

Financial reporting briefs

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

June 2026

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Accounting update

FASB issues new guidance on environmental credits and environmental credit obligations

The Financial Accounting Standards Board (FASB or Board) issued final guidance establishing requirements on how to recognize, measure, present and disclose environmental credits and certain obligations that can be settled with environmental credits.

The guidance applies to all entities that buy, receive or internally generate environmental credits they intend to sell, trade or distribute. It also applies to entities that use such credits for compliance or voluntary purposes (e.g., for use in carbon-neutral or net-zero initiatives).

The guidance specifies when an entity is required to recognize the cost of an environmental credit as an asset or an expense and, if the cost is recognized as an asset, how the entity measures it. The guidance also specifies when an entity is required to recognize an environmental credit obligation (ECO) liability related to environmental compliance programs and how those liabilities are measured. Entities are required to present environmental credits and ECO liabilities on a gross basis and provide certain annual disclosures about those amounts.

The guidance addresses stakeholder feedback that US GAAP did not specifically address how to recognize and measure environmental credits or the related obligations, leading to diversity in practice. For example, under legacy US GAAP, some entities account for environmental credits by directly expensing them or by recognizing them by analogy to Accounting Standards Codification (ASC or Codification) 330, *Inventory*, and ASC 350-30, *Intangibles – Goodwill and Other – General Intangibles Other Than Goodwill*.

The guidance is effective for fiscal years beginning after 15 December 2027, including interim periods within those years, for public business entities and a year later for all other entities. Early adoption is permitted. Entities are required to adopt the amendments on a retrospective basis by recognizing a cumulative effect adjustment to retained earnings at the date of initial application (i.e., prior reporting periods will not be recast).

New guidance on paid-in-kind dividends on equity-classified preferred stock

The FASB issued guidance requiring entities to initially measure paid-in-kind (PIK) dividends on equity-classified preferred stock using the PIK dividend rate stated in the preferred stock agreement. The guidance applies to dividends on convertible and nonconvertible preferred stock classified as either permanent or temporary equity that meet certain conditions.

PIK dividends are typically satisfied by issuing additional preferred shares with the same terms as the original preferred stock or by increasing the original preferred stock's liquidation value. Given the lack of specific measurement guidance, companies have initially measured these dividends in different ways, including at the fair value of the additional preferred stock issuable or at the PIK dividend rate stated in the preferred stock agreement. This diversity in practice affects the measurement of equity-classified preferred stock and, for entities that report earnings per share, the amount of income available to common shareholders. While the new guidance addresses how issuers initially measure PIK dividends on equity-classified preferred stock, it doesn't affect an entity's determination of when to recognize them.

The guidance is effective for fiscal years beginning after 15 December 2026, including interim periods within those years. Companies may adopt it prospectively for PIK dividends recognized on or after the effective date or by using a modified retrospective approach for PIK dividends recognized on equity-classified preferred stock that is outstanding as of the effective date through a cumulative-effect adjustment to retained earnings (or another appropriate equity component) as of the beginning of the earliest period presented. Early adoption is permitted.

Welcome to the June 2026 Financial reporting briefs. This edition highlights the latest developments in financial reporting and alerts you to some important considerations for 2026.

In our Accounting update section, we discuss the FASB's final guidance on environmental credit programs and on paid-in-kind dividends on equity-classified preferred stock, as well as updates on tariff refunds, among other topics.

In our Regulatory developments section, we provide updates on SEC 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 discount rate guidance for certain market-return cash balance plans

The FASB proposed amendments that would require entities to use the assumed interest crediting rate as the discount rate when measuring benefit obligations for certain market-return cash balance plans under ASC 715-30, *Compensation – Retirement Benefits – Defined Benefit Plans – Pension*. Market-return cash balance plans are a type of variable interest crediting rate plan, where interest credits are based on investable market returns on plan assets. The proposal, based on an Emerging Issues Task Force recommendation, is intended to address diversity in practice and make sure the accounting aligns better with the economic characteristics of these plans.

