
Accounting, Audit and Attestation Standards Update 2024-2025
November 16, 2025
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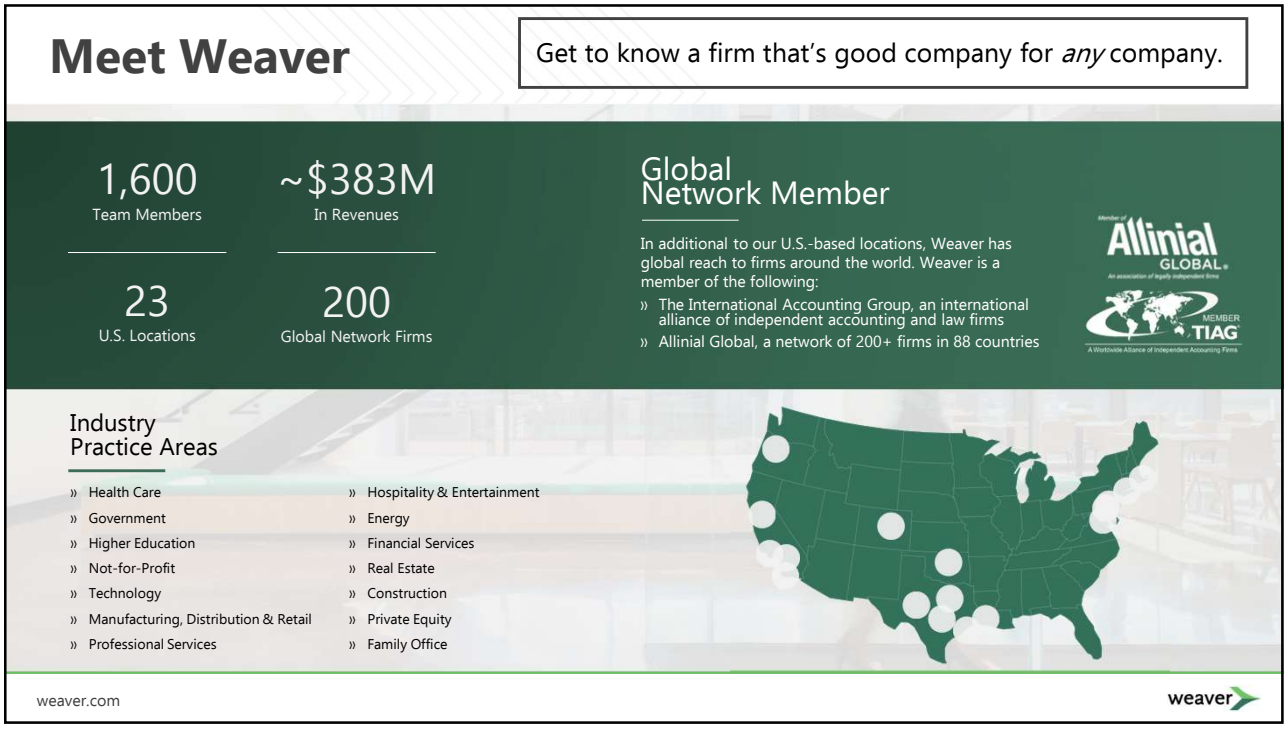
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Overview of Standards Updates

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Summary of Accounting Standards Updates (2024–2025)

Scope of ASUs

ASUs from 2024-01 to 2025-07 address diverse accounting topics for various entities.

Focus Areas

Updates cover profits interest, income statement details, convertible debt, and more.

Target Entities

Changes apply mainly to public, private, and not-for-profit organizations with varied effective dates.

Strategic Approach

FASB emphasizes incremental improvements and fewer updates to ease compliance efforts.

Accounting Standards Updates

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ASU 2024-01: Profits Interest and Similar Awards

Clarified Scope Application
ASU 2024-01 defines scope for profits interest awards under ASC 710 and 718 clearly.

Reduction of Practice Diversity
Update reduces diversity by providing practical examples for accounting treatments.

No New Guidance Introduced
Examples help resolve confusion without introducing new accounting rules.

Effectiveness
December 15, 2204 – Public Business Entities
December 15, 2025 – All Others

Early Adoption Permitted

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ASU 2024-02: Codification Improvements

Removal of Non-Authoritative References

ASU 2024-02 eliminates references to non-authoritative Concept Statements in the Codification.

