



# Quarterly Outlook

June 2026

The SEC advances a broad slate of regulatory proposals, tariff developments bring new uncertainty and the FASB's refreshed agenda takes shape.

US GAAP

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# Quarterly Outlook

## June 2026

A shifting regulatory backdrop defined the quarter as the SEC issued a flurry of proposals, signaling a more active rulemaking posture for the remainder of the year. While the proposals vary in scope, each could represent a meaningful shift for affected issuers, with potential implications for reporting frequency, disclosure requirements, internal control oversight and transaction readiness.

Also during the quarter, the FASB issued two accounting standards, including guidance on the accounting for environmental credits and credit obligations through the creation of new Codification Topic 818. In addition, the FASB made measured progress in reshaping its technical agenda, voting to add several new projects informed largely by stakeholder outreach and advisory group input. Together, these actions signal that the FASB is in a mode of selective standard-setting focused on targeted improvements instead of fundamental reform.

Meanwhile, the refund landscape for IEEPA-related tariffs continues to evolve amid ongoing legal and administrative developments. While refund processing has begun for certain claims, uncertainty persists regarding the scope of eligible claims and the timing of ultimate recovery. These developments are driving the need for significant judgment related to the timing of refund recognition as well as considerations related to financial statement presentation and related disclosures.

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



# Contents

<b>Current quarter financial reporting matters</b> .....	<b>1</b>
IEEPA tariff developments: From uncertainty to execution – financial reporting considerations evolve .....	1
Ongoing conflict in the Middle East heightens operational and financial reporting uncertainty.....	3
SEC proposes optional semiannual interim reporting framework.....	4
SEC proposes to simplify filer status framework .....	5
SEC proposes to reshape access to registered offerings .....	6
Other SEC headlines .....	6
Sustainability reporting – Clearer path ahead.....	7
PCAOB seeks public input on strategic priorities .....	8
Other developments of interest to audit committees .....	9
<b>New standards and guidance</b> .....	<b>10</b>
FASB introduces an accounting model for environmental credits and credit obligations .....	10
FASB issues final ASU on PIK dividends on equity-classified preferred stock .....	11
<b>FASB projects and agenda priorities</b> .....	<b>13</b>
FASB adds targeted projects to its technical agenda .....	13
PCC sharpens focus on debt classification and targeted simplifications .....	15
FASAC discusses agenda priorities, emerging issues and the role of technology ....	16
<b>Recommended reading and CPE opportunities</b> .....	<b>18</b>
Liquidity is no longer binary: Strategies evolve as companies engineer exits over time instead of single events .....	18
Apply adaptability as your AI strategy.....	18
How manufacturers are reframing trade uncertainty .....	18
AI is already in the exam room. Is governance keeping up?.....	18
The insurance affordability squeeze: Why auto carriers are at an inflection point .....	19
From buildouts to outcomes: The public-private playbook for rural connectivity .....	19
Upcoming CPE opportunities.....	19
<b>KPMG Financial Reporting View</b> .....	<b>22</b>
<b>Acknowledgments</b> .....	<b>23</b>



# 1

# Current quarter financial reporting matters

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

The refund landscape for tariffs imposed under the International Emergency Economic Powers Act (IEEPA) continues to evolve. The US Supreme Court's February 20, 2026 decision that IEEPA does not authorize the imposition of tariffs was followed by a March 4, 2026 order by the Court of International Trade (CIT) directing the government to begin issuing refunds to all importers that paid IEEPA tariffs.

Companies continue to face practical questions around when to recognize refunds, how much to record and where to present them in the financial statements, as well as around the broader effects on operations, contracts and disclosures.

### *Update on refund landscape and ongoing uncertainty*

On April 20, 2026, Customs and Border Patrol (CBP) began accepting phase one IEEPA claim submissions for validation and refund processing in the Consolidated Administration and Processing of Entries (CAPE) system. Importers began receiving refund payments for some of their claims in May.