Updates on tariff refunds and reminders on accounting considerations

Customs and Border Protection (CBP) has implemented a streamlined process for importers to request refunds of tariffs collected under the International Emergency Economic Powers Act (IEEPA), in compliance with a Court of International Trade (CIT) order following the Supreme Court's February 2026 ruling invalidating IEEPA tariffs.

CBP's new Customs Automated Processing Environment (CAPE) tool in the Automated Commercial Environment Secure Data Portal, which launched on 20 April, can process IEEPA tariff refund claims for most imports. CBP generally expects to pay refunds, including interest, within about 60 to 90 days after acceptance. Some importers have started to receive refunds on valid claims approved in CAPE.

The Trump administration formally appealed the CIT's ruling on 2 June. The appeal is focused on certain entry types for which liquidation is final, creating new uncertainty about whether certain refunds will be available for those entry types.

Companies should continue to apply their current accounting policies for IEEPA tariff refunds from the government, typically by analogizing to the cost recovery model in ASC 410-30 or applying the gain contingency model in ASC 450-30. Companies should evaluate their facts and circumstances to determine when the conditions supporting recognition of IEEPA tariff refunds have been met in accordance with their selected accounting policies. Companies should also determine whether refunds affect any rights and obligations in customer and vendor contracts (e.g., an explicit or implicit obligation to provide tariff-related refunds to customers, an enforceable right to recover tariff costs from vendors).

The Trump administration has invoked other available authorities to impose tariffs and maintain continuity in its tariff policy since the IEEPA tariffs were invalidated. Several lawsuits challenging the legality of these additional tariff measures have been filed with the CIT. Companies should continue to monitor developments, including the ongoing legal challenges, related to tariffs and trade policies.

FASB's 2025 agenda consultation: status of key items

Feedback from the FASB's 2025 Invitation to Comment, *Agenda Consultation*, continues to shape the Board's near-term standard setting, with hedge accounting remaining a prominent topic. While the Board's recent efforts to simplify hedge accounting have been helpful in better aligning hedge accounting with certain risk management strategies used by entities, stakeholders report that there are still significant challenges in applying the current hedge accounting model.

The Board plans to address ongoing issues related to hedge accounting in three stages. A short-term project, on which the Board expects to issue a proposal in the third quarter, is focused on targeted improvements addressing limitations related to certain hedges of interest rate risk and net investments. A medium-term project added to the Board's technical agenda this quarter is aimed at extending the portfolio layer method (PLM) to fair value portfolio hedges of financial liabilities. Additionally, the Board plans to undertake a long-term project that will broadly reconsider core aspects of the hedge accounting model to make it more accessible and better aligned with risk management activities used by all types of entities.

Separately, the Board directed the staff to draft a proposed Accounting Standards Update (ASU) to simplify the guidance in ASC 815-40 addressing whether an equity-linked instrument is considered to be indexed to its own stock. It also directed the staff to draft a proposed ASU on targeted improvements to the equity method of accounting. Additionally, the Board removed its project on targeted improvements to the statement of cash flows for financial institutions from its technical agenda and directed the staff to perform research on disclosures that could replace the statement of cash flows for certain entities.

What's next in FASB standard setting

The FASB is expected to issue proposals in the third quarter on (1) its evergreen Codification improvements project and (2) cash equivalents that would require all entities to include disclosures for their significant classes of cash equivalents and clarify whether certain digital assets meet the definition of cash equivalents.

Regulatory developments

SEC proposes semiannual reporting option

The Securities and Exchange Commission (SEC or Commission) proposed allowing certain registrants to elect semiannual interim reporting instead of quarterly reporting. The proposal is intended to provide flexibility in interim reporting frequency, while maintaining core investor protections. Companies would be able to select the reporting cadence that best suits their circumstances, such as their stage of development, cost of compliance and investor expectations.

