Quarterly Outlook

September 2026

Regulatory and standard-setting activity accelerates as the SEC and PCAOB advance key initiatives and the FASB proposes targeted improvements, while emerging accounting issues remain in focus.

US GAAP

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Quarterly Outlook

September 2026

The SEC and PCAOB have taken a number of steps this quarter to advance their active standard-setting and rulemaking agendas, reflecting continued momentum toward modernizing financial reporting, audit oversight and enforcement structures. Notably, the SEC released a proposed rule that would create exemptions from certain registration requirements for specific investment contracts involving crypto assets. The PCAOB, for its part, sought comment on its draft 2026-2030 strategic plan, which sets out goals for modernizing standard-setting, inspections and enforcement.

Meanwhile, DISE implementation, IEEPA tariff refunds and power purchase arrangements supporting data centers remain active areas of focus for many companies. The timeline for DISE implementation is shortening, but challenges remain, particularly with issues around inventory. Further, although there is more clarity around the appropriate accounting models for the recognition of potential IEEPA tariff refunds, uncertainty remains about the ability to recover liquidated entries for which complaints with the Court of International Trade have not yet been filed. Finally, many power purchasers are grappling with the accounting issue of whether their data center power purchase arrangements require derivative accounting.

Lastly, the FASB has been quite active this quarter by proposing several targeted Codification improvements. It also has begun a leadership transition as Hillary H. Salo prepares to succeed Richard R. Jones as Chair effective July 1, 2027, prompting a call for nominations to fill her current Board seat.

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

DISE implementation: addressing practical challenges

FASB DISE Roundtable signals shift from standard setting to implementation

Discussion at the FASB's May 2026 public roundtable on the implementation of ASU 2024-03, *Disaggregation of Income Statement Expenses* (DISE), indicated that the focus has largely shifted from debating the merits of the standard to addressing the practical challenges of implementation. While investors continued to express strong support for the new disclosures and their expected benefits, preparers and practitioners focused on the operational realities of producing the required information, particularly for companies with inventory-intensive operations.

Roundtable participants discussed implementation questions about inventory purchases, cost-sharing and cost-reimbursement arrangements, and the use of estimates and allocation methodologies. Some participants expressed a desire for additional FASB guidance in these areas, while others suggested that the Board consider deferring the effective date. However, as of this writing, the FASB has not indicated plans to pursue either course of action and a deferral appears increasingly unlikely.

Implementation efforts are accelerating across industries as the 2027 effective date for annual periods approaches. Participants described companies moving beyond initial scoping exercises into more detailed assessments of data availability, system capabilities, allocation methodologies, controls and draft disclosures. For many organizations, implementation has become a cross-functional effort involving accounting, finance, operations, IT and internal controls teams.

Inventory remains the No. 1 challenge

Companies with inventory continue to face some of the most significant implementation challenges. Although much attention has focused on the mechanics of gathering disaggregated information, many preparers face a more fundamental question: what constitutes a 'purchase of inventory' for purposes of the new disclosure requirements? The standard requires disclosure of inventory purchases as a key expense category but applying that concept in practice may not always be straightforward.

In many industries, the term inventory is used colloquially to describe items that are managed operationally as inventory but may not be in the scope of Topic 330. Conversely, certain items may be expensed as incurred because of their nature, rapid consumption, industry practice or specific GAAP requirements, even though they may be in the scope of Topic 330. These nuances are particularly relevant to supplies, materials used in over-time customer contracts, and R&D activities. Historically, these distinctions may have had limited financial reporting significance, and companies may not have established processes to determine whether certain items are in the scope of Topic 330. Under DISE, however, those distinctions can directly affect the amounts disclosed as purchases of inventory, requiring companies to revisit longstanding accounting conventions and data classifications.

Measurement of inventory purchases also remains unclear. Questions have arisen about whether the purchases of inventory category should include only the price paid for inventory, net of rebates and discounts, or also direct external acquisition costs such as tariffs, taxes and inbound freight. In the absence of a clear definition in Subtopic 220-40, entities appear to be developing different approaches.

Stay the course on implementation

Companies should remain focused on execution. Those that have not yet assessed whether their systems can identify the required expense categories, support inventory-related disclosures and produce the information necessary for the required tabular presentation may find their implementation timelines shortening quickly. The challenge is operationalizing the standard in a manner that is sustainable, controllable and decision-useful for investors.

