

To the Point

FASB – final guidance

FASB clarifies interim disclosure requirements

The ASU is intended to address stakeholder feedback that the current guidance is difficult to navigate.

What you need to know

- ▶ The FASB issued final guidance clarifying the current interim disclosure requirements and the applicability of ASC 270.
- ▶ The guidance creates a comprehensive list of interim disclosures required under US GAAP and incorporates a disclosure principle that requires disclosures at interim periods when an event or change that has a material effect on an entity has occurred since the previous year end.
- ▶ The amendments are effective for public business entities for interim reporting periods within annual reporting periods beginning after 15 December 2027. They are effective for all other entities for interim reporting periods within annual reporting periods beginning after 15 December 2028. The ASU may be applied prospectively or retrospectively by all entities that provide interim financial statements and notes in accordance with US GAAP.

Overview

The Financial Accounting Standards Board (FASB or Board) issued a final Accounting Standards Update (ASU)¹ to improve the navigability of the required interim disclosures and clarify when ASC 270 is applicable and what disclosures need to be provided in interim reporting.



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The ASU clarifies that the guidance in Accounting Standards Codification (ASC) ASC 270, *Interim Reporting*, applies to all entities that provide interim financial statements and accompanying notes in accordance with US GAAP. It creates a comprehensive list of interim disclosures in ASC 270 that are required in interim financial statements and the accompanying notes under US GAAP. It also incorporates a disclosure principle requiring entities to disclose in interim periods events and changes that occur after the end of the most recent annual reporting period that have a material impact on the entity.

The ASU is intended to address feedback from stakeholders that the current guidance is difficult to navigate. The guidance does not change the fundamental nature or expand or reduce the disclosure requirements of interim reporting.

Key considerations

Form and content of interim financial statements and notes

The ASU clarifies that interim reporting can take different forms based on the following types of entities:

- ▶ **Securities and Exchange Commission (SEC) registrants** are required to refer to existing SEC guidance, such as Rule 10-01 of Regulation S-X (or Rule 8-03 for smaller reporting companies). These rules provide form and content requirements for condensed financial statements (condensed statements).
- ▶ **Non-SEC registrants** have the option to either (1) use the same level of aggregation as the annual financial statements and notes or (2) use a level more aggregated than the annual financial statements and notes (i.e., condensed statements). For Non-SEC registrants that choose to present condensed statements, the ASU provides specific form and content guidance for entities to follow, or alternatively allows entities to follow the guidance on condensed statements for SEC registrants, such as Rule 10-01 of Regulation S-X (or Rule 8-03 for smaller reporting companies).
- ▶ **Not-for-profit (NFP) entities** are required to follow the guidance for non-SEC registrants and also consider that (1) net assets with and without donor restrictions should be presented regardless of relative significance to total net assets, (2) required disclosure of expenses by nature and function may be condensed in accordance with the guidance of the ASU, whether presented on the face of the statement of activities, as a separate schedule in the notes to financial statements or in a separate financial statement, and (3) NFP entities are not required to provide a statement of changes in investments by and distributions to owners.

Comprehensive list of interim disclosures for condensed statements

The ASU compiles into a comprehensive list the interim disclosures for condensed statements currently required under ASC 270 and other topics of the Codification. The ASU makes conforming edits throughout the Codification. The Board said the list is intended to help users navigate the Codification more efficiently and effectively, but is not a substitute for thorough review of the underlying guidance.

Entities should consider the disclosure principle after evaluating the disclosure list to determine whether any additional disclosures are necessary.

Disclosure principle

The disclosure principle requires entities to make disclosures at interim periods when a significant event or transaction that has a material effect on an entity has occurred since the previous year end. The principle is designed to complement the list of required interim disclosures in the ASU. Entities need to consider the disclosure principle to determine whether any additional disclosures are necessary in an interim reporting period and include sufficient disclosures on the face of the interim financial statements or in the accompanying notes.

The ASU includes the following examples of disclosures of events occurring after the end of the most recent fiscal year that may have a material impact on the entity and meet the disclosure principle criteria:

- Significant changes in items such as accounting principles and practices since the end of the most recently completed fiscal year
- Estimates used in the preparation of financial statements
- Status of long-term contracts
- Significant new borrowings or modifications of existing financing arrangements
- Changes to the reporting entity resulting from business combinations or dispositions

Effective date and transition

The amendments are effective for public business entities for interim reporting periods within annual reporting periods beginning after 15 December 2027. They are effective for all other entities for interim reporting periods within annual reporting periods beginning after 15 December 2028. Early adoption is permitted. The guidance can be applied prospectively or retrospectively.

Endnote:

¹ Accounting Standards Update (ASU) 2025-11, *Interim Reporting (Topic 270): Narrow Scope Improvements*

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