KPMG

Quarterly Outlook

December 2022

We close out the year summarizing the hottest topics impacting accounting and financial reporting, including potential impacts for economic uncertainty, and developments on ESG and cryptocurrency.

US GAAP

frv.kpmg.us

Quarterly Outlook

December 2022

Like in most years, the fourth quarter of 2022 is teeming with accounting and financial reporting headlines – particularly this year, as companies closely monitor macroeconomic events (like rising interest rates and inflation) for their potential impacts and as regulators and standard-setters race against the year-end clock to issue guidance that may impact or assist preparers before the 2022 reporting season begins.

And of little surprise, certain frequently cited topics at the 2022 AICPA & CIMA Conference on Current SEC and PCAOB Developments – like economic uncertainty, disclosure transparency, ESG and crypto assets – mirror many of the fourth quarter headline-makers.

On the topic of ESG, a final climate rule in 2022 is no longer expected and the timing of a human capital proposal is uncertain (both originally scheduled for October). However, trends in recent comment letters and enforcement actions suggest the SEC is not waiting for final rules to act; it is using existing rules to hold registrants accountable.

Meanwhile, the FASB is creating guidance on issues it had not previously tackled. New Topic 832 requires all companies to provide annual disclosures on government assistance for the first time in their 2022 financial statements, new Subtopic 405-50 will require new disclosures on supplier finance programs in 2023, and a proposed new Subtopic would clarify the accounting for joint venture formations.

Companies are also still digesting the new IRA and CHIPS tax legislation as implementation questions continue to arise.

Our Quarterly Outlook summarizes these accounting and financial reporting developments and others potentially affecting your company in the current period or near term.

Contents

1 Current quarter financial reporting matters

2022 AICPA & CIMA Conference highlights

The AICPA and CIMA (Chartered Institute of Management Accountants) hosted their annual Conference on Current SEC and PCAOB Developments, and featured speakers from the SEC, FASB and PCAOB, and other key players in the financial reporting infrastructure.

The overriding emphasis by SEC representatives was protecting investors through increased transparency in financial reporting and providing decision-useful information to investors.

Other key themes from the Conference are summarized below.

- **Quality amidst economic uncertainty.** SEC officials stressed the importance of disclosures about estimation uncertainties and the underlying basis for critical judgments, particularly in the current economic environment. Also top of mind at the SEC is a heightened risk of fraud and the need for professional judgment, particularly for companies involved in the crypto markets. A panel of practitioners also cautioned participants to be mindful of the effects of current economic trends on accounting and financial reporting, including increased complexity in applying certain accounting principles and increased pressures on financial reporting resources.

- **Transparency through disclosure.** Throughout the Conference, SEC officials commented on the need for disclosures to be company-specific, transparent and effectively communicated to stakeholders. SEC staff also gave a nod to certain FASB projects geared toward greater investor transparency, like the projects to improve income tax disclosures and disaggregating income statement line items. In addition, SEC staff highlighted the current economic environment and other recent developments that registrants should consider in their upcoming year-end filings and introduced new and updated Compliance and Disclosure Interpretations (C&DIs) on non-GAAP measures.

- **The reporting landscape is changing.** Technology is rapidly changing the financial reporting and auditing functions and cybersecurity is creating significant risk. A cybersecurity panel noted that as the use of digital technology expands, the 'attack surface' also increases. The panel discussed several governance issues and best practices that companies should consider to mitigate that growing risk – including increased disclosure of cybersecurity risks, policies and procedures – and highlighted forthcoming rulemaking from the SEC.

- **Emerging areas remain in the spotlight.** Other hot topics in emerging areas such as ESG, crypto assets and digitization were pervasive throughout the Conference. Although SEC officials made only limited remarks on ESG, a panel of preparers gave their perspectives on preparing for ESG reporting. The SEC staff also discussed the accounting for and the unique risks associated with crypto assets, and provided views on certain aspects of accounting for crypto asset lending arrangements.

- **Attracting, nourishing and retaining talent.** Themes from the AICPA and Center for Audit Quality centered around attracting new and diverse talent to the auditing profession, and a commitment to diversity, equity and inclusion.

KPMG resources: 2022 AICPA & CIMA Conference

The potential impact of economic uncertainty on accounting and financial reporting

Significant economic uncertainty is resulting from threats of a potential recession, rising interest rates, inflation and geopolitical events. Although much of the focus has been on the economic impact of these macroeconomic trends and events, the accounting impacts cannot be overlooked.

Companies must consider the potential impact of recent trends and events on financial reporting, which may be broad. Areas of financial reporting that are frequently impacted by such events may include (but are not limited to) the following.

- **Nonfinancial asset impairment.** Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if there is a triggering event. Potential triggering events include a decrease in share price, increased cost of capital, limitations in a company's ability to pass on increased costs to customers, significant changes in circumstances and downward trends in revenue or earnings projections.

  Long-lived assets, including leasing right-of-use assets, are tested for impairment when events or circumstances indicate the carrying amount of the asset group is not recoverable. Cash flows are updated for known or expected events, such as losing a significant customer or a more general reduction in demand, incurring increased operating costs, and incurring restructuring or severance costs.

- **Credit impairment**. Companies need to determine whether these trends and events have been considered in recognizing and measuring credit impairment under Topic 326 (credit losses) for recognized assets (such as loan receivables) and off-balance sheet exposures (such as unfunded loan commitments). Topic 326 requires companies to estimate the effect of current economic conditions and reasonable and supportable forecasts of future economic conditions and their effect on collectability.

- **Fair value measurement**. Economic uncertainty often causes investors to change their trading behavior in the securities markets. If economic trends and events cause the volume or level of activity for an asset or liability to significantly decrease, a company may have to further analyze the transactions or quoted prices to determine whether and how to use them as fair value inputs. In addition, these trends and events may impact a company's principal (or most advantageous) market determination for an asset or liability.

- **Debt arrangements.** A company may need to modify its debt arrangements if it is experiencing cash flow constraints that make it challenging to repay the debts or to comply with debt covenants (financial and nonfinancial). In this instance, not only does the company have to account for the debt modification, but it also may need to reconsider balance sheet classification of its debt as current or noncurrent.

- **Revenue recognition.** Continued supply chain and production disruptions can prompt changes in forecasts and create uncertainty for revenue transactions with customers. Companies should pay particular attention to customer credit risk, which affects receivables and contract assets, and potentially the timing and amount of revenue to be recognized in the future. Credit risk is also a factor in determining whether a contract with a customer exists under Topic 606 (revenue recognition).

- **Income taxes.** Companies that are experiencing significant unexpected ordinary losses (due to these trends/events) or capital losses (due to the effect of these trends/events on capital markets) may need to analyze whether those conditions result in the inability to realize deferred tax assets.

- **Financial statement disclosures.** In view of the uncertainty and complexity in forecasting and accounting for current and potential macroeconomic events, adequate disclosure in the financial statements is critical. These disclosures may be about the company's ability to continue as a going concern (Subtopic 205-40), risks and uncertainties (Topic 275), unusual items (Subtopic 220-20) and subsequent events (Topic 855). SEC registrants are required to make additional disclosures.

- **SEC registrants**. An SEC registrant is required to disclose matters that are reasonably likely to have a material impact on future results of operations or financial condition. This can include early-warning disclosures of the *potential* for material impairment charges even if the registrant has determined no impairment charge is necessary for the current reporting period.