KPMG resources: Issues in Depth and KPMG AI Accounting Analysis Platform for DISE

IEEPA tariff developments: From uncertainty to execution – financial reporting considerations continue to evolve

The accounting implications of refunds for tariffs imposed under the International Emergency Economic Powers Act (IEEPA) continue to evolve. While importers have already received billions of dollars in refunds through Customs and Border Protection’s (CBP) Consolidated Administration and Processing of Entries (CAPE) system, uncertainty remains for certain entries, particularly finally liquidated entries affected by the Administration’s appeal of the Court of International Trade’s (CIT) universal refund order. As a result, companies are increasingly recognizing refund rights as cash is received or as recovery becomes probable under the applicable accounting model, while continuing to monitor litigation and administrative developments that could affect the timing, measurement and disclosure of remaining refund claims.

Update on refund landscape and remaining uncertainty

CBP began processing IEEPA tariff refund claims through its CAPE system on April 20, with refunds currently available for unliquidated entries and certain recently liquidated entries. However, litigation continues over refunds for finally liquidated entries. The Administration’s notice of appeal divided affected entries into three categories: (1) nonfinal entries currently being refunded, (2) finally liquidated entries for which importers have filed CIT complaints, and (3) finally liquidated entries for which no complaint was filed and whose refund eligibility remains disputed. In its August 10 appellate brief, the Administration stated CBP had already certified approximately $100 billion of refunds, confirmed that it will comply with importer-specific court orders for finally liquidated entries, and acknowledged that importers may still bring claims within the statute of limitations. As a result, uncertainty has narrowed significantly, although risk continues to differ by category of entry.

Accounting for tariff refunds: Applying established models amid evolving facts

Under US GAAP, companies make a policy election to apply either a loss recovery model or a gain contingency model to recognize potential tariff refunds from the government. Interest paid by the government is accounted for under a gain contingency model.

Under the loss recovery model, recognition is limited to losses incurred for which recovery is probable. When a claim is disputed, there is a rebuttable presumption that recovery is not probable. Therefore, because the Administration is challenging the CIT's authority to require refunds for finally liquidated entries where the importer has not filed a CIT complaint, companies that have not filed a complaint should consider their intent and ability to do so within the applicable statute of limitations when assessing recovery. Depending on that assessment, a company may conclude that all or only some of its refund rights are probable of recovery. Because subsequent events are relevant to the loss recovery analysis, companies should continue to monitor developments and reassess whether the probable threshold has been met for specific entries.

Under the gain contingency model, recognition requires an evaluation of when the contingency for each claim has been resolved. That point differs on a claim-by-claim basis and may be affected by administrative and legal processes. For example, a claim that has been accepted in CAPE may not have the same recognition profile as a claim that has been approved and sent to Treasury or paid. Companies would evaluate each claim’s refund status to determine whether the contingency has been resolved.

Regardless of the model applied to potential refunds, companies need to evaluate whether their contracts with customers create an obligation to provide a refund if tariff costs were passed through to customers and refunds of those tariffs are obtained. If refunds are not contractually required but are expected to be provided to customers, companies need to evaluate whether a contract modification or price concession accounting model is appropriate for their facts.

Companies that are not importers but paid increased prices should evaluate whether they have a contractual refund right before applying a loss recovery model. If no contractual refund right exists, a contract modification may be required to obtain a refund, in which case a refund generally would not be recognized before an enforceable right exists.

Presentation and disclosure of tariff recoveries

Tariff refunds are recognized as a reduction of the financial statement line item in which the original tariff cost was recorded. For example, if the tariff was capitalized into inventory, the refund reduces inventory or, if the inventory has been sold, cost of goods sold. This presentation reflects a recovery of previously incurred costs instead of the generation of new income. In contrast, any interest received is presented separately, typically in other income because it represents compensation for amounts owed instead of a recovery of operating costs.