While the CBP refund process is ongoing, the Administration did not waive its right to appeal the CIT's universal order requiring all IEEPA tariffs be refunded. On May 29, 2026, the Administration issued notice to the CIT of its intent to appeal the court's order requiring universal refunds and the reliquidation of finally liquidated entries. The Administration argues that the CIT lacks the authority to require these refunds unless an importer has filed its own claim with the CIT. On June 2, 2026, the Administration formally appealed to the US Court of Appeals for the Federal Circuit.

Although the CIT order directed refunds and refunds for the phase one CAPE submissions are being made, key uncertainties remain about the scope of eligible claims under the CIT order. These uncertainties include whether an importer must file a claim with the CIT to be eligible for a court-ordered refund, the eligibility of liquidated entries for refunds, and the mechanics of claim submissions and payments for phase two claims (e.g. liquidated entries and reconciliation entries).

The Administration stated in its notice of appeal to the CIT that CBP is relying on the Administration's own authorities to begin refunding approximately \$85 billion of the IEEPA tariffs – over half the total amount of IEEPA tariffs paid. This statement relates to the phase one claims currently being processed in CAPE and may indicate that the Administration intends to provide these refunds at its own discretion and not because of the court order.

It is important to continue to monitor developments closely as the CIT order is being appealed and uncertainty about the scope of refund rights persists.



## Current quarter financial reporting matters

### *Accounting for tariff refunds: Applying established models amid evolving facts*

We believe applying the frameworks of the loss recovery model or the gain contingency model to recognize potential tariff refunds is appropriate and the gain contingency model is appropriate for interest received. Under the loss recovery model, recognition is limited to amounts for which recovery is probable, a high threshold that may not be met when claims are contested or subject to ongoing legal processes. Alternatively, the gain contingency model generally precludes recognition until realization is assured. Both approaches require careful evaluation of the relevant facts and circumstances.

Consideration of subsequent events is important to assessments made under the loss recovery model. Under the gain contingency model, the accounting requires an evaluation of when the contingency for each claim is resolved, which may differ on a claim-by-claim basis and be affected by administrative and legal processes.

As a result of the ongoing uncertainty, companies should evaluate the risk profile of their specific IEEPA entries by considering facts such as the liquidation status of entries, whether claims have been approved or paid within the CAPE system, and whether the company's entries are subject to a claim made with the CIT. Consultation with legal counsel can inform judgments about the probability that the CIT's universal refund order will be upheld.

Regardless of the model applied to the potential refund, 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.

Importantly, the loss recovery and gain contingency models apply only to the recognition of the refund asset itself and do not extend to other estimates (such as impairment testing or revenue estimates). Other estimates should continue to reflect current expectations about tariffs and related costs based on broader financial reporting guidance.

### *Presentation of tariff recoveries*

As refunds begin to be processed and received, companies should also consider the appropriate financial statement presentation of amounts realized.

We believe it is appropriate to record refunds of previously paid tariffs as an offset to the financial statement caption in which the original tariff cost was recognized. For example, if the tariff was capitalized into inventory, the refund should reduce the carrying amount of that inventory or be recognized in cost of goods sold if the related inventory has already been sold. This approach reflects a recovery of previously incurred costs, instead of the generation of new income, and is therefore consistent with the underlying economics of a refund.

By contrast, we believe any interest received as part of the refund should be presented separately, typically within other income. This presentation reflects the nature of interest as a return on amounts owed, instead of a recovery of operating costs.

**KPMG resources:** See our FRV [web article](#) on the Supreme Court ruling and 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 related to tariff uncertainty. In



## Current quarter financial reporting matters

In addition, our Handbook, [Accounting for economic disruption](#), provides more detailed discussion and is a useful tool for evaluating some of these potential effects.

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## Ongoing conflict in the Middle East heightens operational and financial reporting uncertainty

Geopolitical conditions in the Middle East remain fluid, with elevated tensions and intermittent military activity involving Israel, Iran and US forces continuing to reshape the regional operating environment. These developments have contributed to airspace restrictions and ongoing disruptions to Red Sea maritime trade routes, prompting some global supply chains to reroute and absorb higher transportation and insurance costs.

