Quarterly Outlook

March 2025

The impacts of the new Administration are becoming increasingly evident. New leadership at the SEC ushers in a fresh start, certain PCAOB initiatives come to a halt, and sustainability reporting efforts shift to the states.

US GAAP

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Quarterly Outlook

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As we transition to a new Administration, the regulatory landscape is experiencing significant shifts. Recent appointment changes and departures at the SEC are indicative of the broader transformations underway with similar changes anticipated at the PCAOB. Of note, the SEC rescinded Staff Accounting Bulletin No. 121 (SAB 121), which imposed requirements on banks and broker-dealers when accounting for the custody of crypto assets. Concurrently, certain standard-setting initiatives at the PCAOB have come to a halt, reflecting a transformative shift in regulatory priorities.

On sustainability reporting, there has been a flurry of state-level climate reporting proposals. The European Commission has issued major proposals to reduce the burden of sustainability reporting, and the International Sustainability Standards Board is set to propose practical amendments to ease application.

At the FASB, several feedback-seeking initiatives are underway, including three Invitations to Comment – covering broad agenda consultation, recognition of intangibles and financial key performance indicators – and several proposals that remain open for public comment.

We also remind public companies of the accounting standards that become effective for them in 2025. Among these is a new income tax disclosure standard, applicable to annual reporting periods only. Early preparation and understanding of the new requirements will be crucial for smooth implementation.

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

Effects of US tariffs on financial reporting

Recent US tariffs on imports from Mexico, Canada and China, along with retaliatory tariffs, may cause supply chain disruptions, increased costs, price volatility and market demand shifts, potentially affecting multiple areas of financial reporting. Rapidly changing policies are creating significant uncertainty about the applicability and duration of the tariffs, which can pose challenges in preparing estimates, assumptions and projected financial information. Our Handbook, Accounting for economic disruption, although not tariff-specific, is a useful tool for evaluating some of these potential impacts.

- **Revenue**. Revenue contracts may be revised to address tariff costs or affected by changes in customer demand. Companies should carefully consider various aspects of the revenue recognition guidance, including contract modifications, potential price concessions and collectibility risk, and the need to revise estimates and judgments such as variable consideration and stand-alone selling prices. See chapter 2 of KPMG Handbook, Accounting for economic disruption.

- **Impairment**. Tariffs may result in changes in impairment assessments and conclusions for financial and nonfinancial assets.

  - *Inventory*: Tariffs capitalized as inventory without corresponding increases in selling prices may result in inventory costs exceeding their net realizable value, leading to inventory impairment. For inventories measured at lower of cost or market, determining the replacement cost may become challenging due to supply chain disruptions and fluctuating prices. See chapter 4 of KPMG Handbook, Accounting for economic disruption.

  - *Goodwill and long-lived assets*: Increased costs, changes in customer demand or supply chain disruptions due to tariffs could give rise to an impairment triggering event. If a quantitative impairment test is required, it may be necessary to adjust previous assumptions used in financial projections, such as sales growth, supply costs, tariff costs and capital spending. See chapters 5 and 6 of KPMG Handbook, Accounting for economic disruption.

  - *Financial assets*: Factoring in certain economically disruptive events likely results in an increase in the allowance for expected credit losses. Companies should consider the impact of tariffs on information management used in developing its estimate and other factors influencing its estimate, including past events, current conditions and reasonable and supportable forecasts about the future. See chapter 3 of KPMG Handbook, Accounting for economic disruption.

- **Going concern.** Companies may face liquidity challenges if they are unable to sufficiently increase selling prices to offset tariffs or due to decreased customer demand. Management should evaluate how tariffs will affect the company's ability to meet obligations as they become due. Given uncertainty about the timing and amount of the tariffs, relying on past experiences to establish future expectations may not be appropriate. Overall, management's going concern assessment may be more complex and require additional judgment. See chapter 10 of KPMG Handbook, Accounting for economic disruption.

In addition, companies may need to address subsequent events, restructuring provisions, deferred tax asset valuations and modifications to leases or debt. Companies should also evaluate financial statement disclosures, including risks and uncertainties and, if applicable, risk factors required by Regulation S-K Item 101, and management's discussion and analysis required by Regulation S-K Item 303.