Under the proposal, Securities Exchange Act of 1934 (Exchange Act) reporting companies could elect to file a new Form 10-S semiannually, in lieu of filing Form 10-Q quarterly. Companies that elect semiannual reporting would continue to file an annual Form 10-K, resulting in the filing of one Form 10-S and the Form 10-K each year, rather than three Form 10-Qs and the Form 10-K. A company electing semiannual reporting could continue to issue quarterly earnings releases voluntarily.

Companies would make the election annually by checking a new box on the cover page of Form 10-K and generally would not be permitted to change their election mid-year other than to correct a check box error. Companies that have yet to file Exchange Act reports, such as private companies conducting initial public offerings, would make elections for semiannual reporting by checking a new box on the cover page of the registration statement.

Form 10-S would require the same information currently required by Form 10-Q, covering a six-month period rather than a single quarter. Consistent with interim financial statements included in Form 10-Q, interim financial statements for a semiannual period included in Form 10-S would be subject to review by the company's auditor. The filing deadline would remain on a comparable schedule (i.e., 40 or 45 days, depending on the registrant's filer status, after the end of the semiannual period). The proposal also includes amendments to Regulation S-X to facilitate semiannual reporting and to simplify and consolidate the rules related to the age of financial statements in registration statements and other filings.

SEC proposes rescinding its climate-related disclosure rules

The SEC proposed rescinding in full its 2024 climate-related disclosure rules, which mandate detailed disclosures about greenhouse gas emissions, climate risks and related impacts on financial statements in registration statements and annual reports. The rules faced legal challenges after they were adopted by the SEC, and the Commission issued an order to stay their effectiveness. As a result, the rules never went into effect and continue to remain stayed.

The SEC said the rules exceeded its statutory authority and were inconsistent with its traditional materiality-based disclosure framework. The SEC also noted the rules would impose significant costs that are not justified by their benefits to investors and would not facilitate capital formation.

Registrants need to continue applying existing Commission disclosure requirements. For example, the proposing release refers to the SEC's 2010 climate change guidance under which companies may be required to make climate change disclosures under Regulation S-K.

SEC proposes changes to simplify the filer status framework and allow scaled disclosure for more companies

The SEC proposed amendments intended to simplify the Exchange Act filer status framework and extend current disclosure scaling and other accommodations to most public companies, among other things. Under the proposal, large accelerated filers would represent registrants with \$2 billion or more in public float measured using the average of the issuer's stock price over the last 10 trading days of each of the second fiscal quarters (or the first semiannual periods, if semiannual reporting is adopted) of each of the last two fiscal years. To enter or exit large accelerated filer status, a company would need to meet or miss the threshold for two consecutive years, and new registrants would remain non accelerated filers for at least 60 months after becoming subject to Exchange Act reporting.

All other registrants would be non-accelerated filers. For these issuers, the proposal would extend accommodations that largely mirror those currently available to smaller reporting companies and emerging growth companies, including scaled disclosure requirements and no requirement to obtain auditor attestation on internal control over financial reporting.

The SEC also proposed extending certain filing deadlines for the smallest issuers and conforming amendments to Regulations S-K and S-X and related forms.

SEC proposes enhancements to registered offering process

The SEC proposed amendments intended to modernize the registered offering framework and facilitate capital formation in the public markets. The amendments would expand registrants' access to Form S-3 to allow more companies to use shelf registrations by eliminating (1) the requirement that issuers be subject to Exchange Act reporting for at least 12 months before using the form and (2) the form's transaction criteria. Form S-3 would continue requiring eligible issuers to be current and timely in their Exchange Act reporting. The amendments would prohibit certain ineligible issuers from using Form S-3.

The proposal would extend certain enhanced registration and communication benefits to exchange-listed issuers that are eligible to use Form S-3. Additionally, it would amend Form S-1 to expand issuers' ability to incorporate information by reference (both forward and backward) and preempt state securities law registration and qualification requirements for all registered offerings.