In parallel, renewed volatility in energy markets has increased uncertainty for companies with direct or indirect exposure to the region. Management may need to reassess assumptions underlying forecasts, asset recoverability and operational continuity – particularly where business models rely on stable logistics, energy pricing or uninterrupted regional activity.

### *Financial reporting considerations*

Ongoing developments in the Middle East may have implications for financial reporting under US GAAP or IFRS® Accounting Standards, especially for entities with operations, customers, suppliers or other dependencies in affected areas. Potential areas of impact may include, among others:

- **Cost structures and margins.** Volatility in oil, natural gas or transportation costs may affect production expenses, inventory valuation or contract profitability.
- **Supply chain and contract disruption.** Shipping delays, rerouting or the invocation of force majeure provisions may affect revenue recognition, contract costs or the assessment of onerous arrangements.
- **Asset valuation and recoverability.** Physical assets or right-of-use assets located in, or economically dependent on, the region may require heightened monitoring for indicators of impairment.
- **Liquidity, credit risk and disclosures.** Increased uncertainty may affect customer collectibility, counterparty credit risk and the scope of risk factor and subsequent-events disclosures.

Companies should identify relevant risks and uncertainties arising from these conditions, evaluate their potential effects on recognition, measurement and disclosure, and consider whether incremental transparency is warranted as facts and circumstances evolve.

### **KPMG resources:**

- KPMG Handbook: [Accounting for economic disruption](#)
  - [Hot Topic](#) issued at the outset of the Russia-Ukraine war
  - [Uncertain times](#) hub and [Be clear in times of uncertainty](#) guide (KPMG International)
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### SEC proposes optional semiannual interim reporting framework

The SEC proposed [amendments](#) to its periodic reporting framework that would permit domestic reporting companies to satisfy interim reporting requirements on a semiannual basis as an alternative to quarterly reporting on Form 10-Q. The proposal would introduce a new Form 10-S and make related conforming amendments to Regulation S-X and other rules to accommodate optional semiannual reporting.

#### Key takeaways

- **Optional semiannual reporting**
  - Exchange Act reporting companies subject to Sections 13(a) or 15(d) would be permitted to file one interim report covering a six-month fiscal period.
  - Quarterly reporting would remain available, as the default framework, for companies that choose to maintain existing reporting practices.
- **New Form 10-S**
  - Companies electing semiannual reporting would file interim information on Form 10-S.
  - The form would generally include the same categories of financial information and narrative disclosures as Form 10-Q, adjusted for a six-month period.
  - Filing deadlines would be 40 or 45 days after the semiannual period end, depending on filer status.
- **Election of reporting frequency and conforming changes**
  - Companies would elect an interim reporting frequency annually through a check box on Form 10-K, with the election fixed for the subsequent fiscal year.
  - Financial statement age requirements in registration statements would be streamlined to align with the elected reporting frequency.

#### Implications

The ability to report semiannually could have broad implications for financial reporting oversight, investor communications and capital markets readiness. Reporting companies may need to perform entity-wide assessments to evaluate how a change in reporting frequency could affect the availability and comparability of interim information, the operation of disclosure controls and procedures and reliance on other disclosure mechanisms such as earnings releases. Companies will also want to consider whether the optional semiannual framework aligns with their reporting objectives, governance and oversight practices, capital raising activities and investor expectations.

#### Applicability and timing

The proposal applies to Exchange Act reporting companies that currently file quarterly reports on Form 10-Q and new registrants seeking to access the capital markets through IPOs.

The comment period ends July 6.

#### KPMG resources: [Defining Issues](#)



### SEC proposes to simplify filer status framework

The SEC has proposed [amendments](#) that would significantly simplify the filer status framework for domestic reporting companies. The proposal would increase public float and seasoning thresholds for large accelerated filers, eliminate certain existing filer categories and expand scaled reporting and disclosure accommodations to a broader population of issuers.