Other KPMG Handbooks with guidance on these topics:

- Credit impairment
- Financial statement presentation
- Going concern
- Impairment of nonfinancial assets
- Inventory
- Revenue recognition

SEC rescinds SAB 121

On January 23, 2025, the SEC issued Staff Accounting Bulletin No. 122 (SAB 122), which rescinds the interpretive guidance included in SAB 121[1]. This decision comes after extensive feedback from stakeholders, including major banks and cryptocurrency firms, and has significant implications for companies involved in safeguarding digital assets.

Implications

Under SAB 122, an entity that has an obligation to safeguard crypto assets for others should determine whether to recognize a liability related to the risk of loss under such an obligation, and if so, the measurement of such a liability, by applying the recognition and measurement requirements for liabilities arising from contingencies in Topic 450-20 (loss contingencies).

Importantly, SAB 122 does not change the requirement for entities holding or otherwise safeguarding digital assets for others to evaluate whether they 'control', and should therefore recognize on their balance sheet, those digital assets. In such cases, the entity is deemed the 'accounting owner' of the digital assets and would be required to recognize both the digital assets *and* a liability reflecting its obligation to return those digital assets to their legal owner.

Under SAB 122, existing requirements to provide disclosures that allow investors to understand an entity's obligation to safeguard crypto assets held for others still apply. These requirements include but are not limited to Items 101, 105 and 303 of Regulation S-K, Topic 450-20, and Topic 275 (risks and uncertainties).

[1] On March 31, 2022, the SEC published SEC Staff Accounting Bulletin No. 121 (SAB 121), which added Section FF to SAB Topic 5 to reflect SEC staff interpretive guidance about how entities should account for an obligation to 'safeguard' digital assets. It also outlined disclosures the SEC staff expects entities with these obligations to provide in their SEC filings.

Effective dates

Entities will apply SAB 122 on a fully retrospective basis in annual periods beginning after December 15, 2024. Further, they have the option to apply SAB 122 in any earlier interim or annual financial statement period included in filings with the SEC after January 30, 2025 (the effective date of SAB 122). On adoption, entities should include clear disclosure about the effects of the accounting changes under Topic 250 (accounting changes).

KPMG resources: Web article, SAB 121 Questions & Answers, and sections 3.2.60 and 4.3.10 of KPMG Issues in-Depth, Accounting and reporting for crypto intangible assets

SEC leadership appointments and departures

In January 2025, the SEC announced that President Trump designated Mark T. Uyeda as Acting Chairman of the agency effective January 21, 2025. Prior SEC Chairman Gary Gensler stepped down effective January 20, 2025, and Commissioner Jaime Lizárraga stepped down effective January 17, 2025. Paul Atkins has been named as President Trump's nominee for Chairman of the SEC and is currently awaiting Senate confirmation hearings.

Erik Gerding, Director of the Division of Corporation Finance, stepped down effective December 31, 2024. Cicely LaMothe, who was serving as Deputy Director, Disclosure Operations for the Division of Corporation Finance, is currently serving as Acting Director.

Paul Munter, Chief Accountant in the Office of the Chief Accountant, retired from federal service effective January 24, 2025. Uyeda announced Ryan Wolfe as Acting Chief Accountant effective immediately after Munter's departure. In addition, Sanjay Wadhwa, the Acting Director of the Division of Enforcement, announced his departure from the agency, effective January 31, 2025. Samuel Waldon has been named as the Acting Director.

"A new beginning" at the SEC

In February, SEC Acting Chairman of the SEC, Mark T. Uyeda, addressed the Florida Bar's 41st Annual Federal Securities Institute and M&A Conference. Uyeda's speech focused on "a new beginning" at the SEC, emphasizing the Commission's commitment to fostering innovation, job creation and economic growth through cost-effective regulations for companies at all stages.

Uyeda highlighted the need "to return to normalcy" by focusing on facilitating capital formation while protecting investors and maintaining market efficiency. He discussed recent regulatory changes, including rescinding Staff Legal Bulletin No. 14L[2], rescinding Staff Accounting Bulletin No. 121, and establishing the crypto task force led by Commissioner Hester Peirce.

Uyeda stressed the importance of improving capital-raising opportunities for entrepreneurs and empowering retail investment in private companies. He advocated for simplifying the regulatory regime for exempt offerings and revising the accredited investor definition. In

[2] On February 12, 2025, the SEC Division of Corporation Finance published Staff Legal Bulletin No. 14M, which rescinds Staff Legal Bulletin No. 14L and provides updated guidance on shareholder proposals under Exchange Act Rule 14a-8, particularly regarding the scope and application of the rule's 'economic relevance' and 'ordinary business' exclusions.

addition, Uyeda called for making IPOs more attractive by providing relief for emerging growth companies and scaling public company disclosure requirements to reduce complexity and costs. He concluded by emphasizing the need for cost-effective regulations to support innovation and economic growth in the US.

