



Quarterly Outlook

December 2025

The SEC outlines its priorities at the 2025 AICPA Conference, the future of IEEPA tariffs remains uncertain, and enhanced income tax disclosure requirements take effect.

US GAAP

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At the 2025 AICPA Conference on Current SEC and PCAOB Developments, SEC Chairman Atkins outlined an investor-focused agenda that prioritizes simplified, decision-useful disclosures and clear guidance on emerging areas like crypto. Chief Accountant Hohl added the need for convergence between the US and international standard-setters in *both* accounting and auditing. Other Conference panelists provided practical advice on various accounting and disclosure topics, including segment reporting, non-GAAP financial measures, taxes and tariffs. And not surprisingly, AI as a transformative force in financial reporting was a hot topic.

Meanwhile, the FASB has been clearing its agenda and setting the stage for new priorities – issuing standards that modernize the internal-use software guidance, provide new guidance on government grant accounting and interim reporting, and enhance certain aspects of derivative and hedge accounting.

And while sustainability reporting rules continue to advance, there are some obstacles and changes in progress. California climate laws suffered a partial setback, the EU is set to significantly narrow the scope of reporting as the underlying standards are simplified, and proposed GHG Protocol updates could reshape decarbonization strategies.

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



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Current quarter financial reporting matters

2025 AICPA Conference on Current SEC and PCAOB Developments

The AICPA hosted its annual Conference on Current SEC and PCAOB Developments, featuring speakers from the SEC, PCAOB and FASB, and other key players in the financial reporting ecosystem. The discussions emphasized a 'back to basics' regulatory approach, the importance of transparency in financial reporting and the transformative role of AI.

SEC Chairman Paul Atkins set the tone for the conference by advocating a return to fundamental principles that focus on compliance costs and governance, while also highlighting the importance of enabling innovation through smarter regulation. Atkins expressed concerns that regulations have become overly complex and burdensome, using risk factor and executive compensation disclosures as examples. His vision includes rationalizing disclosure requirements, streamlining corporate governance, and providing clarity on crypto regulation to revitalize public markets.

The SEC Division of Corporation Finance (Corp Fin) emphasized the importance of clear, company-specific and decision-useful disclosures. The staff provided guidance on predecessor financial statements and discussed segment reporting, including the significance of evaluating what the CODM (Chief Operating Decision Maker) reviews and using that to begin the evaluation of segments. Corp Fin encouraged companies to contact the staff with questions, emphasizing that consultation makes the filing review process smoother.

SEC Chief Accountant Kurt Hohl emphasized the importance of international standards convergence to reduce investor confusion and compliance costs. Hohl stressed the need for both the FASB and PCAOB to collaborate with their respective international counterparts to leverage each other's work, and for preparers to engage early in the standard-setting process. He also highlighted the need for the PCAOB to adapt its inspection processes to the changing quality control environment.

FASB Chair Rich Jones highlighted the FASB's commitment to acting on stakeholder feedback and ensuring that standards are both robust and implementable. The FASB has added projects on crypto assets to its technical agenda and sought in-depth feedback through targeted Invitations to Comment on intangibles and financial KPIs.

The following are some other Conference highlights.

- **AI's transformative role.** Speakers explored the immense opportunities AI offers in financial reporting, while also emphasizing the need for responsible adoption through robust governance and internal controls.
- **Segment reporting scrutiny.** Corp Fin is closely examining how companies define and report segments, emphasizing the importance of aligning segment disclosures with business realities and GAAP.



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- **Tariff uncertainty.** The complexities of [tariffs](#) and their effect on financial reporting were highlighted, with a reminder to provide adequate disclosures of potential risks and avoid inappropriate non-GAAP adjustments.
- **The age of tax transparency.** The increasing tax transparency driven by initiatives like [Pillar Two](#) and Country-by-Country Reporting requires companies to maintain internal alignment and manage the risk of misinterpretation.
- **Importance of communication.** The Conference underscored the importance of open communication and collaboration among company management, legal counsel and external auditors or accounting advisors to navigate the changing landscape effectively.

Overall, Conference speakers emphasized the need for a balanced approach that integrates a return to fundamental principles with the adoption of innovative technologies and proactive engagement with regulators and standard-setters.

KPMG resources: For more insights from the conference, see our Highlights Briefing and our series of conference blogs [here](#).

