

Accounting Brief

FASB Issues Clarifying Guidance on Interim Reporting

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Summary

The Financial Accounting Standards Board (FASB or the Board) recently issued [Accounting Standards Update 2025-11, *Interim Reporting \(Topic 270\): Narrow-Scope Improvements*](#) (ASU 2025-11 or the ASU) to clarify interim financial statement disclosure requirements; clarify when Accounting Standards Codification (ASC) 270, *Interim Reporting*, is applicable; and enhance consistency in reporting for all entities that prepare interim financial statements and notes in accordance with U.S generally accepted accounting principles (GAAP).

The ASU provides a comprehensive list of specific interim disclosures that are required by GAAP and an interim disclosure principle (described in [Section 2.2.3](#)), which, taken together, represent the complete population of required disclosures in interim reporting periods. While the Board acknowledged that the clarifications in the ASU could result in some changes for some entities, the list of required interim disclosures is designed to consolidate and clarify—not change—the disclosures currently required under GAAP.

The amendments in the ASU become effective for public business entities (PBEs) for interim reporting periods within annual reporting periods beginning after December 15, 2027, and a year later for all other entities. Early adoption is permitted for all entities.

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1 Background and scope

ASC 270 provides guidance on interim reporting that was originally included in the ASC based on Accounting Principles Board Opinion No. 28, *Interim Financial Reporting*, which was issued in 1973. As the FASB subsequently developed accounting standards, it did not consistently identify whether disclosures were required on an interim basis or include all required interim disclosures within ASC 270. The FASB issued ASU 2025-11 to address stakeholder feedback regarding challenges in understanding and applying interim disclosure requirements in ASC 270 and in other ASC Topics.

The amendments in ASU 2025-11 are based on the Board's conclusion that interim financial statements should continue to be viewed primarily as an integral part of an annual period. In issuing the ASU, the FASB did not intend to change this fundamental nature of interim reporting or expand or reduce current interim disclosure requirements. Rather, the purpose of ASU 2025-11 is to improve the navigability of the guidance in ASC 270, clarify when the guidance is applicable and clarify the interim disclosures that are required. The ASU notes that all entities, both Securities and Exchange Commission (SEC) registrants (as defined in the ASC Master Glossary) and non-SEC registrants, including not-for-profit organizations (NFPs), fall within the scope of the guidance in ASC 270.

Prior to ASU 2025-11, ASC 270 applied to "interim financial information" and "summarized interim financial data," but those terms were not clearly defined. The amendments in ASU 2025-11 remove those terms and clarify that the guidance in ASC 270 applies to interim financial statements and notes in accordance with GAAP. The ASU notes that such interim financial statements and notes are comprised of a full set of financial statements as described in ASC 205, *Presentation of Financial Statements*, and relevant industry guidance. For example, interim reports that consist of limited financial information—such as an income statement only or specific account balances or ratios—are not within the scope of ASC 270. The amendments in ASU 2025-11 are applicable to interim financial statements and notes in accordance with GAAP regardless of whether they are presented in a condensed format (see [Section 2.1.2](#)) or at the same level of aggregation as annual financial statements and notes.

2 Presentation and disclosure

2.1 Form and content of interim financial statements

2.1.1 SEC registrants

The FASB chose not to provide any interim financial statement presentation guidance for SEC registrants incremental to existing SEC requirements, as it wanted to avoid unnecessary complexity or unintended consequences. As such, the amendments in ASU 2025-11 simply refer to the applicable SEC requirements for the form and content of interim financial statements (e.g., Rule 10-01 or Rule 8-03 of Regulation S-X) for SEC registrants and other entities that must follow SEC requirements.

2.1.2 Non-SEC registrants

For entities other than SEC registrants, the ASU provides guidance in ASC 270-10-45-21 through 45-24 on the form and content of interim financial statements. Under that guidance, non-SEC registrants may present either:

- **Full statements:** Interim financial statements and notes presented using the same level of aggregation as the annual financial statements and notes
- **Condensed statements:** Interim financial statements presented at a level more aggregated than the annual financial statements, that have limited notes that are subject to ASC 270 or both

For entities other than SEC registrants that choose to present condensed statements, the ASU provides specific form and content guidance or, alternatively, permits these entities to follow the SEC's guidance on condensed statements (e.g., Rule 10-01 or Rule 8-03 of Regulation S-X). Condensed statements may

be presented only after the prior year's annual financial statements have been issued or made available for issuance.

2.1.3 Not-for-profit entities

If an NFP entity chooses to present condensed statements, the amendments in ASU 2025-11 provide additional guidance clarifying that:

- NFP entities are required to present net assets with and without donor restrictions regardless of relative significance to total net assets in the statement of financial position.
- The required disclosure of expenses by nature and function can be condensed in accordance with the guidance in the ASU, whether presented on the face of the statement of activities, as a separate schedule in the notes to financial statements or in a separate financial statement.
- NFP entities are not required to provide a separate statement (or note disclosure) of changes in investments by and distributions to owners.

2.2 Interim disclosure requirements

The disclosure guidance in ASC 270 after adoption of ASU 2025-11 includes the following categories:

- a. Disclosure requirements within ASC 270
- b. A list of interim disclosure requirements within other ASC Topics
- c. A disclosure principle

Entities should consider the disclosure requirements in (a) and (b) together with the disclosure principle in (c). As such, an entity providing condensed statements must evaluate the disclosure requirements within ASC 270, including the list of requirements within other ASC Topics, and then consider the disclosure principle to determine whether additional disclosures are needed in an interim reporting period.

