



### GAAP Updates as of June 19, 2025

Below is a list of finalized upcoming significant GAAP guidance that are not yet in effect as of June 19, 2025, or are in the process of adoption by Companies. It does not contain all Accounting Standard Updates (ASUs) that have been issued. If you have any questions about these upcoming pronouncements, please contact your CPA at Larson & Company.

Upcoming Significant GAAP Accounting Pronouncements			
ASU	Area	Description	Date of Effectiveness
ASU 2018-12, ASU 2019-09, and ASU 2020-11	Financial Services - Insurance (Topic 944)	<p>In August 2018, FASB issued Accounting Standards Update 2018-12, Financial Services - Insurance (Topic 944), which provides new updates to accounting treatment of the benefit liability estimate, amortization of deferred acquisition costs, and disclosure requirements of long-duration insurance contracts for insurance carriers. In November 2019, FASB issued ASU 2019-09 which effectively defers the date of implementation for this guidance. These updates include the following:</p> <p>1. <b>Assumptions used to measure liability for future policy benefits</b> for traditional limited-payment contracts were previously locked at contract inception. New guidance would require insurance entities to (1) review and, if there is a change, update the assumptions used to measure cash flows at least annually and (2) update the discount rate assumption at each reporting date. The provision for risk of adverse deviation and premium deficiency (or loss recognition) testing are eliminated. Changes of the liability due to updated cash flow assumptions vs. updating discount rate assumption is required to be either in net income or other comprehensive income, respectively. The amendments also requires than an insurance entity discount expected future cash flows at an upper-medium grade (low-credit-risk) fixed-income instrument yield that maximizes the use of observable market inputs instead of using an unobservable discount rate (a rate based on an insurance entity's expected yield on its invested assets).</p> <p>2. <b>Measurement of market risk benefits</b> associated with deposits contracts is now required to be measured at fair value instead of a potential</p>	<p><b>Public - for fiscal years beginning after December 15, 2021.</b></p> <p><b>Private - for fiscal years beginning after December 15, 2024.</b></p>

		<p>alternative option of using an insurance accrual model. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income.</p> <p>3. <b>Amortization methods of deferred acquisition costs</b> is now simplified to be amortized on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to an impairment test.</p> <p>4. <b>Disclosures</b> now require than an insurance entity provide disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The amendment also requires that an insurance entity disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgements, and assumptions, and the effect of those changes on measurement.</p>	
<b>ASU 2022-03</b>	<b>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</b>	<p>In June 2022, FASB issued ASU 2022-03, <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>. The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. When such arrangements exist, additional disclosure is also required.</p>	<p><b>Public - for fiscal years beginning after December 15, 2023.</b></p> <p><b>Private - for fiscal years beginning after December 15, 2024.</b></p>
<b>ASU 2023-02</b>	<b>Investments - Equity Method and Joint Ventures (Topic 323)</b>	<p>In March 2023, FASB issued ASU 2023-02, <i>Investments - Equity Method and Joint Ventures (Topic 323)</i>. The amendment permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a</p>	<p><b>Public - for fiscal years beginning after December 15, 2023.</b></p> <p><b>Private - for fiscal years beginning after December 15, 2024.</b></p>

		component of income tax expense (benefit). Additional disclosures are also required.	
<b>ASU 2023-05</b>	<b>Business Combinations - Joint Venture Formations (Subtopic 805-60)</b>	In August 2023, FASB issued ASU 2023-05, <i>Business Combinations - Joint Venture Formations (Subtopic 805-60)</i> . The amendment provides new guidance requiring a joint venture to recognize and initially measure its assets and liabilities using a new basis of accounting upon formation. As a result, a newly formed joint venture should initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance).	<b>Effective prospectively for all joint venture formations with a formation date on or after January 1, 2025.</b>
<b>ASU 2023-08</b>	<b>Intangibles— Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets</b>	In December 2023, FASB issued ASU 2023-08, <i>Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60)</i> . The amendments in this update require an entity to subsequently measure certain intangible assets (e.g. crypto assets) at fair value with changes recognized in net income each reporting period. To qualify for such treatment, the assets must meet the following criteria: <ol style="list-style-type: none"> <li>1. Meet the definition of intangible assets as defined in the Codification</li> <li>2. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets</li> <li>3. Are created or reside on a distributed ledger based on blockchain or similar technology</li> <li>4. Are secured through cryptography</li> <li>5. Are fungible</li> <li>6. Are not created or issued by the reporting entity or its related parties</li> </ol> The amendments in this Update also require that an entity present (1) crypto assets measured at fair value separately from other intangible assets in the balance sheet and (2) changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement (or statement of activities for not-for-profit	<b>All - for fiscal years beginning after December 15, 2024. Early adoption is permitted.</b>