Other SEC headlines

SEC introduces new accommodations for nonpublic review of draft registration statements

In a recent announcement, the SEC's Division of Corporation Finance provided enhanced accommodations for companies submitting draft registration statements for nonpublic review. These enhancements expand the types of forms eligible for nonpublic review, allow submissions regardless of the elapsed time since reporting requirements began, and provide options for omitting certain underwriter disclosures in initial submissions. This initiative aims to provide companies with greater flexibility in exploring and planning public offerings while maintaining investor protection.

KPMG resources: Web article

SEC launches new crypto task force to develop clear regulatory framework

The SEC has established a new crypto task force, led by Commissioner Hester Peirce, to create a comprehensive regulatory framework for crypto assets. This task force aims to provide clear guidelines for registration, develop sensible disclosure frameworks and ensure judicious deployment of enforcement resources.

SEC establishes Cyber and Emerging Technologies Unit to safeguard retail investors

The SEC has announced the formation of the Cyber and Emerging Technologies Unit (CETU) to combat cyber-related misconduct and protect retail investors. This new unit, replacing the Crypto Assets and Cyber Unit, will focus on addressing fraud and misconduct in areas such as artificial intelligence, blockchain and cybersecurity compliance.

SEC modernizes the submission of certain filings

The SEC now requires electronic filing of certain submissions to the Commission. Before these amendments, registrants filed with, or otherwise submitted to, the Commission many Exchange Act forms, filings or other materials in paper form. Under the amendments, registrants will make these filings and submissions electronically using the Commission’s EDGAR system, in structured data format where appropriate, or by posting them online.

The effective date for these amendments is March 24, 2025. The compliance dates for these amendments vary depending on the applicable form or rule but range from March 24, 2025 to on or after June 30, 2028.

Sustainability reporting – More flux

In February, SEC Acting Chairman Mark T. Uyeda issued a statement indicating he had asked the court not to schedule arguments related to the Climate Rule; this will provide time for the Commission to determine its next steps. This action was not unexpected.

In more substantive news, there has been a flurry of state-level climate reporting proposals, the European Commission (EC) has issued major proposals to reduce the burden of sustainability reporting, and the International Sustainability Standards Board (ISSB) is set to propose practical amendments to ease application.

State-level climate laws

The California Air Resources Board (CARB) extended its public consultation on the California climate laws to March 21. CARB has until July 1, 2025 to adopt the underlying regulations. Climate risk reporting following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) remains due by January 1, 2026. Our webcast on April 2 will discuss what TCFD reporting looks like and how to prepare.

In January and February 2025, Illinois, New Jersey and New York State proposed greenhouse gas (GHG) emissions reporting bills similar (although not identical) to California's; and Colorado introduced and then postponed proposals. New York State also proposed a climate risk reporting bill similar to California's.

EU developments

At the end of February, the EC released an Omnibus package of proposals to reduce sustainability reporting and due diligence requirements. All of the proposals are subject to change as they progress through the European Parliament and the Council of the EU, and are subsequently transposed into national law.

Under the proposals, only large (as defined) companies with more than 1,000 employees would be in scope of the Corporate Sustainability Reporting Directive (CSRD) and therefore required to report under European Sustainability Reporting Standards (ESRS). Further, under a so-called 'Stop the clock' proposal, mandatory ESRS reporting for second- and third-wave companies (currently for fiscal years 2025 and 2026 with a two-year opt-out) would be postponed for two years (until fiscal years 2027 and 2028). This postponement would allow more time for the EU to agree on substantive changes to the CSRD.

The Commission intends to amend ESRS to substantially reduce the volume of disclosures – e.g. by prioritizing quantitative datapoints over narrative text and clearly distinguishing between mandatory and voluntary datapoints. The concept of double materiality would remain, but the Commission intends to provide clearer instructions on applying the materiality principle. The Commission no longer plans to adopt sector-specific standards.

In addition, the Commission has proposed significant changes to the Corporate Sustainability Reporting Due Diligence Directive to reduce the compliance burden on companies, and the EU Taxonomy would be mandatory for only a subset of large companies.

