Quarterly Outlook

March 2023

As 2022 comes to a close, we look ahead to headlines that might impact you in 2023, including a new global minimum tax and a new SEC requirement that may require clawback of some executive compensation.

US GAAP

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A global deal has been reached to ensure that certain multinational companies pay a new global minimum top-up tax of at least 15% of income in each jurisdiction in which they operate. The tax is intended to level the playing field for more even profit distribution globally.

While the SEC has a packed regulatory agenda for the remainder of 2023, including the highly anticipated climate rule and a rule proposal on human capital (both targeted for April), it has been a fairly quiet quarter for rulemaking. However, the SEC's new 'compensation clawback rules' – issued October 2022 – are gaining attention as companies plan for implementation.

On the standard-setting front, public companies must adopt various new accounting standards aimed to clarify or simplify accounting guidance, or to provide increased transparency, and private companies will first apply the new credit losses standard (Topic 326).

We also anticipate significant near-term developments from the FASB, including a couple of new but targeted standards, but also a variety of proposals that might warrant broader interest. Among them, a proposal on crypto assets and another on income tax disclosures.

Companies should also continue to monitor for macroeconomic trends and events and consider their potential impacts on financial reporting and disclosure.

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

Monitoring for impacts of economic uncertainty on accounting and financial reporting

In our last edition, we highlighted various areas of financial reporting that are frequently affected by economic uncertainty, such as threats of a potential recession, rising interest rates, inflation and geopolitical events. As companies close out their 2022 reporting and look ahead to 2023, it is important for them to remember that the 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 boards of directors, audit committees, external auditors, legal counsel and other service providers as the circumstances develop.

KPMG resources: Podcast; Hot Topics on Impairment and Leases

Accounting for the global minimum tax

What is it?

The Organisation for Economic Cooperation and Development (OECD) continues to implement the Base Erosion and Profit Shifting 2.0 framework, an international tax reform initiative designed in part to address concerns over uneven profit distribution. Its release of model rules in December 2021 provides a template for countries to implement a top-up tax on profits, known as the 'global anti-base erosion' (GloBE) rules.

The GloBE rules subject large multinational enterprises with consolidated group revenue exceeding €750 million in at least two out of the last four years to a minimum tax of 15% of income arising in each jurisdiction in which they operate. A top-up tax would arise only if a group pays an insufficient amount of income taxes at the jurisdiction level, and may be implemented through an 'income inclusion rule' or an 'undertaxed profits rule'. The model rules also provide for a qualified domestic minimum top-up tax, a minimum tax imposed by a country to increase taxes within that jurisdiction.

Accounting and reporting impacts

Because the GloBE top-up tax is based on financial statement net income with certain adjustments, it is in the scope of Topic 740 (income taxes).

At the February 1 Board meeting, the FASB staff stated it views the GloBE top-up tax as an alternative minimum tax (AMT). The reason is that it is a separate but parallel system for a company to pay a minimum level of tax. A company can never pay less than it would under local regular income tax systems.

Because the GloBE top-up tax is an AMT, companies will not record GloBE-specific deferred taxes or remeasure existing deferred taxes under local regular income tax systems to the GloBE rate. Instead, they will recognize the incremental effect of the GloBE top-up tax as incurred. Further, companies are not required to consider the GloBE top-up tax in their valuation allowance determinations.

Public companies should consider whether to include disclosures related to the GloBE top-up tax in management's discussion and analysis.

IASB response

Companies reporting under IFRS® Accounting Standards have also questioned whether the GloBE top-up tax is in the scope of IAS 12 (income taxes), and if so, how to account for any potential deferred tax impacts.

To address these concerns, the International Accounting Standards Board (IASB) has proposed to amend IAS 12 to introduce a temporary mandatory exception from deferred tax accounting that may arise from implementing the GloBE rules. The exception would apply immediately and until such time as the IASB decides either to remove it or make it permanent. A company would be required to disclose that it has applied the exception.

The proposal would also require new disclosures for annual financial statements in periods beginning on January 1, 2023.

The comment period ends March 10.

Enactment of GloBE rules

Companies should continue to monitor whether GloBE rules have been enacted under US GAAP or enacted or substantially enacted under IFRS Accounting Standards on a country-by-country basis.

Although there is uncertainty around each country's enactment date, investors may expect companies to assess the potential impacts of the rules before changes to the respective tax laws are finalized.