Supreme Court case on IEEPA tariffs adds uncertainty for financial reporting

The US tariff and trade policy landscape continues to evolve. On November 5, 2025, the US Supreme Court heard oral arguments challenging the President's use of the International Emergency Economic Powers Act (IEEPA) to impose broad tariffs. This follows rulings by lower courts earlier this year that the IEEPA tariffs exceed the President's statutory authority.

While the tariffs remain in effect pending the Supreme Court's decision, a ruling that affirms the lower courts' decision could introduce significant accounting and financial reporting challenges. The timing of a decision remains uncertain; it could come as soon as the end of 2025 or in the first half of 2026.

If the tariffs are struck down, it is unclear how any refunds would be structured, including whether the ruling could be applied on a prospective or retrospective basis. The nature of the decision will raise numerous accounting questions. A ruling that invalidates the tariffs could necessitate a rapid and accurate calculation of the refund amount. Companies may also need to consider their contractual obligations if they must pass refunds on to customers.

Access our FRV [web page](#) for more on the effects of tariffs on accounting and financial reporting. Our [briefing](#) can help guide you in asking the right financial reporting questions related to tariffs uncertainty. In addition, our [Handbook, Accounting for economic disruption](#), provides more detailed discussion and is a useful tool for evaluating some of these potential effects.

Last call for increased income tax disclosures

With year-end reporting just around the corner, public companies should be finalizing their adoption of [ASU 2023-09](#), Improvements to income tax disclosures. Among other things, the ASU requires much greater disaggregation of a company's effective tax rate and income taxes paid during the year based on certain prescribed categories and jurisdictions.

Under the ASU, the effective tax rate reconciliation must include:



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- specific federal categories, such as tax credits, changes in valuation allowances, nontaxable or nondeductible items, and changes in tax laws or rates;
- state and local taxes;
- foreign tax effects; and
- changes to unrecognized tax benefits.

Certain categories are further disaggregated by nature using a threshold equal to 5% of the statutory tax rate. In addition, foreign tax effects are disaggregated by both country *and* nature based on the same 5% threshold – meaning that a foreign jurisdiction is separately disclosed if *either* the country meets the threshold in total (net) or any underlying reconciling items meet the threshold (gross). For all categories, reconciling items must be presented on a gross basis, unless netting is explicitly permitted.

As public companies finalize their adoption, they should be focused on detailed execution and the control environment. Key actions include:

- finalizing the presentation of the new disclosures, including the choice between prospective and retrospective application;
- confirming that processes and internal controls over financial reporting are appropriately designed and operating effectively to ensure the accuracy and completeness of the disaggregated data; and
- reviewing draft year-end income tax disclosures with auditors, the audit committee and other key stakeholders.

The ASU is effective for public companies in annual periods beginning after December 15, 2024, and for all other entities (i.e. nonpublic companies) in annual periods beginning after December 15, 2025.

Nonpublic companies should start planning for the increased qualitative disclosures in their 2026 financial statements.

KPMG resources: To learn more about the ASU and our observations about its potential effects to practice, check out our [Hot Topic](#) and [Webcast](#) replay.

Other SEC headlines

SEC clarifies filer status transition for registrants losing SRC status

The SEC has issued [Compliance and Disclosure Interpretation \(C&DI\) 130.05](#), which provides targeted transition relief for a registrant that loses its smaller reporting company (SRC) status¹. Specifically, an SRC that qualified under the two-part revenue test but subsequently loses SRC status may be entitled to two accommodations.

- ***Retains non-accelerated filer status.*** If a registrant classified as a non-accelerated filer loses its SRC status under the two-part revenue test at the end of its second fiscal

¹ SRCs compose a category of US public companies eligible for certain scaled-down SEC disclosure requirements. To qualify, a company generally must have either (1) a public float of less than \$250 million, or (2) annual revenues of less than \$100 million and a public float of less than \$700 million. Public float represents the market value of a company's stock held by non-affiliated investors.



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quarter, it will continue to qualify as a non-accelerated filer for all filings due in the year following loss of its SRC status.

- *Receives a one-year deferral of Section 404(b) requirements².* By providing a transition relief period for non-accelerated filer registrants in the year they lose their SRC status, the C&DI essentially grants a one-year deferral before Section 404(b) auditor attestation becomes mandatory.

Determining a registrant's reporting and filer status is critical for meeting regulatory requirements, including disclosure obligations, Section 404(b) auditor attestation and filing deadlines. The new guidance highlights the complexity of this process, which requires ongoing monitoring and careful evaluation of each registrant's specific facts and circumstances. Companies should work closely with their advisers to ensure accurate status determinations.