Clarity Between GAAP and Frameworks

This update clarifies the difference between authoritative GAAP and non-authoritative Concept Statements.

Support for Preparers and Auditors

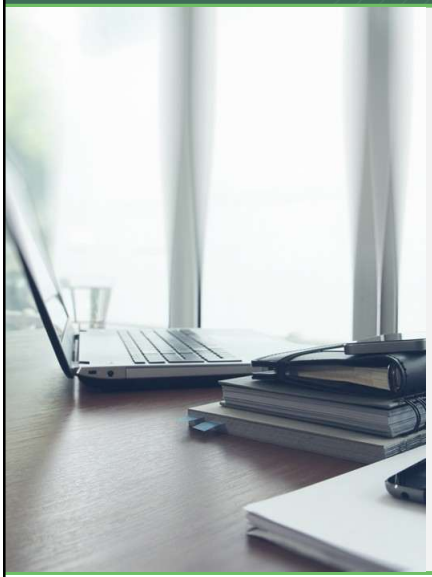
The update helps preparers and auditors by streamlining authoritative guidance.

Effectiveness

December 15, 2204 – Public Business Entities
December 15, 2025 – All Others

Early Adoption Permitted

ASU 2024-03: Disaggregation of Income Statement Expenses



Requirement Overview

ASU 2024-03 mandates detailed footnote disclosures of income statement expenses for public business entities – this includes conduit bond obligors.

Expense Categories

The update requires breaking down SG&A, cost of goods sold, and R&D into specified categories.

Investor Impact

Granular financial details help investors better assess company performance and cash flow prospects.

Implementation Timeline

Effective for fiscal years ending after December 15, 2024, as issued in March 2024.

Updated through ASU 2025-01 to annual periods after December 15, 2026.

Required Expense Categories and Disclosure Format

NATURAL EXPENSE CATEGORY	INCLUDED IN INCOME STATEMENT
Purchases of Inventory	✓
Employee Compensation	✓
Depreciation	✓
Intangible Asset Amortization	✓
DD&A (Oil & Gas or other depletion)	✓

- **Additional Tabular Disclosures** (conditional):
  - Inventory changes, reimbursements, GAAP gain/loss items, residual "other" amounts, reconciling items
  - **Selling Expense** (narrative disclosure only)
  - Total amount
  - Management's definition/composition (annual only)

ASU 2024-04: Induced Conversions of Convertible Debt

Focus on Induced Conversions

ASU 2024-04 addresses accounting for induced conversions of convertible debt under ASC 470-20.

Clarifying Key Distinctions

The update clarifies differences between induced conversions and debt extinguishments for consistent application.

Effective Date and Scope

Effective for annual periods after December 15, 2025, applicable to all entities.

ASU 2025-02: SEC Paragraphs Update (Topic 405)

Update Context

ASU 2025-02 revises SEC paragraphs in Topic 405 following SEC Staff Accounting Bulletin No. 122.

Effective Date

Only apply to public entities or public business entities

March 18, 2025.

Purpose of Update

The update aligns with SEC guidance and improves clarity in reporting liabilities.

ASU 2025-03: Determining Acquirer in VIE Business Combinations

Clarification on Acquirer Determination

ASU 2025-03 provides clearer guidance to identify the accounting acquirer in VIE business combinations.

Addresses Consolidation Complexities

The update helps resolve complexities related to consolidation and acquisition accounting for VIEs.

Implementation Timeline

Standard effective for periods after December 15, 2026, issued in April 2025 for preparers.

Early adoption permitted

ASU 2025-04: Share-Based Consideration in Revenue Contracts

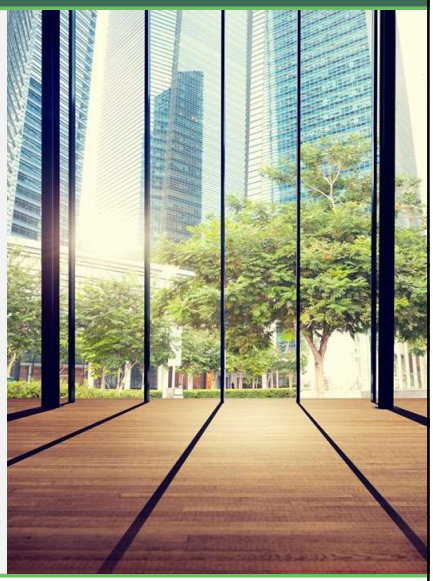
Clarification of Accounting
ASU 2025-04 clarifies how to account for share-based consideration payable to customers under revenue contracts.