Companies should ensure tariff-related disclosures remain company-specific and are updated as the tariff landscape evolves. Disclosures may need to address the current and potential effects of tariffs, the status of refund claims, the accounting model applied, key judgments supporting recognition or deferral, customer refund obligations and uncertainties arising from litigation or administrative processes. Because tariff policy, CAPE processing and related litigation continue to develop, companies should also evaluate whether their controls support timely disclosure updates. In addition, all companies must disclose risks and uncertainties that could materially affect reported amounts or near-term operations, including distinguishing between effects reflected in current results and potential future outcomes.

KPMG resources: See our FRV web article on the Supreme Court ruling overturning IEEPA tariffs and the resulting refund considerations, and our updated web page on the effects of tariffs on accounting and financial reporting. Our briefing can help guide you in asking the right financial reporting questions about tariffs. In addition, our Handbook, Accounting for economic disruption, is a useful tool for evaluating some of these potential effects.

Powering AI: Accounting considerations for long-term power purchase arrangements

As demand for AI, cloud computing and data center capacity continues to accelerate, access to reliable, long-term electricity supply has become a critical factor in data center development. In response, hyperscalers and data center operators are entering into long-duration power purchase arrangements (PPAs) that frequently extend 10 to 25 years and involve significant capital investment in new generation assets.

In our March 2026 Quarterly Outlook article, *Navigating complexity in single asset SPEs and structured equity transactions*, we discussed the growing use of special-purpose entities (SPEs) to finance and own data center assets. SPEs are also used to construct and own the generation assets required to power those same data centers. As a result, the same accounting considerations discussed in the March article, including whether the power-generation SPE should be consolidated and whether the PPA contains a lease of the generation assets, are relevant.

The analysis continues for power purchasers concluding consolidation of the SPE is not required and the PPA does not contain a lease. These power purchasers must then determine whether the arrangement is accounted for as a derivative under Topic 815.

Why derivative accounting is becoming more common

Data center power supply arrangements often obligate the purchaser to purchase fixed or determinable quantities of electricity over extended periods, thereby providing the generator with recovery of the substantial capital invested in constructing dedicated generation capacity.

As a result, many of these arrangements meet the definition of a derivative and require the purchaser to evaluate whether the normal purchases and normal sales (NPNS) scope exception is available. For many companies, qualification for NPNS is the key accounting consideration.

NPNS challenges for data center arrangements

One of the core requirements for applying NPNS is that the contract quantity of electricity must be probable of physical delivery and not settled net in cash. Meeting this requirement over the long term of the typical data center PPA can be challenging due to:

- delays in the construction, interconnection, testing and commercial operation of data center facilities or dedicated generation assets;
- uncertain future data center capacity utilization, server deployment schedules, customer demand or long-term tenant contracting;
- rapid technological developments that significantly alter expected power consumption or computing efficiency; and
- changes in generation procurement strategies or infrastructure requirements.

The accounting consequences can be significant. If NPNS is unavailable, the purchaser generally applies derivative accounting under Topic 815, resulting in ongoing fair value measurement and earnings volatility.

FASB responds to growing stakeholder concerns

These practical challenges have attracted increasing attention from preparers, accounting firms and standard setters. In October 2025, the EITF received an agenda request asking it to address how the NPNS scope exception applies to retail electricity contracts.

Following deliberations by the EITF, the FASB added a project to its technical agenda addressing NPNS requirements for retail electricity contracts. At its August 5, 2026 meeting, the Board tentatively decided to pursue a targeted modification of the NPNS guidance allowing retail electricity contracts to satisfy the physical-settlement criterion if at least 70% of contractual quantities are physically settled, evaluated using a cumulative assessment approach that considers actual physical settlements since election of the NPNS scope exception and expected physical settlements over the remaining contract term. The Board also tentatively decided to require additional annual disclosures and permit early adoption of the eventual guidance.

The FASB directed the staff to draft a proposed ASU, with the exposure draft expected during the fourth quarter of 2026. While the proposal remains subject to due process and public comment, companies entering into long-term PPAs should closely monitor developments.

Sustainability reporting – Regulatory developments continue

Sustainability reporting developments continued during the third quarter of 2026, but progress remained uneven.