The Commission plans to announce further Omnibus proposals as part of its simplification agenda, e.g. introducing a new small mid-cap category of companies later this year.

See our updated Hot Topics with targeted observations for US companies: Impact of EU sustainability reporting on US companies and Global implications of due diligence acts.

ISSB™ developments

With respect to measuring GHG emissions, the IFRS® Sustainability Disclosure Standards leverage the GHG Protocol's Corporate Standard (2004). As implementation and analysis has progressed, practical questions about applying the requirements have arisen.

In January, the ISSB added a project to its agenda to propose targeted amendments to the climate standard, with an exposure draft expected in Q2. The proposals, which respond to stakeholder concerns, are intended to be pragmatic and will cover the following: alternative global warming potential values, jurisdictional relief to use a method other than the GHG Protocol to measure GHG emissions, disclosing GHG emissions that arise from a company's financial investments, and disaggregating financed emissions by industry.

Read more in our article, Proposals to simplify IFRS S2.

Assurance developments

In February, the AICPA proposed narrow-scope amendments to AT-C section 210, *Review Engagements*, which is relevant to limited assurance attestation engagements over sustainability reporting. The proposal addresses circumstances in which the practitioner is unable to obtain sufficient appropriate review evidence – i.e. there is a scope limitation. Currently, the standard requires the practitioner to withdraw from the engagement, if possible under applicable laws and regulations. Under the proposed revisions, the practitioner could instead issue a qualified conclusion if the scope limitation is material but not pervasive. If the scope limitation is material and pervasive, the practitioner would be permitted to disclaim a conclusion if withdrawal is not possible. The comment period ends May 30.

Under the EU's Omnibus proposals, the CSRD would still require limited assurance, but the Commission no longer intends to move to reasonable assurance.

Sustainability resources to keep coming back to:

- Sustainability reporting for US financial reporting professionals: KPMG Financial Reporting View
- International sustainability reporting: KPMG ISSB sustainability reporting resource center
- European sustainability reporting: KPMG ESRS sustainability reporting resource center

Standards effective in 2025

In 2025, calendar year-end public companies are required to adopt the following accounting standards.

- **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 entities.
- **ASU 2024-01, Scope application of profits interest and similar awards,** introduces a new example that includes four fact patterns to demonstrate how an entity 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 2023-09, Income tax disclosures** (annual periods only), significantly expands annual income tax disclosures to address investor requests for more information. Specifically, entities will be required to provide much greater disaggregation of their effective tax rate and income taxes paid during the year based on certain prescribed categories.

- **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 entities 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).

- **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, including 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.

Audit developments of interest to audit committees

PCAOB withdraws its proposed rules on firm reporting and firm and engagement metrics

The PCAOB has withdrawn its proposed rules on firm reporting and firm and engagement metrics. The proposed rules would have expanded firm-level reporting of certain information to the PCAOB and required public reporting of a set of firm-level and engagement-level metrics.

The proposed rules were adopted by the PCAOB in November 2024 and submitted to the SEC for approval. Following extended public comment periods, the proposed rules required consideration by the SEC in early March 2025. On February 11, 2025, the PCAOB withdrew the proposed rules, which terminated the SEC review and approval process. The PCAOB has not indicated its planned next steps, if any, for these rules.

PCAOB shares observations related to the use of the work of specialists

In a new Spotlight, Considerations for Audit Firms Using the Work of Specialists, the PCAOB highlights recent staff observations, including common deficiencies, good practices and reminders, related to auditors' use of the work of company and auditor specialists. Additionally, the Spotlight includes questions for audit committees to consider in discussions with auditors regarding specialists' involvement in the audit.

2 FASB projects and agenda priorities

FASB proposes new guidance on the accounting for environmental credit programs

In December, the FASB issued a proposed ASU on accounting for environmental credits and environmental credit obligations (ECOs). Stakeholders sought guidance in this area as more entities face regulatory compliance programs (e.g. cap and trade), commit to voluntary emissions reductions and invest in renewable energy. The current lack of guidance under US GAAP has led to diverse accounting practices.

The proposal would introduce new Topic 818, which aims to standardize the accounting treatment for environmental credits and ECOs. This includes specifying how entities should recognize, measure and disclose these credits and obligations to ensure transparency and comparability in financial statements.