KPMG resources: [Web article \(including illustrative examples\)](#)

SEC staff updates its Financial Reporting Manual

In December, the SEC Division of Corporation Finance updated its [Financial Reporting Manual](#) to reflect the SEC's [final rules](#) for Special Purpose Acquisition Companies, shell companies and projections, which were effective July 1, 2024.

KPMG resources: [Web article](#)

Sustainability reporting – Progress and challenges

Some clarity is emerging as multiple sustainability reporting requirements take shape, even as legal challenges surface amid the evolving regulatory landscape.

In the US, California's climate laws suffered a partial setback even as the California Air Resources Board (CARB) released proposed regulations. Internationally, the EU has reached a provisional agreement on its proposed Content Directive and the proposed simplified European Sustainability Reporting Standards (ESRS) have been unveiled. Plus, proposals from the Greenhouse Gas (GHG) Protocol could affect companies' decarbonization plans.

California climate laws

Proposed regulations released

On December 9, CARB issued its formal proposals on the definitions and fee calculations that would underpin the scoping of SB-253 (GHG emissions) and SB-261 (climate risks), as well as the deadline for first reporting under SB-253. The comment period will be open from December 26 to February 9, 2026, and a public hearing is scheduled for February 26, 2026.

The following are highlights from the proposals.

- The first reporting deadline for SB-253 would be August 10, 2026. Companies would report using their 2025 fiscal-year data, except for companies with fiscal year-ends between January 1 and February 1, which would report using 2026 fiscal-year data.

² Sarbanes-Oxley Act of 2002 (SOX) Section 404(b) requires that an independent, registered public accounting firm (an external auditor) review and provide its own attestation on management's assessment of internal controls.



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- The definitions for ‘doing business in California’ and ‘revenue’ would leverage the California Revenue and Taxation Code. The scoping assessment would be based on the lesser of a company’s revenues from the two latest complete fiscal years.
- The SB-261 exemption for insurance companies would be extended to SB-253.

SB-261 enforcement paused

On November 18, the Ninth Circuit Court of Appeals issued a temporary injunction halting enforcement of SB-261 while it reviews the district court’s opinion upholding the law. CARB followed suit by issuing an Enforcement Advisory to officially clarify that it will not enforce the January 1, 2026 deadline for SB-261 reporting while this appeal is pending. Oral arguments in the appeal are currently scheduled for January 9, which is after the statutory deadline for SB-261 reporting. CARB will provide additional guidance, including a revised reporting date if appropriate, once the appeal is resolved. In the meantime, for companies that wish to report voluntarily, CARB has opened the public docket with instructions for submission.

SB-253 clarifications

In November, CARB updated its FAQs, which included the following clarifications.

- A draft reporting template issued for public comment in September will remain in draft and its use for first-year reporting is voluntary.
- Assurance will not be enforced in the first year of reporting.
- A non-US parent may submit its consolidated report to satisfy the required reporting on behalf of its in-scope US subsidiaries; this clarification also applies to SB-261.

To learn more, visit our California [digital hub](#) and read our [Hot Topic](#).

EU developments

The EU has reached a provisional agreement on its proposed Content Directive between the European Parliament (EP) and the Council of the EU (Council). The agreement will result in major changes to the Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive, including significant changes to scoping thresholds. The Council endorsed this agreement on December 10 and the EP is expected to vote on it by the end of the year.

EFRAG, the EU’s corporate reporting advisory board, has proposed simplified ESRS and submitted them to the European Commission (EC). The EC is now proceeding with its own due process to see whether more changes are warranted. Our [guide](#) will help you understand the changes EFRAG has proposed and what they would mean in practice.

For more comprehensive news on EU developments that are relevant to US companies, visit our EU [digital hub](#).

GHG Protocol

The GHG Protocol has launched two public consultations as part of its broader effort to modernize and strengthen its standards. In particular, proposals to update the Scope 2 Guidance would require more precise reporting of electricity use and emissions that would reflect when and where power is generated and consumed. This could require companies to adjust not only their energy procurement, but also their emissions accounting and reporting practices. Comments are due by January 31, 2026.