US developments

In July, the California Air Resources Board (CARB) published the modified initial regulation to implement the California climate laws, withdrawing the initial regulation it had submitted in May to the Office of Administrative Law. The text extends the first reporting deadline for SB-253 (greenhouse gas emissions) to November 10 from the previously proposed August 10 date and clarifies applicability, refines certain definitions, allows use of a parent's consolidated report and codifies first-year enforcement relief and Scope 3 reporting relief. In a July public workshop, CARB previewed the proposed requirements for reporting from 2027 onward under SB-253, including a requirement for insurance companies to report and an annual reporting deadline of November 10. Read more.

On September 1, CARB published a guidance document and voluntary report intake platform to help companies prepare and submit their 2026 Scope 1 and Scope 2 GHG emissions reported under SB-253.

In May, the SEC proposed to rescind its climate rule; the comment period closed in August. The rule, adopted in March 2024, remains stayed pending judicial review following legal challenges. Although many companies shifted focus to other sustainability requirements, climate-related disclosures may still be required under Regulation S-K and related SEC disclosure guidance. Read more.

European Union developments

In July, the European Commission (EC) adopted the revised European Sustainability Reporting Standards (ESRS), which will become mandatory for reporting periods starting in 2027. The EC also adopted the Voluntary Standard (VS) for smaller companies, which sets a limit on the information that can be requested from small companies in the value chain of larger companies applying ESRS. Read more.

Also in July, EFRAG (the EU's advisory group on corporate reporting) released for public consultation its exposure draft of the ESRS for Certain Non-EU Undertakings (ESRS-40a). From 2028, non-EU companies and groups with significant operations in the EU will need to provide impact information for their entire global group in their sustainability reporting. The proposed requirements for this reporting are set out in ESRS-40a. This 100-day consultation is open until October 31, 2026, and EFRAG expects to deliver its technical advice to the EC in January 2027. Read more.

Greenhouse Gas Protocol

The Greenhouse Gas Protocol (GHGP) and the International Organization for Standardization announced plans to combine their corporate GHG reporting standards into a single, co-branded standard, aiming to reduce fragmentation and create a more coherent basis for measurement and reporting that would be suitable for mandatory reporting and consistent with target-setting initiatives. A proposal for the new, combined standard is expected in Q2 2027, with a final standard anticipated by Q4 2028. Read more.

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

SEC proposes 'Regulation Crypto Assets'

On August 18, the SEC published proposed rule 'Regulation Crypto Assets', which would establish offering rules for certain investment contracts involving crypto assets. Key provisions of the proposal would create the following exemptions from the registration requirements of the 1933 Securities Act.

- One-time 'startup exemption' for offerings of up to $5 million during a four-year period
- Two-tier 'Fundraising exemption' for offerings of up to $75 million during each 12-month period

It would also preempt state securities law registration and other requirements for offers and sales of investment contracts issued under the proposed regulation and provide a conditional safe harbor from the term 'investment contract' in the definitions of 'security' in the 1933 Securities Act and the 1934 Exchange Act.

Pay-to-play proposed rule forthcoming?

On August 12, the SEC submitted a proposed rule to the White House's Office of Information and Regulatory Affairs (OIRA) for review that seeks to reduce 'identified compliance burdens' with the 'pay-to-play' rule under Rule 206(4)-5 of the Investment Advisers Act of 1940. The current rule bars an adviser from receiving compensation for managing public pension funds after making political contributions to state or local government officials or candidates with influence over the adviser's selection. The contents of the proposed rule will not be known until OIRA's review is complete and the SEC releases the proposal.

Update on other highly anticipated SEC rulemaking

Last quarter we reported on a number of SEC proposals, most notably: optional semiannual reporting, simplified filer status and access to registered offerings. The comment periods for these proposals have now ended and we await next steps from the SEC. However, these proposals are but a few in the very full SEC 2026 Regulatory Agenda, which was announced on July 7, 2026, through a statement issued by Chairman Paul Atkins.

Stakeholders weigh in on SEC Regulation S-K/S-X modernization

In January 2026, the SEC initiated a request for public comment on potential reforms to Regulation S-K (non-financial disclosures) and Regulation S-X (financial statements). This request is part of a broader strategy to enhance capital formation, ease the burdens for public companies and improve disclosure effectiveness.

