

Snapshot

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FASB clarifies interim reporting requirements

The FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, to address challenges and complexities in navigating the interim disclosure requirements in ASC 270 and to clarify the types of interim reporting that fall within its scope.

Prior to the ASU, applying the interim reporting guidance has been challenging, in part, because the current interim disclosure requirements originated with the guidance in Accounting Principles Board (APB) Opinion 28, which was issued in 1973 by the FASB's predecessor entity. In addition, during the codification of historical U.S. GAAP in 2009, the distinction between the general and the specific disclosure requirements for public entities was not carried forward, while subsequent updates for new ASUs were inconsistently incorporated into the Codification. Finally, the interim guidance in ASC 270 prior to issuing ASU 2025-11 was created before the SEC issued its current form and content requirements for interim reporting. As a result of these developments, entities have struggled to determine the applicability of interim disclosure requirements.

The amendments in ASU 2025-11 do not create new interim reporting requirements for entities. Instead, the changes largely clarify and reorganize interim reporting requirements so that they are easier to identify and apply. The amendments

clarify the scope of the interim reporting guidance, provide clear guidance on the form and content of interim financial statements, improve the navigability of this guidance by reorganizing the requirements within ASC 270, and add a disclosure principle to ensure that material interim events and transactions are appropriately reported.

Scope

The amendments within ASU 2025-11 apply to all entities that issue interim financial statements and notes in accordance with U.S. GAAP, regardless of whether those interim financial statements and notes are prepared at the same level of aggregation as the annual financial statements and annual notes or as condensed statements.

Applicability of ASC 270

Historically, the guidance in ASC 270 referred broadly to "interim financial information" but did not provide a basis for determining which information was subject to the guidance. The amendments in ASU 2025-11 clarify that ASC 270 applies when entities provide a full set of financial statements on an interim basis. A full set of financial statements, as discussed in ASC 205-10-45-1A, includes all of the following statements, unless another ASC Topic permits an entity to omit one or more of them:

- Financial position at the end of the period
- Earnings (net income) for the period
- Comprehensive income
- Cash flows during the period
- Investments by, and distributions to, owners during the period

Certain types of entities may not be required under U.S. GAAP to provide all statements listed in ASC 205 (for example, certain investment companies are exempt from providing a cash flow statement). The amendments stipulate that ASC 270 applies to the interim financial statements of these entities if the entities have provided all required financial statements under applicable U.S. GAAP.

The amendments further clarify that ASC 270 also applies to condensed interim financial statements, provided the condensed statements include all required financial statements and notes to the financial statements. The amendments also define the term “condensed statements” in the ASC Master Glossary as follows:

Financial statements that are presented at a level that is more aggregated than the annual financial statements or have limited notes subject to the disclosure requirements in Topic 270 or both. (U.S. Securities and Exchange Commission [SEC] registrants are required to consider the guidance in paragraph 270-10-S45-2. See Regulation S-X Rule 10-01 [17 CFR 210.10-01] and Regulation S-X Rule 8-03 [17 CFR 210.8-03].)

ASC 270 does not apply to selected financial information, ratios, or other metrics, or to financial information prepared for internal reporting or limited use that does not comprise a full set of financial statements under U.S. GAAP.

Entities that prepare a single financial statement on an interim basis (such as an income statement or balance sheet) are not subject to the requirements in ASC 270.

Form and content of interim financial statements

The amendments clarify the form and content of disclosures as well as the application of accounting principles required for interim financial statements both for SEC registrants and for other entities that are not SEC registrants. Specifically, the amendments note that SEC registrants should refer to the applicable form and content requirements for interim financial statements under applicable SEC Regulations (for example, Rules 10-01 and 8-03 under Regulation S-X, as applicable (paragraph 270-10-S45-2)). According to the FASB Master Glossary, an SEC registrant is an entity (or an entity that is controlled by an entity) that meets any one of the following criteria:

- Has issued or will issue debt or equity securities that are traded in a public market;
- Is required to file financial statements with the SEC; or
- Provides financial statements for the purpose of issuing any class of securities in a public market.