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Sustainability resources to keep coming back to:

- Sustainability reporting for US financial reporting professionals: [KPMG Financial Reporting View](#)
 - ISSB Standards Today: [KPMG's latest ISSB insights and guidance](#)
 - ESRS Today: [KPMG's latest ESRS insights and guidance](#)
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Monitoring highly inflationary economies

Reporting entities are responsible for monitoring inflation in countries in which they have operations. Recent inflation data is available from the October 2025 World Economic Outlook (WEO) database on the International Monetary Fund (IMF) website, as well as from relevant government agencies.

The WEO database contains selected macroeconomic data, which presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups and in many individual countries. The WEO database is released in April and October each year.

Based on this data, there are no changes to the classification of economies for calendar year-end reporting entities since the WEO was last released in April 2025. Reporting entities should consider subsequent data when determining whether a country should be, or should no longer be, classified as highly inflationary as of January 1, 2026.

KPMG resources: [Handbook: Foreign currency](#)

Standards effective in 2025

In the first quarter of 2025, calendar year-end public companies were required to adopt the following accounting standards, except for ASU 2023-09 (income tax disclosures), which is first effective in 2025 for annual periods only. We highlight [ASU 2023-09](#) separately in this publication.

- **ASU 2024-02, Codification improvements**, removes from the Codification all references to the FASB Concepts Statements. The references were considered unnecessary for understanding or applying the guidance, and their removal is not expected to significantly affect current accounting practice for most companies.
- **ASU 2024-01, Scope application of profits interest and similar awards**, introduces a new example that includes four fact patterns to demonstrate how a company applies the scope guidance in paragraph 718-10-15-3 to determine whether its profits interest awards should be accounted for under Topic 718 (stock compensation). The ASU is intended to reduce complexity and diversity in practice.
- **ASU 2023-08, Accounting for and disclosure of crypto assets**, introduces new Subtopic 350-60 to address measurement, presentation and disclosure of certain digital assets. Of note, it will require companies to measure in-scope crypto assets (e.g. bitcoin and ether) at fair value, with fair value changes recognized in current period earnings. It also introduces new presentation and disclosure requirements for those assets in addition to the disclosures already required under Topic 820 (fair value measurement).



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- **ASU 2023-05, Joint venture formations: Recognition and initial measurement**, introduces new Subtopic 805-60, which contains accounting requirements for a joint venture (JV) formation.
- **Long-duration insurance contracts**. Insurance entities in the scope of Topic 944 (long-duration contracts) that are not SEC filers and smaller reporting companies (SRCs), must adopt **ASU 2018-12**, which changes how they recognize, measure, present and disclose long-duration contracts. The ASU intends to improve, simplify and enhance the financial reporting requirements for long-duration contracts. SEC filers (excluding SRCs) were required to adopt ASU 2018-12 in 2023.

In December 2022, the FASB issued **ASU 2022-05**, which provides an accounting policy election to exclude certain contracts or legal entities sold and derecognized from the targeted amendments in ASU 2018-12.

Our [ASU effective dates web page](#) provides a complete list of accounting standards that companies are required to adopt in 2025 and beyond.

PCAOB provides insights into its inspections process

The PCAOB released an [Investor Bulletin](#) outlining the scope of key features of its inspections program and reinforcing the important role the program plays in driving audit quality and investor confidence. The bulletin explains that inspections evaluate audit firms' compliance with PCAOB standards and rules, SEC rules and the Sarbanes-Oxley Act. It clarifies which audit firms are subject to inspection and emphasizes the PCAOB's focus on high-risk or complex audit areas and firm-wide quality controls in areas such as independence, engagement acceptance and tone at the top. When deficiencies are identified, reviews may be expanded, and results are published in public inspection reports. This bulletin also includes hyperlinks to other resources that investors may find helpful in learning more about the PCAOB's mission and work, including its inspections program.



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New standards and guidance

FASB clarifies interim reporting requirements

[ASU 2025-11](#) clarifies interim reporting requirements under US GAAP by improving the navigability of Topic 270 and more clearly specifying what disclosures are required in an interim reporting period.

The amendments to Topic 270 are not intended to significantly change interim reporting or expand or reduce interim disclosure requirements. Rather, the ASU aims to:

- specify form and content choices for interim financial statements and accompanying notes;
- add a comprehensive list of required interim disclosures from numerous Codification Topics to Topic 270; and
- introduce a disclosure principle requiring events since the end of the previous annual reporting period to be disclosed if they materially affect the entity.

The new guidance applies to all entities – public and private – that prepare interim financial statements and notes under US GAAP.

