Financial reporting briefs

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

September 2025

In this issue:

The better the question.
The better the answer.
The better the world works.

EY
Shape the future with confidence

Top story

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

Interested in learning about the SEC's Project Crypto? We've got it covered in our Top story.

In our Accounting update *section, we discuss the FASB's amended guidance for measuring credit losses on accounts receivable and contract assets.*

In our Regulatory developments *section, we discuss the SEC's updated regulatory agenda, the accounting and financial reporting implications of recent tax legislation, and other developments.*

Need more information? *Check out our* Reference library, *where we list our recent publications on the topics discussed here.*

SEC's 'Project Crypto' aimed at overhauling crypto trading regulations

Securities and Exchange Commission (SEC) Chairman Paul Atkins in July unveiled "Project Crypto," an initiative aimed at modernizing US securities rules and regulations to adapt to blockchain-based financial systems.

Mr. Atkins said he directed the SEC staff to draft clear and simple rules for crypto asset distributions, custody and trading. He said that while these draft rules go through the notice and comment rulemaking process, the SEC and its staff will consider using interpretive, exemptive and other authorities to fulfill Project Crypto's objectives. These objectives include establishing a regulatory framework for the distribution of crypto assets in the US, bringing offshore crypto businesses back to the US and developing so-called super-apps that let investors access a wide array of financial services in one place.

"Many of the Commission's legacy rules and regulations do not make sense in the 21st century — let alone for on-chain markets. The Commission must revamp its rulebook so that regulatory moats do not hinder progress and competition — from both new entrants and incumbents — to the detriment of Main Street," Mr. Atkins said.

The announcement of the Project Crypto initiative followed the release of a report from President Trump's Working Group on Digital Asset Markets, which includes Mr. Atkins, Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick. The report provided recommendations for the SEC and other federal agencies on how to build a framework to position the US as the leader in digital asset markets, among other things. Mr. Atkins said he directed the SEC's Crypto Task Force, led by Commissioner Hester Peirce, to implement the working group's recommendations.

The working group's policy proposals include asking Congress to pass the Digital Asset Market Clarity Act, subject to certain considerations. This legislation is intended to eliminate gaps in regulatory oversight by giving the Commodity Futures Trading Commission the authority to oversee spot markets for non-security digital assets. The working group's recommendations followed the signing into law of the first congressional bill to regulate stablecoins. The Guiding and Establishing National Innovation for US Stablecoins Act, also known as the GENIUS Act, provides a broad legal framework for digital asset products, including oversight and requirements for payment stablecoins.

The SEC in September updated its regulatory agenda for 2025 and 2026. In line with Project Crypto's objectives, the agenda includes potential proposals on clarifying the regulatory framework for crypto assets, including amendments to custody rules and crypto market structure.

Separately, Financial Accounting Standards Board (FASB or Board) Chair Rich Jones in August added a project on digital assets to the Board's research agenda. The project will address whether certain digital assets are cash equivalents and the accounting for certain digital asset transfers, such as crypto lending. The FASB will consider feedback received as part of its 2025 Invitation to Comment, *Agenda Consultation*, and the recommendations of President Trump's working group.

Accounting update

FASB amends guidance for measuring credit losses on accounts receivable and contract assets

The FASB issued guidance to simplify the estimation of credit losses on current accounts receivable and current contract assets arising from transactions accounted for under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

The amendments, which are based on recommendations from the Private Company Council, allow all entities to use a practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. Entities other than public business entities that use the practical expedient are also allowed to make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. Entities are required to disclose their practical expedient and accounting policy elections.

The amendments are effective for fiscal years beginning after 15 December 2025, and interim periods within those fiscal years. Early adoption is permitted. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively.

What's next in FASB standard setting

The FASB is expected to issue a final Accounting Standards Update (ASU) to clarify and modernize the guidance on accounting for costs related to internal-use software, along with other ASUs. It is also expected to propose requiring entities to measure paid-in-kind (PIK) dividends on equity-classified preferred stock using the PIK dividend rate stated in the preferred stock agreement.

Regulatory developments

Updated SEC regulatory agenda reflects 2025 and 2026 priorities

The SEC updated its regulatory agenda to outline several proposed and final rules the agency plans to consider in 2025 and 2026, with a focus on facilitating capital formation and reducing compliance burdens. The agenda includes proposals on clarifying the regulatory framework for crypto assets, enhancing accommodations for emerging growth companies and simplifying filer status. It also includes proposals on modernizing disclosures and facilitating the disclosure of material information.

The updated agenda no longer includes most items from the previous agenda, such as those on human capital management disclosures and corporate diversity.