KPMG resources: Hot Topic, IFRS insights and Handbook: Accounting for income taxes (sections 3 and 4)

IRA and CHIPs – Effective dates and preliminary guidance under IFRS Accounting Standards

As a reminder, the Inflation Reduction Act (IRA) of 2022 and the CHIPS and Science Act of 2022 (CHIPS) were signed into law in August 2022. Among other things, the legislation introduced:

- a new 15% corporate alternative minimum tax (AMT) effective for tax years beginning after December 31, 2022;
- an excise tax on stock repurchases occurring after December 31, 2022; and
- new options for monetizing certain credits using a direct pay or transferability election. The timing and availability of these elections vary by credit.

Considerations under IFRS® Accounting Standards

Questions have arisen about how companies should account for the significant tax implications of IRA and CHIPS under IFRS Accounting Standards. We have recently updated our summary on IRA and CHIPS for general considerations under IFRS Accounting Standards, and for key differences between US GAAP and IFRS Accounting Standards. Of note:

- **Valuation allowance assessments involving corporate AMT.** Unlike under US GAAP, it appears a company should consider whether it will be subject to the corporate AMT when assessing to what extent deductible temporary differences and unused tax losses under the regular tax will be realized in the future.

  If a company's projections of future taxable profits indicate that a certain amount of deductible temporary differences and unused tax losses will not be realized because the company expects to be subject to the corporate AMT, it should consider that when accounting for the deferred tax assets consistent with its expected manner of recovery. This does not imply that the corporate AMT rate should be applied when measuring deferred taxes.

  Changes in the amount of deductible temporary differences and unused tax losses that can be realized should be recognized in the period that includes the August 16 enactment date.

- **Accounting for nonrefundable, nontransferable credits.** Unlike US GAAP, IFRS Accounting Standards do not specifically address the accounting for income tax credits. As a result, companies need to choose an accounting approach, to be applied consistently, that best reflects the economic substance of the credit.

  - If the substance of the credit is similar to a tax allowance (e.g. its benefits are determined or limited on the basis of the company's income tax liability), it is more appropriate to apply IAS 12 (income taxes) by analogy.
  - If the substance of the credit is similar to a government grant, then it is more appropriate to apply IAS 20 (accounting for government grants and disclosure of government assistance) by analogy.

  It appears that nonrefundable, nontransferable credits are akin to tax allowances. Therefore, we believe that generally it is appropriate to account for these credits by applying IAS 12. Under US GAAP, we believe nonrefundable, nontransferable credits are in the scope of Topic 740.

KPMG resources: Hot Topic and Podcast series

ESG reporting update

In this edition, we cover the latest from the SEC, standard-setting updates from the International Sustainability Standards Board (ISSB), and the status of draft standards in the European Union (EU).

SEC regulatory update

On January 4, the SEC released its updated regulatory agenda (Fall 2022), which lists April 2023 for action on a final climate rule for issuers. However, the SEC's diligence process is extensive and the SEC is not bound by this timeline.

The SEC has various other ESG-related items on its agenda, including these additional items slated for April: cybersecurity risk governance (final rule) and human capital disclosures (proposal).

SEC examination priorities

In February, the SEC's Division of Examination announced its 2023 examination priorities. In its press release, Director Richard R. Best's remarks indicated a continued focus on emerging issues and rules. The SEC also specifically mentioned a continued focus on ESG-related advisory services and funds, including whether funds are operating as disclosed and products identified as 'ESG' are appropriately labeled.

Our Q4 2022 Quarterly Outlook discussed key themes emerging from the continued probing of climate-related disclosures by staff from the Division of Corporation Finance. We expect the staff to continue asking questions about this season's filings, and recommend that companies use the illustrative comment letter issued by the staff in September 2021 to help them prepare for potential questions.

ISSB developments

In February, the ISSB made its last major decisions before finalizing the first two standards on (1) general sustainability-related matters and (2) climate-related matters.

- The effective date of the standards will be January 1, 2024, subject to adoption by local jurisdictions. There will be some transition options available – including relief from disclosing comparative information and Scope 3 greenhouse gas emissions.
- The ISSB has agreed to provide additional guidance and references to existing protocols and frameworks to support application – adding the Global Reporting Initiative and European Sustainability Reporting Standards (ESRSs) to acceptable guidance that may be considered when identifying information to report. The ISSB previously confirmed that companies 'shall consider' the Sustainability Accounting Standards Board (SASB) standards.

Final ISSB standards are expected in June 2023.