ASU 2025-11 is effective as follows.

Effective for:	Public business entities	All other entities
Interim periods in fiscal years beginning after...	December 15, 2027	December 15, 2028
Early adoption permitted?	Yes.	

KPMG resources: [Defining Issues](#)

FASB issues new guidance on government grants

[ASU 2025-10](#) introduces a comprehensive accounting model for government grants under US GAAP, addressing the gap in previous guidance, which focused only on disclosure requirements. Of note, the ASU:

- expands Topic 832 on government assistance beyond disclosures, prescribing recognition and measurement guidance for government grants that is largely aligned with IAS 20 (the international accounting standard addressing government grants and government assistance), but tailored for US GAAP;
- defines a government grant as a transfer of monetary or tangible nonmonetary assets, excluding exchange transactions, from a government to a business entity;



New standards and guidance

- provides a recognition threshold under which a grant is not recognized until:
 - it is probable that the entity will comply with the grant's conditions and that the grant will be received; and
 - the entity meets the specific recognition guidance for a grant related to an asset (i.e. as the related costs are incurred) or a grant related to income (i.e. as the related expenses are incurred);
- leverages existing disclosure requirements in Topic 832 for annual periods.

ASU 2025-10 is effective as follows.

Effective for:	Public business entities	All other business entities
Annual and interim periods in fiscal years beginning after...	December 15, 2028	December 15, 2029
Early adoption permitted?	Yes, for interim or annual periods for financial statements that have not yet been issued or made available for issuance.	

KPMG resources: [Defining Issues](#)

FASB enhances hedge accounting

ASU 2025-09 introduces targeted changes to US GAAP to more closely align financial reporting with the economics of some of a typical company's risk management activities. These amendments respond to feedback from implementing ASU 2017-12's hedge accounting provisions and address challenges arising from the cessation of LIBOR. While most of ASU 2025-09's changes relate to cash flow hedging, certain provisions also affect fair value and net investment hedges.

Nonfinancial component hedges

- Allows companies to designate a variable price component of a forecasted purchase or sale of a nonfinancial asset if the component is clearly and closely related to the nonfinancial asset being purchased or sold.

Groups of forecasted transactions – similar risk exposure

- Allows individual forecasted transactions – including interest payments tied to different interest rate indexes – to be hedged in a group if they share similar risk exposure.
- Provides guidance for assessing whether individual transactions have similar risk exposure.

Change in hedged risk for 'choose-your-rate' debt instruments

- Introduces a model borrowers can use in cash flow hedges of forecasted interest payments on 'choose-your-rate' debt instruments.
- Allows a borrower to select any documented interest rate index and/or tenor without automatically discontinuing hedge accounting and to apply certain simplifying assumptions.
- Allows the new model to be applied to existing debt (and its replacements), and to forecasted issuances of debt.



New standards and guidance

In addition, ASU 2025-09 removes the net written option test for certain compound derivatives and eliminates the recognition and presentation mismatch in dual hedge strategies (i.e. a hedge for which a foreign-currency-denominated debt instrument is designated as the hedging instrument in a net investment hedge and designated as the hedged item in a fair value hedge of interest rate risk).

The guidance applies to all companies that elect hedge accounting under Topic 815.

ASU 2025-09 is effective as follows.

Effective for:	Public business entities	All other entities
Annual and interim periods in fiscal years beginning after...	December 15, 2026	December 15, 2027
Early adoption permitted?	Yes, on any date on or after ASU issuance (November 25, 2025).	

KPMG resources: [Defining Issues](#)

FASB streamlines accounting for purchased loans

[ASU 2025-08](#) introduces targeted changes to the accounting for acquired loans under Topic 326 (credit losses). The update responds to stakeholder concerns about complexity and lack of comparability in the current dual-model approach for purchased financial assets with credit deterioration (PCD assets) and non-PCD loans.

The ASU expands the gross-up method – previously limited to PCD assets – to include certain acquired non-PCD loans that are classified as ‘purchased seasoned loans’ and provides criteria for determining whether acquired loans qualify as purchased seasoned loans. Under the gross-up method, an allowance for credit losses is recognized at acquisition with an offsetting increase to the loan’s amortized cost basis. The Day 1 allowance for credit losses is established without an income statement effect. The ASU keeps the guidance for PCD assets unchanged but results in narrow subsequent measurement differences between purchased seasoned loans and PCD assets.