Accounting and financial reporting implications of the new tax legislation

Companies need to consider how the new tax legislation signed into law by President Trump on 4 July 2025, commonly referred to as the One Big Beautiful Bill Act (the Act), affects the accounting for income taxes and disclosures.

Companies are required to account for the income tax effects of the Act in the period that includes the 4 July 2025 enactment date. They should make any necessary changes to their deferred tax assets and liabilities and reassess the realizability of their deferred tax assets in the period that includes that enactment date. Companies should update their estimated annual effective tax rate for interim reporting purposes beginning in the interim reporting period that includes the Act's enactment date.

In addition, certain energy tax credits that were implemented under the Inflation Reduction Act (IRA) are repealed or will be phased out. Companies need to understand how the provisions in the new tax legislation impact their ability to earn tax credits under the IRA in the future and update their estimated annual effective tax rate accordingly.

Companies should consider how aspects of the Act may affect the income tax disclosures required under ASC 740 and other required disclosures. SEC registrants should also consider the disclosure implications in preparing their management's discussion and analysis under Item 303 of Regulation S-K, including their discussion of results of operations and liquidity and capital resources, when the effects of the tax law changes are or will be material.

Additionally, companies should evaluate whether they need to change their existing processes and controls to account for the effects of the Act.

Trends in 2025 SEC staff comment letters

The SEC staff issued fewer comment letters to registrants about their disclosures in periodic SEC filings in the year ended 30 June 2025 than it did in the previous two years. The number of registrants receiving comment letters also is lower compared to the previous year.

The most significant year-over-year decrease in comment letters issued was for the largest registrants (i.e., those with more than $700 million in market capitalization). However, the overall distribution of the total number of staff comment letters across registrants was relatively consistent with the previous year.

Management's discussion and analysis and non-GAAP financial measures continued to draw the most scrutiny from the SEC staff, followed by segment reporting, revenue recognition, and goodwill and intangible assets.

We expect the SEC staff to continue to focus on these topics in the upcoming year. The SEC staff may also expand its focus to other areas, including disclosures made in response to newly effective or early adopted financial accounting standards (e.g., ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*) and the effects of the current macroeconomic environment (e.g., tax legislation) on registrants' accounting and financial reporting.

In addition, the SEC staff may focus on disclosures of risks related to the use of emerging technologies, including artificial intelligence, and disclosures required by any new or amended SEC rules that may be adopted in the year ahead.

SEC names James Moloney Director of Division of Corporation Finance

The SEC appointed James Moloney as Director of the Division of Corporation Finance (DCF), effective in October. Mr. Moloney served at the SEC from 1994 to 2000 before joining Gibson Dunn & Crutcher LLP, where he served as co-chair of the firm's Securities Regulation and Corporate Governance practice group. Cicely LaMothe, who has been serving as Acting Director, will resume her position as a Deputy Director of DCF.

SEC names Kurt Hohl Chief Accountant

The SEC named Kurt Hohl Chief Accountant. Mr. Hohl has nearly 40 years of accounting and auditing experience. He most recently founded consulting firm Corallium Advisors and was previously a partner at EY. Ryan Wolfe, Chief Accountant of the SEC's Division of Enforcement, concurrently had been serving as Acting SEC Chief Accountant since January.

SEC names Brian Daly Director of Division of Investment Management

The SEC appointed Brian Daly as Director of the Division of Investment Management. Mr. Daly was previously a partner at law firm Akin Gump Strauss Hauer & Feld LLP. He succeeds Natasha Vij Greiner.

PCAOB defers effective date of quality control standard QC 1000

The Public Company Accounting Oversight Board (PCAOB) postponed the effective date of its quality control standard, QC 1000, *A Firm's System of Quality Control*, and related amendments by one year to 15 December 2026, pending SEC approval. The PCAOB said the postponement is in response to implementation challenges encountered by some firms.

George Botic named Acting PCAOB Chair after Erica Williams' departure

The SEC named George Botic as Acting Chair of the PCAOB following the resignation of Erica Williams. Mr. Botic, a certified public accountant, became a PCAOB board member in October 2023. Mr. Atkins said he is soliciting candidates on behalf of the Commission to fill all five board positions, including the Chair.

Other considerations

European Sustainability Reporting Standards exposure drafts available

The European Financial Reporting Advisory Group published exposure drafts in July seeking feedback on the simplified European Sustainability Reporting Standards (ESRS). The drafts are part of efforts by the European Commission (EC) to streamline and simplify European Union (EU) sustainability reporting requirements.

Key proposed changes include reducing overlapping requirements and providing practical considerations for preparing the double materiality assessment. This includes guidance on how to consider remediation, mitigation and prevention actions when assessing the materiality of negative impacts and the elimination of voluntary disclosures.

