognized as an extinguishment gain or loss. If they aren't substantially different, the exchange is accounted for as a modification, with no gain or loss recognized.

The Board has tentatively decided that when certain criteria are met, the exchange of debt instruments described above would be accounted for as a debt extinguishment and the issuance of new debt. As a result, entities would need to recognize an extinguishment gain or loss even when the terms of the new debt are not substantially different than those of the original debt. This would result in a change in practice for entities that account for such transactions as modifications today, with no extinguishment gain or loss recorded.

The proposed ASU is expected to be issued in the near term with a 30-day comment period.

In addition, the FASB directed the staff to draft a final ASU on identifying the accounting acquirer in an acquisition achieved primarily through an exchange of equity interests in which the legal acquiree is a variable interest entity that meets the definition of a business.



Regulatory developments

Mark Uyeda named Acting SEC Chairman

Mark Uyeda was named Acting Chairman of the Securities and Exchange Commission (SEC or Commission) by President Trump in January. Mr. Uyeda, a Republican, joined the Commission in 2022 and was subsequently confirmed for a five-year term through 2028. Former SEC Chair Gary Gensler and former SEC Commissioner Jaime Lizárraga stepped down from the agency in January. President Trump has nominated former SEC Commissioner Paul Atkins to serve as SEC Chairman.

The SEC has five Commissioners, including the Chairman, who are appointed by the President with the advice and consent of the Senate. The Commission currently includes Hester Peirce, a Republican, and Caroline Crenshaw, a Democrat, until the vacancies are filled. For the SEC to remain nonpartisan, no more than three Commissioners may belong to the same political party.

Acting SEC Chairman requests pause of court proceedings on climate rules

SEC Acting Chairman Mark Uyeda said he directed Commission staff to ask the US Court of Appeals for the Eighth Circuit to not schedule for argument the case on the SEC's climate-related disclosure rules. Mr. Uyeda said this would allow the Commission to determine the appropriate next steps, considering the recent change in the Commission's composition and the recent presidential memorandum regarding a regulatory freeze.

The disclosure rules, which would require registrants to include certain climate-related information in their registration statements and annual reports, were voluntarily stayed by the Commission in April 2024 pending the court's judicial review of the consolidated challenges to the rules.

SEC staff rescinds guidance on obligations to safeguard crypto assets

The SEC issued Staff Accounting Bulletin (SAB) No. 122 to rescind the interpretive guidance in SAB 121 regarding the accounting for obligations to safeguard crypto assets that an entity holds for platform users. The staff previously issued SAB 121 to address the risks and uncertainties associated with the increase in the number of entities that offer platform users the ability to transact in crypto assets, often providing services that obligate them or their agents to safeguard users' crypto assets.

SAB 121 stated that an entity that is obligated to safeguard a platform user's crypto assets should present a liability and a related asset measured at the fair value of the user's crypto assets. It also stated that an entity should include several disclosures in the notes to the financial statements, such as the nature and amount of crypto assets the entity holds for its users, including a separate disclosure for each significant crypto asset, and vulnerabilities that may arise as a result of any concentration in crypto assets.

SAB 122 clarifies that an entity that has an obligation to safeguard crypto assets for others should determine whether to recognize, and how to measure, a liability related to the risk of loss under such an obligation by applying the recognition and measurement requirements for liabilities arising from contingencies in ASC 450-20, *Loss Contingencies*, under US GAAP, or International Accounting Standard (IAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, under IFRS Accounting Standards.

With the issuance of SAB 122, entities must continue to consider existing disclosure requirements that allow investors to understand an entity's obligation to safeguard crypto assets held for others.

SAB 122 applies to entities on a fully retrospective basis in annual periods beginning after 15 December 2024. The changes can be applied in any earlier interim or annual period included in filings after the 30 January 2025 effective date. Entities should provide clear disclosure of the effects of the change in accounting principle upon their initial application of SAB 122.

SEC establishes crypto task force

The SEC created a task force, led by Commissioner Hester Peirce, to develop a regulatory framework for crypto assets that it said will focus on helping the Commission set clear regulatory lines, provide paths to registration, create disclosure frameworks and deploy enforcement resources.

The SEC said the task force intends to hold roundtables, solicit input from the crypto industry and work with federal departments and agencies, including the Commodity Futures Trading Commission.