EU developments

The European Financial Reporting Advisory Group's (EFRAG's) first set of draft ESRSs are now with the European Commission (EC) for approval. The EC will consult with ten regulatory bodies before approving the standards, including the European Securities and Markets Authority and the European Central Bank. Final approval is expected by June 30, 2023.

The EFRAG's second set of draft ESRSs are expected to include sector-specific standards; the public consultation will launch in March 2023. The final sector-specific standards are expected to be adopted by the EC by June 30, 2024.

EFRAG will likely deprioritize the standards for non-EU parents, which will apply from 2028 (for reporting in 2029), so that it can better focus resources.

Climate risk in the financial statements

Climate risk continues to dominate current ESG headlines with a focus on next steps from the SEC, ISSB and EU. But the question of how climate risk affects the financial statements – absent climate-specific US GAAP requirements – has been harder to pin down.

Some commentators believe the financial statements should include explicit disclosures related to climate risk, but the reality of applying existing US GAAP is more complex. An intention to be net-zero by 2050 is not the same as an action plan to reduce emissions by 2030 that is already underway. However, as target dates get closer and intentions turn into strategies and then to actions, the potential effects on the financial statements increase. Transactions linked to emissions reductions are also increasing – including arrangements with carbon credits and emissions-linked compensation – testing the application of US GAAP in cases where there might not be explicit guidance.

These factors raise the importance of understanding how climate risk might manifest in a company's financial statements, based on its specific facts and circumstances.

Select ESG resources:

- ESG reporting for US financial reporting professionals: KPMG FRV resource page
- KPMG Handbook: Climate risk in the financial statements
- 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

SEC compensation clawback rules – recent developments

In October 2022, the SEC issued new Exchange Act Rule 10D-1, which directs the national securities exchanges to establish listing standards that require issuers to develop, implement and disclose a compensation recovery policy that 'claws back' incentive-based compensation paid to executive officers when an accounting restatement changes financial performance measures that would have affected the amount of the compensation.

Specifically, the recovery policy must be triggered when an issuer is required to prepare an accounting restatement that corrects an error in previously issued financial statements:

- that is material to the previously issued financial statements (i.e. 'Big R' restatements); or
- that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (i.e. 'little r' restatements).

New listing standards

In response to the requirements of the final rules, on February 23, 2023, the national exchanges (NYSE and NASDAQ) released proposed listing standards intended to meet the minimum requirements of the clawback rules. The listing standards closely align to the applicable text in the final rules and outline existing and amended delisting proceedings in the event that an issuer does not implement or comply with its recovery policy. The proposed listing standards provide a 21-day comment period from the date they are published in the

Federal Register. The SEC will review the proposed listing standards and must approve the final standards no later than November 28, 2023. Listed entities will need to adopt recovery policies that comply with the final listing standards within 60 days of that effective date.

Compliance and Disclosure Interpretations

In January 2023, the SEC staff issued four new Compliance and Disclosure Interpretations (C&DIs) to clarify requirements in new Exchange Act Rule 10D-1. Specifically, they clarify that issuers are not expected to comply with the rule's disclosure requirements (including the new check boxes added to the cover page of Form 10-K, for example) before adopting a recovery policy under the applicable exchange's listing standards. The C&DIs also clarify how to apply the rule to (1) compensation that is in plans other than tax-qualified retirement plans and (2) disclosures required in Forms 20-F and 40-F.

KPMG resources: Defining Issues

SEC proposes changes to long-standing Custody Rule

The SEC has proposed amendments to Rule 206(4)-2 (the Custody Rule) under the Investment Advisers Act of 1940, which applies to investment advisers registered (or required to be registered) with the SEC. The Custody Rule requires investment advisers to safeguard client funds and securities in their possession (or where they have the authority to obtain possession of them), and was designed to protect these assets from the adviser's own insolvency or bankruptcy, and from being lost, misused, stolen or misappropriated.

The proposed amendments would redesignate the Custody Rule as 'the Safeguarding Rule', with certain new provisions that are intended to address these developments and enhance investor protections by: modernizing the scope of assets and activities that would trigger application of the rule; enhancing custodial protections that client assets receive under the rule; and updating recordkeeping and reporting requirements. Among other items, significant aspects of the proposal include:

- expanding the scope of the Custody Rule to include all client assets of which the adviser has custody (including cryptocurrency assets and other asset types that develop in the future);
- requiring a qualified custodian to have 'possession or control' of client assets under a written agreement; and
- amending the exception of the requirement to maintain client assets with a qualified custodian to include certain physical assets and to satisfy new provisions when the exception is used.