		entities). Additional disclosures requirements are also necessary for entities that hold such assets.	
<b>ASU 2023-09</b>	<b>Income Taxes (Topic 740)—Improvements to Income Tax Disclosures</b>	<p>In December 2023, FASB issued ASU 2023-09, <i>Income Taxes (Topic 740)</i>. The amendment aims to improve more transparency to investors regarding the disclosure of taxes in three areas:</p> <ol style="list-style-type: none"> <li>1. Rate Reconciliation</li> <li>2. Income Taxes Paid</li> <li>3. Other Disclosures</li> </ol> <p>For <b>Rate Reconciliation</b>, this update requires that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate). The specific categories as mentioned in (1) above includes:</p> <ol style="list-style-type: none"> <li>a. State and local income tax, net of federal (national) income tax effect</li> <li>b. Foreign tax effects</li> <li>c. Effect of changes in tax laws or rates enacted in the current period.</li> <li>d. Effect of cross-border tax laws</li> <li>e. Tax credits</li> <li>f. Changes in valuation allowances</li> <li>g. Nontaxable or nondeductible items</li> <li>h. Changes in unrecognized tax benefits</li> </ol> <p>For entities other than public business entities, the amendments in this Update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate.</p> <p>Regarding <b>Income Taxes Paid</b>, the amendment also requires that all entities disclose on an annual basis the following information about income taxes paid:</p> <ol style="list-style-type: none"> <li>1. The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes</li> </ol>	<p><b>Public - annual periods beginning after December 15, 2024.</b></p> <p><b>Private - annual periods beginning after December 15, 2025.</b></p> <p><b>Early adoption is permitted.</b></p>

		<p>2. The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received).</p> <p>Lastly, for <b>Other Disclosures</b>, the amendments in this Update require that all entities disclose the following information:</p> <ol style="list-style-type: none"> <li>1. Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign</li> <li>2. Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign</li> </ol>	
<b>ASU 2024-01</b>	<b>Compensation-Stock Compensation (Topic 718)- Scope Application of Profit Interest and Similar Awards</b>	<p>In March 2024, FASB issued ASU 2024-01, <i>Compensation-Stock Compensation (Topic 718)</i>. The amendment aims to GAAP by adding additional illustrative examples that includes four fact patters to demonstrate how and entity should apply the scope guidance in topic 718 to determine whether a profits interest award should be accounted for. Generally, Topic 718 will apply to all share-based payment transaction in which a grantor acquires goods or services to be used or consumed in the grantor’s own operations or provides consideration payable to a customer by either of the following:</p> <ol style="list-style-type: none"> <li>a. Issuing (or offering to issue) its shares, share options, or other equity instruments to an employee or a non-employee.</li> <li>b. Incurring liabilities to an employee or a nonemployee that meet either of the following conditions: <ol style="list-style-type: none"> <li>1. The amounts are based, at least in part, on the price of the entity’s shares or other equity instruments. (The phrase at least in part is used because an award of share-based compensation may be indexed to both the price of an entity’s shares and something else that is neither the price of the entity’s shares nor a market, performance, or service condition.)</li> </ol> </li> </ol>	<p><b>Public - annual periods beginning after December 15, 2024.</b></p> <p><b>Private - annual periods beginning after December 15, 2025.</b></p> <p><b>Early adoption is permitted.</b></p>