Standards Interaction
The update refines the interaction between ASC 718 and ASC 606 for consistent treatment of noncash consideration.

Issue Date
ASU 2025-04 was issued in May 2025 to provide updated guidance on share-based consideration.

Effective Date
The update is effective for periods beginning after December 15, 2026, providing time for adoption.

Early adoption permitted



ASU 2025-05: CECL Measurement Update for Private Companies/NFPs

Simplification of CECL Model
The update simplifies the CECL model for private companies and not-for-profits, easing implementation.

Forecasting Omission Expedient
A practical expedient allows omitting forecasting in expected credit loss calculations.

Use of Subsequent Cash Receipts
Entities may choose to estimate losses based on subsequent cash receipts instead of forecasts.

Effective Date Information
Update effective for periods starting after December 15, 2025.

Early adoption permitted

ASU 2025-06: Improvements to Internal-Use Software

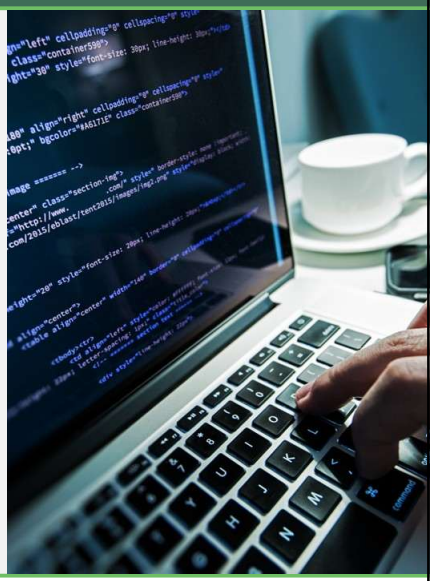
Modernized Guidance
ASU 2025-06 updates internal-use software guidance under ASC 350-40 for clarity and relevance.

Agile Development Focus
The update incorporates agile software development practices for better project adaptability.

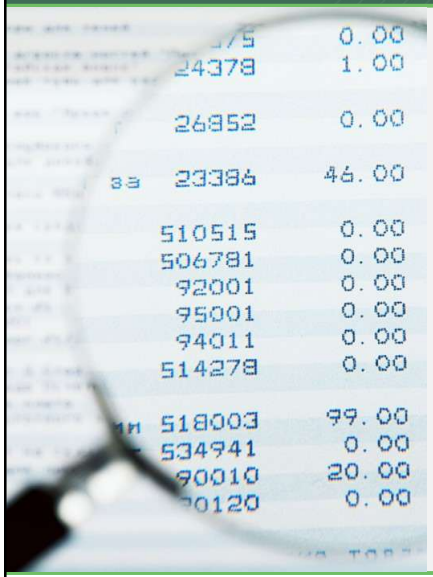
Clear Capitalization Rules
Introduces clearer guidelines on software capitalization and implementation costs.

Effective Date
The update is effective for periods beginning after December 15, 2027, providing transition time.

Early adoption permitted



ASU 2025-07: Derivatives Scope Refinements



Scope Refinements
ASU 2025-07 refines derivative accounting scope under ASC 815 to improve clarity and application.

Share-Based Noncash Consideration
Clarifies accounting treatment of share-based noncash consideration payments from customers.

Expanded Scope Exceptions
Expands exceptions for contracts based on entity-specific operations to refine applicability.

Effective Date
Effective for periods beginning after December 15, 2026.

Early adoption permitted

Audit and Attestation Standards Updates

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SSAE No. 23: Attestation Standards Alignment

Alignment with Quality Framework

SSAE No. 23 aligns attestation standards with AICPA's quality management framework for improved oversight.

Terminology Updates

Replaces 'other practitioner' with 'participating' and 'referred-to practitioner' to clarify roles.

Amendments to Previous Standards

Updates amend SSAE Nos. 18, 19, 21, and 22 to reflect the new alignment and terminology.

Effective Date

SSAE No. 23 effective for engagements starting December 15, 2025 or later.

