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INDUSTRY INSIGHTS

Q4 2025

Key Insights

Dear Colleagues and Friends,

In this Issue of Industry Insights, we discuss the latest accounting and financial reporting updates for the fourth quarter of 2025.

In our Accounting and Financial Reporting section, we cover the issuance of five new Accounting Standards Updates (ASUs): [ASU 2025-08](#) expands the use of the gross-up approach for Purchased Seasoned Loans, a newly defined term. [ASU 2025-09](#) simplifies hedge accounting by allowing the aggregation of forecasted transactions with similar (not necessarily identical) risks, providing a model for hedging forecasted interest on choose-you-rate debt, and resolving dual-hedge presentation mismatches. [ASU 2025-10](#) establishes authoritative GAAP for government grants by defining the term "grant" and providing recognition criteria. [ASU 2025-11](#) amends Topic 270 to clarify which interim financial statements and notes are covered, provides a consolidated list of required interim disclosures, and adds a disclosures principle requiring reporting on post-annual-period events that materially affect the entity. [ASU 2025-12](#) makes several minor clarifications, corrections, and technical improvements across the FASB Codification to clarify the application of GAAP.

We also provide an overview of several proposed standards currently under deliberation, including updates related to accounting for debt exchanges and initial measurement of paid-in-kind dividends on equity-classified preferred stock.

To support implementation planning, we've included a summary table that tracks the effective dates of recently issued standards and pending proposals. Finally, we conclude with an update on the FASB's technical agenda, providing insight into standard-setting activity and anticipated priorities.

We hope you find this publication useful and insightful.

Best regards,
CNM LLP



Executive Summary

Q4 2025

FASB Issued ASU 2025-08 on Financial Instruments- Credit Losses on Purchased Loans

In November 2025, the FASB issued [ASU 2025-08](#) to expand the population of acquired loans that are accounted for using the existing gross-up purchased credit deteriorated (PDC) approach by introducing the category purchased seasoned loans (loans other than credit cards). It retains the PCD model but requires more acquired loans to be accounted for under the gross-up approach and clarifies related measurement and interest-accrual guidance. The changes address stakeholder concerns that under current GAAP, non-PCD acquired loans effectively double counted the credit loss by requiring an allowance for credit loss recorded as credit loss expense and by credit losses being included in the fair value measurement. Key changes include:

- **Purchased seasoned loans category:** Loans (excluding credit cards) acquired in a business combination are deemed purchased seasoned loans; loans acquired outside a business combination are purchased seasoned loans if acquired more than 90 days after origination and the transferee was not involved in origination.
- **Gross-up applied more broadly:** Purchased seasoned loans are accounted for using the gross-up approach at acquisition (an allowance for credit losses is recorded with the offsetting gross-up adjustment to the purchase price of the acquired loan). The PCD/non-PCD distinction remains, but more loans will now use gross-up accounting.

The amendments in this update are effective for all entities for annual periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted.

FASB Issued ASU 2025-09 on Derivatives and Hedging-Hedge Accounting Improvements

In November 2025, FASB issued [ASU 2025-09](#) to better align hedge accounting with entities' risk management activities and to simplify hedge accounting.

Key Changes include –

1. **Similar risk assessment for cash flow hedges:** Replaces “shared” with similar risk exposure for groups of forecasted transactions; requires documentation at inception and ongoing assessment; permits certain qualitative assessments and methods allowing a hedging instrument that is highly effective against each risk to demonstrate similarity.
2. **Choose-your-rate debt:** Provides an elective model to apply cash-flow hedge accounting to forecasted interest on debt where borrower may change index/tenor; allows simplified probability and effectiveness assumptions and prospective application rules.
3. **Nonfinancial forecasted transactions:** Expands component hedging by using the clearly-and-closely-related principle (broadens eligibility beyond contractually specified components), with illustrative examples.
4. **Net written options:** Clarifies that a compound derivative comprising a swap plus written option is not treated as a written option for the net-written-option test in interest-rate hedges.
5. **Dual hedges (foreign currency debt):** Eliminates presentation/recognition mismatch by excluding fair value hedge basis adjustments from net investment effectiveness assessment; mandates immediate remeasurement of that basis adjustment at spot rate.

For public business entities, the ASU is effective for annual reporting period beginning after December 15, 2026, and interim periods within those annual reporting periods. For non-public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2027. Early adoption is permitted.

FASB Issued ASU 2025-10 on Government Grants

In December 2025, the FASB issued [ASU 2025-10](#) to establish GAAP guidance for government grants received by business entities (excludes not-for-profit entities and employee benefit plans). The amendments state that a government grant should be recognized only when:

1. It is probable that the entity will comply with conditions attached to the grant and the grant will be received, and
2. The entity meets recognition rules for either a grant related to an asset or a grant related to income.