Registrants may wish to consider how the proposed filing status framework could change their current designation and affect related reporting and regulatory compliance requirements.

#### *Key takeaways*

The proposal aims to replace the current multi-tiered filer status framework with a more streamlined structure intended to reduce complexity and compliance burden.

- **Simplified filer structure.** Registrants would be classified into two primary categories – large accelerated filers (LAFs) and non-accelerated filers (NAFs) – with the accelerated filer and smaller reporting company categories eliminated.
- **Expanded accommodations.** Disclosure and reporting accommodations currently available to smaller reporting companies and emerging growth companies would generally be extended to all NAFs.
- **New sub-category.** A ‘small non-accelerated filer’ sub-category would be introduced within NAFs, providing extended filing deadlines for the smallest registrants.

#### *Implications*

If adopted, the proposed amendments would have meaningful reporting and compliance effects for many registrants, including:

- **Reduced ICFR auditor attestation.** Many registrants currently subject to Section 404(b) of the Sarbanes-Oxley Act could move to NAF status and no longer require auditor attestation of internal control over financial reporting (ICFR).
- **Broader use of scaled disclosure.** More registrants would qualify for reduced disclosure requirements and extended filing timelines.
- **Simplified annual assessment.** Registrants would no longer need to evaluate overlapping filer categories and transition thresholds each year.

#### *Applicability and timing*

The proposed amendments would apply to domestic issuers subject to Exchange Act reporting under Sections 13(a) or 15(d), including new registrants seeking to access the capital markets through IPOs. They would not apply to asset-backed issuers, registered investment companies or foreign private issuers using foreign reporting forms.

The comment period ends July 20.

**KPMG resources:** [Web article](#)



## SEC proposes to reshape access to registered offerings

The SEC has proposed [amendments](#) to modernize the registered offering framework, with the objective of expanding issuers' access to the public capital markets while maintaining core investor protections. The proposed amendments would revise Form S-3 eligibility, extend shelf registration and communication flexibilities to a broader group of issuers and streamline aspects of the registered offering process.

### *Key takeaways and potential implications*

- **Expanded Form S-3 eligibility.** The minimum public float, 'one-year seasoning' and certain other eligibility thresholds would be eliminated. Eligibility would instead focus primarily on whether an issuer is current and timely in its Exchange Act reporting, significantly increasing the number of issuers able to use short-form and shelf registration.
- **Broader access to shelf offerings and communication flexibilities.** By replacing the well-known seasoned issuer construct, the proposed amendments would extend automatic shelf registration and related communication benefits to a wider population of issuers through a new 'seasoned eligible listed issuer' category.
- **Modernized Form S-1.** Incorporation by reference in Form S-1 would be expanded, including forward incorporation for issuers that otherwise meet the requirements, reducing duplicative disclosures and increasing reliance on Exchange Act reporting.
- **Expanded federal preemption of state securities laws.** Federal preemption of state Blue Sky Law registration and qualification requirements would be extended to all registered offerings, including offerings of unlisted securities, potentially reducing compliance complexity.

Issuers should assess how the proposed changes could affect capital-raising strategies, disclosure practices and transaction readiness and consider providing feedback to the SEC during the comment period.

### *Applicability and timing*

The proposed amendments would apply to issuers registered under the Securities Act of 1933 who access the public capital markets through registered offerings, including domestic Exchange Act registrants, issuers using Form S-1 or Form S-3, business development companies and certain registered closed-end funds. It is also relevant for companies evaluating IPOs, follow-on offerings and shelf registrations.

The comment period ends July 27.

**KPMG resources:** [Web article](#)

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## Other SEC headlines

### *SEC publishes draft strategic plan for public comment*

The SEC released a [Draft Strategic Plan](#) emphasizing a return to its long-standing congressional mandate to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation. The plan outlines the following three goals:



## Current quarter financial reporting matters

- sharpening regulatory policy to support innovation, capital formation and investor protection, including a coherent framework for digital assets;
- recalibrating regulatory practices toward engagement and traditional enforcement of established law; and
- improving operational efficiency through streamlined organizational structure, technology modernization and enhanced accountability.

