

Financial reporting briefs

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

September 2026

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Accounting update

Welcome to the September 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 for investment companies on fair value measurement, among other topics.

In our Regulatory developments section, we provide updates on the SEC's proposed new rules for crypto assets 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 issues guidance for investment companies with equity securities subject to contractual sale restrictions

The Financial Accounting Standards Board (FASB or Board) issued final guidance for investment companies in the scope of Accounting Standards Codification (ASC or Codification) 946, *Financial Services – Investment Companies*, on how to measure the fair value of an equity security subject to a contractual sale restriction.

The guidance creates a narrow exception to ASC 820, *Fair Value Measurement*, which generally does not allow an entity to reflect a contractual sale restriction in the fair value of an equity security or permit separate recognition of the restriction as its own unit of account.

Investment companies in the scope of ASC 946 are required to apply the guidance prospectively to all equity securities, including those already subject to contractual sale restrictions at the adoption date, with any resulting fair value adjustment recognized in current period earnings on the date of adoption.

The amendments are effective for annual reporting periods beginning after 15 December 2027, and interim periods in those annual periods. Early adoption is permitted.

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

The FASB proposed amendments to clarify, correct errors in or make other improvements to various topics in the Codification. The changes are intended to make the guidance easier to understand and apply.

The proposal would, among other things, clarify the guidance for (1) when employee share-based payments may become subject to other guidance, (2) when the assessment of whether a contract qualifies for the normal purchases and normal sales (NPNS) scope exception in ASC 815, *Derivatives and Hedging*, is performed and (3) applying the spot method for net investment hedges. The Board generally does not expect the amendments to significantly affect current accounting practice or result in significant costs for most entities.

Entities would generally apply the amendments either prospectively or retrospectively, with certain exceptions.

FASB proposes clarifying classification of certain digital assets and requiring new disclosures

The FASB proposed amendments that would clarify through examples how the existing cash equivalents definition applies to certain digital assets, including stablecoins.

Under the proposal, a digital asset would need to have specific attributes to qualify as a cash equivalent, including an on-demand redemption right, a direct redemption right with the issuer for known amounts of cash, and segregated reserve assets held by the issuer on at least a one-to-one basis of short-term, highly liquid assets backing it. The proposal would not change the definition of cash equivalents.

Entities would also be required to disclose the significant components and related amounts of cash equivalents in annual reporting periods. This requirement would apply to all entities that present assets as cash equivalents, not just those holding digital assets.

FASB proposes targeted improvements to accounting for certain interest rate and net investment hedges

The FASB proposed amending certain aspects of its hedge accounting guidance to address three discrete issues identified by stakeholders that relate to exceptions or limitations to the general hedge accounting model.

The proposal would (1) enable entities to hedge interest rate risk in fair value and cash flow hedges of held-to-maturity debt securities, (2) expand the population of Secured Overnight Financing Rate (SOFR) swap rates eligible to be designated as benchmark interest rates, and (3) permit certain float-to-float cross-currency swaps with different repricing intervals and dates to qualify as hedging instruments in net investment hedges.

The proposed amendments are intended to broaden the application of the hedge accounting model and enhance its operability.

FAF appoints Hillary Salo as chair, names board of trustees members and seeks FASB member nominations

The Financial Accounting Foundation (FAF) appointed Hillary Salo as FASB chair for a seven-year term effective 1 July 2027. She will succeed Richard Jones. Ms. Salo currently serves as FASB vice chair and Emerging Issues Task Force chair.

Separately, the FAF appointed Christopher Hatto, Kevin McBride, David Miller and Robert “Kinney” Poynter to its board of trustees. Their five-year terms will begin on 1 January 2027.

The FAF is seeking nominations to fill Ms. Salo’s FASB position and to fill the vacancy that will be created when FASB member Marsha Hunt concludes her term on 30 June 2027.

What’s next in FASB standard setting

The FASB is expected to issue proposals in the fourth quarter on (1) the accounting for commodities, (2) the application of the NPNS scope exception to retail electricity contracts, (3) codification improvements related to London Inter-Bank Offered Rate (LIBOR) references, (4) targeted improvements to the equity method of accounting, (5) targeted improvements to the indexation guidance in ASC 815-40, (6) the consideration of recapture when measuring mortgage servicing rights, and (7) subjective acceleration clauses and debt default disclosures.

The Board added a project to its technical agenda to address when payments made on behalf of a customer, or to a customer of an entity’s customer, should be accounted for as consideration payable to a customer under ASC 606, *Revenue from Contracts with Customers*, and directed the staff to draft a proposed Accounting Standards Update (ASU). The Board also directed the staff to draft a proposed ASU on the accounting for transfers of crypto assets. Both proposals are expected to be issued in the fourth quarter.

The Board also added two projects to its technical agenda to address (1) the accounting for changes in debt, including the accounting for debt modifications and extinguishments, and troubled debt restructurings, and (2) diversity in the application of the participating interests guidance in ASC 860, *Transfers and Servicing*. It decided not to add a project to its technical agenda on financial key performance indicators (KPIs) for business entities and removed the project from the research agenda.



