

Financial reporting briefs

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

June 2025

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Accounting update

Welcome to the June 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 accounting and financial reporting considerations for tariffs and the FASB's new guidance on share-based consideration to a customer and identifying the accounting acquirer in acquisitions involving VIEs.

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.

Accounting and financial reporting considerations related to current trade policy and tariffs

Companies should consider the effects of current trade policy and tariffs on their accounting and financial reporting. This includes determining whether the potential risk factors associated with tariff exposure, material risks to financial performance or other factors are significant enough to warrant disclosure.

President Donald Trump in April announced tariffs on a wide range of goods that were intended to address trade imbalances. A federal appeals court stayed a decision by the US Court of International Trade that found the Trump administration had not met the legal requirements to levy the tariffs and scheduled oral arguments for later this summer. As trade policy continues to evolve, companies should closely monitor developments and determine the implications for their businesses and their internal control over financial reporting. Below are some considerations related to the tariffs that companies should keep in mind.

Management should carefully evaluate the impact of tariffs on projections and other assumptions used in preparing the financial statements. This includes determining how tariffs may affect cash flow projections used in prospective financial information and how tariff-related uncertainty could affect the discount rate.

If a company is unable to pass on to customers the increase in the cost of assets due to tariffs (e.g., property, plant and equipment; inventory), it may not be able to recover the carrying amount of the assets and, therefore, should evaluate the amount for impairment. Companies should consider whether the current conditions affect the recoverability of assets (e.g., equity method investments, deferred tax assets) or indicate it is more likely than not that an impairment exists.

Companies also should consider whether they need to account for any changes in the pricing of current customer contracts as variable consideration or a contract modification. They also need to determine whether tariffs affect the measure of progress for over-time performance obligations and whether the related increase in costs would result in an expected loss that should be recorded.

The uncertainty over tariffs may prompt companies to amend the terms and/or conditions of share-based payment awards to keep grantees incentivized. This may require companies to apply modification accounting, which can be complex.

Companies need to continuously evaluate the effects of trade policy and tariffs on their business and financial reporting, provide disclosures on the material effects and update the disclosures as circumstances change.

FASB amends guidance on share-based consideration payable to a customer

The Financial Accounting Standards Board (FASB or Board) amended the guidance in Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, and ASC 718, *Compensation – Stock Compensation*, to clarify the accounting for share-based consideration payable to a customer in conjunction with selling goods or services (e.g., customer incentive awards).

The guidance revises the definition of a performance condition to include conditions based on a customer's purchases and eliminates the policy election allowing grantors to account for forfeitures of customer awards as they occur. It also clarifies that the guidance on constraining estimates of variable consideration does not apply to share-based consideration payable to a customer.

The amendments are intended to reduce diversity in practice in determining whether certain conditions, such as those based on customer purchases, are service conditions or performance conditions. Stakeholders had asked the FASB to clarify how to distinguish between service conditions and performance conditions and to more closely align how forfeitures of share-based consideration with service conditions and those of share-based consideration with performance conditions affect the measurement of the transaction price, which can also affect the timing of revenue recognition.

The guidance applies to all reporting entities that issue share-based consideration to a customer in the scope of ASC 606 and is effective for fiscal years beginning after 15 December 2026, and interim periods within those fiscal years. Entities may apply the guidance either on a modified retrospective or retrospective basis. Early adoption is permitted.

FASB amends guidance for identifying the accounting acquirer in acquisitions involving VIEs

The FASB amended the guidance in ASC 805, *Business Combinations*, and ASC 810, *Consolidation*, to require entities to consider the existing factors in ASC 805 when identifying the accounting acquirer in a transaction achieved primarily through an exchange of equity interests in which the legal acquiree is a variable interest entity (VIE) that meets the definition of a business.

The amendments are intended to address stakeholder concerns that the current guidance for determining the accounting acquirer results in a lack of comparability of financial statements across entities engaging in economically similar acquisition transactions.

To identify the accounting acquirer, entities today first consider the VIE model in ASC 810-10. If the legal acquiree is a VIE, the primary beneficiary (the legal acquirer) of the VIE is always the accounting acquirer. The amended guidance requires entities to consider the factors in ASC 805 that are currently applied when identifying the accounting acquirer in an acquisition involving voting interest entities. In some cases, applying those factors in acquisitions involving VIEs would result in the identification of an accounting acquirer that would be different than if the primary beneficiary was determined to be the accounting acquirer.

The amended guidance is effective for all entities for fiscal years beginning after 15 December 2026, and interim periods within those fiscal years. It is required to be applied prospectively to acquisitions that occur on or after the effective date. Early adoption is permitted, including in an interim period.

