

FASB Standards Update

4th Quarter 2026

Recently Issued FASB Standards and
Exposure Drafts and Upcoming
Effective Dates



In Case You Missed it — Accounting Standards Updates (ASUs) Issued in 2026

ASU 2026-01 — Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock

- Establishes a specific measurement model for in-scope paid-in-kind (PIK) dividends on equity-classified preferred stock.
- In-scope PIK dividends are initially measured using the PIK dividend rate stated in the preferred stock agreement.
- Applies to equity-classified preferred stock, including preferred stock classified as temporary equity.
- Excludes certain fixed-dollar obligations that are settled in a variable number of shares and deemed dividends.
- Entities may apply the ASU prospectively or using a modified retrospective approach, with transition disclosures depending on the method selected.

[See More AHP Insights on ASU 2026-01 Here](#)

Effective Date

All Entities

- Annual reporting periods beginning after December 15, 2026; and
- Interim reporting periods within those annual reporting periods

Early Adoption Permitted

ASU 2026-02 — Environmental Credits and Environmental Credit Obligations (Topic 818)

- Creates a new accounting model under ASC 818 for certain environmental credits and regulatory obligations that can be settled with those credits.
- Environmental credits within the scope of ASC 818 must be enforceable, transferable pollution-related rights while financial assets and income tax credits are excluded.
- Intended to bring more consistency to the accounting for carbon offsets, renewable energy credits, emissions allowances, and similar instruments as their use becomes more common.
- May affect recognition, measurement, impairment, liability accounting, and disclosures for companies active in environmental credit markets or subject to environmental compliance programs.
- Early planning can help reduce implementation challenges and improve readiness for the new ASC 818 requirements.

[See More AHP Insights on ASU 2026-02 Here](#)

Effective Date

Public Business Entities

- Annual reporting periods beginning after December 15, 2027; and
- Interim reporting periods within those annual reporting periods

Nonpublic Entities

- Annual reporting periods beginning after December 15, 2028; and
- Interim reporting periods within those annual reporting periods

Early Adoption Permitted

**ASU 2026-03 — Fair Value Measurement (Topic 820):
Investment Companies with Equity Securities Subject to
Contractual Sale Restrictions**

- Applies to investment companies within the scope of Topic 946 that have investments in equity securities measured at fair value that are subject to contractual sale restrictions. Entities outside Topic 946 continue to measure fair value without considering the contractual sale restriction under Topic 820.
- Requires a contractual restriction on the sale of an equity security be considered in measuring the fair value of the equity security.
- Amendments required to be applied prospectively with any adjustment from the adoption of the amendments recognized in earnings.

[Read Full ASU 2026-03 Here](#)

Effective Date

All Entities

- Annual reporting periods beginning after December 15, 2027; and
- Interim reporting periods within those annual reporting periods

Early Adoption Permitted

Recently Issued Exposure Drafts

Mortgage Servicing Rights — Recapture

- Issued proposed ASU September 23, 2026 for public comment.
- Would amend guidance on the measurement of residential mortgage servicing rights (MSRs) related to “recapture.”
- “Recapture” refers to the servicer’s ability to solicit an existing borrower to refinance while retaining the servicing rights on the new loan, and FASB noted that current GAAP does not explicitly address whether that value is included in residential MSR measurement.
- An entity measuring a residential MSR at fair value under ASC 860-50 and ASC 820 would include the value of recapture in the rights and obligations associated with the servicing asset or liability, unless separate recognition is otherwise required under GAAP.
- Aimed to improve comparability among entities measuring residential MSRs.
- Entities that currently exclude recapture may need to update valuation methods and could report higher values for some residential MSRs.