SEC Chief Accountant Munter retires; other SEC staff moves

SEC Chief Accountant Paul Munter retired from federal service in January. Mr. Munter joined the Commission in 2019 and was appointed Chief Accountant in January 2023 after serving in the role in an acting capacity since 2021. Ryan Wolfe, Chief Accountant of the Division of Enforcement, is serving as Acting Chief Accountant.

In addition, Erik Gerding stepped down as Director of the SEC's Division of Corporation Finance (DCF) in December. Cicely LaMothe, Deputy Director of Disclosure Operations for the DCF, is serving as Acting Director of the DCF.

PCAOB withdraws rules on firm and engagement metrics, firm reporting

The Public Company Accounting Oversight Board (PCAOB) filed a notice with the SEC to withdraw for approval its new requirements on public reporting of standardized firm and engagement metrics and its amendments related to audit firm reporting.

The rules would have required PCAOB-registered public accounting firms that audit one or more issuers that qualify as an accelerated filer or a large accelerated filer to publicly report specified metrics related to their audits and their audit practices. Additional reporting of audit firm financial, governance and network information would have been required.

Other considerations

European Commission proposes changes to sustainability reporting requirements as part of Omnibus package

The European Commission (EC) proposed changes to its Corporate Sustainability Reporting Directive (CSRD) as part of an Omnibus simplification package that would cut back on the scale and scope of the EU sustainability reporting requirements.

Under the proposal, the CSRD would be postponed by two years (i.e., it would be effective 1 January 2027) for large entities that aren't listed, including large EU subsidiaries of US multinationals, and would only apply to entities that have (1) more than 1,000 employees (previously 250 employees) and (2) either revenue above EUR 50 million or total assets above EUR 25 million.

The EC also plans to amend the European Sustainability Reporting Standards by substantially reducing the number of data points entities must report and proposes eliminating the requirement to issue sector-specific standards. Additionally, the EC plans to reduce the reporting requirements for the EU Taxonomy, which would become voluntary for entities in the scope of the CSRD with revenue of less than EUR 450 million.

Certain aspects of the proposal would need to be agreed to by the European Parliament and Council of the European Union before becoming effective, and EU Member States would then need to transpose those aspects into local law. Other aspects of the proposal would not require the same legislative process and would need to be finalized by the EC. Until then, existing requirements continue to be in force.

Reminders on segment reporting

Effective in the first quarter of 2025, all calendar year-end public entities, including those with a single reportable segment, are required to provide on an interim basis nearly all annual numerical segment disclosures about a reportable segment's profit or loss, total segment assets, significant segment expenses and other segment items, under the segment disclosures guidance in ASC 280.

Notably, significant segment expenses are required to be disclosed if they are regularly provided to the chief operating decision maker, included in the reported measure of segment profit or loss, and determined to be significant. The other segment items category represents the difference between the segment revenues less the significant segment expenses, and the segment profit or loss measure.

The SEC staff has said it will focus closely on segment reporting, including compliance with the new guidance, in its review of 2024 financial statement disclosures.

Reminders on additional income tax disclosures

Public business entities need to disclose in their rate reconciliation table starting in calendar year 2025 additional categories of information about federal (national), state and foreign income taxes and provide more details about the reconciling items in some categories if the items meet a quantitative threshold under the amended guidance in ASC 740, *Income Taxes*.

Additionally, entities are required to disclose annually income taxes paid (net of refunds received) disaggregated by federal (national), state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold.

Entities will have to provide more disclosures than they did previously for the rate reconciliation and income taxes paid and should evaluate whether they need to modify their processes and controls or create new ones to collect the information needed to provide the new disclosures.

Summary of open comment periods

Items are FASB proposals unless otherwise noted.

| Proposal | Comment period ends |
|--|---------------------|
| Proposed Accounting Standards Update – Government Grants (Topic 832) – Accounting for Government Grants by Business Entities | 31 March 2025 |
| Proposed Accounting Standards Update – Interim Reporting (Topic 270) – Narrow-Scope Improvements | 31 March 2025 |
| Proposed Accounting Standards Update – Environmental Credits and Environmental Credit Obligations (Topic 818) | 15 April 2025 |
| Proposed Accounting Standards Update – Codification Improvements | 22 April 2025 |
| FASB Invitation to Comment – Recognition of Intangibles | 30 May 2025 |
| FASB Invitation to Comment – Agenda Consultation | 30 June 2025 |

Reference library

Click on any of the EY publications below, all of which are available free of charge on AccountingLink at www.ey.com/en_us/technical/accountinglink.