The comment period ends July 2.

### ***SEC proposes rescinding climate-related disclosure rules***

On May 29, the SEC [proposed](#) to rescind its final rules that require registrants to provide certain climate-related information in their registration statements and annual reports.

The comment period ends August 3.

**KPMG resources:** [Web article](#)

### ***SEC creates new enforcement group focused on auditors and SOX compliance***

The SEC has created a [new group](#) in its Division of Enforcement dedicated to auditing related misconduct. The new unit, referred to as the 'SOX Group', is intended to investigate and litigate violations of auditing and independence standards and other relevant securities laws.

### ***CAQ highlights March 2026 SEC Regulations Committee meeting***

The Center for Audit Quality (CAQ) recently issued [highlights](#) of the March 2026 meeting between its SEC Regulations Committee and SEC staff. The SEC Regulations Committee meets periodically with SEC staff to discuss emerging financial reporting issues related to SEC rules and regulations. The March meeting focused on staff updates and several targeted but recurring application questions affecting filer status, smaller reporting company determinations and transaction-driven reporting obligations.

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## Sustainability reporting – Clearer path ahead

Following a quiet start to the year, the second quarter brings additional clarity for sustainability reporting.

### ***US developments***

In May, the California Air Resources Board submitted its initial regulation to implement California's climate laws to the Office of Administrative Law (OAL) for review and approval. The OAL is expected to complete its review in June and, if approved, the regulation will become law once filed with the Secretary of State. This regulation establishes key definitions and fee calculations that underpin the scoping of SB-253 (greenhouse gas (GHG) emissions) and SB-261 (climate risks) along with an August 10, 2026 deadline for first SB-253 reporting. [Read more.](#)

Although the SEC just submitted a proposal to the Office of Information and Regulatory Affairs in May of this year to rescind its climate rule, the rule has been stayed by the SEC since April 2024. Despite this stay and the proposed rescission, compliance with existing



## Current quarter financial reporting matters

disclosure requirements under Regulation S-K remains important and can result in climate-related disclosure being required. [Read more.](#)

### *European Union developments*

In May, the European Commission (EC) published its [final draft delegated regulation](#) amending the European Sustainability Reporting Standards (ESRS). This final draft closely aligns with the technical advice prepared by the European Financial Reporting Advisory Group, which was submitted to the EC in December 2025. With the feedback period now closed, the EC intends to finalize and adopt the revised standards by mid-2026. Once adopted, the standards will undergo scrutiny by the European Parliament and European Council for up to four months. After this review process, the standards will be published in the Official Journal of the European Union and will enter into force. [Read more.](#)

Also in May, the EC released for public comment its draft Voluntary Standard for smaller companies, which would set a limit on the information that can be requested from small companies in the value chain of larger companies applying ESRS. The EC plans to adopt the delegated regulation by the end of June 2026. [Read more.](#)

### *GHG Protocol*

The GHG Protocol is in the process of developing a new [Actions and Market Instruments](#) Standard. In May, it published a white paper that proposes the introduction of a multi-statement accounting and reporting structure for GHG reports. This white paper, and feedback received on it, will form the basis for a draft standard, expected to be released in Q3 2027.

### **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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## PCAOB seeks public input on strategic priorities

On March 31, the PCAOB issued its first-ever [Request for Public Comment on Strategic Priorities](#). The feedback will inform development of the PCAOB's 2026-2030 strategic plan and guide the PCAOB's focus areas for future standard-setting activities.

### *Key focus areas in the request*

The PCAOB is seeking stakeholder input on a broad range of topics, including:

- strategic priorities for registration, inspections and enforcement programs;
- inspections program evolution, including implications of the new quality control standard, QC 1000;
- inspection reporting, including what information is most decision-useful to stakeholders;
- standard-setting priorities, including potential new projects;



## Current quarter financial reporting matters

- international alignment with global auditing standards;
- use of emerging technologies, including AI; and
- transparency and stakeholder engagement.