SEC and CFTC clarify application of federal securities laws to crypto assets

The SEC and the Commodity Futures Trading Commission (CFTC) jointly issued an interpretation to clarify how federal securities laws apply to certain types of crypto assets and transactions involving crypto assets. The interpretation is part of the SEC's ongoing coordination with the CFTC to oversee crypto markets. This marks the first Commission-level action on the regulatory treatment of crypto assets.

The interpretation defines a crypto asset as any digital representation of value that is recorded on a cryptographically secured distributed ledger. This definition is identical to the Guiding and Establishing National Innovation for US Stablecoins Act definition of a digital asset.

The interpretation articulates the SEC's views on when crypto assets are securities, when transactions involving crypto assets constitute securities transactions and when common crypto-related activities fall outside the scope of the federal securities laws. It does not modify or replace existing laws or legal precedent.

The interpretation clarifies that the CFTC and its staff will administer the Commodity Exchange Act consistent with the interpretation and that certain non-security crypto assets could meet the Commodity Exchange Act's definition of a commodity. The interpretation does not alter the respective statutory authorities of the SEC or CFTC. While the interpretation is effective immediately and supersedes prior SEC staff guidance on digital assets and related transactions, the SEC is soliciting public comment and may update it.

Market participants should engage with legal counsel to determine the applicability of federal securities laws to crypto assets and related transactions and monitor future rulemaking or guidance as the SEC continues to develop its regulatory framework for crypto assets.

PCAOB proposes revisions to auditor quality control standard

The Public Company Accounting Oversight Board (PCAOB) issued a supplemental request for comment (SRC) on proposed amendments to QC 1000, *A Firm's System of Quality Control*, as well as related PCAOB forms and the quality control reporting rule. The PCAOB said the SRC reflects implementation feedback from stakeholders and is intended to better align certain provisions with other quality management standards and reduce compliance costs. The PCAOB retained the 15 December 2026 effective date and said it plans to pilot a quality control-focused inspection program in 2027 ahead of a broader rollout in 2028.

PCAOB seeks input on strategic priorities

Earlier this year, the PCAOB requested input from stakeholders regarding its strategic priorities. The request covered a range of topics related to the PCAOB's oversight activities, including firm registration, enforcement, inspections and inspection reporting, standard setting, and how the PCAOB intends to engage with stakeholders.

PCAOB Chairman Jim Logothetis highlighted in a statement the importance of earlier engagement and enhancing the PCAOB's ability to anticipate emerging issues as audit practices and risks evolve. He noted that the PCAOB is designing a formal consultation process in the Office of the Chief Auditor to provide more timely guidance on complex or novel auditing matters, encouraging earlier dialogue and clarity, rather than having interpretive questions come up later through inspections or enforcement.

In addition, the PCAOB recently updated its standard-setting, research and rulemaking agenda as part of its strategic planning process. The refresh includes projects that the staff will be working on while analyzing comments received on the Board's strategic priorities.

Other considerations

New COSO guide on internal controls over GenAI

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued a publication, *Achieving Effective Internal Control Over Generative AI*, to provide a practical approach for managing the risks and opportunities resulting from the rapidly growing use of generative artificial intelligence (GenAI) technologies.

While the publication does not introduce new requirements, it is intended to help organizations apply the existing COSO 2013 Internal Control - Integrated Framework to GenAI use cases.

Some organizations are already using AI-enabled tools to automate reconciliations, accelerate analysis and support decision-making, often faster than traditional methods. The guide highlights risks that can affect operations, reporting and compliance if controls are not augmented to respond to the use of AI. Such risks include increased cyber exposure, prompt-based manipulation, opaque reasoning, model drift and frequent configuration changes.

Segment reporting reminders

When companies experience changes, such as reorganizations, acquisitions, modifications in internal reporting or changes in the chief operating decision-maker (CODM) role, they may need to reassess their segment conclusions and consider potential reporting implications, which often requires judgment.