ASU 2025-08 is effective as follows.

Effective for:	All entities
Annual and interim periods in fiscal years beginning after...	December 15, 2026
Early adoption permitted?	<p>Yes, in any annual or interim reporting period if financial statements have not yet been issued or made available for issuance.</p> <p>If early adopted in an interim period, an entity applies the amendments at the initial application date, which is the beginning of either:</p> <ul style="list-style-type: none">— the interim reporting period; or— the annual reporting period that includes the interim period.

KPMG resources: [Defining Issues](#)



FASB provides derivative scope refinements

[ASU 2025-07](#) introduces refinements to derivative accounting under Topic 815 and clarifies guidance for share-based noncash consideration received from a customer for the transfer of goods or services.

- **Derivatives scope exception.** The ASU adds a scope exception from derivative accounting for contracts that (1) are not exchange-traded and (2) have underlyings based on operations or activities specific to one of the parties to the contract. Certain contracts based on specific underlyings do not qualify for this exception.

This change may affect accounting for entire contracts – such as research and development funding arrangements and litigation funding arrangements – as well as embedded features in hybrid instruments, such as bonds whose interest payments vary based on environmental-, social- and governance-linked metrics.

- **Share-based noncash consideration.** The ASU clarifies that revenue guidance in Topic 606 applies initially when an entity receives share-based noncash consideration (e.g. shares, share options or other equity instruments) from a customer in exchange for goods or services. Other guidance (e.g. Topic 815 or Topic 321) applies only after the right to receive or retain the share-based noncash consideration becomes unconditional under Topic 606.

These changes aim to reduce complexity and diversity in practice for certain contracts and revenue arrangements. They apply to all entities with contracts potentially subject to derivative accounting or revenue arrangements involving share-based noncash consideration.

ASU 2025-07 is effective as follows.

Effective for:	All entities
Annual and interim periods in fiscal years beginning after...	December 15, 2026
Early adoption permitted?	Yes, in any annual or interim reporting period if financial statements have not yet been issued or made available for issuance.

KPMG resources: [Defining Issues](#)

FASB modernizes the accounting for internal-use software

[ASU 2025-06](#) makes targeted improvements to the accounting for internal-use software under Subtopic 350-40. This update responds to stakeholder feedback that existing guidance – developed in the late 1990s – does not reflect today's agile development practices and creates inconsistencies between Software as a Service (SaaS) and licensed models.

Specifically, the ASU does the following.

- **Cost capitalization threshold.** Eliminates the traditional 'development stage' model. Capitalization now begins when (1) management authorizes and commits to funding the project, and (2) it is probable the project will be completed and the software will perform its intended function (the 'probable-to-complete' threshold).



New standards and guidance

- **Enhanced guidance.** Elaborates on the 'probable-to-complete' threshold by stating that an entity does not meet this threshold if there is significant uncertainty as to the software's development and introduces examples to illustrate the threshold's application. Significant development uncertainty is assessed for each software project and is considered to exist if (1) the software has novel, unique, unproven features or technological innovations that have not been proven through coding and testing, or (2) the significant performance requirements are subject to substantial revision.
- **Website development costs.** Eliminates Subtopic 350-50 (website development costs) and relocates relevant guidance into Subtopic 350-40, with an updated example.

The ASU does *not* change what costs can be capitalized (e.g. training and data migration continue to be expensed as incurred), when capitalization ceases (software is substantially complete) or the accounting for *external*-use software.

ASU 2025-06 is effective as follows:

Effective for:	All entities
Annual and interim periods in fiscal years beginning after...	December 15, 2027
Early adoption permitted?	Yes, in any interim or annual period for which an entity's financial statements have not been issued (or made available for issuance) as of the beginning of the entity's fiscal year.

KPMG resources: Defining Issues

Standards effective in 2026

In 2026, calendar year-end public companies are required to adopt the following accounting standards.

- **ASU 2024-04, Induced conversions of convertible debt instruments**, provides guidance on whether induced conversion or extinguishment accounting is applied to certain settlements of convertible debt instruments that do not occur under the instruments' preexisting terms. Read our [Defining Issues](#).
- **ASU 2025-05, Measurement of credit losses for accounts receivable and contract assets for private companies and certain not-for-profit entities**, offers targeted relief for entities applying Topic 326 (credit losses) to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606 (revenue from contracts with customers) by introducing a practical expedient (available to all entities) and an accounting policy election (available to entities other than public business entities that have also elected the practical expedient). Read our [Defining Issues](#).