The PCAOB has already discussed these topics with its Investor Advisory Group and Standards and Emerging Issues Advisory Group and will consider this input alongside public comments.

## Standard-setting and QC 1000 developments

While gathering and analyzing feedback from its strategic priorities request, the PCAOB recently updated its [standard-setting agenda](#) to reflect projects currently underway. The Board also indicated the following.

- A **separate invitation to comment on standard-setting priorities** is expected shortly.
- A **targeted invitation to comment on QC 1000** will be issued to address specific improvements, while the effective date of QC 1000 will remain unchanged.
- Later in 2026, following consideration of stakeholder input, the PCAOB expects to issue a **separate invitation to comment on its draft strategic plan**, reflecting an ongoing, iterative engagement process.

The comment period on strategic priorities ended May 15.

## Other developments of interest to audit committees

### *PCAOB perspectives from conversations with audit committees*

In a new [Spotlight](#), the PCAOB summarizes insights from discussions with over 250 audit committee chairs, highlighting factors that drive effective auditor-audit committee relationships, methods for assessing the external auditor and the use of PCAOB inspection reports. Key themes include audit committee oversight of fraud risks, quality control considerations, CAM communications and growing focus on technology-related risks.

### *PCAOB seeks members for new Inspections Modernization Council*

The PCAOB [announced](#) the creation of the Inspections Modernization Council (IMC), a new advisory body intended to provide external perspectives on the PCAOB's inspection program, including opportunities to modernize inspection approaches and the use of emerging technologies. The IMC will be composed of up to 12 members and will advise the PCAOB Chair, Board and staff, but will not have standard-setting or rulemaking authority.

Applications are due by June 15.



# 2

## New standards and guidance

### FASB introduces an accounting model for environmental credits and credit obligations

The FASB issued [ASU 2026-02](#), establishing a new Accounting Standards Codification Topic 818 (environmental credits and environmental credit obligations). The ASU introduces a comprehensive framework for recognizing, measuring, presenting and disclosing environmental credits and environmental credit obligations (ECOs), an area that previously lacked explicit US GAAP guidance and was marked by significant diversity in practice.

The guidance reflects the evolving use of emissions trading programs, renewable energy certificates and other market-based environmental mechanisms, particularly as entities pursue net-zero or other emissions-reduction commitments and participate in increasingly sophisticated compliance markets.

#### *Scope and applicability*

Topic 818 applies to both environmental credits and ECOs. Environmental credits are defined as enforceable rights that are acquired, internally generated, granted by a regulator or received in a nonreciprocal transfer and that meet specified criteria.<sup>1</sup> ECOs are regulatory compliance obligations that can be satisfied with such credits. Environmental credits and ECO liabilities accounted for under Topic 818 are not in the scope of Topic 815 on derivatives and hedging.

#### *Accounting for environmental credits*

The ASU introduces an intent-based asset recognition and measurement model for environmental credits.

- **Recognition**

- Environmental credits are recognized as assets when it is probable that an entity will use the credits to settle an ECO, transfer them in an exchange transaction or use them in a nonreciprocal transfer. Probability is reassessed each period.
- Credits that do not qualify for asset recognition and nonrefundable deposits to obtain such credits, including those intended for voluntary environmental initiatives, are expensed as incurred. Once costs are expensed, the expense cannot be reversed.

<sup>1</sup> Under Topic 818, the specified criteria are:

- lacks physical substance and is not a financial asset;
- is represented to prevent, control, reduce or remove emissions or other pollution;
- is, or previously was, separately transferable in an exchange transaction or is no longer separately transferable but can be used to satisfy an ECO; and
- is not an income tax credit.