A broad theme in the comments submitted to the SEC was whether modernization should focus on principles-based disclosure requirements versus prescriptive line-item disclosures. Generally, investor groups supported rules-based disclosures, emphasizing their importance to comparability and noting that modern tools enable more efficient analysis. By contrast, preparers and professional services firms favored a more principles-based approach. These groups also suggested eliminating overlap between Regulations S-K and S-X disclosures and GAAP disclosures.

Other SEC headlines

SEC establishes Financial Reporting and Accounting Unit in its Division of Enforcement

The SEC announced it is establishing a new specialized unit within the Division of Enforcement to provide the dedicated expertise, focus and capacity to pursue accounting and financial reporting fraud cases, as well as general misconduct in the accounting and auditing areas.

SEC publishes updated market statistics highlighting surge in Q1 2026 IPO activity

On July 1, the SEC's Division of Economic and Risk Analysis (DERA) published updated market statistics reflecting growth in key segments of the US capital markets during the first quarter of 2026. Most notably, initial public offerings (IPOs) experienced significant year-over-year growth, with 99 IPOs raising over $22 billion in Q1 2026 compared to 84 IPOs raising $11.8 billion in Q1 2025 – representing an approximate 86% increase in total proceeds. Registered follow-on offerings also grew, but to a lesser extent. Beyond public equity trends, the update features new interactive visualizations for municipal advisers and asset-backed securities (ABS), alongside additional historical data for ABS and commercial mortgage-backed securities issuances, designed to help market participants track and analyze structural, volume and geographic trends across various market segments.

PCAOB seeks feedback on its draft 2026-2030 Strategic Plan

The PCAOB has issued a request for public comment on its draft strategic plan goals and objectives for the 2026-2030 period. This step continues the PCAOB's strategic planning process, which began with a call for public input on strategic priorities in March 2026. The resulting Strategic Plan will serve as a roadmap for the Board's future activities, budget and mission-related programs.

The draft 2026-2030 strategic plan outlines six key goals:

- modernizing standard-setting and implementation;
- modernizing the inspections and registration programs;
- sharpening enforcement focus on conduct harmful to investors;
- deepening stakeholder engagement and communication;
- modernizing oversight through technology and data; and
- strengthening organizational effectiveness and stewardship.

The Board will use the input to refine the plan before its final adoption later this year. The comment period for the draft goals and objectives closed on September 4, 2026.

To enhance transparency and accountability, PCAOB Chairman Logothetis noted the Board will introduce a 'feedback-mapping framework', allowing stakeholders to trace how their suggestions influenced the final plan. Further, the Board plans to report quarterly progress against the final strategic plan, including how ongoing input continues to inform implementation.

PCAOB solicits public comment on standard-setting and research agendas

As part of this broader effort to enhance transparency and stakeholder engagement, the PCAOB has also issued a separate, first-ever request for public comment specifically on its standard-setting and research agendas. This more targeted request also seeks feedback on the Board's overall standard-setting process and asks for input on the potential impact of the SEC's proposal on semiannual reporting. The comment period for this agenda-focused request closed August 7, 2026.

Other developments of interest to audit committees

PCAOB issues Q&As on QC 1000

The PCAOB released the QC 1000 Questions and Answers on August 17 to help auditors implement QC 1000, A Firm's System of Quality Control, which will become effective December 15, 2026. QC 1000 is an integrated, risk-based standard that requires firms to establish quality objectives, identify and assess quality risks to achieve the quality objectives, design and implement quality responses to address the quality risks, and monitor the firm's

QC system and remediate any deficiencies. The Q&As represent the PCAOB staff's views on specific implementation issues regarding these different aspects of the standard.

PCAOB staff initiates firm consultation process

The PCAOB's Office of the Chief Auditor (OCA) has established a new Firm Consultation Process to provide registered public accounting firms with more timely and consistent guidance. This staff-led initiative allows firms to submit questions and receive informal views from OCA on the interpretation, application and implementation of PCAOB standards related to auditing, attestation and quality control, as well as standards and rules on ethics and independence. While individual consultation requests will remain confidential, OCA may publish guidance on frequently asked questions to benefit the broader public.