[See More AHP Insights on the
Proposed ASU addressing MSRs Here](#)

Comment Deadline

November 9, 2026

Being Prepared – FASB ASUs with Upcoming Effective Dates

ASUs effective for Nonpublic Entities for Calendar Year Fiscal Years Ended 12/31/26

ASU 2023-09 – <i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i> • Nonpublic entities must provide qualitative information about significant reconciling items and jurisdictions that cause meaningful differences between the statutory and effective tax rates. • All entities must disclose income taxes paid, net of refunds received, disaggregated by federal, state, and foreign taxes under ASC 740-10-50-22, with further jurisdictional disaggregation when an individual jurisdiction meets or exceeds the 5% threshold. • Requires additional disaggregation of income or loss from continuing operations and income tax expense or benefit from continuing operations, while eliminating certain legacy disclosures, including the reasonably possible 12-month change disclosure for unrecognized tax benefits and certain cumulative temporary difference disclosures. See More AHP Insights on ASU 2023-09 and Example Disclosures Here	Effective Date Public Business Entities <i>Additional Requirements Also Apply</i> • Annual reporting periods beginning after December 15, 2024 Nonpublic Entities • Annual reporting periods beginning after December 15, 2025 Early Adoption Permitted
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ASU 2024-01 – <i>Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards</i> • Clarifies how entities determine whether profits interest and similar awards are accounted for under ASC 718 or other GAAP. • Adds illustrative guidance, including Example 10 in ASC 718-10-55, with four fact patterns showing how to apply the ASC 718-10-15-3 scope guidance to profits interest and similar awards. • The guidance is intended to reduce complexity and diversity in practice when evaluating whether profits interest awards are share-based payment arrangements under ASC 718 or should be accounted for under other GAAP, such as ASC 710. • The amendments apply to reporting entities that account for profits interest awards as compensation to employees or service providers, and the clarification to ASC 718-10-15-3 applies to all entities entering into share-based payment transactions.	Effective Date Public Business Entities • Annual reporting periods beginning after December 15, 2024; and • Interim reporting periods within those annual reporting periods. Nonpublic Entities • Annual reporting periods beginning after December 15, 2025; and • Interim reporting periods within those annual reporting periods Early Adoption Permitted
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- Does not change the recognition, classification, measurement, presentation, or disclosure requirements for awards within ASC 718; it clarifies scope application only.

ASU 2024-04 — *Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments.*

- Clarifies when a settlement of a convertible debt instrument should be accounted for as an induced conversion rather than a debt extinguishment under ASC 470-20.
- Issued to improve consistency in applying the induced conversion guidance, particularly for cash-convertible instruments and instruments with settlement terms that differ from the original conversion terms.
- Amends ASC 470-20-40-13 to require that an inducement offer provide the holder with all consideration, in form and amount, issuable under the conversion privileges in the existing debt instrument.
- Clarifies that induced conversion accounting may apply even if the convertible debt instrument is not currently convertible, provided a substantive conversion feature existed both at issuance and when the holder accepts the inducement offer.
- The amendments also clarify application issues involving changes to volume-weighted average price formulas and modifications made during the year before the offer acceptance date.

Effective Date

All Entities

- Annual reporting periods beginning after December 15, 2025; and
- Interim reporting periods within those annual reporting periods

Early Adoption Permitted

ASU 2025-05 — *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*

- Addresses measurement of expected credit losses for current accounts receivable and current contract assets arising from Topic 606 revenue transactions.
- Provides a practical expedient available to all entities, allowing current conditions as of the balance sheet date to be assumed to remain unchanged over the asset's remaining life when estimating expected credit losses under ASC 326.
- Entities other than the public business entities may also elect an accounting policy to consider collection activity after the balance sheet date, but before a cutoff date, when estimating expected credit losses.

Effective Date

All Entities

- Annual reporting periods beginning after December 15, 2025; and
- Interim reporting periods within those annual reporting periods

Early Adoption Permitted and Encouraged

- The practical expedient and related accounting policy election do not apply to noncurrent assets or receivables arising from other areas of GAAP outside ASC 606.
- Entities must disclose the elections in the footnotes to the financial statements.

[See More AHP Insights on ASU 2025-05 Here](#)

[See AHP's Full Summary of ASUs and Effective Dates Here](#)