  In addition, disclosure in periodic SEC filings to address current and evolving events may be appropriate in:

  - Item 1. Description of business;
  - Item 1A. Risk factors;
  - Item 7. Management's discussion and analysis of financial condition and results of operations > Liquidity and results of operations; Known trends and uncertainties; and
  - Item 7A. Quantitative and qualitative disclosures about market risk > Strategies and policies to manage risks.

The potential global and economic impacts of these macroeconomic trends and events continue to evolve rapidly and should be monitored. Companies are encouraged to revisit their disclosures and maintain close communications with their board of directors, external auditors, legal counsel and other service providers as the circumstances progress.

KPMG resources: Hot Topic

SEC developments on crypto assets

Crypto exposure sample comment letter

The staff of the SEC's Division of Corporation Finance released a sample letter containing illustrative comments that the staff may issue to companies about the adequacy of their disclosures related to the direct or indirect impacts the recent widespread disruption in the crypto asset markets have had, or may have, on their businesses.

In the related release, the SEC staff advised companies that they should consider addressing crypto asset market developments in their filings generally, including in business descriptions, risk factors and MD&A. The staff added that the comments in the sample letter "focus on the need for clear disclosure about the material impacts of crypto asset market developments, which may include exposure to counterparties and other market participants; risks related to a company's liquidity and ability to obtain financing; and risks related to legal proceedings, investigations, or regulatory impacts in the crypto asset markets."

KPMG resources: Web article

SEC staff views on lenders' accounting for crypto intangible asset lending

At the 2022 AICPA & CIMA Conference, the SEC staff provided views on certain aspects of how lenders of crypto intangible assets such as bitcoin and ether should account for these loans, which follow. We observe that the staff's views did not extend to all aspects of lenders' crypto intangible asset loan accounting; for example, the staff did not express views on the accounting for fees earned by the lender for providing the loan (i.e. loan fees).

- The lender should generally derecognize the loaned crypto intangible assets because the borrower typically has the right to direct the use of those crypto assets (e.g. transfer, encumber, pledge or otherwise deploy as it sees fit). Therefore, the lender no longer controls the crypto assets until they are returned by the borrower. In their place, the lender should record an asset the staff referred to as a 'crypto asset loan receivable'.

- Any difference between the initial measurement of the crypto asset loan receivable and the carrying amount of the derecognized crypto assets should be recognized as a net gain in the income statement – i.e. not as revenue and cost of sales.

- The lender's crypto asset loan receivable should be measured initially and throughout the loan period at the fair value of the underlying crypto intangible assets loaned to the borrower, with measurement changes recorded through earnings each period the loan is outstanding. The crypto asset loan receivable should be presented net of an allowance for the risk of non-repayment by the borrower, determined using the principles in Topic 326 (credit losses).

- Lenders should provide clear disclosures about their crypto intangible asset lending activities, including information about (not exhaustive):

  - the nature and risks of the entity's lending activities (including how the lender monitors and manages credit risk exposure);
  - the type and amount of collateral held in relation to outstanding loans, changes in collateral fair value and any requirements for borrowers to post additional collateral; and
  - the entity's collateral management.

  In addition, lenders should consider other disclosures required by Topic 326; Topic 275 (risks and uncertainties), particularly around borrower concentration risk; Topic 850 (related party disclosures) for any related party loans; and Topic 820 (fair value measurement) around measurement of the lender's crypto asset loan receivables.

The SEC staff's views above differ in important respects from the *nonauthoritative* guidance originally in Question 25 of the AICPA Practice Aid, Accounting for and auditing of digital assets, which many lenders have applied in the absence of authoritative guidance *(Note: the December 2022 edition of the Practice Aid has removed the original response to Question 25 in view of the SEC staff's views)*. The staff indicated they would not object to a lender adopting its views as a change in accounting principle under Topic 250, with retrospective application to all periods presented in its financial statements

ESG reporting update

In this edition, we cover activity at the SEC, standard-setting updates at the International Sustainability Standards Board (ISSB), and the issuance of draft standards by the European Financial Reporting Advisory Group (EFRAG).

SEC regulatory update

Due to a technological error, the SEC reopened the comment period through November 1 for several of its proposed rules, including: (1) the proposed climate rules; (2) the proposed cyber rules; and (3) the Investment Company Names proposal and the proposed ESG rules for investment companies and advisers.

Based on the SEC's diligence process, which requires it to carefully review the 4,000+ unique responses to the climate proposal, and recent remarks by SEC officials, we do not expect a final climate rule until maybe Q2 2023.

The SEC's agenda also includes considering whether adjustments should be made to existing disclosure rules on human capital. Originally scheduled for October, timing of a proposed rule is uncertain.

SEC staff comment letters

Following a sample letter issued in September 2021, the Division of Corporation Finance continues to probe companies' climate-related disclosures. The SEC staff has sent over 65 letters (and counting) to companies, with the following key themes evident in 2022.

- Almost all companies were questioned on the extent of disclosure in their corporate social responsibility (CSR) report in comparison to their annual SEC filings. In most cases, companies explained the CSR report is for a larger stakeholder group than investors and the disclosures go beyond 'investor materiality'.
- The staff requested companies to quantify disclosures they consider to be immaterial such as carbon credits and climate-related capital expenditures.
- The staff asked many follow-up questions on transition and business risks. In some cases, companies have agreed to update risk disclosures in their next annual filing.

We are also seeing an emerging focus on governance disclosures. In one of the climate-focused letters, the staff questioned the company's proxy disclosure of how its board manages climate risk. The staff referenced existing rules in Reg S-K to suggest the company update its proxy disclosure to specifically include climate risk governance, and the company agreed.

Outside of climate, the staff issued comments to several companies on their governance-related proxy disclosures. Among other questions related to risk governance, each company was asked what timeframe it uses to evaluate risks (short-, intermediate- or long-term). This horizon language is consistent with the Task Force on Climate-related Financial Disclosures (TCFD) framework, which was partly the basis for the SEC's proposed climate rule.

SEC enforcement

The SEC's Division of Enforcement continues to make ESG a priority. In its press release on 2022 enforcement results, the SEC specifically called out ESG-related cases. Since its formation in March 2021, the Division's Climate and ESG Task Force has been involved in at least seven ESG-related enforcement actions. Division Director Gurbir Grewal has been reported as saying the SEC is not waiting for final rules to act; it is using existing rules to hold registrants accountable.

International Sustainability Standards Board developments

The ISSB has been swiftly redeliberating its proposals on (1) general sustainability-related matters and (2) climate-related matters, both of which were exposed for public comment in April. Recent meetings of the ISSB have provided directional insights on where the final standards may land – including keeping scope 3 emissions disclosures in the final standards, requiring the use of scenario analysis and maintaining the concept of investor materiality.

In November, CDP announced it will incorporate the ISSB's final climate standard into its environmental disclosure platform. This development is particularly significant for US companies, many of whom are CDP members.

European Union developments

In November, the European Council unanimously approved the Corporate Sustainability Reporting Directive (CSRD), which will require expanded sustainability reporting for nearly 50,000 companies starting in fiscal 2024. Notwithstanding the CSRD is an EU Directive, there are considerable ESG reporting implications for US and other non-EU based companies.

In November, EFRAG submitted its first set of draft European Sustainability Reporting Standards (ESRSs) to the European Commission (EC) for approval. This submission included updates based on feedback to the proposed ESRSs that were exposed for public consultation in April. The next step is for the EC to consider whether revisions are necessary ahead of expected final approval by June 30, 2023.

