

Accounting Latest Developments: Part 1

Keep your knowledge sharp with a broad look at what's new on the accounting front. This opening section surveys the latest developments shaping the profession, from active research projects to recent EITF activity. It's designed to give CPAs and financial reporting professionals a clear sense of where things stand today and which changes warrant closer attention. Whether you're preparing for client conversations or simply staying current, this foundational overview sets the context for the more detailed coverage that follows throughout the course.

CREDIT HOURS 2 | FIELD OF STUDY ACCOUNTING | EXAM QUESTIONS 10

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LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify one of the top individual reasons for financial statement restatements.
- Recognize one of the characteristics of a multi-employer pension plan.
- Recognize the impact that life expectancy has on the amount of a pension liability.
- Recall a trend in investments in retirement plans.
- Review the financial statement presentations permitted under the LIFO Conformity Requirement.
- Review how debt and equity securities should be accounted for under GAAP.
- Recognize how to measure an investment in gold under GAAP.
- Recognize the type of instruments that ASC 326-20's credit loss model applies to.
- Review the method used to estimate credit losses under ASU 2016-13.
- Recognize ASU 2025-05's accounting policy election and how receivables collected after the balance sheet date are treated.

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Section 1.1

SECTION I. LATEST DEVELOPMENTS ON THE ACCOUNTING FRONT

Chapter Objective

After completing this section, you should be able to:

- Identify one of the top individual reasons for financial statement restatements.
- Recognize one of the characteristics of a multi-employer pension plan.
- Recognize the impact that life expectancy has on the amount of a pension liability.
- Recall a trend in investments in retirement plans.

A. SIGNIFICANT GAAP CHANGES AS OF 2026

Years 2019 through 2025 were active periods at the FASB as several significant statements became effective and required implementation, particularly by nonpublic entities. Many, but not all, of the new statements were issued under the FASB-IASB joint convergence project. Even though the SEC has not required SEC companies to adopt international standards, the FASB and IASB continue to work on joint projects with the goal to minimize the differences between U.S. GAAP and IFRS.

Following are some of the more significant statements issued.

FASB Update Issued	What It Does
ASU 2016-1, <i>Financial Instruments- Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i>	Requires equity investments to be measured at fair value with the change recorded on the income statement. Effective date: Calendar year end 2018 (public entities) and 2019 (nonpublic entities).
ASU 2016-02, <i>Leases (Topic 842)</i>	Requires companies to capitalize most leases with a lease term of more than 12 months. Effective date: Calendar year end 2019 (public entities) and 2022 (nonpublic entities).
ASU 2016-13, <i>Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	Changes the way in which the allowance for credit losses is measured. Effective date: Calendar year end 2020 (public entities) and 2023 (nonpublic entities).
ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i>	Recodifies all revenue standards found in GAAP. Effective date: Calendar year end 2018 (public entities) and calendar year-end 2019 for nonpublic entities.

In addition to the amendments made in the previous chart, the FASB issued other accounting standards updates (ASUs).

B. FASB AGENDA

Following is the status of the FASB's projects:

FASB Project Schedule- As of January 15, 2026		
Projects	Next Milestone	Expected Date
Accounting for Debt Exchanges	Final ASU	1Q 2026
Accounting for Environmental Credit Programs	Final ASU	1Q 2026
Codification Improvements (Evergreen)	Board deliberations	Ongoing
Application of Topic 715 to Market-Return Cash Balance Plans	Exposure draft	2Q 2026
Classification of Certain Digital Assets as Cash Equivalents	Board deliberations	Ongoing
Accounting for Transfers of Crypto Assets	Board deliberations	Ongoing
Equity Method of Accounting- Targeted Improvements	Board deliberations	Ongoing
Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock	Final ASU	2Q 2026
Statement of Cash Flows Targeted Improvements	Board deliberations	Ongoing
Research Projects		
Accounting for and Disclosure of Intangibles		
Accounting for Commodities		
Accounting for Derivatives		
Agenda Consultation		
Consolidation for Business Entities		
Financial Key Performance Indicators for Business Entities		

FASB Project Schedule- As of January 15, 2026		
Projects	Next Milestone	Expected Date
Hedge Accounting		
Statement of Cash Flows		
EITF		
Application of Topic 715 to Market-Return Cash Balance Plans		
Mortgage Servicing Rights—Recapture		

C. SELECTED PROJECTS- PENDING 2026

Financial Key Performance Indicators for Business Entities

In November 2024, the FASB issued an Invitation to Comment project entitled, Financial Key Performance Indicators for Business Entities.

This Invitation to Comment (ITC) was issued as part of a FASB research project on financial key performance indicators (Financial KPIs) for business entities.

Background

The FASB cites several Financial KPIs that are used regularly by SEC companies, commonly referred to as non-GAAP measurements that include:

- Earnings before interest, taxes, depreciation, and amortization (EBITDA) or adjusted EBITDA
- Adjusted EPS
- Adjusted net income
- Adjusted operating income
- Free cash flow (FCF) or adjusted FCF

According to the FASB in the ITC, the FASB staff researched the prevalence of entities reporting Financial KPIs. From 2013 to 2022, the proportion of SEC filers reporting a Financial KPI increased from 36 percent to 53 percent and were present across most industry sectors. From 2013 to 2022, all but one industry (drugs, soaps, perfumes, and tobacco) saw double-digit growth in the presentation of Financial KPIs.

Moreover, some financial measurements are defined by GAAP while others are not. For example, the following table identifies defined GAAP measurements and KPIs that are not defined by GAAP:

Examples of Financial KPIs, GAAP Measurements, and Nonfinancial KPIs		
Financial Statement Performance Measures, Totals, and Subtotals (Defined by GAAP)	Financial KPIs (Not defined by GAAP)	Nonfinancial KPIs (Not defined by GAAP)
• Net income	• Return on assets	• Churn
• Revenue	• Return on equity	• Same-store sales
• Gross profit and gross margin	• Current ratio	• Number of subscribers
• EPS and diluted EPS	• Debt-to-equity ratio	
• Pre-tax income	• Adjusted revenue	
• Operating cash flows	• Adjusted gross margin	
	• Adjusted EBT	
	• Adjusted net income	
	• Adjusted EPS	
	• Adjusted profit margin	
	• Free cash flow (FCF) and adjusted FCF	
	• Organic sales growth or adjusted organic sales growth	
	• EBIT or EBITDA	
	• EBITDAR or adjusted EBITDAR	
	• EBITDAX or adjusted EBITDAX	
	• FFO or adjusted FFO	