PCAOB's new Inspections Modernization Council is now functioning

On July 9, the PCAOB announced the members of its new Inspections Modernization Council (IMC). The 12 council members represent a diverse cross-section of the financial reporting ecosystem, including leaders from public accounting firms, industry, academia and accounting and corporate governance organizations. The IMC's purpose is to provide external perspectives to inform the PCAOB's efforts to modernize the inspection program, with a focus on areas such as generating more meaningful inspection reports and leveraging technological innovations to improve audit quality.

The IMC's work is underway, with meetings that occurred in July and August 2026. On August 24, the PCAOB posted select materials its staff shared with the IMC for discussion purposes at these summer meetings. Topics covered in the discussion materials include the development of a QC-informed inspection approach, modernized inspection reporting, remediation and the PCAOB's use of technology.

2 FASB projects and agenda priorities

FASB proposal would address whether digital assets are cash equivalents and enhance disclosure of cash equivalents

The proposed ASU has a two-fold purpose.

- **Cash equivalents classification.** Examples would be added to the Codification to assist in evaluating whether digital assets meet the existing definition of cash equivalents. These new examples would explain how this definition applies to digital assets that are designed to maintain a stable value relative to a reference asset (e.g. stablecoins).
- **Enhanced disclosures.** An entity would be required to disclose the significant components and amounts of its cash equivalents, including digital assets, to provide better insight into the nature and risks of the cash equivalents.

The comment period ends November 19, 2026.

KPMG resources: Defining Issues

FASB proposes targeted improvements to hedge accounting

A proposed ASU, issued on June 17, 2026, would broaden the application of hedge accounting for three discrete issues. Based on specific suggestions by stakeholders, the proposal would:

- permit entities to hedge interest rate risk for held-to-maturity debt securities;
- amend the definition of the SOFR benchmark rate to enable any tenor of SOFR (e.g. Term SOFR) to be designated as a benchmark interest rate; and
- allow certain float-to-float cross-currency interest rate swaps whose legs have different reset rates to be used as hedging instruments in a net investment hedge.

The comment period closed on August 17, 2026.

FASB proposal would clarify measurement of pension benefit obligations for market-return cash balance plans

Under Subtopic 715-30, a pension benefit obligation is measured using an assumed discount rate that reflects the rate at which the pension benefit could be effectively settled. However, there is no clear guidance on what assumed discount rate to use when measuring the benefit obligation of market-return cash balance plans, a type of cash balance plan with a variable interest crediting rate based on an investable market return. This has led to diversity in practice, with many entities using the rates of return from high-quality fixed-income investments available during the pension benefit maturity period. The result is often benefit obligations that exceed the hypothetical account balances in these plans.

Issued on June 10, 2026, the proposed ASU would require entities to use the assumed interest crediting rate when measuring the benefit obligation for certain market-return cash balance plans. This rate is the expected rate at which participant account balances are projected to grow under the plan's market-based formula, thereby reflecting the true settlement cost of the pension benefits. The comment period ended on August 10, 2026.

KPMG resources: Defining Issues

FASB proposal would affect investment companies' fair value measurement of certain equity securities

Topic 820 (fair value measurement) prohibits considering a contractual restriction on sale when determining the fair value of an equity security, typically leading to a measurement that is based on the market price for an otherwise identical unrestricted equity security of the same issuer. Further, a contractual restriction on sale of an equity security cannot be recognized and measured as a separate unit of account.

The proposed ASU, issued on July 1, would carve out an exception for investment companies. They would be required to (1) consider contractual sale restrictions on an equity security when measuring its fair value and (2) disclose the discount attributable to the contractual sale restrictions. The comment period ended on July 17, 2026.

KPMG resources: Web page

FASB adds goodwill impairment testing to its technical agenda

On July 29, 2026, the FASB voted to add a project to its technical agenda on goodwill impairment testing. The project is currently in initial board deliberations, with no exposure draft or expected issuance date yet published. Based on stakeholder feedback from the January 2025 Invitation to Comment (Agenda Consultation), the project involves two issues:

- the level at which goodwill should be tested, with the FASB staff recommending testing at the operating segment level instead of the current reporting unit level; and
- the frequency of testing, with the FASB staff recommending eliminating the mandatory annual impairment test and requiring testing only when a triggering event occurs.

This new project represents a targeted approach in contrast to a previous, more ambitious project that considered whether to adopt an amortization model for all entities.