EFRAG will now turn its attention to its second set of draft ESRSs, which include draft sector-specific standards; the final standards are expected to be adopted by the EC by June 30, 2024.

Select ESG resources:

- ESG reporting for US financial reporting professionals: KPMG Financial Reporting View
- International sustainability reporting: ISSB sustainability reporting resource center
- Talkbook: Get ready for European Sustainability Reporting Standards
- Impact of EU ESG requirements on US companies: Defining Issues, Podcast and Webcast

New tax legislation – Recent developments

The Inflation Reduction Act (IRA) of 2022 and the CHIPS and Science Act of 2022 (CHIPS) were signed into law by President Biden on August 16 and August 9, respectively. Among other things, the IRA introduces a new 15% corporate alternative minimum tax (corporate AMT). And, for the first time at the federal level, certain tax credits are transferable to another unrelated taxpayer in exchange for cash.

Below we discuss recent developments regarding the new tax legislation – specifically regarding accounting for the (1) new corporate AMT, (2) refundable credits and (3) transferable credits.

Corporate AMT

Companies should consider how corporate AMT may affect their tax provisions for periods including the January 1, 2023 effective date. Applying and calculating the new corporate AMT is based on adjusted financial statement income (AFSI) and a company's effective tax rate. Although AFSI generally starts with financial statement net income, the calculation may be complex, particularly as it relates to (1) the adjustment for investments in entities that are not consolidated for tax purposes and (2) for transactions that are tax-free under the regular tax system.

Because AFSI diverges in many ways from taxable income, a company cannot assume it has *no* corporate AMT liability when its effective tax rate is higher than 15% or when income (book or tax) is less than $1 billion.

Refundable credits

Refundable tax credits are generally viewed like government grants regardless of whether they are transferable. This is because the taxpayer can realize the benefit regardless of whether it has an income tax liability. Because US GAAP does not currently have specific guidance on how to account for government grants, there is diversity in practice. Many companies have an existing policy to analogize to IAS 20 (government grants), Subtopic 958-605 (not-for-profit grants) or Subtopic 450-30 (gain contingencies).

Transferable credits

US GAAP also does not address how the transferability feature in a nonrefundable IRA credit affects the accounting for the credit.

While there are multiple acceptable approaches, we believe it is most appropriate for companies to follow a 'Topic 740' approach. Under this approach, a company would:

- apply Topic 740 (income taxes) to the IRA's nonrefundable, transferable credits. A company may either consider or disregard expected transfers of the credits in assessing their realizability; and
- recognize the sale proceeds and derecognize the carrying amount of the tax asset (i.e. the gain or loss) as adjustments to income tax expense or benefit.

A company applying the Topic 740 approach may also elect to recognize the gain or loss on sale of the credits in pretax income or loss.

Additional acceptable approaches include analogizing to government grant accounting or accounting for the credit based on how the company expects to monetize it (intent-based model).

Companies electing the 'government grant' approach should consider how future standard-setting on government grants could impact their accounting.

In addition, those companies looking to follow the 'intent-based' model should consult with their accounting advisors, auditors and potentially the SEC staff before concluding the model is the most appropriate method to account for the credits.

KPMG resources: IRA and CHIPS: Tax considerations and Podcast series

SEC issues final rules on clawback of erroneously awarded compensation

The SEC has adopted a new rule and amended existing rules and forms to require issuers to:

- develop and implement a recovery policy to 'claw back' incentive-based compensation previously paid to executive officers that is determined to be erroneous; and
- disclose the recovery policy in an exhibit to each annual report and specific information about any recovery events.

The final rules also address:

- the executive officers that are to be covered under the recovery policy;
- when a recovery policy is triggered;
- what amounts are to be clawed back under the recovery policy; and
- required disclosures.

The final rules do not directly impose these requirements on issuers. Instead, they require the national exchanges (and similar associations) to develop their own requirements for clawback policies to be implemented by their applicable listed issuers. The final rules are prescriptive in that they dictate the minimum requirements the exchanges must adopt; however, the exchanges may adopt stricter requirements. Listed issuers will need to determine how to apply the final listing requirements to their specific facts and circumstances.

The amendments are effective January 27, 2023. Each exchange is required to propose its own listing standards that incorporate the new requirements by February 27, 2023, and those listing standards must become effective no later than November 28, 2023. A listed issuer is required to adopt a compliant recovery policy within 60 days following the date on which applicable listing standards become effective.

KPMG resources: Defining Issues

SEC continues its push to further regulate the registered investment adviser and funds industry

The SEC has issued two final rules and two new proposed rules related to registered investment advisers and registered investment companies in a continued effort to enhance investor protections and its oversight of those entities.

Final rules

- Tailored shareholder reports. Requires open-end management investment companies (i.e. mutual funds and exchange-traded funds) to transmit concise and visually engaging annual and semi-annual reports to shareholders that highlight key information that is particularly important for retail investors to assess and monitor their fund investments.

  This rule is effective January 24, 2023.

- Amendments to Form N-PX and say-on-pay vote disclosures.
  - Amends certain requirements under the Investment Company Act of 1940 to enhance the information mutual funds, exchange-traded funds and certain other funds currently report on their proxy votes to make that information easier to analyze.
  - Requires an institutional investment manager subject to the Securities Exchange Act of 1934 to report annually on Form N-PX how it voted proxies relating to shareholder advisory votes on executive compensation (or 'say-on-pay') matters, as required by the Exchange Act.

  This rule is effective July 1, 2024.

New rule proposals

- Outsourcing by investment advisors. Among other things, this proposal would prohibit registered investment advisers from outsourcing certain activities or functions without first meeting minimum requirements, including due diligence before engaging a service provider to perform certain services or functions.

  The comment deadline is December 27.

- Open-end fund liquidity risk management and sift pricing. Among other things, this proposal would improve liquidity risk management programs to better prepare funds for stressed conditions and improve transparency in liquidity classifications. The amendments would also mitigate dilution of shareholders' interests in a fund by requiring any open-end fund (other than a money market fund or exchange-traded fund) to use swing pricing to adjust a fund's net asset value per share once the level of net purchases or redemptions from the fund exceeds a specified threshold.

  The comment deadline is 60 days after publication in the Federal Register.

Other SEC headlines

SEC grants temporary relief on Rule 15c2-11

The SEC has granted temporary relief on applying Rule 15c2-11 to fixed income securities. The rule requires brokers or dealers to confirm that an issuer's financial information is publicly available before quoting prices, including for securities that are otherwise exempt from registering with the SEC. Without this relief, certain private companies that conduct exempt offerings of debt securities under Rule 144A could be expected to make their financial statements publicly available.

The temporary relief is set to expire in January 2025.

SEC reopens comment period for proposed rule on share repurchase disclosure modernization

The SEC has again reopened the comment period on its proposal related to share repurchase disclosures. The reopened period will allow commenters to consider the impacts of the recently enacted law that added a one percent excise tax on share repurchases. The new comment period will end January 11, 2023.

KPMG resources: Web page

Reminder – New 'pay versus performance' disclosures effective for 2022 proxy filings

In August 2022, the SEC issued a final rule that amends Reg S-K Item 402 to require registrants to disclose – in proxy or on information statements – executive compensation information ('pay') and financial performance measures ('performance') over the most recent five years in a tabular format, and describe key relationships between the two. Smaller reporting companies (SRCs) are subject to scaled disclosure requirements.