Of note, the proposal would:

- define attributes of environmental credits and ECOs and limit Topic 818's scope to credits and obligations meeting these definitions;
- require environmental credits to be accounted for based on how an entity intends to use the credits:
  - environmental credits that are probable of being used to settle an ECO or transferred in an exchange transaction would be recognized as an asset;
  - the cost of all other environmental credits would be expensed as incurred;
- require environmental credits that are probable of being used to settle an ECO (compliance credits) to be recognized at cost with no subsequent remeasurement, and all other environmental credits recognized as assets (noncompliance credits) to also be recognized at cost but be tested for impairment at each reporting date;
- require funded ECO liabilities to be recognized based on the amount of credits needed to satisfy the obligation as if the reporting date were the end of the compliance period. A liability would be measured based on the carrying amount of compliance credits on hand (the funded portion). Any unfunded portion would generally be measured based on the fair value of credits the entity would need to purchase to satisfy the obligation; and
- require quantitative and qualitative disclosures about environmental credits and ECOs.

The comment period ends April 15.

KPMG resources: Project web page

In case you missed it – Other recently issued FASB proposals

Other recently issued FASB proposals with open comment periods are as follows.

Topic	Key highlights	Comment period deadline	KPMG resources
Codification improvements	The proposed ASU would address minor changes to US GAAP to clarify the Codification or correct unintended consequences that are not expected to have a significant effect on current accounting practice, or create a significant administrative cost to most entities.	4/22/2025	-
Accounting for government grants	The proposed ASU would introduce new guidance in US GAAP on how to recognize, measure and present government grants received. The proposal aims to reduce diversity in practice and increase consistency in accounting among business entities.	3/31/2025	Project web page
Interim reporting	The proposed ASU would clarify interim reporting requirements by improving navigability of Topic 270 (interim reporting) and more clearly specify what disclosures are required in an interim reporting period.	3/31/2025	Project web page

FASB issues three Invitations to Comment

The FASB has issued three Invitations to Comment (ITC)[3] to gather stakeholder input to help inform the Board's future agenda.

- **Agenda consultation.** The ITC intends to solicit broad feedback on improvements to financial accounting and reporting. The FASB is specifically seeking input on:
  - enhancing financial statement information for investors;
  - reducing unnecessary costs and complexity; and
  - maintaining and improving the FASB Accounting Standards Codification®.

  The feedback will influence the Board's decisions on potential agenda changes, including topic prioritization.

  The comment period ends June 30, 2025.

- **Recognition of intangibles.** The ITC intends to seek stakeholder feedback on whether to pursue a project on intangibles. This ITC is part of the FASB's research on accounting

[3] An Invitation to Comment (ITC) is a FASB staff document prepared at the direction of the FASB Chair in which the Board does not express preliminary views. Responses to the questions in an ITC help inform the Board as it considers whether to add certain projects to its technical agenda and, if so, what the objective and scope of each added project should be.

for and disclosure of intangibles, including both acquired and internally developed intangibles.

The FASB is particularly interested in understanding:

- the need to improve US GAAP in this area;
- specific intangibles or groups of intangibles that should be addressed;
- potential solutions, their scope, benefits and costs;
- whether different accounting treatments should apply based on how the intangible asset is obtained; and
- the type of information about intangibles that investors use and how it affects their capital allocation decisions.

The comment period ends May 30, 2025.

- **Financial key performance indicators (KPIs) for business entities.** The ITC intends to solicit stakeholder feedback on potential standard-setting for financial KPIs, including whether they should be (1) standardized and (2) required or permitted to be disclosed in an entity's US GAAP financial statements.

  A financial KPI is a financial measure that is calculated or derived from the financial statements and/or underlying accounting records not presented in the US GAAP financial statements. Examples include earnings before interest, taxes, depreciation and amortization (EBITDA), free cash flow and adjusted net income.

  The comment period ends April 30, 2025.

At the 2024 AICPA & CIMA Conference on Current SEC and PCAOB Developments, FASB Chair Richard Jones stressed the importance of stakeholder feedback, including how it has shaped the FASB's agenda and many of its specific projects in recent years.

PCC revisits its agenda priorities

The Private Company Council (PCC) met in December and discussed several topics with FASB members, including progress made during 2024 on its current agenda priorities and potential future areas of focus.