2.2.1 Disclosure requirements in ASC 270



ASC 270-10-50-9

All entities shall disclose the following information in their interim financial statements and notes in accordance with GAAP:

- a. Sales or gross revenues, provision for income taxes, net income, and comprehensive income
- b. Significant changes in estimates or provisions for income taxes (see paragraphs 740-270-30-2, 740-270-30-6, and 740-270-30-8)
- c. The nature and amount of costs and expenses incurred in an interim period that cannot be readily identified with the activities or benefits of other interim periods unless items of a comparable nature are included in both the current interim period and in the corresponding interim period of the preceding year.
- d. Information needed for a proper understanding of the impact of unusual or infrequent items such as unusual seasonal results.
- e. The seasonal nature of activities for an entity with material seasonal variations in revenue, costs, or expenses.
- f. When an entity uses estimated gross profit rates to determine the cost of goods sold during interim periods or uses other methods different from those used at annual inventory dates, the method used to determine the cost of goods sold at the interim date and any significant adjustments that result from reconciliations with the annual physical inventory.
- g. Error corrections that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings, as indicated in paragraph 250-10-45-27.

- h. A statement that interim financial statements are to be read in conjunction with the most recently issued annual financial statements and notes in accordance with GAAP. This disclosure is applicable only for entities that are not Securities and Exchange Commission (SEC) registrants and that provide condensed statements in accordance with the guidance in paragraphs 270-10-45-22 through 45-23.

ASC 270-10-50-10

If interim financial statements and notes in accordance with GAAP are not separately reported for the fourth quarter, users of the interim financial information often make inferences about that quarter by subtracting data based on the third quarter interim financial statements and notes in accordance with GAAP from the annual results. In the absence of separate fourth quarter financial statements, disposals of components of an entity and unusual or infrequently occurring items recognized in the fourth quarter, as well as the aggregate effect of year-end adjustments that are material to the results of that quarter (see paragraphs 270-10-05-2 and 270-10-45-10), shall be disclosed in a note to the annual financial statements. If an entity that regularly provides interim financial statements and notes in accordance with GAAP makes an accounting change during the fourth quarter of its fiscal year and does not report the data specified by paragraph 270-10-50-9 in a separate fourth quarter report or in its annual report, the disclosures about the effect of the accounting change on interim periods that are required by paragraphs 270-10-45-12 through 45-14 or by paragraph 250-10-45-15, as appropriate, shall be made in a note to the annual financial statements for the fiscal year in which the change is made.

The amendments in ASU 2025-11 update the interim disclosures required by ASC 270, primarily to eliminate duplication with interim disclosure requirements in other ASC Topics and to require disclosure by entities other than SEC registrants that interim financial statements are to be read in conjunction with the most recently issued annual financial statements and notes in accordance with GAAP.

2.2.2 Disclosure requirements in other ASC Topics

The amendments in ASU 2025-11 create a comprehensive list of interim disclosure requirements for condensed statements sourced from other ASC Topics. This list in ASC 270-10-50-12 through 50-66, as amended by the ASU, provides specific ASC paragraph references to disclosures that should be included when applicable, based on the nature of the entity, its business and its operations. This list serves as a roadmap for interim disclosures in other ASC Topics, but entities should refer to each specific ASC Topic to determine the scope and instructions pertaining to the disclosures. Additionally, the ASU amends the related ASC Topics to ensure that the disclosure requirements referenced in ASC 270-10-50-12 through 50-66 appropriately include the term "interim" to clarify that the disclosure is required in interim financial statements.

2.2.3 Disclosure principle

Under the disclosure principle added by ASU 2025-11, interim financial statements and notes in accordance with GAAP "shall include disclosures either on the face of the financial statements or in accompanying footnotes sufficient so as to make interim financial statements and notes in accordance with GAAP presented not misleading" (ASC 270-10-50-67). Under the disclosure principle, footnote disclosures that would substantially duplicate information from the latest annual report or financial statements—such as significant accounting policies or unchanged account details—may be omitted. However, transactions or events occurring after the end of the prior year that have a material impact on the entity must be disclosed. The amendments in the ASU include examples of such events that could meet the disclosure principle:

- Significant changes in accounting principles or practices
- Estimates used in the preparation of financial statements

- Changes in long-term contracts
- New borrowings or modification of existing financing arrangements
- Changes in the reporting entity resulting from business combinations or disposals

The amendments in ASU 2025-11 retain the requirement in ASC 270 to disclose material contingencies and other uncertainties, even if there has been no significant change since year-end. These contingencies should be disclosed in interim periods with the same detail as required for annual reporting periods until the contingency is removed, resolved or becomes immaterial.

The interim disclosure principle is modeled after language that was removed from Rule 10-01 of Regulation S-X by the SEC in 2018 due to perceived redundancy with existing GAAP and Regulation S-K requirements. As explained in Paragraph BC11 of ASU 2025-11, removing that language revealed the need for a similar requirement in GAAP because some users believed the removal eliminated the disclosure requirement. Including this language in ASC 270 ensures that all entities understand the existing requirement to disclose events that have a material impact on their interim financial statements.

3 Effective date and transition

The amendments in ASU 2025-11 are effective for PBEs for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for entities other than PBEs for interim reporting periods within annual reporting periods beginning after December 15, 2028. Early adoption is permitted in any interim period for which financial statements have not yet been issued or made available for issuance.

Entities may elect to apply the guidance in ASU 2025-11 either prospectively to interim financial statements issued in an interim period that begins after the effective date or retrospectively to any or all of the interim periods that are being presented.



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