Registrants must comply with the new disclosure requirements in proxy and information statements that are required to include the Item 402 executive compensation disclosure for fiscal years ending on or after December 16, 2022.

Although the rule requires five years of pay versus performance disclosures in a tabular format, for purposes of transition, registrants will only be required to include information for the three most recently completed fiscal years in the first year of compliance (only two years for SRCs), with an additional year of information required in each following year to phase-in to the full five-year (or three-year for SRCs) tabular disclosure.

KPMG resources: Defining Issues

SEC amends EGC eligibility threshold under JOBS Act

The SEC issued a final rule that increased the inflation-adjusted annual gross revenue threshold to qualify as an emerging growth company (EGC) from $1.07 billion to $1.235 billion. The amendments also increased certain financial thresholds in Regulation Crowdfunding, such as offering maximum and investment limits.

Under the JOBS Act, the SEC is required to make inflation adjustments every five years. The last adjustments were made in 2017.

KPMG resources: Web page

New government assistance disclosures first required in annual 2022 financial statements

In November 2021, the FASB issued ASU 2021-10, which created Topic 832 (government assistance) and requires all companies in its scope to disclose, for annual periods only, information about the accounting policies applied to certain government assistance they receive. This includes information about the nature of the transactions, accounting policies used to account for the transactions, affected financial statement captions, and significant terms and conditions of the transactions.

The new disclosure requirements are effective for financial statements for annual periods beginning after December 15, 2021. The effective dates are the same for all companies in the scope of the ASU.

As a first step, companies should determine whether they are in scope of the new guidance. Topic 832 exempts (1) not-for-profit entities and (2) employee benefit plans in the scope of Topics 960, 962 and 965. Further, it applies only to transactions with government entities accounted for using either a grant (e.g. IAS 20) or contribution accounting (e.g. Subtopic 958-605) model by analogy.

Separately, the FASB is pursuing a research project on the accounting for government grants. Most recently, the FASB issued an Invitation to Comment on the potential incorporation of IAS 20 – the International Accounting Standard on government grants – into US GAAP. The comment period closed in September. The FASB may move the project from its research agenda to its technical agenda after considering feedback received.

KPMG resources: Issues In-Depth and Defining Issues

Monitoring Ethiopia's inflation rates

According to the October 2022 International Monetary Fund World Economic Outlook Database report, Ethiopia's three-year cumulative inflation rate is projected to exceed 100% by the end of 2022. However, data published by Ethiopia's Bureau of Statistics indicates Ethiopia's three-year cumulative inflation rate exceeded 100% in July 2022 and continued to do so in August and September.

Companies should consider this information and other pertinent economic indicators to determine whether Ethiopia should be considered highly inflationary (e.g. beginning on August 1, 2022 for calendar year-end companies). This is important because the financial statements of a foreign entity in a highly inflationary economy must be remeasured as if the functional currency was the reporting currency. Therefore, a reporting entity with a USD reporting currency for its consolidated financial statements would be required to use USD as the functional currency, instead of local currency, for its Ethiopian operations if management concludes Ethiopia is highly inflationary.

KPMG resources: Handbook: Foreign currency

Other reminders for 2022

Calendar year-end companies – both public and private – are required to include new disclosures about government assistance in their 2022 annual financial statements, if applicable. In addition, calendar year-end public companies were required to adopt the following standards in the first quarter of 2022.

- **Lessors—Certain leases with variable lease payments (ASU 2021-05)** requires lessors to classify as operating leases those leases with variable lease payments that do not depend on an index or rate if another classification (i.e. sales-type or direct financing) would result in a commencement date selling loss.
- **Warrant modifications (ASU 2021-04)** clarifies an issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options (e.g. warrants) that remain equity-classified after modification or exchange.

- **Convertible debt and contracts in own equity (ASU 2020-06):**
  - reduces the number of accounting models for convertible instruments;
  - makes targeted changes to the disclosure requirements for convertible instruments;
  - removes some of the conditions that preclude a freestanding contract from being classified in equity (or preclude an embedded derivative from meeting the derivative scope exception); and
  - simplifies the earnings per share calculation for convertible instruments.

The Appendix: Accounting standards effective dates provides a complete list of accounting standards that companies are required to adopt in 2022.

Audit developments of interest to preparers

The PCAOB issued a proposed standard that, if adopted, would replace the current standards on quality control (QC) of registered public accounting firms and provide a framework for a firm's QC system that is grounded in proactively identifying and managing risks to audit quality. Under the proposal, firms would be required to perform an annual evaluation of their QC system and report its results to the PCAOB on a new Form QC. The proposal also includes requirements for enhanced communication to audit committees.

Current quality control standards were developed and issued by the AICPA before the PCAOB was established in 2002. The auditing environment has changed significantly since that time (e.g. increasing use of technology, reliance on outside resources) and warrants the need for modernization – which is one of the PCAOB's primary goals in its five-year strategic plan.

The comment period ends February 1.

PCAOB approves its 2022-2026 strategic plan

At a November meeting, the PCAOB approved its 2022-2026 strategic plan, which is subject to SEC approval. The four primary goals of the plan are to:

- modernize standards;
- enhance inspections;
- strengthen enforcement; and
- improve organizational effectiveness.

This is the first five-year plan the PCAOB has released in approximately two years.

PCAOB requests feedback on its interim attestation standards

The PCAOB issued a request for comment on a project that was recently added to its standard-setting agenda regarding the application and use of the Board's interim attestation standards. Aligning with one of the PCAOB's primary goals of its five-year strategic plan, this project intends to modernize the interim standards that have not been updated since they were initially adopted in 2003.

Attestation standards apply to attest engagements, which generally involve issuing a report on subject matter, or an assertion about subject matter, that is the responsibility of another party.

The comment period ended October 26.

2 New standards and guidance

FASB allows certain exemptions from the new insurance contracts standard

ASU 2022-05 allows insurance entities in the scope of Topic 944 (insurance) to make an accounting policy election to not apply the targeted improvements in the new accounting for long-duration contracts standard (ASU 2018-12) to contracts and legal entities sold or derecognized before the effective date of ASU 2018-12 when the entity has no significant continuing involvement with them. The election may be applied on a transaction-by-transaction basis to all contracts within a sale or disposal transaction that meet the accounting policy scope.

The amendments in ASU 2022-05 are effective consistent with the effective dates in ASU 2020-11 (which amended the effective dates of ASU 2018-12), and are as follows:

	SEC filers, except smaller reporting companies	All other entities
Annual periods – Fiscal years beginning after	December 15, 2022	December 15, 2024
Interim periods – In fiscal years beginning after	December 15, 2022	December 15, 2025
Early application permitted?	Yes. If early adoption is elected, the transition date is either the beginning of the prior period presented or the beginning of the earliest period presented.	

KPMG resources: Defining Issues

FASB requires new disclosures about supplier finance programs

ASU 2022-04 requires a company (the buyer of goods or services) to disclose information about supplier finance programs. A supplier finance program is an arrangement in which a buyer enters into an arrangement with a finance provider or an intermediary to settle its obligations with suppliers. These arrangements are also referred to as reverse factoring, payables finance or structured payables arrangements.

Stakeholders have stated the absence of specific US GAAP disclosure requirements results in a lack of transparency about these programs. The ASU creates a new Subtopic 405-50 that requires buyers to disclose information that is sufficient to allow financial statement users to understand the nature of the arrangement, activity during the period, changes from period-to-period and the potential magnitude of its supplier finance programs. It does not affect the recognition, measurement or financial statement presentation of the programs, or the accounting and disclosure for other parties in supplier finance programs.