FASB proposes guidance on accounting for certain debt exchanges

The FASB proposed requiring entities to account for certain exchanges of debt instruments as the issuance of a new debt obligation and the extinguishment of an existing debt obligation if (1) the existing obligation has been repaid in accordance with the contractual terms or repurchased at market terms and (2) the new debt obligation was issued at market terms following the issuer's customary marketing process.

The guidance would apply to transactions that involve the contemporaneous exchange of cash between the same debtor and creditor in connection with the issuance of a new debt obligation with multiple creditors and the satisfaction of an existing debt obligation. The proposal is intended to address issues that entities encounter when applying ASC 470-50 to determine whether such an exchange should be accounted for as a modification of the existing debt obligation or as the issuance of a new debt obligation and the extinguishment of the existing debt.

Entities would apply the guidance prospectively to exchanges of debt instruments that occur on or after the initial date of application. Early adoption would be permitted.

What's next in FASB standard setting

The FASB expects to issue a final Accounting Standards Update (ASU) in the second quarter that would allow all entities to elect a practical expedient when estimating expected credit losses on current accounts receivable and current contract assets arising from transactions accounted for under ASC 606. Entities other than public business entities would also be permitted to make an accounting policy election to consider cash collection activity after the balance sheet date when estimating expected credit losses.

The FASB expects to issue in the third quarter final ASUs on (1) the accounting for and disclosure of software costs, (2) the accounting for purchased financial assets other than those with credit deterioration, (3) derivatives scope refinements and scope clarification for a share-based payment from a customer in a revenue contract and (4) hedge accounting improvements.

The FASB is also expected to issue in the third quarter a proposed ASU on the measurement of paid-in-kind dividends on equity-classified preferred stock. The proposal will have a 25-day comment period.



Regulatory developments

Paul Atkins sworn in as SEC Chairman

Paul Atkins was sworn in as Chairman of the Securities and Exchange Commission (SEC or Commission). Mr. Atkins, a Republican, has indicated that his goal is to advance “clear rules of the road” regulation that facilitates capital formation and protects investors.

Mr. Atkins most recently served as chief executive at consulting firm Patomak Global Partners, which advises financial services firms on regulatory issues, business strategy and corporate governance. He previously served as an SEC Commissioner from 2002 to 2008.

The SEC has five Commissioners, including the Chairman, who are appointed by the President with the advice and consent of the Senate. In addition to Mr. Atkins, the Commission currently includes Mark Uyeda and Hester Peirce, both Republicans, and Caroline Crenshaw, a Democrat, until the remaining vacancy is filled. Under current SEC rules, no more than three Commissioners may belong to the same political party.

SEC seeks comment on changing foreign private issuer definition

The SEC issued a concept release seeking comment on whether to revise the definition of a foreign private issuer (FPI) and on the possible effects of any changes to the definition.

The SEC said the current definition was implemented based on its understanding that most FPIs would be subject to meaningful disclosure and other regulatory requirements in their home country jurisdictions and that their securities would be traded in foreign markets. The SEC said, based on the staff’s analysis, more than half of Exchange Act-reporting FPIs appear to have had no or minimal trading of their equity securities in any non-US market and appear to maintain listings only in US markets.

Concept releases are a means to obtain public feedback before committing to a particular approach in a rule proposal. The concept release on FPIs discusses several possible approaches to amending the current definition, such as adding foreign exchange listing requirements or assessing the foreign regulations applicable to FPIs.

Mr. Atkins said that attracting foreign companies to US markets and providing US investors the opportunity to trade in those companies under domestic laws needs to be balanced with other considerations, such as providing investors with material information about those companies. Comments are due by 8 September 2025.

SEC votes to end defense of climate rules

The SEC voted to end its defense of its climate-related disclosure rules, which had previously been voluntarily stayed by the Commission pending the US Court of Appeals for the Eighth Circuit’s judicial review of the consolidated challenges to the rules.

Following the vote, SEC staff sent a letter to the court stating that the Commission was withdrawing its defense of the rules and that its counsel was no longer authorized to advance the arguments in the brief the Commission had filed.

SEC to hold roundtable on executive compensation

The SEC will hold a roundtable on 26 June 2025 to discuss its executive compensation disclosure requirements. Mr. Atkins said the Commission will discuss whether its rules continue to be cost-effective and result in the disclosure of an appropriate amount of material information, among other items.

Other considerations



Reminders on additional income tax disclosures

Public business entities need to disclose in their rate reconciliation table starting in calendar year 2025 specific categories of reconciling items and provide more details in certain categories if the reconciling items meet or exceed a quantitative threshold of 5% of the amount computed by multiplying the income (or loss) from continuing operations before income tax by the applicable statutory federal (national) income tax rate under the amended guidance in ASC 740, *Income Taxes*.