The ASU also provides presentation and recognition guidance on how to account for grants related to an asset. Entities must disclose nature, accounting policies, significant terms/conditions, amounts and affected line items. The ASU is effective for public business entities for annual periods beginning December 15, 2028 and interim periods included within those annual reporting periods. For other entities, the ASU is effective for annual reporting periods beginning December 15, 2029.

FASB Issued ASU 2025-11 on Interim Reporting

In December 2025, the FASB issued [ASU 2025-11](#) to clarify and improve navigability of Topic 270 – Interim Reporting. The amendments in this update do not alter the existing disclosure requirements. The amendments clarify the scope of ASC 270 noting that it applied to interim financial statements and notes only. The amendments in the ASU codified a disclosure principle that requires entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. This ASU provides a comprehensive list of disclosure requirements specific to interim financial statements.

The amendments are effective for public entities for interim reporting periods within annual reporting periods beginning after December 15, 2027. For non-public entities, the amendments are effective for interim reporting periods within annual reporting periods beginning after December 15, 2028. Early adoption is permitted.

FASB Issued ASU 2025-12 on Codification Improvements

In December 2025, the FASB issued [ASU 2025-12](#) which makes 33 targeted amendments to the Codification to correct errors, clarify guidance, and make minor improvements across a wide range of Topics (including earnings per share, credit losses, leases, not-for-profit guidance, and more); notable changes include clarifying diluted EPS when losses exist (Topic 260), excluding certain lease receivables from enhanced credit-disclosure requirements (Topic 310), revising beneficial-interest accretion and interest recognition (Topic 325), various not-for-profit presentation and consolidation clarifications, and numerous editorial and reference fixes. The amendments are effective for annual periods beginning after December 15, 2026 (interim periods within those years), permit issue-by-issue early adoption, generally allow prospective or retrospective transition (with Topic 260 required to be applied retrospectively), and are intended to simplify application of GAAP without causing significant changes for most entities.

The amendments are effective for all entities for annual reporting periods beginning after December 15, 2026 and interim periods within those annual periods. Early adoption is permitted.

Update on FASB's various previously proposed standards

Accounting for Debt Exchanges

On April 30, 2025, the FASB issued a [proposed ASU](#) on debt exchanges, which changes the accounting for debt exchanges involving cash between the same debtor and creditor when a new debt obligation with multiple creditors replaces existing debt. Instead of performing the current complex cash flow test, the exchange would be accounted for as an issuance of a new debt obligation and an extinguishment of the existing debt obligation if two key conditions are met:

1. The existing debt is repaid according to its contractual terms or repurchased at market terms.
2. The new debt is issued at market terms following the issuer's customary marketing process.

The proposed update would be applied prospectively to exchanges of debt instruments that occur on or after the initial application date, early adoption would be permitted. FASB expects to have a final ASU issued in Q1 2026.