Most of the disclosures are required only in annual financial statements. However, the amount of obligations outstanding that a buyer has confirmed as valid to the finance provider or intermediary must be disclosed in each interim reporting period. In addition, during the first year of adoption, the information regarding the key terms of the programs and the balance sheet presentation are disclosed in each interim period even though this information will only be a part of annual disclosures thereafter.

The effective dates are as follows.

	All entities
Annual and interim periods – Fiscal years beginning after	December 15, 2022, except for the rollforward disclosure, which is effective for fiscal years beginning after December 15, 2023.
Early application permitted?	Yes

KPMG resources: Defining Issues and Podcast

Standards effective in 2023

In the first quarter of 2023, calendar year-end public companies are required to adopt a new standard requiring disclosures about supplier finance programs, and various others that intend to simplify or clarify accounting requirements or increase transparency. In addition, all companies that are not SEC filers, including smaller reporting companies (SRCs), must adopt the new credit losses standard and all related amendments (Topic 326) and the goodwill impairment standard (ASU 2017-04) in 2023.

- **Troubled debt restructuring and vintage disclosures (ASU 2022-02)** eliminates troubled debt restructuring recognition and measurement guidance for creditors and requires new disclosures. The ASU also requires public business entities to disclose current-period gross writeoffs by year of origination (i.e. the vintage year) for the related financing receivables and net investments in leases.
- **Fair value hedging—Portfolio layer method (ASU 2022-01)** establishes the portfolio-layer method, which expands an entity's ability to achieve fair value hedge accounting for hedges of financial assets in a closed portfolio.
- **Accounting for contract assets and contract liabilities from contracts with customers (ASU 2021-08)** requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired revenue contracts using the recognition and measurement guidance in Topic 606 (revenue recognition). Under the 'Topic 606 approach', the acquirer applies the revenue model as if it had originated the contracts. This is a departure from the current requirement to measure contract assets and contract liabilities at fair value.
- **Long-duration insurance contracts (ASU 2018-12)** changes how companies recognize, measure, present and disclose long-duration contracts issued by an insurance entity, and intends to improve, simplify and enhance the financial reporting requirements for long-duration contracts. ASU 2018-12 is effective in 2023 only for SEC filers that are not eligible to be an SRC.

In December 2022, the FASB issued ASU 2022-05, which allows companies to exclude certain contracts or legal entities sold and derecognized from the targeted amendments in ASU 2018-12.

The Appendix – Accounting standards effective dates provides a complete list of accounting standards that companies are required to adopt in 2023 and beyond.

3 Projects and agenda priorities

FASB proposes amendments on common control lease arrangements

The FASB has issued a proposed ASU that would amend Topic 842 (leases) for certain guidance on arrangements between entities under common control and related leasehold improvements.

Written terms and conditions

A private entity would be able to elect, as a practical expedient, to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The practical expedient would be electable arrangement-by-arrangement. If there are no written terms and conditions, those entities would not be permitted to use the practical expedient; they would instead evaluate whether legally enforceable terms and conditions otherwise exist, and if so, use those terms and conditions to apply Topic 842.

These entities are also permitted to document any previously unwritten terms and conditions of an existing common control arrangement (and therefore use the practical expedient) before their first interim or annual financial statements that apply the proposed amendments are available to be issued.

Leasehold improvements

A lessee in a common control lease would amortize related leasehold improvements that it owns for accounting purposes over their estimated economic life (regardless of the Topic 842 lease term) only if the lessee controls the use of the underlying (leased) asset.

If, before the end of the improvements' economic life, the lessee relinquishes control over the use of the underlying asset (e.g. vacates the building and returns control over its use to the lessor), it would account for the improvements as being transferred to the lessor, derecognizing the remaining carrying amount of the improvements with a corresponding adjustment to equity (or net assets for not-for-profit entities).

A lessee would also be required to disclose information about leasehold improvements associated with common control leases being amortized over an economic life that exceeds the Topic 842 lease term of the related leases.

The leasehold improvement proposed amendments would apply to both public and private companies.

The comment period ends January 16.

KPMG resources: Web article

FASB proposes accounting for joint venture formations

The FASB has issued a proposed ASU that would require a joint venture (JV) to measure net assets contributed to it in a formation transaction at fair value (with certain exceptions) at the formation date using the business combinations guidance in Subtopic 805-20, regardless of whether a venturer contributes a business.

JVs would also be required to:

- measure the net assets' fair value based on 100% of the JV's equity immediately following formation;
- record goodwill (or an equity adjustment, if negative) for the difference between the fair value of the JV's equity and its net assets; and
- provide disclosures about the nature and financial effect of the formation transaction.

The proposal would introduce Subtopic 805-60 containing these requirements. It would not amend the accounting by a venturer for its investment in a JV, or the accounting by a JV for contributions received after its formation. It also would not amend the definition of a JV, which is currently contained in the ASC Master Glossary.

The proposal intends to resolve current diversity in practice regarding how to account for net assets contributed in a JV on a JV's formation. Currently, US GAAP does not provide guidance in this area.

The comment period ends December 27.

KPMG resources: Defining Issues

FASB proposes improvements to segment disclosures

The FASB has issued a proposed ASU that would enhance segment reporting under Topic 280 by expanding the breadth and frequency of segment disclosures. Specifically, the proposal would allow public entities to disclose more than one measure of segment profit or loss if the chief operating decision maker (CODM) regularly reviews multiple measures. In addition, public entities would be required to:

- disclose significant segment expenses regularly provided to the CODM;
- disclose the amount and composition of other segment items by reportable segment (this amount would reconcile segment revenue less significant expenses to the reported measure(s) of segment profit or loss);
- provide, in interim periods, all reportable segments' profit or loss and asset disclosures that are currently required annually by Topic 280, as well as those introduced by the proposal;
- provide all disclosures required by the proposal and all existing segment disclosures in Topic 280 when the public entity has a single reportable segment; and
- disclose the title and position of the CODM.

The proposal would not change how public entities identify and aggregate their operating segments or apply the quantitative thresholds to determine their reportable segments.

The comment period ends December 20.

KPMG resources: Defining Issues

FASB proposes new chapters of its Conceptual Framework

The FASB has issued two new proposed chapters of its Conceptual Framework.

- Chapter 2: The reporting entity would provide the Board with a framework for matters related to identifying a reporting entity.
- Chapter 5: Recognition and derecognition would provide recognition and derecognition criteria and guidance for when an item should be incorporated into and removed from financial statements.

Both proposals would become new chapters in FASB Concepts Statement No. 8, Conceptual Framework for financial reporting. Like with the rest of the framework, these chapters would establish concepts that the Board would use to develop standards of financial accounting and reporting.

The Conceptual Framework is a body of interrelated objectives and fundamentals that establish the concepts that underlie financial reporting. A FASB Concepts Statement is nonauthoritative and does not establish or change US GAAP.

The comment periods end on January 16 and February 21, 2023, respectively.

FASB's crypto asset project progresses

The FASB has made significant strides in its project on the accounting for certain crypto assets. Recall that during the third quarter, the FASB decided that the project would center on fungible crypto assets currently accounted for as intangible assets under US GAAP, such as bitcoin and ether. Crypto assets like NFTs and financial asset stablecoins would not be addressed by this project.

During the fourth quarter, the FASB tentatively decided the following.