The SEC proposed the following compliance dates if the proposed amendments are adopted.

Adviser size	Compliance date
Advisers with more than $1 billion in regulatory assets under management (RAUM), as defined in the proposed amendments	One year following the effective date
Advisers with up to $1 billion in RAUM	18 months following the effective date

The comment period ends 60 days after publication in the Federal Register.

KPMG resources: Defining Issues

PCAOB's ability to inspect and investigate audit firms in China and Hong Kong

On December 15, 2022 the PCAOB published its determination that in 2022 the Board was able to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong, and released a related fact sheet. This determination reset the now two-year clock[1] that could result in trading prohibitions for identified issuers audited by these firms under the Holding Foreign Companies Accountable Act (HFCAA)[2].

On the same day, the SEC Chairman issued a statement highlighting the significance of the PCAOB's determination, noting it as the first time that Chinese authorities have allowed access for complete inspections and investigations meeting US standards.

Until the PCAOB identifies any audit firms in jurisdictions where it is unable to inspect, there are no issuers at risk of having their securities subject to a trading prohibition under the HFCAA.

KPMG resources: Web article

Other SEC headlines

New C&DIs on pay versus performance disclosure rules; non-GAAP financial measures

In February 2023, the SEC staff released new Compliance and Disclosure Interpretations (C&DIs) covering certain implementation and practical questions related to the new pay versus performance (PvP) disclosure requirements.

[1] On December 29, 2022, President Biden signed the Consolidated Appropriations Act, 2023, which includes a provision to accelerate the timeline for implementing trading prohibitions under the HFCAA from three years to two years. Under these amendments, if an issuer is identified by the SEC as having an auditor that the PCAOB is unable to inspect or investigate completely for two consecutive years, the issuer may be subject to delisting.

[2] The HFCAA became law in December 2020. Among other things, the statute requires the SEC to identify public companies that have retained a registered public accounting firm to issue an audit report where the firm has a branch or office that (1) is located in a foreign jurisdiction and (2) the PCAOB has determined that it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction.

Of note, the staff has clarified that the net income performance measure in the PvP table is net income from the registrant's audited US GAAP financial statements; other net income amounts may not be used, such as net income or loss attributable to controlling interests or net income or loss from continuing operations.

KPMG resources: Defining Issues

In December 2022, the SEC staff released new C&DIs related to non-GAAP measures. The updates include recent examples and views that the staff has expressed as part of its filing reviews, including areas such as presentation prominence and characteristics that can make non-GAAP measures misleading.

KPMG resources: Defining Issues

SEC staff updates the Financial Reporting Manual

The SEC staff has updated sections of its Financial Reporting Manual for amendments to Regulation S-X Rules 3-10 and 3-16, and added new Rules 13-01 and 13-02. Notable revisions also include implementation date guidance for ASU 2018-12 (accounting for long-duration contracts) for certain registration statements and the updated emerging growth company revenue threshold based on the inflation-related adjustment, which was announced in September 2022.

Standards effective in 2023

In the first quarter of 2023, calendar year-end public companies must adopt various standards that intend to either 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.

- **Supplier finance program disclosures.** ASU 2022-04 creates a new Subtopic 405-50 that requires a buyer in a supplier finance program arrangement 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.

  In a supplier finance program, a buyer enters into an arrangement with a finance provider or an intermediary to settle its obligations with suppliers.

- **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.

2 New standards and guidance

Forthcoming accounting standards

Two new FASB ASUs are anticipated in the near term but had not been issued as of our publish date. Our respective project pages in KPMG Financial Reporting View will be updated once final standards are issued.

- **Common control lease arrangements.** Will permit *private companies* to use any written terms and conditions between the parties, without regard to their legal enforceability, to identify, classify and account for common control leases. In addition, *all lessees* (public or private) will, in general, amortize leasehold improvements related to a common control lease over their 'useful life' to the common control group, regardless of the Topic 842 'lease term', as long as they continue to control the use of the underlying leased asset. Visit our project page.
- **Expanding the proportional amortization (PAM) method.** 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. Visit our project page.

FASB defers the sunset date of Topic 848

ASU 2022-06 defers the sunset date of Topic 848 (reference rate reform) from December 31, 2022 to December 31, 2024. Topic 848 provides companies with optional expedients that permit an entity to not apply otherwise applicable US GAAP to contracts or transactions that are modified or affected due to reference rate reform. After the sunset date of Topic 848, an entity may no longer apply those expedients.