Regulatory developments

SEC proposes tailored rules for certain offerings involving crypto assets

The SEC proposed new rules for crypto assets that would, among other things, provide two exemptions from registration under the Securities Act of 1933 for covered investment contracts.

The proposal, named Regulation Crypto Assets, would create a one-time startup exemption for offerings of up to \$5 million over four years and a two-tier fundraising exemption for offerings of up to \$20 million under Tier 1 and up to \$75 million under Tier 2 in any 12-month period.

Issuers relying on either exemption would need to provide principles-based narrative disclosures. Those relying on the fundraising exemption would also need to include financial statements in their offering statements as well as file periodic and current reports. Audited financial statements would be required only for Tier 2 offerings.

PCAOB amends quality control standard, QC 1000

The PCAOB adopted amendments to QC 1000, *A Firm's System of Quality Control*, and its related rules and forms. The amendments are intended to better align QC 1000 with other quality management standards where appropriate and reduce compliance costs.

The amendments do not change QC 1000's effective date of 15 December 2026. The changes remain subject to SEC approval and, if approved, will take effect on the same date as the standard.

PCAOB seeks comment on 2026-2030 strategic plan goals and objectives

The Public Company Accounting Oversight Board (PCAOB) issued a request for comment on its draft 2026-2030 strategic plan goals and objectives. Building on its earlier outreach, the PCAOB identified the following strategic priorities: advancing audit quality and investor protection, clarifying expectations and the bases for its decisions to promote understandable outcomes, and transforming how oversight is delivered.

This latest request for comment outlines how those priorities could be reflected through goals and objectives related to standard setting, inspections, enforcement, technology and stakeholder engagement over the next five years.

PCAOB seeks comment on standard-setting and research agendas

The PCAOB issued a request for comment on its standard-setting and research agendas. The request sought stakeholder input on future standard-setting and research priorities, including potential areas such as auditor independence, fraud, noncompliance with laws and regulations, emerging technologies, critical audit matters, and other topics that may warrant future attention.

CARB provides reporting guidance and proposes changes to climate disclosure regulation

The California Air Resources Board (CARB) opened a voluntary submission platform and provided guidance on submitting information required for the first year of reporting under the California Corporate Data Accountability Act (SB-253).

CARB also proposed limited modifications to its initial regulation to extend the initial reporting deadline for Scope 1 and Scope 2 greenhouse gas emissions under SB-253 to 10 November 2026 from 10 August 2026 and to clarify certain reporting requirements. Limited assurance is still not required for the first year of reporting.

The implementation of California's climate-related financial risk disclosure law (SB-261) remains paused following an injunction issued by the US Court of Appeals for the Ninth Circuit. The injunction is pending appeal.

Other considerations

Reminders on disclosing certain disaggregated income statement expenses

Public business entities (PBEs) are required to disclose, on an annual and interim basis, disaggregated information about certain income statement expense line items for annual periods beginning after 15 December 2026, and interim periods within annual reporting periods beginning after 15 December 2027. Entities may apply the guidance prospectively or retrospectively. Early adoption is permitted.

The standard, among other things, allows PBEs to choose between presenting relevant expense line items containing inventory expense amounts in the scope of ASC 330, *Inventory*, either using the cost-incurred basis or the expense-incurred basis.

Under the cost-incurred basis, the entity is required to include costs incurred that were capitalized to inventory during the current reporting period in accordance with ASC 330, including costs that were capitalizable under ASC 330 but were directly expensed. Under the expense-incurred basis, the entity is required to include expense amounts related to inventory derecognized in the current reporting period that were previously capitalized, including costs that were capitalizable in accordance with ASC 330 but directly expensed.

When applying the cost-incurred basis, an entity is required to present additional categories (e.g., changes in inventories) to reconcile costs incurred to the relevant expense line item, since costs capitalized to inventory and other changes to inventory during the period may not have been included yet in the income statement. Companies should evaluate whether they will apply the cost-incurred basis or expense-incurred based on its facts and circumstances (e.g., data capabilities).

Reminders on MD&A disclosures

The majority of comment letters from the SEC staff on the management discussion and analysis (MD&A) section in periodic filings have focused on disclosures about results of operations. The SEC staff's requests for more details about results of operations have included requests that registrants discuss the effects of each factor that contributed to material period-to-period changes in quantitative and qualitative terms, including the underlying business or economic factors and any material offsetting factors.

The SEC staff has also requested registrants to describe and discuss the impact of any unusual or infrequent events or transactions or any significant changes in the economic environment that materially affected income from continuing operations. It also requested registrants to provide insight into significant components of revenue or expense necessary to understand the results of operations.

For other MD&A sections, the SEC staff has asked for enhanced disclosures in the liquidity and capital resources section, particularly when there are trends or uncertainties affecting liquidity. The SEC staff often requests that registrants expand MD&A to include a meaningful analysis of any variability in cash flows and discuss the material components of these cash flows.