		2. The awards require or may require settlement by issuing the entity's equity shares or other equity instruments.	
<b>ASU 2024-04</b>	<b>Debt – Debt with Conversion and Other Options (Subtopic 470-20) – Induced Conversions of Convertible Debt Instruments</b>	<p>In November 2024, FASB issued ASU 2024-04, <i>Debt-Debt with Conversion and Other Options (Subtopic 470-20)</i>. The amendments in this update clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion vs an extinguishment guidance.</p> <p>Under the amendments, to account for a settlement of a convertible debt instrument as an induced conversion, an inducement offer is required to provide the debt holder with, at a minimum, the consideration (in form and amount) issuable under the conversion privileges provided in the terms of the instrument. An entity should assess whether this criterion is satisfied as of the date the inducement offer is accepted by the holder. If, when applying this criterion, the convertible debt instrument had been exchanged or modified (without being deemed substantially different) within the one-year period leading up to the offer acceptance date, an entity should compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date. The amendments do not change the other criteria that are required to be satisfied to account for a settlement transaction as an induced conversion.</p> <p>The amendments in this update also make additional clarifications to assist stakeholders in applying the guidance. Under the amendments, the incorporation, elimination, or modification of a VWAP formula does not automatically cause a settlement to be accounted for as an extinguishment; an entity should instead assess whether the form and amount of conversion consideration are preserved (that is, provided for in the inducement offer) using the fair value of an entity's shares as of the offer acceptance date.</p> <p>The amendments in this update also clarify that the induced conversion guidance applies to a convertible debt instrument that is not currently convertible as long as it had a substantive conversion feature as of both its</p>	<b>All - for fiscal years beginning after December 15, 2025. Early adoption is permitted.</b>

		issuance date and the date the inducement offer is accepted.	
<b>ASU 2025-03</b>	<b>Business Combinations (Topic 805) and Consolidation (Topic 810) – Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity</b>	In May 2025, FASB issued ASU 2025-03, <i>Business Combinations (Topic 805) and Consolidation (Topic 810)</i> . The amendments in this Update require entities involved in acquisition transactions primarily involving the exchange of equity interests, where the legal acquiree is a variable interest entity (VIE) that qualifies as a business, to use specific factors to determine the accounting acquirer, rather than automatically designating the primary beneficiary as the acquirer. This change enhances comparability across entities by aligning the accounting outcomes of such transactions with those involving voting interest entities but does not alter the accounting for reverse acquisitions or transactions where the legal acquirer is not a business and is the accounting acquiree.	<b>All - for fiscal years beginning after December 15, 2026. Early adoption is permitted.</b>
<b>ASU 2025-04</b>	<b>Compensation-Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)</b>	<p>In May 2025, FASB issued ASU 2023-05, <i>Compensation-Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)</i>. Under current GAAP, the definitions of performance and service conditions for share-based consideration payable to customers are limited and do not explicitly address scenarios involving purchases by customers or third parties. Additionally, current guidance allows grantors to account for forfeitures as they occur, which can delay revenue recognition for awards unlikely to vest. There is also ambiguity regarding whether the variable consideration constraint in Topic 606 applies to share-based consideration measured under Topic 718.</p> <p>The amendments in this Update revise the definition of a performance condition for share-based consideration payable to customers. The new definition now includes vesting conditions based on the volume or monetary amount of purchases by customers or other parties, and clarifies that these rules do not apply by analogy to awards granted to employees or nonemployees for internal use. The amendments also eliminate the policy election that allowed grantors to account for forfeitures as they occur for customer awards with service conditions, requiring instead an estimate of expected forfeitures.</p>	<b>All - for fiscal years beginning after December 15, 2026. Early adoption is permitted.</b>

		<p>Furthermore, the Update clarifies that share-based consideration covers the same instruments as share-based payment arrangements, even if the grantee is not a supplier. It also specifies that Topic 606's constraint on variable consideration does not apply to share-based consideration payable to customers; instead, only Topic 718 guidance should be used to assess vesting probability. Collectively, these changes are intended to improve the usefulness and consistency of financial reporting by ensuring that transaction price estimates more accurately reflect the consideration expected in exchange for goods or services, and by reducing diversity in practice.</p>	
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