Entities that do not meet the definition of an SEC registrant may present interim financial statements using the same level of aggregation used for annual financial statements and notes, subject to the applicable annual disclosure requirements. However, if the preceding annual financial statements have been issued or are available to be issued, these entities may now instead choose to present condensed interim financial statements using a higher degree of aggregation. These entities may choose to present such condensed interim financial statements by applying either (1) S-X Rule 10-01(a) or Rule 8-03(a) for condensed interim financial statements, or (2) the new guidance in ASC 270-10-45-22. That new guidance requires the following:

- The statement of financial position must include separate captions for each balance

sheet component presented in the annual financial statements that equals 10 percent or more of total assets. Cash and retained earnings must be separately presented regardless of significance, and classified statements must include totals for current assets and current liabilities.

- The statement of earnings must include net sales or gross revenue and must present each cost and expense category presented in the annual financial statements that exceeds 20 percent of sales or gross revenues. A provision for income taxes and discontinued operations must also be separately presented.
- The statement of cash flows must include totals of each category of cash flow activities, cash at the beginning and end of each period, and the increase or decrease in cash.
- Investments by, and distributions to, owners must be separately presented (in a note or separate statement) that provides an analysis of the changes in each caption presented in the statement of financial position, in the form of a reconciliation of the beginning to ending balance for the reporting period.

The amendments also provide requirements for the form and content of condensed interim financial statements of not-for-profit entities, as follows:

- Separate presentation of net assets with and without donor restrictions
- Disclosure of expenses by nature and function may be in a condensed format
- Presentation of a separate statement of changes in investments by, and distributions to, owners or a disclosure explaining that changes are not applicable

Interim disclosure requirements

The amendments in ASU 2025-11 improve how entities navigate the guidance for reporting interim financial statements by consolidating interim disclosures requirements in ASC 270, which were previously scattered throughout various Codification Topics. The amendments also

update the language throughout the Codification to clarify which existing disclosure requirements in Topics other than ASC 270 apply on an interim basis.

To make the Codification more user-friendly for financial statement preparers, the amendments further provide (in paragraphs ASC 270-10-50-8 through 50-66) a comprehensive list of interim reporting disclosures required by ASC 270, as well as a list of interim disclosures required under other Topics. Entities should continue to apply judgment in determining whether additional disclosures from other ASC Topics may be required on an interim basis. For example, specific events or transactions occurring in an interim period may require interim disclosure requirements from an ASC Topic other than ASC 270.

Disclosure principle

The amendments in ASU 2025-11 reinforce that interim financial statements should be prepared in a manner that ensures the interim financial statements are not misleading. The amendments also clarify that SEC registrants and certain entities providing condensed interim financial statements do not need to include disclosures that would substantially duplicate those disclosures that are presented within the most recent annual report, if there have been no significant changes since the most recent annual reporting period.

The amendments introduce a new disclosure principle to facilitate the identification of events or transactions that may require disclosures within the interim financial statements. The disclosure principle indicates that entities must provide disclosures for events occurring after the end of the most recent annual period that materially impact the entity.

Entities should consider the annual reporting requirements in other ASC Topics for events and transactions they identify by applying this new disclosure principle, including requirements for significant changes in accounting principles and practices, estimates, long-term contracts, capitalization (including new borrowings or modifications of existing financing), and changes in the reporting entity due to business combinations

or dispositions. The amendments also clarify that disclosure of material contingencies should be provided, regardless of whether a significant change since year-end has occurred.

When preparing disclosures for such events, not all elements of the annual disclosure requirements may be relevant to interim reporting, so entities should exercise judgment in determining the extent of disclosure.

The disclosure principle is intended to complement the interim disclosure requirements in ASC 270 and serves as a backstop for entities in determining whether additional disclosures are required in the interim financial statements. The interim disclosure list provided in ASC 270 is not exhaustive. As a result, disclosure of an event or transaction not specifically listed in ASC 270 may be required after applying the new disclosure principle.

Effective date and transition requirements

The amendments in ASU 2025-11 are effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027. For entities other than public business entities, the amendments are effective for interim reporting periods within annual reporting periods beginning after December 15, 2028. Early adoption is permitted.

The amendments may be applied prospectively or retrospectively to any or all prior periods presented in the interim financial statements.

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Consideration of processes and controls

As a result of the amendments, including the addition of the disclosure principle that introduces new guidance within GAAP, entities may need to add processes and controls to their existing interim financial reporting process. Such additional controls should ensure that events and transactions are appropriately identified and evaluated, and that interim disclosures are prepared and reviewed through the lens of the new disclosure principle.

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