The SEC requires a registrant to disclose in MD&A the KPIs, financial or nonfinancial, used to manage its business that would be material to investors and necessary in the evaluation of the company's performance. When a registrant uses a KPI to discuss operating results in MD&A, the SEC staff expects it to appropriately classify the information (i.e., as a non-GAAP measure or a KPI) and follow the appropriate guidance on presentation and disclosures.

The SEC staff expects registrants to focus their MD&A discussion of critical accounting estimates on the quality and variability of management's most significant judgments and assumptions. The SEC staff has noted that registrants' disclosures about critical accounting estimates often are too general and should provide a more robust analysis than what is in the significant accounting policies note to the financial statements.

Summary of open comment periods

Items are FASB proposals unless otherwise noted.

Proposal	Comment period ends
SEC proposal – Regulation Crypto Assets	20 October 2026
Cash Equivalents – Disclosure Enhancement and Evaluation of Certain Digital Assets	19 November 2026
Codification Improvements (Evergreen)	19 November 2026

Reference library

To the Point

- ▶ [CARB provides reporting guidance and proposes changes to climate disclosure regulation](#) (10 September 2026)
- ▶ [FASB proposes amendments to Codification to clarify, correct errors or make improvements](#) (10 September 2026)
- ▶ [SEC proposes tailored rules for certain offerings involving crypto assets](#) (20 August 2026)
- ▶ [FASB proposes clarifying classification of certain digital assets and requiring new disclosures](#) (19 August 2026)
- ▶ [FASB proposes investment companies consider contractual sale restrictions in fair value](#) (9 July 2026)
- ▶ [FASB proposes targeted improvements to accounting for certain interest rate and net investment hedges](#) (18 June 2026)
- ▶ [FASB proposes discount rate guidance for certain market-return cash balance plans](#) (11 June 2026)

Technical Line

- ▶ [A closer look at an entity's accounting for sales of its shares in secondary market transactions](#) (28 August 2026)
- ▶ [A closer look at FASB's amendments to expand the gross-up approach for purchased loans](#) (6 August 2026)
- ▶ [A closer look at the FASB's guidance on accounting for environmental credits and ECOs](#) (9 July 2026)
- ▶ [How certain global sustainability-related reporting requirements may impact multinationals](#) (11 June 2026)

Financial reporting developments

- ▶ [Revenue from contracts with customers \(ASC 606\)](#) (08 September 2026)
- ▶ [Impairment or disposal of long-lived assets](#) (28 August 2026)
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- ▶ [Certain investments in debt and equity securities](#) (6 August 2026)
- ▶ [Real estate project costs](#) (31 July 2026)
- ▶ [Statement of cash flows](#) (29 July 2026)
- ▶ [Share-based payment](#) (29 July 2026)
- ▶ [Intangibles – goodwill and other](#) (14 July 2026)
- ▶ [Earnings per share](#) (8 July 2026)
- ▶ [Postretirement benefits](#) (25 June 2026)
- ▶ [Equity method investments and joint ventures](#) (22 June 2026)
- ▶ [Segment reporting](#) (11 June 2026)
- ▶ [Consolidation: Determination of a controlling financial interest and accounting for changes in ownership interests](#) (10 June 2026)

Comment Letters

- ▶ [PCAOB Draft 2026-2030 Strategic Plan Goals and Objectives](#) (2 September 2026)
- ▶ [FASB proposal on targeted improvements to accounting for interest rate risk hedging and net investment hedging](#) (13 August 2026)
- ▶ [PCAOB standard-setting and research agendas](#) (6 August 2026)
- ▶ [FASB proposal on the discount rate used to measure the benefit obligation for certain market-return cash balance plans](#) (21 July 2026)
- ▶ [SEC request for comment on proposal for enhancement of emerging growth company accommodations and simplification of filer status for reporting companies](#) (20 July 2026)
- ▶ [FASB proposal on the accounting for investment companies with equity securities subject to contractual sale restrictions](#) (16 July 2026)
- ▶ [PCAOB supplemental request for comment: proposed amendments to QC 1000](#) (9 July 2026)
- ▶ [Request for comment on proposal to allow optional semiannual reporting](#) (6 July 2026)

Other

- ▶ [SEC in Focus - July 2026](#) (23 July 2026)
- ▶ [Quarterly tax developments - June 2026](#) (9 July 2026)
- ▶ [Effective date matrix as of 30 June 2026](#) (8 July 2026)

On-demand webcasts

- ▶ [Accounting for income taxes: a quarterly perspective - June 2026](#) (16 June 2026)
- ▶ [Mid-year update: What audit committees should be watching for](#) (25 June 2026)

Upcoming webcasts

- ▶ [What you need to know for Q3 2026 financial reporting \(Offering - 1 of 2\)](#) (17 September 2026)
- ▶ [What you need to know for Q3 2026 financial reporting \(Offering - 2 of 2\)](#) (22 September 2026)
- ▶ [Accounting for income taxes: a quarterly perspective](#) (22 September 2026)

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