All entities will also need to annually disclose 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 equal to or greater than 5%. Additionally, entities will need to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, as well as income tax expense (or benefit) from continuing operations disaggregated by federal (national), state and foreign.

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

Getting ready to implement FASB’s new disaggregated expense disclosure requirements

Companies preparing to implement the FASB’s new guidance on disaggregated expense disclosures should familiarize themselves with the requirements, evaluate whether their existing systems can accurately capture the data needed to make the required disclosures and determine whether new systems, processes and controls are necessary.

The guidance requires public business entities to disclose in a tabular format, on an annual and interim basis, purchases of inventory, employee compensation, depreciation, intangible asset amortization and depletion for each income statement line item that contains those expenses.

The guidance is effective for fiscal years beginning after 15 December 2026, and interim periods within fiscal years beginning a year later. Entities may apply the guidance prospectively or retrospectively. Early adoption is permitted.

Summary of open comment periods

Items are FASB proposals unless otherwise noted.

Proposal	Comment period ends
FASB Invitation to Comment – Agenda Consultation	30 June 2025
SEC Concept Release – Foreign Private Issuer Eligibility	8 September 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 amends guidance for identifying the accounting acquirer in acquisitions involving VIEs](#) (20 May 2025)
- ▶ [FASB clarifies guidance on share-based consideration payable to a customer](#) (21 May 2025)
- ▶ [FASB proposes guidance on accounting for certain debt exchanges](#) (1 May 2025)

Technical Line

- ▶ [How the EU's Corporate Sustainability Reporting Directive affects non-EU-based multinationals](#) (8 May 2025)
- ▶ [Navigating the requirements for merging with a special purpose acquisition company](#) (11 April 2025)
- ▶ [Accounting for digital assets, including crypto assets](#) (28 March 2025)

Financial reporting developments

- ▶ [Derivatives and hedging](#) (5 June 2025)
- ▶ [Bankruptcies, liquidations and quasi-reorganizations](#) (29 May 2025)
- ▶ [Statement of cash flows](#) (21 May 2025)
- ▶ [Real estate project costs](#) (1 May 2025)
- ▶ [Discontinued operations](#) (26 March 2025)

Comment letters

- ▶ [FASB staff Invitation to Comment on the recognition of intangibles](#) (28 May 2025)
- ▶ [SEC Crypto Task Force request for input](#) (22 May 2025)
- ▶ [AICPA proposed amendments to permit issuance of a qualified conclusion or a disclaimer of conclusion in an attestation review when a scope limitation exists](#) (16 May 2025)
- ▶ [Response to FASB staff's Invitation to Comment on financial key performance indicators for business entities](#) (30 April 2025)
- ▶ [FASB proposal on Codification improvements](#) (22 April 2025)
- ▶ [FASB proposal on the accounting for environmental credits and environmental credit obligations](#) (10 April 2025)
- ▶ [FASB proposal on accounting for government grants](#) (04 April 2025)
- ▶ [FASB proposal on narrow scope improvements to interim reporting](#) (24 March 2025)

Other

- ▶ [NAIC Bulletin – Spring 2025 edition](#) (1 May 2025)
- ▶ [SEC in Focus – April 2025](#) (10 April 2025)
- ▶ [Effective date matrix as of 31 March 2025](#) (08 April 2025)
- ▶ [Quarterly tax developments – March 2025](#) (03 April 2025)
- ▶ [Accounting for outcome-based payment arrangements in the life sciences sector](#) (20 March 2025)
- ▶ [Financial Reporting Briefs – First Quarter 2025](#) (13 March 2025)

On-demand webcasts

- ▶ [Accounting for income taxes: a quarterly perspective](#) (25 March 2025)
- ▶ [What companies can do to navigate new reciprocal tariffs](#) (4 April 2025)
- ▶ [How audit committees are adapting to change in Q1 2025](#) (8 April 2025)
- ▶ [Global economic outlook: Trump's first 100 days](#) (23 April 2025)
- ▶ [Beyond the Trump Administration's First 100 Days: What's Next for Businesses?](#) (30 April 2025)
- ▶ [US corporate income tax compliance](#) (30 April 2025)

Upcoming webcasts

- ▶ [What you need to know for Q2 2025 financial reporting \(Live – 1 of 2\)](#) (12 June 2025)
- ▶ [What you need to know for Q2 2025 financial reporting \(Replay – offering 2 of 2\)](#) (12 June 2025)
- ▶ [Accounting for income taxes: a quarterly perspective](#) (24 June 2025)
- ▶ [Midyear global economic outlook 2025: navigating complexity](#) (26 June 2025)

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