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Quality Management Standards (SQMS 1–3, SAS 146)

Risk-Based Quality Management
SQMS 1–3 and SAS 146 establish risk-based quality management for audits and attestations.

Implementation Deadline
Firms must design and implement these quality systems by December 15, 2025.

Leadership Accountability
The standards emphasize leadership accountability for quality system performance.

Dynamic Quality Approach
Shift from traditional control to proactive, scalable quality management and monitoring.

GAO Yellow Book 2024 Revisions

Purpose and Scope of the Yellow Book

Foundational Audit Framework
The Yellow Book is the essential guide for auditing government entities worldwide ensuring accountability and transparency.

2024 Revision Updates
The 2024 version modernizes audit practices and enhances outcome reliability, replacing earlier revisions.

Wide Applicability
Applicable to financial audits, attestation, financial reviews, and performance audits across diverse organizations.

Ethics and Independence
Emphasizes ethical conduct, professional judgment, and auditor independence for credible audit results.

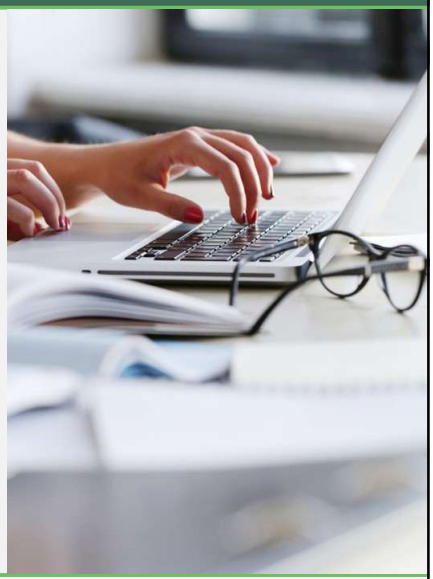
Effective Dates and Implementation Timeline

Effective Date Overview
The 2024 revision is effective for audits starting on or after December 15, 2025. Performance audits share this date.

Quality Management System Requirement
Audit organizations must implement quality management systems compliant with revised standards by December 15, 2025.

Evaluation Deadline
Organizations are required to evaluate their quality management systems by December 15, 2026.

Early Implementation Option
Early adoption of the standards is allowed to facilitate a smooth phased implementation process.



Major Changes in the 2024 Revision

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Quality Management Overhaul

Shift to Quality Management
The 2024 Yellow Book replaces quality control with a comprehensive quality management system.

Leadership Role Emphasis
Audit organization leadership now has a proactive role in managing engagement quality.

Risk-Based and Scalable Process
A risk-based process and scalability allow tailored quality objectives for various organizations.

Flexibility and Monitoring
Standards allow flexibility for other quality systems and encourage proactive monitoring and reviews.

Expanded Financial Audit Guidance

Introduction of Key Audit Matters
Key Audit Matters (KAMs) highlight significant audit issues relevant to financial statement users. KAMs improve audit transparency and focus.

Focus on Government Audits
KAMs are particularly relevant for government entities and organizations receiving federal funds, enhancing audit relevance.

Alignment with International Standards
The guidance aligns with global auditing standards, reflecting evolving expectations of audit users worldwide.

Enhanced Accountability and Reporting
Clear communication and comprehensive reporting improve accountability and decision-making in the public sector.

Ethics, Independence, and Competence

Enhanced Ethical Standards and Independence Requirements

Stricter Independence Requirements

» 2024 standards enforce stronger auditor independence to avoid conflicts of interest.

Emphasis on Ethical Behavior

» Auditors must demonstrate integrity, objectivity, and professional skepticism throughout audits.

Guidance on Non-Audit Services

» Expanded guidance ensures non-audit services do not compromise auditor objectivity.

Reinforcing Public Trust

» Enhanced standards help maintain credibility and reliability of audit findings for governance.

Updated Competence and CPE Requirements

Updated Competence Standards

2024 Yellow Book updates competence requirements for auditors to reflect government complexity.

Targeted CPE Areas

Mandatory CPE hours focus on cybersecurity, data analytics, and fraud detection specialties.

Relevant Training Encouraged

Auditors should pursue CPE aligned with their specific audit assignments for effectiveness.

Continuous Professional Development

Ongoing education is essential to maintain competence and address emerging audit risks.

Questions

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