FASB proposal on equity-linked contracts explained: ASC 815-40 changes and the GAAP Taxonomy update

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Short answer: FASB has published proposed improvements to the US GAAP Taxonomy alongside a draft Accounting Standards Update on contracts in an entity's own equity, XBRL International reported on 16 November 2026. The draft would simplify indexation guidance in Subtopic 815-40, remove the scope exception for down round features and add annual disclosures. Comments on the taxonomy changes are due by 4 January 2027. It matters because indexation has been a frequent source of restatements.

TL;DR The short version

- FASB has proposed a draft update on contracts in an entity's own equity, with matching US GAAP Taxonomy improvements, reported on 16 November 2026.
- The draft would simplify indexation guidance in Subtopic 815-40, remove the down round scope exception and add annual disclosures.
- Comments on the taxonomy are due by 4 January 2027; preparers should list warrants and convertibles that could change classification.

Read online, listen to it, or change the text size: https://blogs.iictp.org/fasb-gaap-taxonomy-equity-linked-contracts-815-40-explained

What is Subtopic 815-40?

Companies use Subtopic 815-40 to decide whether equity-linked contracts, such as warrants, can be classified as equity. XBRL International says stakeholders named indexation as a frequent source of restatements in FASB's 2025 agenda consultation.

What the draft Update would do

- Simplify the indexation guidance in Subtopic 815-40.
- Remove the scope exception for down round features.
- Add annual disclosures intended to give investors more useful information.

What the taxonomy proposal adds

FASB published the proposed GAAP Taxonomy improvements to accompany the draft Update, so preparers see an early view of how the new disclosures would be tagged. The changes would apply once the Update is finalised. Comments on the taxonomy are due by 4 January 2027; release notes are linked from the report.

Why exposing the taxonomy early helps

- Tagging teams can estimate the work before final rules.
- Software vendors can plan updates.
- Reviewers can catch awkward element definitions before they are locked.

Limitations and open questions

- It is a proposal, so it may change before it is final.
- We read XBRL International's news report, not FASB's draft Update or release notes, so the detailed accounting is not described here.
- FASB's own site blocked our automated request, so we did not retrieve its pages.

What to do, step by step

1. Read the draft Update and the taxonomy release notes from FASB.
2. List the warrants, convertibles and similar instruments you hold or issue.
3. Run a trial classification under the proposed guidance.
4. Send comments before the deadline.

What it means for preparers and auditors

Check which contracts would change classification, and budget time for new annual disclosures and their tagging. This is not accounting advice; confirm with your auditor or technical accounting team.

Frequently asked questions

- **When are comments due?** By 4 January 2027 for the taxonomy proposal, per XBRL International.
- **What does the draft remove?** The scope exception for down round features.
- **Why does it matter?** FASB stakeholders called indexation a frequent source of restatements, per the report.

Related reading

- SEC executive pay proposal and Inline XBRL
- FRC 2027 digital reporting taxonomies
- SEC roundtable on machine-understandable data
- Certified Technical Practitioner

Sources and currency

Sources were read on 23 November 2026. Products, rules and standards change, so check the linked originals before you rely on any detail.

Related credential: Certified Technical Practitioner. Explore the exam facts and syllabus.

Sources and further reading

1. XBRL International. FASB consults on taxonomy changes for equity-linked contracts. 16 November 2026. xbrl.org/news/fasb-consults-on-taxonomy-changes-for-equity-linked-contracts.

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