KPMG resources: Web article and Handbook: Reference rate reform

3 Projects and agenda priorities

Forthcoming FASB proposals

Two new proposed ASUs are anticipated in the near term but had not been issued as of our publish date. Once these proposals are issued, please visit KPMG Financial Reporting View for additional information.

- **Accounting and disclosure for crypto assets.** Would introduce new accounting and disclosure requirements for certain digital assets. A new Codification Subtopic would address scope, measurement, presentation and disclosure, and transition and effective dates; it would apply equally to public and private companies.
- **Improvements to income tax disclosures.** Intends to improve the transparency and decision usefulness of income tax disclosures, and will primarily focus on disclosures related to the rate reconciliation and income taxes paid.

December PCC meeting

The Private Company Council (PCC) met in December 2022 and discussed various FASB projects and developments. Key highlights are summarized below.

- **Accounting for government grants, Invitation to Comment.** The PCC discussed the feedback received on the FASB Invitation to Comment regarding the potential incorporation of IAS 20 into US GAAP. IAS 20 is the IFRS® Accounting Standard on the accounting for government grants and disclosure of government assistance. Members were generally supportive of using IAS 20 as a starting point, but some highlighted the challenges in applying certain aspects of that guidance (e.g. applying the reasonable assurance threshold for recognition). Members also discussed the need for additional examples on accounting for various types of government grants.

  Members that are users emphasized the need for conservatism and consistency in the accounting, and understanding the predictability and risk related to future cash flows.

- **Revenue recognition—Implementation issues.** The PCC discussed the FASB's post-implementation review activities completed to date for Topic 606 (revenue recognition). PCC members were generally supportive of the standard but observed some ongoing implementation challenges for private companies in these areas:
  - insufficient familiarity with Topic 606 (especially smaller companies/firms);
  - disclosures about opening contract balances; and
  - principal versus agent determination in service transactions.
- **Profits interests.** The PCC expressed general support for the Board's decision to add a project to the FASB's technical agenda that would add illustrative examples to the

Codification on applying the scope guidance in Subtopic 718-10 (stock compensation) to determine whether a profits interest or similar award should be accounted for by applying Topic 718. Some members suggested the FASB increase communication about the project with smaller entities who may not be aware of it.

The PCC also discussed and expressed general support for the FASB projects on software costs and crypto assets.

The next meeting is on April 25.

December FASAC meeting

The Financial Accounting Standards Advisory Council (FASAC) met in December 2022 and commented on various FASB projects and activities. Key highlights are summarized below.

- **Accounting for government grants.** Like the PCC, FASAC members discussed and generally supported the FASB's project to develop one accounting model to account for government grants. Unlike the PCC, FASAC members had mixed views about whether IAS 20 or current principles in US GAAP (e.g. accounting for contributions under Subtopic 958-605) should be leveraged as a starting point. For example, Subtopic 958-605 has less optionality than IAS 20 and has principles that are more consistent with other areas of US GAAP, like Topic 606 (revenue recognition). In addition, while most members favored gross presentation on the balance sheet and income statement, other members (including preparers and practitioners) indicated that the option for net presentation should be permitted.
- **Segment reporting.** FASAC members discussed and expressed general support for the FASB's proposal on segment reporting. Members who are investors articulated the importance of public entities reporting high quality information at the segment and consolidated level and noted that diversity exists among typical segment level disclosures.

  Regarding the proposal to disclose significant segment expenses by reportable segment, certain members indicated that evaluating whether a segment expense is significant will require judgment and prefer the Board clarify how the significance threshold in the proposal is to be applied. Some members also suggested that the Board include illustrative examples. In addition, preparers observed that segment expenses may vary from period-to-period.

  Members also inquired about how the proposed guidance that would permit a public entity to disclose more than one measure of a segment's profit or loss would interact with the SEC's views on presenting non-GAAP measures, and how the proposal in general would interact with the Board's project on the disaggregation of income statement expenses.

4 Recommended reading and CPE opportunities

Diversifying the audit profession

Pursuing diversity, equity and inclusion (DEI) is a business imperative for professional services businesses—such as CPA firms—and an integral part of delivering an exceptional client experience and meaningful insights. In an article for *The CPA Journal*, KPMG Audit Partners **Becky Sproul** and **Billy Williams** talk about the firm's Accelerate 2025 initiative to increase professional and personal development opportunities for underrepresented groups. Read the article.