- **PCC agenda priorities.** The PCC discussed its current agenda priorities, which include accounting for credit losses and debt modifications, presentation of contract assets/liabilities for construction contractors, and simplifications to lease accounting.
  - The PCC noted initial stakeholder support for the proposed amendments to Topic 326 for private companies and discussed the project timeline. The comment period on this project ended January 17.
  - Members also received an update on the presentation of contract assets and contract liabilities for the PCC's construction contractors project, discussed voluntary disclosures and next steps, and recommended to the staff to continue its research

  and consider developing an example disclosure on the disaggregation of contract assets and contract liabilities.

  - The PCC addressed challenges that private companies face in applying the guidance on debt modifications and extinguishments and provided feedback on the FASB's project on accounting for debt exchanges.
  - Members discussed recent activities of the PCC leases working group and the FASB's post-implementation review on leases, including outreach efforts.

  In addition, during the annual reassessment of agenda priorities, the PCC considered the following areas for future focus: (1) subjective acceleration and material adverse change clauses, (2) debt disclosures, (3) disclosure simplifications, (4) short cycle manufacturing, (5) incremental costs to obtain a contract, (6) troubled debt restructurings, (7) embedded derivatives and (8) expense disaggregation disclosures.

- **Government grant accounting.** The PCC generally supported the proposed amendments to Topic 832 on the accounting for government grants, noting opportunities for additional examples and disclosures in a final ASU.

- **Intangibles research project.** The PCC provided feedback on the FASB's intangibles research project (and now an Invitation to Comment). User members supported a project to understand future cash flows from intangibles, believing such information would be valuable. However, practitioners and preparers were concerned about the costs and complexity of having to potentially recognize more intangible assets. Members recommended additional outreach to private company financial statement users to determine what information they would find useful and how it should be provided in financial statements.

- **Financial key performance indicators (KPIs).** The PCC provided feedback on the Invitation to Comment regarding financial KPIs. Members noted diverse calculation methods and had varying opinions on defining useful KPIs. Some supported a project to increase comparability, while others felt it was more relevant to public companies and preferred optional guidance for private companies.

FASAC focuses on KPIs

The Financial Accounting Standards Advisory Council (FASAC) met in December and primarily discussed the FASB's Invitation to Comment on financial key performance indicators (KPIs).

Council members discussed the increasing relevance of financial KPIs for business entities – emphasizing their importance for companies and investors – and supported financial KPIs as a priority topic for the Board. They noted issues with comparability and consistency in financial reporting of the same KPIs across different companies and discussed a lack of transparency in the calculations of and adjustments made to financial KPIs reported by certain entities. Investors called for greater consistency in frequently reported KPIs, including EBITDA and free cash flow.

Council members had varied opinions on how the Board should address these issues. Some advocated for a narrow project to standardize definitions of key KPIs, while others preferred to allow management to disclose KPIs voluntarily. Another suggested approach was to require companies to disclose KPI information in the notes to the financial statements to enhance transparency. Other members recommended that the Board await implementation of recent standards, like ASU 2024-03 (disaggregation of income statement expenses), to see if greater disaggregation of financial reporting might organically address some of the concerns related to financial KPIs.

3 Recommended reading and CPE opportunities

How can a company ensure that its top executives continue to thrive?

As talent sustainability and a tight labor market continue to be a challenge for many organizations, it's essential for companies to help their leaders perform at their best for longer in this fast-changing business environment. KPMG US Vice Chair of Talent and Culture **Sandy Torchia** and Head of Corporate Affairs **Maureen Davenport** discuss how KPMG recently launched a program called Ready, Set, Grow (RSG) focused on helping our partners, the firm's most senior leaders, flourish. Their article explains that by proactively engaging with leaders and directly inquiring about their needs and challenges in maintaining high performance, employers can make sure that the programs and initiatives they develop are impactful and beneficial. Read the article.

Is AI the missing piece for government agencies to achieve zero trust security?

For the last year or two, AI has been the most talked about topic across sectors, including Government agencies. KPMG Principal and Government Cybersecurity Leader **Tony Hubbard** explores how there is both broad recognition of AI's immense promise, and equally as much conversation about its implications. From a cybersecurity perspective, a central emerging question has been, is AI the long-awaited breakthrough that can finally overcome the obstacles to widespread adoption of zero trust security? While the straightforward response may be affirmative, the comprehensive answer is more nuanced. Read the article.