PCC continues to explore private company issues related to ESOPs and lease accounting

At its June meeting with the FASB, the Private Company Council (PCC) continued its efforts to address complexity in private company reporting, with particular emphasis on employee stock ownership plans (ESOPs) and lease accounting.

- **Employee stock ownership plans.** After adding ESOPs to its research agenda during its March meeting, PCC members discussed accounting and disclosure issues regarding repurchase obligations from a plan sponsor perspective. User members emphasized the need for better information about these obligations, while preparers and practitioners raised concerns about the significant assumptions required to estimate them. As a result, the PCC supported focusing future research on analyzing the gap between current disclosure requirements and users' informational needs and exploring more objective and auditable disclosure alternatives.
- **Lease accounting simplifications.** The PCC reviewed stakeholder feedback and takeaways from the May 2026 leases working group meeting. Members supported continued outreach on lease modifications, embedded leases and lease classification criteria.

The PCC also considered whether it should explore a private company practical expedient for multi-element software arrangements. Such arrangements were mentioned in the 2025 FASB Invitation to Comment – Agenda Consultation, but the FASB did not add the topic to its technical agenda. Although the topic raises a private-company-specific issue, PCC members were unsure whether that issue was pervasive.

The FASB and IASB discuss shared interests

In June, the FASB and IASB held a joint meeting to discuss ongoing standard-setting activities and emerging topics. During this largely educational session, the Boards exchanged views on stakeholder feedback, implementation challenges and future priorities. A consistent theme across discussions was balancing improved decision-useful information for investors with the cost and complexity faced by preparers, alongside continued efforts to maintain global alignment where appropriate.

Digital assets – Targeted clarification and scope expansion

The FASB discussed ongoing work to clarify when certain stablecoins meet the definition of cash equivalents (see discussion of proposed ASU above) and addressed derecognition issues for wrapped and receipt tokens. IASB members acknowledged these developments but raised concerns about the IASB's resource prioritization given the varying global adoption of digital assets. The IASB does not currently have a dedicated crypto-asset project and continues to rely on existing IFRS® Accounting Standards.

Leases – Focus on cost reduction and stability

The IASB's post-implementation review of IFRS 16 indicates that the leases standard is generally meeting its objectives, despite significantly higher-than-expected costs, particularly in judgmental areas such as discount rates and modifications. In response, the IASB is exploring targeted simplifications to reduce ongoing costs, noting stakeholders emphasized the importance of stability and maintaining convergence with US GAAP after significant implementation effort.

Statement of cash flows – Usefulness and structural challenges

The Boards discussed mixed feedback on the statement of cash flows with support for targeted improvements, such as increased disaggregation and better linkage across financial statements for nonfinancial entities. However, the statement continues to be viewed as not useful for financial institutions and costly to prepare, prompting consideration of alternative approaches like targeted disclosures. The discussion also raised broader questions about the role of the statement and whether its current structure remains fit for purpose.

Business combinations – Disclosure and goodwill considerations

The Boards discussed continued challenges in accounting for business combinations, including diversity in practice for asset acquisitions and ongoing complexity in goodwill accounting. The IASB's proposed disclosures on post-acquisition performance aim to improve transparency for investors, though concerns remain regarding cost, auditability and the inclusion of forward-looking information. The discussion reflects ongoing tension between enhancing disclosures and managing preparer burden.

Financial instruments – Simplification and alignment with economics

The Boards discussed efforts to simplify financial instrument accounting, particularly concerning debt modifications, hedge accounting and liabilities versus equity classification. Stakeholder feedback highlighted complexity and limited decision-usefulness in certain existing models, prompting consideration of more principles-based approaches and enhanced disclosures. The FASB is pursuing phased improvements in hedge accounting (see discussion of proposed ASU above), while the IASB continues its post-implementation review of IFRS 9. Both Boards are also working to reduce complexity in equity classification guidance while maintaining transparency.

FASB appoints new chair

Hillary H. Salo will be the next FASB chair, beginning on July 1, 2027, replacing the current chair, Richard R. Jones. She currently serves as vice chair of the FASB and chair of the Emerging Issues Task Force. Salo joined the FASB as technical director in 2020, and prior to that was a KPMG audit partner and regulator.