- In-scope crypto assets should be measured at fair value on a recurring basis, with changes in fair value charged to current period earnings and separately presented from impairments or other changes to the carrying amount of other intangible assets. No measurement alternatives would be provided.
- Transaction costs to acquire in-scope crypto assets should be expensed as incurred unless other industry-specific US GAAP, such as Topic 946 (investment companies), applies, in which case companies should continue to follow that guidance.
- Holdings of in-scope crypto assets should be presented separately on the balance sheet from other intangible assets.
- Cash flows received from the sale, immediately or almost immediately after acquisition, of crypto assets received as non-cash consideration should be classified in cash flows from operations. Otherwise, no explicit statement of cash flows guidance will be provided; Topic 230 (statement of cash flows) provides adequate guidance.

- The following financial statement disclosures would be required for all companies, including those subject to industry-specific US GAAP (*those marked with an asterisk would be required in companies' interim, as well as annual, financial statements*).
  - Those required by Topic 820 (fair value measurement) in relation to measuring in-scope crypto assets at fair value.
  - The company's crypto asset holdings at each reporting date presented, disaggregated by each significant holding (e.g. bitcoin, ether, litecoin). For each significant holding, the number of units held, cost basis (and how that was determined) and fair value.*
  - A rollforward of the entity's crypto asset holdings, showing additions, disposals (by sale or otherwise), gains and losses, along with disclosure about the nature of the additions and/or disposals.
  - Cumulative realized gains and losses, disaggregated so that realized gains and losses are presented on a gross, not net, basis.
  - The fair value of any crypto assets subject to restriction(s), the nature and remaining duration of the restriction(s) and what conditions must be met to remove the restriction(s).*

All of the FASB's tentative decisions reached on this project to-date would apply equally to public and private companies.

Next steps

We expect the Board to complete its initial deliberations on this project, including considerations on transition, cost-benefit and the comment letter period for a proposed ASU in early 2023. At the recent AICPA & CIMA Conference, the FASB staff said to expect a proposed ASU in the first quarter of 2023.

KPMG resources: Defining Issues

EITF agrees to expand simplified accounting for tax equity investments

At its December meeting, the Emerging Issues Task Force (EITF) reached a final consensus that, if ratified by the FASB, will expand the use of the proportional amortization method (PAM) to additional tax equity investments.

The final consensus will clarify the criteria that a tax equity investment must meet to qualify for the PAM and will allow an investor to elect the PAM for qualifying investments on a tax credit program-by-program basis. In addition, disclosures will be required on an interim and annual basis for tax equity investments within tax credit programs for which the PAM is elected, regardless of whether the PAM is applied.

If ratified, the expansion of the PAM will be effective for public business entities for annual periods beginning after December 15, 2023 and one year later for all other entities, with early adoption permitted.

Until now, PAM accounting has been available only for qualifying investments in Qualified Affordable Housing Projects (e.g. low income housing tax credit or LIHTC investments) as an alternative to either the cost or equity method. In view of the economic similarities between LIHTC investments and other tax equity investments, stakeholders requested the FASB consider expanding the availability of the PAM, which led to this EITF issue.

Expanding the availability of the PAM could simplify an investor's accounting for a more diverse population of tax equity investments and provide users of the financial statements with a better understanding of the related returns.

In January 2023, the FASB is expected to discuss whether to ratify the final consensus. If ratified, the ASU is expected to be issued in the first half of 2023. The next EITF meeting is scheduled for March 30, 2023.

KPMG resources: Defining Issues

September PCC; FASAC meetings

The Private Company Council (PCC) met in September and discussed various FASB projects and developments, and other 'hot topic' matters. The Financial Accounting Standards Advisory Council (FASAC) also met in September and discussed some of the same topics. Key highlights are summarized below.

- **Targeted improvements to income tax disclosures.** PCC members discussed two areas of income tax disclosures that the FASB is considering for potential improvement: (1) income taxes paid and (2) rate reconciliation. PCC members who are users expressed general support for disaggregated income tax information. However, PCC members who are not users questioned the relevance of such disclosures and expressed concern about undue costs compared to the narrative disclosures that are currently required for private companies. PCC members agreed it would be important to assess the cost-benefit of these potential improvements for private companies.

  FASAC members also discussed this project in September and were overall supportive of developing enhanced disclosures. Further, preparers indicated disclosing additional information about taxes paid would be relatively straightforward but the suggested changes to the rate reconciliation may be more challenging.

- **Accounting for and disclosure of software costs.** The FASB staff summarized the Board's recent decision to add a project on software costs to its technical agenda and the potential alternatives being explored by the staff. PCC members were mixed about which alternative they preferred but noted additional disclosures about software costs would be useful. Some members indicated accounting for software costs is not a prevalent issue for private companies and expressed concerns about identifying capitalizable costs and determining the useful life for certain software assets.

- **Accounting for and disclosure of crypto assets**. The FASB staff discussed the Board's recent decision to establish the scope of this new project. Some members questioned whether the scope, which excludes nonfungible assets, would address the need for standard-setting in this area. The FASB staff and Board responded by saying the project scope would represent a significant portion of total crypto assets. Members were generally supportive of including public and private companies in the project's scope. The Board had not yet decided on the measurement nor the disclosure and presentation of crypto assets at the time of the September PCC meeting.

  FASAC members also discussed the scope of this project in September and were generally supportive.

- **Profits interests.** PCC members provided input about (1) potential illustrative examples to clarify how a company would apply the existing scoping guidance in Topic 718 (stock compensation) to various profits interests awards and (2) potential transition guidance for those examples. Overall, PCC members were supportive of the examples and the staff's approach to align those examples with the current scoping guidance in Topic 718, but some suggested the FASB staff consider whether other fact patterns should be incorporated. Members also expressed their views on the potential transition requirements.

The PCC also discussed the new FASB project on common control lease arrangements and related leasehold improvements. Since the September meeting, the FASB issued a proposed ASU on the project, which considered the PCC discussion and feedback.

4 Recommended reading and CPE opportunities

How media and telecom finance leaders are powering up for ESG reporting

As different sectors consider how they would implement the proposed rules from the SEC on climate-related disclosures, media and telecommunications will be a particularly interesting case study. Unlike industries with tangible products, media and telecommunications' environmental impact can be more challenging to quantify when it comes from turning on a TV or mobile device, streaming digital content or even hosting live entertainment events, writes KPMG Media & Telecommunications National Audit Leader Frank Albarella, Jr. and ESG Audit Leader Maura Hodge in an article for *Financial Executives International*. Read the article.

Why C-suites need to get more serious about harnessing tax technology

In an article for *CFO DIVE,* KPMG Vice Chair – Tax Greg Engel highlights how a majority of executives still aren't using tax data to scenario-plan around policy changes, according to a recent KPMG survey, 'Tax Reimagined: Perspectives from the C-suite'. Engel details how critical it is that executives harness tax data and technology so they can better navigate the future, manage risk, and ultimately make better business decisions. Read the article.

3 ways businesses can use data to transform DEI initiatives

In an article for *VentureBeat,* KPMG Chief Diversity, Equity and Inclusion (DEI) Officer Elena Richards and Chief Data Officer Jodi Morton write that to drive impactful change, organizations must define starting points and measure progress – and data is essential to that practice. Exploring DEI data – such as hiring, retention and promotion data disaggregated by gender, race, ethnicity, disability or other demographic indicators – reveals disparate experiences and potential areas for improvement that may otherwise go unnoticed due to unconscious biases or other limitations. Read the article.