Initial measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock

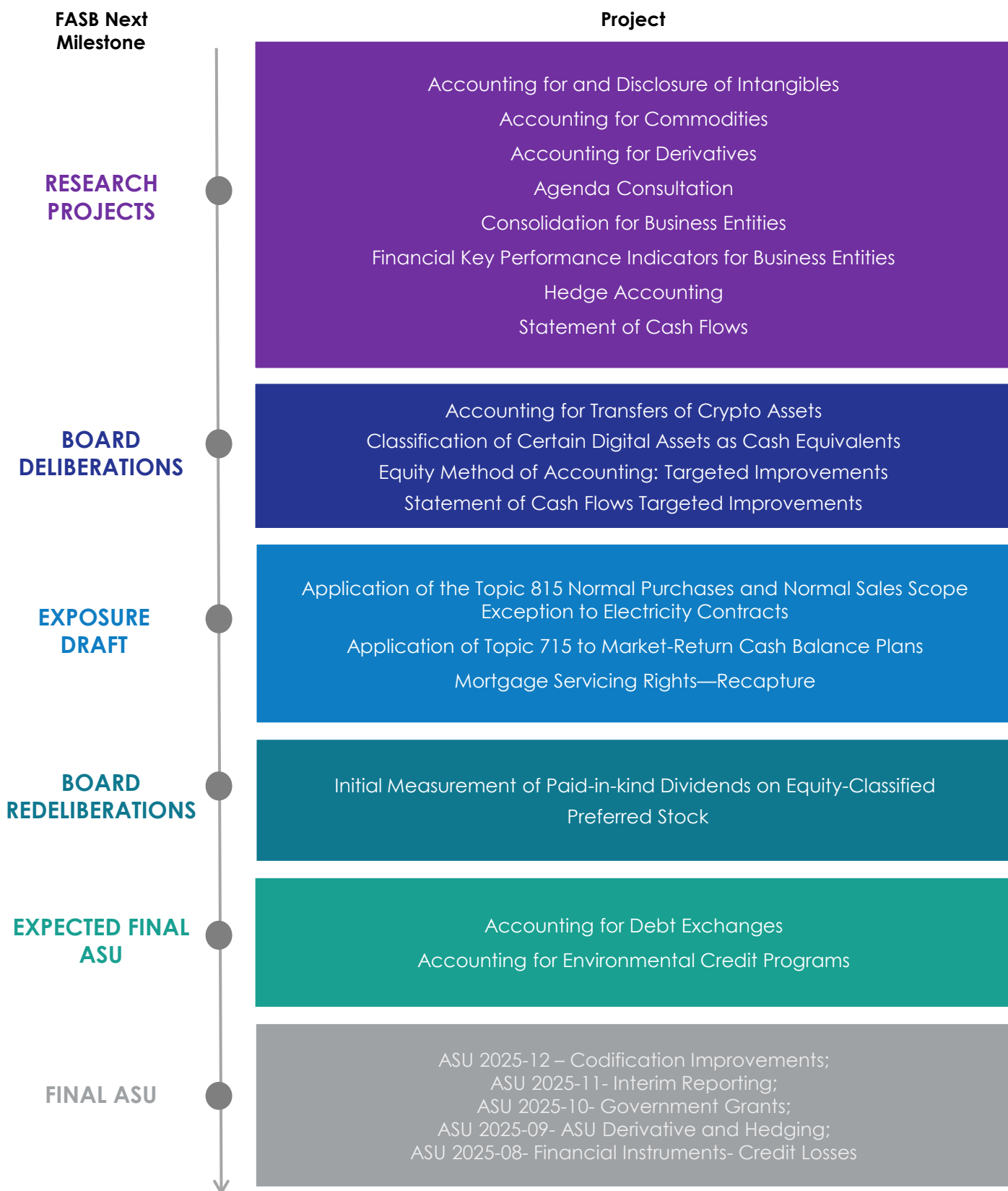
On September 30, 2025, the FASB issued a [proposed ASU](#) on initial measurement of paid-in-kind dividends on equity-classified preferred stock. This proposed ASU would add authoritative guidance to Topic 505 requiring that paid-in-kind (PIK) dividends on equity-classified preferred stock be initially measured using the PIK dividend rate specified in the preferred stock agreement (for example, that rate multiplied by the preferred stock's liquidation value). It also clarifies the scope; this change applies to equity-classified preferred stock whose dividend value varies with additional shares issued.

During its December 2025 Board meeting, the Board directed the staff to draft a final ASU for vote by written ballot and expects to have a final standard issued by Q2 2026.

Upcoming FASB Standard Effective Dates

ASU	Topic	Effective Date
2025-05	Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets	Effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. Early adoption is permitted. Non-PBEs electing the practical expedient post-effective date are not required to perform a preferability assessment.
2025-03	Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity	For all entities, effective for annual and interim reporting periods beginning after December 15, 2026. Early adoption is permitted.
2024-04	Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments	For all entities, effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. Early adoption is permitted.
2024-03	Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses	For all PBEs, effective for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted.
2024-01	Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards	For PBEs, effective for annual periods beginning after December 15, 2024 (2025 for all other entities), and interim periods within those annual periods. Early adoption is permitted.
2023-09	Income Taxes (Topic 740): Improvements to Income Tax Disclosures	For PBEs, effective for annual periods beginning after December 15, 2024 (2025 for all other entities). Early adoption is permitted.
2023-08	Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets	For all entities, effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted.

FASB Technical Agenda* as of December 17, 2025



* <https://www.fasb.org/technicalagenda>

Who is CNM?

Founded in 2003, CNM LLP is recognized as one of the premier technical advisory firms in Southern California with Big 4 experience that provides the responsive customer service of a boutique firm. And we're a dynamic team that enlists all our energy to help transform the way your company does business – carefully evaluating your needs, simplifying your financial processes, and passionately solving problems in the most cost-effective way.

Our extensive knowledge of US GAAP, ICFR and SEC reporting skills has given us the ability to assist our clients with transactions that are not only multifaceted, but the capability to implement new or complex accounting standards. We have over 200 global professionals in our Los Angeles, Orange County, San Diego, New York City, and Kuala Lumpur offices. Many of our clients are developed from direct referrals from the Big 4 accounting firms, speaking to the level of quality services we provide.

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