To the Point

- ▶ [FASB proposes amendments to Codification to clarify, correct errors or make improvements](#) (30 January 2025)
- ▶ [SEC staff rescinds guidance on obligations to safeguard crypto assets under SAB 121](#) (24 January 2025)
- ▶ [FASB staff seeks input on whether to pursue standard setting on intangibles](#) (16 January 2025)
- ▶ [FASB staff seeks stakeholder input on future standard-setting agenda](#) (16 January 2025)
- ▶ [FASB proposes guidance for measuring credit losses for private companies and certain NFPs](#) (19 December 2024)
- ▶ [FASB proposes establishing guidance on accounting for environmental credit programs](#) (19 December 2024)

Technical Line

- ▶ [How the revenue standard affects the insurance industry](#) (22 January 2025)
- ▶ [Navigating the requirements for merging with a special purpose acquisition company](#) (17 January 2025)
- ▶ [How the revenue recognition standard affects upstream oil and gas entities](#) (15 January 2025)
- ▶ [How the revenue recognition standard affects midstream oil and gas entities](#) (15 January 2025)
- ▶ [How the revenue recognition standard affects downstream oil and gas entities](#) (15 January 2025)
- ▶ [Applying the SEC's requirements for significant acquired businesses](#) (7 January 2025)
- ▶ [A closer look at the FASB's new disaggregated expense disclosure requirements](#) (12 December 2024)

Comment letters

- ▶ [FASB proposal on targeted improvements to the accounting for internal-use software](#) (27 January 2025)
- ▶ [FASB proposal on credit losses for private companies and certain NFPs](#) (14 January 2025)
- ▶ [SEC approval of PCAOB rule on firm and engagement metrics](#) (2 January 2025)
- ▶ [SEC approval of PCAOB rule on firm reporting](#) (20 December 2024)

Other

- ▶ [NAIC Bulletin – Fall 2024 edition](#) (23 January 2025)
- ▶ [SEC in Focus – January 2025](#) (16 January 2025)
- ▶ [Effective date matrix as of 31 December 2024](#) (9 January 2025)
- ▶ [Quarterly Tax Developments – December 2024](#) (9 January 2025)
- ▶ [Sustainability reporting developments – Greenhouse Gas Protocol](#) (19 December 2024)
- ▶ [US GAAP versus IFRS: The basics](#) (16 December 2024)
- ▶ [US GAAP/IFRS accounting differences identifier tool](#) (16 December 2024)
- ▶ [2024 AICPA & CIMA Conference on Current SEC and PCAOB Developments](#) (14 December 2024)

On-demand webcasts

- ▶ [Accounting for income taxes: a quarterly perspective](#) (17 December 2024)
- ▶ [What audit committees need to know for 2025](#) (19 December 2024)
- ▶ [2025 Global economic outlook: steering through conflicting currents](#) (23 January 2025)
- ▶ [Tariffs are here: what companies need to do now](#) (5 February 2025)
- ▶ [2025 board priorities webcast: reinvesting for the future](#) (13 February 2025)
- ▶ [What the Trump administration means for business leaders in 2025](#) (18 February 2025)
- ▶ [How finance can shape the future with confidence](#) (27 February 2025)
- ▶ [Domestic tax quarterly: a focus on state tax matters](#) (11 March 2025)

Upcoming webcasts

- ▶ [What you need to know for Q1 2025 financial reporting \(Live – 1 of 2\)](#) (13 March 2025)
- ▶ [What you need to know for Q1 2025 financial reporting \(Replay – offering 2 of 2\)](#) (25 March 2025)
- ▶ [Accounting for income taxes: a quarterly perspective](#) (25 March 2025)
- ▶ [How audit committees are adapting to change in Q1 2025](#) (08 April 2025)
- ▶ [Beyond the Trump Administration's First 100 Days: What's Next for Businesses?](#) (30 April 2025)
- ▶ [US corporate income tax compliance – April 2025](#) (30 April 2025)

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