As a reminder, the EC has proposed the Omnibus simplification package, an initiative designed to streamline and simplify sustainability reporting requirements within the EU under the Corporate Sustainability Reporting Directive (CSRD). The EU in April adopted a directive to postpone by two years the effective dates of the reporting requirements for some entities, including most EU subsidiaries of US entities. As a result, these companies will need to report 2027 data in 2028 if they have not yet begun reporting. A directive that changes the content of the CSRD (e.g., scoping thresholds) is still being debated in the EU Parliament.

The EC has also significantly simplified reporting requirements under the EU Taxonomy through a delegated act by implementing materiality thresholds and reducing the data points to be reported.

Update on California climate disclosure laws that apply to public and private entities

As a reminder, public and private entities that do business in California and meet certain annual revenue thresholds will be required to provide initial climate disclosures in 2026. While the California laws allow the California Air Resources Board (CARB) until the end of the year to develop regulations, the agency and lawmakers have affirmed that reporting will be required in 2026. The laws are currently being challenged in court, but they have not been stayed.

Affected entities should consider how they will gather the information to meet the disclosure requirements and whether they need to set up new processes, systems and controls.

Companies with more than $1 billion in total annual revenue will be required to disclose Scope 1, Scope 2 and Scope 3 greenhouse gas emissions. Those with more than $500 million in total annual revenue will be required to biennially provide disclosures (1) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures and (2) on the measures they adopted to reduce and adapt to identified climate-related risks.

Reference library

EY publications are available on AccountingLink.

To the Point

- FASB amends guidance for measuring credit losses on accounts receivable and contract assets (31 July 2025)
- Companies should consider the effects of the current economic environment and tariffs on their accounting and financial reporting (12 June 2025)

Technical Line

- Accounting and financial reporting implications of H.R. 1, also known as the 'One Big Beautiful Bill Act' (24 July 2025)
- Deferred acquisition costs — less is more (23 June 2025)

Financial reporting developments

- Income taxes (11 September 2025)
- Share-based payment (11 September 2025)
- Segment reporting (4 September 2025)
- Impairment or disposal of long-lived assets (27 August 2025)
- Lease accounting (27 August 2025)
- Intangibles — Goodwill and other (25 August 2025)
- Consolidation (22 August 2025)
- Business combinations (21 August 2025)
- Revenue from contracts with customers (ASC 606) (7 August 2025)
- Exit or disposal cost obligations (1 August 2025)
- Accounting changes and error corrections (25 July 2025)
- Disaggregation of income statement expenses (9 July 2025)
- Equity method investments and joint ventures (27 June 2025)
- Asset retirement obligations (27 June 2025)
- Postretirement benefits (24 June 2025)

Comment letters

- SEC's concept release on foreign private issuer eligibility (8 September 2025)
- FASB Invitation to Comment, *Agenda Consultation* (30 June 2025)

Other

- SEC Reporting Update — Highlights of trends in 2025 SEC staff comment letters (11 September 2025)
- EFRAG publishes Exposure Drafts of simplified ESRS (12 August 2025)
- SEC in Focus — July 2025 (24 July 2025)
- President Trump signs the nation's first federal digital asset regulation into law (22 July 2025)
- Effective date matrix as of 30 June 2025 (17 July 2025)
- Sustainability reporting developments — Greenhouse Gas Protocol (25 June 2025)
- Quarterly tax developments — June 2025 (25 June 2025)
- 2024 SEC annual reports — Form 10-K (25 Jun 2025)

On-demand webcasts

- Accounting for income taxes: a quarterly perspective (24 June 2025)
- Global Economic Outlook 2025: Navigating Complexity (26 June 2025)
- The final budget reconciliation bill: key tax provisions and business implications (9 July 2025)
- The federal budget reconciliation bill: state tax considerations (22 July 2025)
- The 'One Big Beautiful Bill Act': key international tax provisions (29 July 2025)
- Trade tariffs: impact, reduction and strategies (5 August 2025)
- Trump Administration's evolving trade policies (12 August 2025)
- Energy tax credits under H.R. 1 (26 August 2025)
- Accounting for income taxes: a quarterly perspective (16 September 2025)

Upcoming webcasts

- What you need to know for Q3 2025 financial reporting (Offering — 1 of 2) (18 September 2025)
- What you need to know for Q3 2025 financial reporting (Offering — 2 of 2) (23 September 2025)
- BEPS 2.0 Pillar Two: how to navigate uncharted tax waters (24 September 2025)
- Diving deeper: What to know about the FASB's DISE accounting standard (25 September 2025)
- Global economic outlook: complicated crosscurrents (30 September 2025)

EY | Building a better working world

© 2025 Ernst & Young LLP.
All Rights Reserved.

SCORE No. 28161-251US

ey.com/en_us/technical/accountinglink

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.