Companies should evaluate whether the change reflects a shift in how the CODM manages the business, specifically whether it affects how performance is assessed and how resources are allocated. The underlying rationale for the change should also be considered, as it provides insight into the company's operational practices. Additionally, because segment changes may occur gradually, it is important to evaluate both current and anticipated changes in the context of the broader timeline.

When a change impacts the composition of reportable segments or the company's significant segment expenses, prior-period segment information must be recast unless it is impractical to do so. When there is a change in measurement methods or a change in how the CODM assesses segment performance, recasting prior period segment information is encouraged but not required.

Summary of open comment periods

Items are SEC proposals unless otherwise noted.

Proposal	Comment period ends
Semiannual reporting	6 July 2026
Enhancement of emerging growth company accommodations and simplification of filer status for reporting companies	20 July 2026
Registered offering reform	27 July 2026
Rescission of climate-related disclosure rules	3 August 2026
Discount rate used to measure the benefit obligation for certain market-return cash balance plans (FASB proposal)	10 August 2026

Reference library

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- ▶ [FASB issues guidance on accounting for environmental credits and environmental credit obligations](#) (20 May 2026)
- ▶ [SEC proposes optional semiannual reporting in lieu of quarterly Form 10-Q reporting](#) (07 May 2026)
- ▶ [FASB issues initial measurement guidance for paid-in-kind dividends on equity-classified preferred stock](#) (23 April 2026)
- ▶ [SEC clarifies how federal securities laws apply to crypto assets and related transactions](#) (19 March 2026)
- ▶ [Accounting and financial reporting considerations for IEEPA tariffs and potential recoveries](#) (11 March 2026)

Technical Line

- ▶ [A closer look at California's climate disclosure laws](#) (02 April 2026)

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- ▶ [Exit or disposal cost obligations](#) (28 May 2026)
- ▶ [Lease accounting – Accounting Standards Codification 842, Leases](#) (27 May 2026)
- ▶ [Disaggregation of income statement expenses](#) (06 May 2026)
- ▶ [Bankruptcies, liquidations and quasi-reorganizations](#) (07 April 2026)
- ▶ [Discontinued operations](#) (03 April 2026)

Comment Letters

- ▶ [Comment Letter: PCAOB strategic priorities for 2026-2030](#) (15 May 2026)
- ▶ [Proposed rulemaking on implementing the GENIUS Act by entities under the OCC's jurisdiction](#) (01 May 2026)

Other

- ▶ [Guide to preparing carve-out financial statements](#) (29 April 2026)
- ▶ [NAIC Bulletin – Spring 2026 edition](#) (23 April 2026)
- ▶ [SEC in Focus – April 2026](#) (16 April 2026)
- ▶ [Effective date matrix as of 31 March 2026](#) (07 April 2026)
- ▶ [Quarterly tax developments – March 2026](#) (02 April 2026)

On-demand webcasts

- ▶ [OCC GENIUS Act regulations proposal: what stablecoin issuers must know](#) (13 March 2026)
- ▶ [Agents of change: Aligning applications, AI, and business strategy to transform with confidence](#) (17 March 2026)
- ▶ [Accounting for income taxes: a quarterly perspective](#) (17 March 2026)
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- ▶ [Global economic outlook: tensions, trade and technology](#) (14 April 2026)
- ▶ [Building trust in the age of AI: Glasswing and beyond](#) (30 April 2026)
- ▶ [Domestic tax quarterly: a focus on state tax matters](#) (9 June 2026)

Upcoming webcasts

- ▶ [What you need to know for Q2 2026 financial reporting \(Offering - 1 of 2\)](#) (11 June 2026)
- ▶ [What you need to know for Q2 2026 financial reporting \(Offering - 2 of 2\)](#) (16 June 2026)
- ▶ [Accounting for income taxes: a quarterly perspective](#) (16 June 2026)
- ▶ [AI at Scale: From AI vision to enterprise reality](#) (16 June 2026)
- ▶ [Mid-year update: What audit committees should be watching for](#) (25 June 2026)

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