Climate reporting in the crypto world

The cryptocurrency industry is facing increasing regulatory and investor scrutiny as it matures, and strong reporting and assurance practices are defining resilient companies. One area that is top of mind for stakeholders is the crypto industry's impact on the environment, particularly as focus on ESG strategies and reporting increases. In an article for *FEI Daily*, KPMG Audit Partners **Robert Sledge**, **Maura Hodge** and **Caroline Garcia** and Managing Director **Jodie Yan** explore how crypto companies can build strong climate reporting strategies. Read the article.

In bracing for cyber-attacks, tech company boards play a critical role

Logic might suggest that technology companies, given their cutting-edge products and superior IT environments, are less vulnerable to cybercrime than companies in other industries. With millions of customer touchpoints, financially, reputationally and legally the stakes are high. One cyber event has the potential to cripple network infrastructure, release highly sensitive customer information, expose intellectual property and wreak havoc at scale. In an op-ed for *FEI Daily*, KPMG Audit Partners **Janel Riley** and **John Rodi** identify three key cyber security considerations for technology company boards. Read the article.

Guest post: Carbon trading and transfer pricing – the next frontier for multinational companies

With an increasing focus on ESG issues, many multinational corporations have made public commitments to net zero and have started developing long-term strategies for lowering greenhouse gas emissions. In an article for *ESG Today*, KPMG US Tax Partners **Jessie Coleman**, **Sayantani Ghose**, KPMG UK Tax Partner **Richard Murray** and KPMG US Tax Senior Manager **Lorie Srivastava** share how carbon trading and transfer pricing are the next frontier for these organizations. 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 2023 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**
2022-06	Deferral of the sunset date of Topic 848	848	A/I	12/21/22	12/21/22	12/21/22	12/21/22	N/A	No	Web article
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/I	12/15/23	12/15/23	12/15/23	12/15/24	Yes	No	Defining Issues Podcast
2022-02	Troubled debt restructurings and vintage disclosures	326	A/I	12/15/22	12/15/22	12/15/22	12/15/22	Yes[2]	Yes	Defining Issues Handbook Hot Topic (FAQs)
2022-01	Fair value hedging—Portfolio layer method	815	A/I	12/15/22	12/15/22	12/15/22	12/15/23	Yes	No	Defining Issues Handbook
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/I	12/15/22	12/15/22	12/15/22	12/15/23	Yes	No	Defining Issues
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

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
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/I	12/15/21	12/15/21	12/15/21	12/15/21	Yes	No	Defining Issues
2021-02*	Revenue from contracts with customers: Practical expedient for franchisors	952-606	A/I	N/A	N/A	N/A	12/15/20	Yes	Yes[4]	Handbook
2021-01	Reference rate reform: Scope	848	A/I	1/7/21	1/7/21	1/7/21	1/7/21	N/A	Yes[5]	Defining Issues
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/I	12/15/21	12/15/23	12/15/23	12/15/23	Yes[6]	No	Defining Issues Handbook
2020-04*	Simplifying the effects of reference rate reform on financial reporting	848	A/I	3/12/20	3/12/20	3/12/20	3/12/20	N/A	Yes[7]	Defining Issues
2020-01*	Clarifying the Interactions between Topic 321, Topic 323 and Topic 815	321 323 815	A/I	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Web article Defining Issues Handbook
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			

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
2019-11	Codification improvements to Topic 326, Financial instruments—Credit losses	326	A/I	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[8]	Web article Handbook
2019-05*	Credit losses – Targeted transition relief	326	A/I	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[8]	Web article Handbook
2019-04	Credit losses, derivatives and hedging, financial instruments – Codification improvements	326 815 825	A/I	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[9]	Defining Issues Handbook
2019-02*	Improvements to accounting for costs of films and license agreements for program materials	926-20 920-350	A/I	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues
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/I	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Web article Handbook
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			
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			

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
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/I	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Defining Issues
2016-13*	Measurement of credit losses on financial instruments	326	A/I	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Handbook
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			

Appendix: Accounting standards effective dates

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 12/31/2024.
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 12/31/2024.
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.
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).

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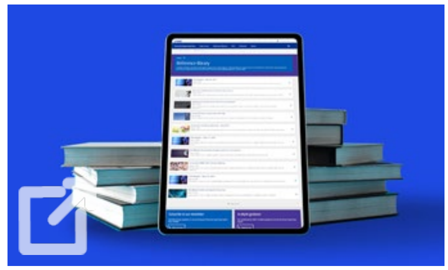

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