The FASB has issued a call for nominations to replace Salo's current seat on the Board, with the new appointment also beginning on July 1, 2027 for a five-year term. The FASB is continuing its search to replace Board member Marsha Hunt, effective July 1, 2027 as well.

3 Recommended reading and CPE opportunities

KPMG Seattle leader highlights shift from AI experimentation to enterprise-scale deployment

Amy Banovich, KPMG Audit Managing Partner for the Seattle office, outlines how organizations are moving beyond AI experimentation into scaled, enterprise-wide deployment. Drawing on KPMG's AI Pulse research, she notes that with a majority of organizations already using AI, the primary barriers to value are now execution discipline, governance and workforce readiness. Banovich discusses how the next chapter of AI will be defined less by breakthroughs and more by operational execution, underscoring a critical shift toward achieving measurable outcomes and sustained adoption. Read the article.

Healthcare payers don't have an AI problem – They have an infrastructure problem

Without integration across data, decisions and workflows, healthcare payer organizations are failing to realize the promise that AI offers to lower administrative costs and improved relationships with providers and members. In this article, **JD Brewer** and **Saurabh Goyal**, KPMG US Advisory Principals, Healthcare Operations, discuss why payers must directly embed AI into how work gets done. They explain that this means positioning AI as the connective layer linking data, decisions and workflows across five key pathways: workflow orchestration, trust and governance, data modernization, value realization and operating model redesign – particularly how decision rights, accountability and human oversight are defined in AI-enabled processes. Read the article.

Why some junior employees work well with AI and others don't

KPMG and the University of Texas at Austin conducted a large-scale field study with 523 US-based early-career professionals at KPMG with tenures of 18 months or less to understand how to create value in AI-enabled workflows. **Anu Puvvada,** KPMG US Studio Leader and Principal, AI & Digital – Enterprise Innovation, and researchers from the University of Texas at Austin's McCombs School of Business discuss how the research identified three distinct performance profiles among early-career professionals: AI apprentices (who performed below the AI baseline), AI delegators (who produced comparable results), and AI amplifiers (who significantly outperformed the AI). They explore how KPMG is applying these insights to build and reinforce 'AI amplifier' behaviors across the firm through continuous learning, personalized learning pathways and simulation-based exercises. Read the article.

Airlines and telcos are serving the same customer – Now they need a shared experience

Frank Albarella, KPMG US Media and Telecommunications Leader, and **Duleep Rodrigo**, KPMG US Consumer and Retail Leader, discuss how the forces shaping consumer demand are becoming more consequential for both the airline and telecommunication industries. Drawing on insights from the KPMG Summer 2026 Consumer Pulse Survey, they explain that as today's traveler makes meaningful trade-offs, differentiation is no longer driven by stand-alone offerings but by the ability to deliver and monetize a connected journey, which has direct implications for capital allocation, partnership strategy and who ultimately owns the customer relationship. Read the article.

Moving beyond AI policies in higher education

Quimby Kaizer, KPMG Advisory Principal and National Education Sector Leader, and **Saravanan Subbarayan**, KPMG Managing Director and National Technology Leader for Higher Education, discuss why advances in AI represent an opportunity for colleges and universities to improve operations and modernize in ways that could help rebuild public trust. They note that while most institutions wrote policies and established governance when AI arrived, many have since paused. Citing a KPMG survey of 361 college students in which only a small minority described their institution as 'clearly supportive' or 'strategically aligned' in its approach to AI, the authors explore how the institutions that connect their AI investments to outcomes that matter – students who enroll, persist, graduate and build meaningful careers – will ultimately define the future of higher education. Read the article.

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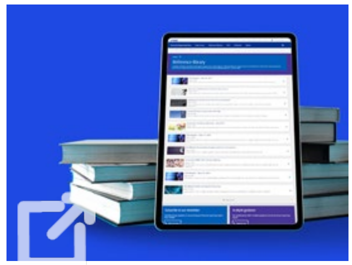

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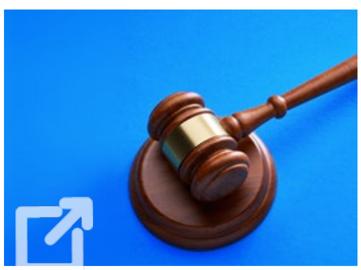

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