Upcoming CPE opportunities

KPMG Executive Education provides award-winning training for individuals and finance teams. Our robust catalog of CPE-eligible accounting and finance courses – delivered by industry and technical thought leaders – covers a wide range of technical accounting, finance, business management, SEC reporting and MD&A topics.

Learning delivery methods include in-person, live virtual and digital self-study. Also available are customized, on-site CPE sessions, digital self-study subscriptions and custom learning portals.

KPMG Financial Reporting View (FRV) offers additional CPE opportunities, including registration information for upcoming Financial Reporting webcasts. The webcasts feature KPMG professionals discussing current and future accounting and financial reporting matters, and guidance for implementing new regulatory requirements and accounting standards.

Appendix: Accounting standards effective dates

In this table:

A = annual periods

I = interim periods

* = Indicates a gap in ASU sequencing. ASUs excluded from this list are effective for all applicable entities, including entities with off-calendar year-ends.

☐ = If 'Complex effective date' is marked 'Yes', additional information is required to determine when the ASU is effective for your company. See the source ASU at fasb.org for complete effective date information. For certain ASUs, additional information is provided in the footnotes.

⩓ = Certain not-for-profit entities and employee benefit plans must adopt this ASU using the public company effective dates. For more information, refer to the source ASU at fasb.org.

Blue shading indicates that the **ASU is first effective in 2022 for a calendar year-end entity.**

The ASUs in this table are generally effective for A/I periods in fiscal years beginning on or after the dates provided.

Appendix: Accounting standards effective dates

				Public business entities						
ASU	**Title**	**Topics**	**A/I**	**SEC filers *not* eligible to be an SRC**	**SEC filers eligible to be an SRC**	**Not an SEC filer**	**All other entities**	**Early adoption**	**Complex effective date**	**Resources**
2022-05	Insurance—Transition for sold contracts	944	A	12/15/22	12/15/24	12/15/24	12/15/24	Yes	No	Defining Issues
			I	12/15/22	12/15/24	12/15/25	12/15/25			
2022-04	Disclosure of supplier finance program obligations	405-50	A/I	12/15/22	12/15/22	12/15/22	12/15/22	Yes	Yes[1]	Defining Issues Podcast
2022-03	Fair value measurement of equity securities subject to contractual sale restrictions	820	A	12/15/23	12/15/23	12/15/23	12/15/24	Yes	No	Defining Issues Podcast
			I	12/15/23	12/15/23	12/15/23	12/15/24			
2022-02	Troubled debt restructurings and vintage disclosures	326	A	12/15/22	12/15/22	12/15/22	12/15/22	Yes[2]	Yes	Defining Issues Handbook Hot Topic (FAQs)
			I	12/15/22	12/15/22	12/15/22	12/15/22			
2022-01	Fair value hedging—Portfolio layer method	815	A	12/15/22	12/15/22	12/15/22	12/15/23	Yes	No	Defining Issues Handbook
			I	12/15/22	12/15/22	12/15/22	12/15/23			
2021-10	Disclosures by business entities about government assistance	832	A	12/15/21	12/15/21	12/15/21	12/15/21[3]	Yes	No	Defining Issues
			I	N/A	N/A	N/A	N/A			
2021-09	Discount rate for lessees that are not public business entities	842	A	N/A	N/A	N/A	12/15/21	Yes	No	Defining Issues Handbook
			I	N/A	N/A	N/A	12/15/22			
2021-08	Accounting for contract assets and contract liabilities from contracts with customers	805	A	12/15/22	12/15/22	12/15/22	12/15/23	Yes	No	Defining Issues
			I	12/15/22	12/15/22	12/15/22	12/15/23			
2021-07	Determining the current price of an underlying share for equity-classified share-based awards	718	A	N/A	N/A	N/A	12/15/21	Yes	No	Defining Issues
			I	N/A	N/A	N/A	12/15/22			
2021-05*	Lessors—Certain leases with variable lease payments	842	A	12/15/21	12/15/21	12/15/21	12/15/21	Yes	No	Defining Issues Handbook
			I	12/15/21	12/15/21	12/15/21	12/15/22			

Appendix: Accounting standards effective dates

				Public business entities						
ASU	Title	Topics	A/I	SEC filers *not* eligible to be an SRC	SEC filers eligible to be an SRC	Not an SEC filer	All other entities	Early adoption	Complex effective date□	Resources
2021-04	Issuer's accounting for certain modifications or exchanges of free-standing equity-classified written call options	260 470-50 718 815-40	A	12/15/21	12/15/21	12/15/21	12/15/21	Yes	No	Defining Issues
			I	12/15/21	12/15/21	12/15/21	12/15/21			
2021-02	Revenue from contracts with customers: Practical expedient for franchisors	952-606	A	N/A	N/A	N/A	12/15/20	Yes	Yes[4]	Handbook
			I	N/A	N/A	N/A	12/15/20			
2021-01*	Reference rate reform: Scope	848	A	1/7/21	1/7/21	1/7/21	1/7/21	N/A	Yes[5]	Defining Issues
			I	1/7/21	1/7/21	1/7/21	1/7/21			
2020-10*^	Codification improvements	Various	A	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Web article
			I	12/15/20	12/15/20	12/15/20	12/15/22			
2020-08*	Codification improvements to Subtopic 310-10, Receivables—Nonrefundable fees and other costs	310-20	A	12/15/20	12/15/20	12/15/20	12/15/21	No	No	—
			I	12/15/20	12/15/20	12/15/20	12/15/22			
2020-07	Presentation and disclosures by not-for-profit entities for contributed nonfinancial assets	958	A	N/A	N/A	N/A	6/15/21	Yes	No	Defining Issues
			I	N/A	N/A	N/A	6/15/22			
2020-06	Accounting for convertible instruments and contracts in an entity's own equity	470-20 815-40	A	12/15/21	12/15/23	12/15/23	12/15/23	Yes[6]	No	Defining Issues Handbook
			I	12/15/21	12/15/23	12/15/23	12/15/23			
2020-04*	Simplifying the effects of reference rate reform on financial reporting	848	A	3/12/20	3/12/20	3/12/20	3/12/20	N/A	Yes[7]	Defining Issues
			I	3/12/20	3/12/20	3/12/20	3/12/20			
2020-01*	Clarifying the Interactions between Topic 321, Topic 323 and Topic 815	321 323 815	A	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Web article Defining Issues Handbook
			I	12/15/20	12/15/20	12/15/20	12/15/21			

Appendix: Accounting standards effective dates

ASU	Title	Topics	A/I	Public business entities: SEC filers *not* eligible to be an SRC	Public business entities: SEC filers eligible to be an SRC	Public business entities: Not an SEC filer	All other entities	Early adoption	Complex effective date□	Resources
2019-12	Simplifying the accounting for income taxes	740	A	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Defining Issues Handbook
			I	12/15/20	12/15/20	12/15/20	12/15/22			
2019-11	Codification improvements to Topic 326, Financial instruments—Credit losses	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[8]	Web article Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2019-05*	Credit losses – Targeted transition relief	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[8]	Web article Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2019-04	Credit losses, derivatives and hedging, financial instruments – Codification improvements	326 815 825	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[9]	Defining Issues Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2019-02*	Improvements to accounting for costs of films and license agreements for program materials	926-20 920-350	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues
			I	12/15/19	12/15/19	12/15/19	12/15/20			
2019-01^	Leases – Codification Improvements	842	A	12/15/19	12/15/19	12/15/19	12/15/21	Yes	Yes[10]	Defining Issues
			I	12/15/19	12/15/19	12/15/19	12/15/22			
2018-20^	Leases – Narrow-scope improvements for lessors	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10,11]	Defining Issues Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2018-19	Codification improvements to Topic 326, Financial instruments – Credit losses	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Web article Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2018-18	Collaborative arrangements – Clarifying the interaction between Topic 808 and Topic 606	606 808	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues
			I	12/15/19	12/15/19	12/15/19	12/15/21			