Our [ASU effective dates web page](#) provides a complete list of accounting standards that companies are required to adopt in 2025 and beyond.

Public companies should consider disclosures about these and all other issued but not yet adopted accounting standards (i.e. SAB 74 disclosures) when preparing their 2025 financial statements.



3

FASB projects and agenda priorities

FASB targets consistency in measuring paid-in-kind dividends

The FASB has issued a [proposal](#) to standardize how companies initially measure paid-in-kind (PIK) dividends on equity-classified preferred stock. Currently, US GAAP lacks clear guidance, leading to inconsistent practices and reduced comparability across financial statements.

Under the proposal, PIK dividends on equity-classified preferred stock would be initially measured using the stated dividend rate in the preferred stock agreement multiplied by the liquidation preference of the shares. This approach would eliminate current diversity in practice by filling a hole in US GAAP guidance.

The scope of the proposal would be limited to certain equity-classified preferred stock. Notably, both liability-classified preferred stock accounted for under Topic 480 (distinguishing liabilities from equity) and nonmonetary asset transfers accounted for under Topic 845 (nonmonetary transactions) would be excluded.

The proposed ASU would allow companies to adopt the amendments either prospectively or through a modified retrospective approach, with early adoption permitted for financial statements not yet issued. Because the proposed ASU would standardize how PIK dividends are initially measured, it could lead to some companies changing how they measure these dividends. Therefore, companies should assess the financial reporting effect of this proposal and determine which transition method they plan to adopt.

Comments were due October 27.

[KPMG resources: Defining Issues](#)

PCC advances research on lease simplifications and debt accounting alternatives

At its [September](#) meeting, the Private Company Council (PCC) advanced its agenda by reviewing research on three priority topics: lease accounting simplifications, subjective acceleration clauses, and alternatives to the interest method for debt instruments.

- **Lease accounting simplifications.** The PCC reviewed feedback from its leases working group and public roundtable on Topic 842. Members supported further research on an optional single-model approach for lessees, embedded leases and lease modifications. Other areas of interest included low-value leases, weighted-average disclosures and related-party arrangements. Broader outreach to private company stakeholders is planned.



FASB projects and agenda priorities

- **Subjective acceleration clauses.** The PCC discussed staff research on subjective acceleration clauses in private company debt agreements and noted potential private company accounting differences. Members agreed this topic should remain a priority, with additional outreach to financial statement users and other stakeholders.
- **Interest method and effective interest rate.** The PCC considered alternatives to the interest method required under Topic 835 for certain debt instruments. Feedback from practitioners suggests exploring broader debt-related issues, including debt modifications. Further research will continue in these areas.

In addition, the PCC received updates on several FASB research initiatives and technical agenda projects, including feedback gathered from private-company stakeholders. Discussions covered priorities for future standard-setting, challenges in accounting for intangibles, and the role of financial KPIs for private companies.

The FASB staff also updated the PCC on select technical projects and highlighted recently issued standards relevant to private companies.

FASAC weighs in on the evolving landscape of financial reporting and standard-setting

The Financial Accounting Standards Advisory Council (FASAC) met in [September](#) to receive an update on recent FASB activity from the FASB Chair and to hear perspectives from the SEC, PCAOB and AICPA Auditing Standards Board – setting the stage for robust discussions on priorities shaping the future of accounting.

Agenda consultation: Balancing stakeholder priorities

Council members reviewed feedback on the FASB's 2025 Invitation to Comment, emphasizing the need to balance diverse stakeholder priorities. Four topics dominated the conversation.

- **Equity method of accounting.** Members debated whether to align the accounting for equity method investments with Topic 321 (equity security investments). Investors favored consistency and more disclosures, while preparers flagged operational challenges and questioned broad applicability.
- **Consolidation guidance.** Members acknowledged complexities for smaller companies applying the variable interest entity model. They suggested simplifying disclosures and exploring a single consolidation model but warned that costs could outweigh benefits.
- **Asset retirement obligations.** Members ranked AROs as a low priority but recommended refining recognition criteria and improving disclosures.
- **Liabilities versus equity.** Members expressed mixed views on revisiting guidance under Subtopic 815-40 (contracts in an entity's own equity). Investors raised concerns about income statement volatility, while preparers noted persistent complexity despite recent improvements.