Protecting the language of accounting

In October 2024, KPMG became the first large accounting firm to advocate developing alternate paths to CPA licensing. KPMG US Chair and CEO **Paul Knopp** discusses how the profession must remove hurdles to learning the accounting language while preserving quality, and how KPMG is advocating for pathways that emphasize experience, not academic credits, after college. There is a consensus for change, but we can't waste time. Many state CPA societies are working on legislation to create an alternative path to licensure. Yet reforms alone won't solve the workforce shortage. The profession must ensure that the next generation considers accounting a rewarding career. If we don't, the language of business may meet an untimely end. Read the article.

Four keys to unlocking the power of GenAI in higher ed

To turn the disruption of generative artificial intelligence (GenAI) into an opportunity, higher education leaders should focus on four important variables: policy, principles, strategy and collaboration. As KPMG Managing Director of Higher Education Advisory **Chad Bandy** and

Managing Director of Managed Modernization Services Advisory **Saravanan Subbarayan** explain, the bottom line is that GenAI is a transformative force poised to shape the future of higher education. By embracing it, institutions can enhance their value and operations, benefiting all campus constituents including students, faculty, alumni, donors, administrators and their broader communities. Read the article.

Upcoming CPE opportunities

KPMG Executive Education is hosting the **35th Annual Accounting & Financial Reporting Symposium** in Las Vegas December 3-4. KPMG and industry thought leaders will share insights on FASB and SEC developments, audit committee issues, federal tax policy, the economy and technical accounting hot topics. Discounts are available. Find out more information here.

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.

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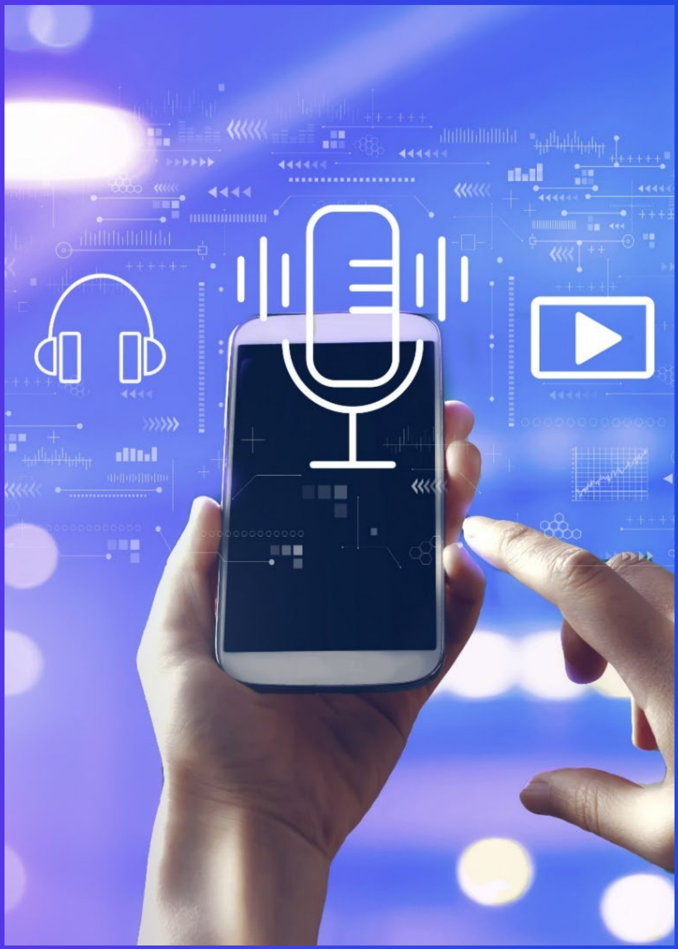

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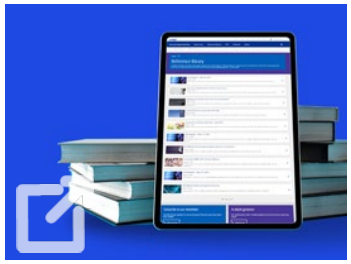
Defining Issues

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



Handbooks

Our comprehensive in-depth guides include discussion and analysis of significant issues for professionals in accounting and financial reporting.

Hot Topics

Our detailed discussion and analysis on topical issues that are of significant importance to accounting and financial reporting professionals.

ASU effective dates

Our ASU effective dates page provides real time access as new ASUs are issued.

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Angie Storm
Deputy Chief Accountant

Robin Van Voorhies
Senior Director

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