Appendix: Accounting standards effective dates

ASU	Title	Topics	A/I	Public business entities: SEC filers *not* eligible to be an SRC	Public business entities: SEC filers eligible to be an SRC	Public business entities: Not an SEC filer	All other entities	Early adoption	Complex effective date	Resources
2018-17	Consolidation – Targeted improvements to related-party guidance for variable interest entities	810	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues Handbook
			I	12/15/19	12/15/19	12/15/19	12/15/21			
2018-16	Inclusion of the SOFR OIS rate as a benchmark interest rate for hedge accounting purposes	815	A	12/15/18	12/15/18	12/15/18	12/15/20	Yes	Yes[12]	Web article
			I	12/15/18	12/15/18	12/15/18	12/15/21			
2018-15	Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract	350-40	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Hot Topic
			I	12/15/19	12/15/19	12/15/19	12/15/21			
2018-14	Disclosure framework – Changes to the disclosure requirements for defined benefit plans	715-20	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	Yes[13]	Defining Issues
			I	N/A	N/A	N/A	N/A			
2018-12*	Insurance – Targeted improvements to the accounting for long-duration contracts	944	A	12/15/22	12/15/24	12/15/24	12/15/24	Yes	No	Handbook
			I	12/15/22	12/15/25	12/15/25	12/15/25			
2018-11^	Leases – Targeted improvements	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10,14]	Web article Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2018-10^	Leases – Codification improvements	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10,15]	Web article Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2018-01*^	Leases – Land easement practical expedient for transition	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10]	Web article Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2017-12*	Targeted improvements to the accounting for hedging activities	815	A	12/15/18	12/15/18	12/15/18	12/15/20	Yes	No	Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/21			
2017-04*	Simplifying the test for goodwill impairment	350	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Defining Issues
			I	12/15/19	12/15/22	12/15/22	12/15/22			

Appendix: Accounting standards effective dates

ASU	Title	Topics	A/I	Public business entities: SEC filers *not* eligible to be an SRC	Public business entities: SEC filers eligible to be an SRC	Public business entities: Not an SEC filer	All other entities	Early adoption	Complex effective date	Resources
2016-13*	Measurement of credit losses on financial instruments	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2016-02*^	Leases	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10]	Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			

Notes

1. ASU 2022-04 generally becomes effective for all entities for annual and interim periods in fiscal years beginning after December 15, 2022, except for the rollforward disclosure, which is effective for fiscal years beginning after December 15, 2023.
2. Early adoption of ASU 2022-02 is permitted for all entities that have adopted Topic 326. If an entity adopts the ASU in an interim period, it applies the guidance in the ASU as of the beginning of the fiscal year that includes the interim period. An entity may early adopt the amendments related to receivable modifications by creditors separately from the amendments related to vintage disclosures.
3. ASU 2021-10 applies to all entities except for not-for-profit entities in the scope of Topic 958 and employee benefit plans in the scope of Topics 960, 962 and 965.
4. The effectives dates of ASU 2021-02 shown here are for entities to which the ASU applies that had already adopted Topic 606 when ASU 2021-02 was issued (1/28/2021).
5. ASU 2021-01 may be applied as of the beginning of an interim period that includes 3/12/2020 (see ASU 2020-04) and is only available for a limited time, generally through 12/31/2022.
6. All entities may early adopt ASU 2020-06, but no earlier than annual and interim periods in fiscal years beginning after 12/15/2020. An entity adopts the guidance at the beginning of its fiscal year. See ASU 2020-06 for more information.
7. ASU 2020-04 is effective for all entities from 3/12/2020 to 12/31/2022.
8. For entities that have adopted ASU 2016-13, this ASU was effective for annual and interim periods in fiscal years beginning after 12/15/2019.
9. The effective dates of ASU 2019-04 shown here relate to the amendments to Topic 326 only and apply to entities that have not yet adopted ASU 2016-13. See ASU 2019-04 for detailed effective date information for early adopters and the other amendments therein.
10. The effective dates for 'All other entities' applies to private companies that had not yet issued (or made available for issuance) financial statements reflecting the adoption of Topic 842 as of 6/3/2020.

    'Public' not-for-profit entities (i.e. not-for-profit entities that have issued or are conduit bond obligors for securities that are traded or quoted on an exchange or an over-the-counter market) that had not yet issued (or made available for issuance) financial statements reflecting the adoption of Topic 842 as of 6/3/2020 must adopt Topic 842 for annual and interim periods in fiscal years beginning after 12/15/2019.
11. For entities that have adopted ASU 2016-02, ASU 2018-20 can be elected at (1) the beginning of the first financial reporting period in which the ASU was issued, (2) the beginning of the first financial reporting period after the ASU was issued, or (3) the entity's mandatory Topic 842 effective date.
12. ASU 2018-16 is generally effective at the same time as ASU 2017-12. However, entities that are not public business entities that have adopted ASU 2017-12 were required to adopt ASU 2018-16 for annual and interim periods in fiscal years beginning after 12/15/2019.

Appendix: Accounting standards effective dates

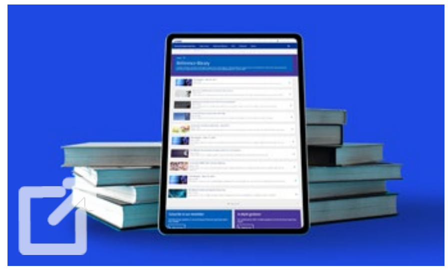
[13] ASU 2018-14 is effective for public business entities for annual periods *ending* after 12/15/2020 and, for all other entities, for annual periods *ending* after 12/15/2021.

[14] For entities that have adopted ASU 2016-02, ASU 2018-11 became effective on issuance (7/30/2018), but can only be adopted by entities either at (1) the beginning of their first reporting period after issuance or (2) their mandatory Topic 842 effective date.

[15] For entities that have adopted ASU 2016-02, ASU 2018-10 became effective on issuance (7/18/2018).

KPMG Financial Reporting View

Delivering guidance and insights, KPMG Financial Reporting View is ready to inform your decision making. Stay up to date with us.



Defining Issues

Our collection of newsletters with insights and news about financial reporting and regulatory developments, including Quarterly Outlook and FRV Weekly.

Handbooks and Hot Topics

Our discussion and analysis of accounting topics – from short Hot Topics that deal with a topical issue, to our in-depth guides covering a broad area of accounting.

CPE opportunities

Register for live discussions of topical accounting and financial reporting issues. CPE-eligible replays also available.

Financial Reporting Podcasts

Tune in to hear KPMG professionals discuss major accounting and financial reporting developments.

Visit **frv.kpmg.us**
and sign up for news and insights

Acknowledgments

This Quarterly Outlook is a publication of the Department of Professional Practice of KPMG LLP in the United States.

Angie Storm
Deputy Chief Accountant

Robin Van Voorhies
Senior Director

kpmg.com/socialmedia