Technology's growing influence

Council members emphasized technology's accelerating role in financial reporting. They noted that advanced tools narrow the gap between sophisticated and casual investors but



FASB projects and agenda priorities

questioned reliability. Preparers reported efficiency gains yet cautioned that adoption lags due to strict controls. Members urged the FASB to consider technology's effect on the application of future standards and to favor principles-based approaches as data-driven decision-making expands.

Post-Implementation Review: CECL

Council members assessed the current expected credit losses (CECL) standard, or Topic 326. Investors praised earlier recognition of credit losses and improved disclosures, while preparers highlighted forecasting challenges and complexity for both long-term instruments and short-term receivables.

Looking ahead

Members flagged additional priorities, including derivatives and hedging, business combinations and principal-agent considerations. They stressed the need to balance cost, complexity and decision usefulness as the FASB navigates a rapidly changing financial ecosystem.



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Recommended reading and CPE opportunities

From reaction to readiness: Understanding modern CROs

Companies and stakeholders can find themselves navigating rough waters for any number of reasons and may decide they need the specialized help of a chief restructuring officer (CRO) to guide the path forward. **Mychal Harrison**, KPMG US National Turnaround and Restructuring Leader, and **Brian Buebel**, KPMG US National Turnaround and Restructuring Principal, explore how a CRO can offer a different perspective and skill set, bring discipline to an organization and effect needed cultural change. They also discuss how organizations wait too long to bring in a CRO, according to a recent KPMG survey. What's more, survey respondents consistently shared that earlier intervention would likely have led to better outcomes. Read the [article](#) (page 15).

2026: The age of the AI supply chain

As AI accelerates across manufacturing and automotive supply chains, leaders must balance technology adoption with workforce readiness, trust and strategic restructuring to unlock enterprise-wide value. Supply chains in manufacturing and automotive are shifting toward AI-first operations, but true scalability requires clean data, standardized processes and disciplined governance. **Brian Higgins**, KPMG US Manufacturing Sector Leader and Advisory Principal, and **Lenny LaRocca**, KPMG US Automotive Leader and Advisory Partner, discuss how companies are rapidly building digital capabilities so planners, analysts and operators can work effectively with AI agents and convert automation into real business value. Transparent communication, clear outcomes and strong change management are essential for employees to adopt and embrace AI-driven workflows. Read the [article](#).

Winning strategies for life sciences in a converging policy landscape

2025 has been a whirlwind year for the life sciences industry as the sector continues to grapple with a diverse set of evolving challenges. The simultaneous impacts of global trade shifts, US tax reforms and changing drug pricing policies have prompted companies to reevaluate both their short-term and longer-term business strategies. **Kristin Pothier**, KPMG Americas Life Sciences Sector Leader and Global and National Healthcare and Life Sciences Deal Advisory & Strategy Leader, and **Christine Kachinsky**, KPMG US National Tax Sectors Leader and Life Sciences Industry Leader, discuss how as the sector enters the final stretch of 2025 and begins to look ahead to 2026, an integrated perspective with robust scenario planning is critical for organizations seeking to not merely manage risks but instead thrive and grow. The real winners in life sciences will be those who break down silos and proactively collaborate across finance, tax and strategy functions. By approaching these converging forces strategically, organizations can seize opportunities, outpace disruption and set the pace for long-term growth. Read the [article](#).



Connected, not just autonomous: The real future of transportation

The promise of self-driving cars has captivated the public, and the viral clips of these vehicles smoothly navigating through traffic or, occasionally, missing a stop sign, highlight both their potential and the challenges that remain. A more coordinated approach is essential to bridging the gap so this technology can fully scale. **Frank Albarella**, KPMG US Sector Leader for Media & Telecommunications, and **Lenny LaRocca**, KPMG US Automotive Leader and Advisory Partner, discuss how the ecosystem is already here – but it's fragmented. They explore how, while 5G networks can support these systems, most AV platforms still rely on local data storage and manual data offloading, leading to operational bottlenecks, underutilized infrastructure and a disconnect between what's possible and what's deployed. Read the [article](#).

Upcoming CPE opportunities

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





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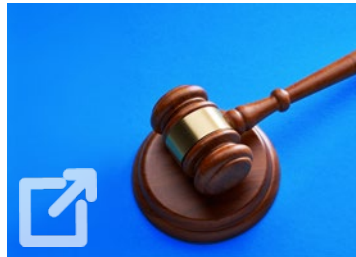
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