## New standards and guidance

- **Classification.** Environmental credits that are probable of being used to settle an ECO are classified as compliance credits. All other environmental credits that meet the asset recognition criteria are classified as noncompliance credits.
- **Subsequent measurement** depends on classification:
  - **Compliance environmental credits** are measured at cost and are not subsequently remeasured.
  - **Noncompliance environmental credits** are initially measured at cost and assessed for impairment at each reporting date. Entities may elect an accounting policy to remeasure eligible noncompliance credits to fair value by class of credit.

### Accounting for environmental credit obligations

ECOs are measured based on the number of credits required to settle the obligation as if the reporting date were the end of the compliance period. The ECO liability reflects the sum of:

- the carrying amount of available compliance credits (the funded portion); and
- the fair value of additional credits required to satisfy the obligation (the unfunded portion).

The funded portion excludes credits that were previously expensed or derecognized because they did not meet the asset recognition criteria, which increases the unfunded portion. The FASB acknowledged that when an entity uses the previously expensed credits to satisfy the ECO liability, the entity may recognize a gain when that liability is derecognized.

### Relevant dates

Effective for:	Public business entities	All other entities
Annual and interim periods in fiscal years beginning after...	December 15, 2027	December 15, 2028
Early adoption permitted?	Yes, for all entities in interim and annual periods for which they have not issued or made available to issue their financial statements. If early adoption is elected in an interim period, the entity adopts it as of the beginning of the annual period that includes that interim period.	

**KPMG resources:** [Defining Issues](#)

## FASB issues final ASU on PIK dividends on equity-classified preferred stock

The FASB issued [ASU 2026-01](#) to reduce long-standing diversity in practice related to the measurement of paid-in-kind (PIK) dividends on equity-classified preferred stock. The update establishes a single, contract-based measurement model intended to improve comparability and reduce judgment in an area where US GAAP had been largely silent.

### Key takeaways and implications

- **Standardized initial measurement.** PIK dividends are measured based on the contractual PIK dividend rate. For example, a preferred stock agreement may indicate that the PIK dividend is calculated by applying an 8% PIK dividend rate to a liquidation value of \$1,000, resulting in an \$80 dividend per share.



## New standards and guidance

- **Reduced diversity in practice.** The guidance eliminates approaches previously applied by some entities, including measurement based on fair value at the dividend date and effective yield methodologies.
- **Earnings per share effects.** Changes in the amount of income available to common shareholders may affect EPS calculations under Topic 260 (earnings per share).
- **Scope limitations.** The ASU does not apply to preferred stock classified as a liability under Topic 480 (distinguishing liabilities from equity) or to nonmonetary asset transfers accounted for under Topic 845 (nonmonetary transactions).

### Relevant dates

Effective for:	All entities
Annual and interim periods in fiscal years beginning after...	December 15, 2026
Early adoption permitted?	Yes, for all entities in interim and annual periods for which they have not issued or made available to issue their financial statements. If early adoption is elected in an interim period, the entity adopts it as of the beginning of the annual period that includes that interim period.

**KPMG resources:** [Defining Issues](#)

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# 3

## FASB projects and agenda priorities

### FASB adds targeted projects to its technical agenda

The FASB has continued to recalibrate its [technical agenda](#) by adding several narrowly scoped projects aimed at addressing operability challenges, diversity in practice and emerging transactions and lending structures. Recent additions reflect a continuing shift toward targeted improvements instead of fundamental changes to standards, with many projects originating from stakeholder outreach, advisory group input and Emerging Issues Task Force discussions.

The table below provides a high-level summary of the latest changes to the FASB’s technical agenda, highlighting project origins, objectives and status.

#### Recently added projects

Project	Date added	Current status	Origins and objectives
Mortgage servicing rights –recapture	May 27, 2026	Exposure draft – Q4 2026	Added to address whether recapture value should be included in measuring a mortgage servicing right (MSR). The project builds on Emerging Issues Task Force discussions, which concluded that an MSR and recapture represent a single unit of account and that MSR measurement should reflect the effects of recapture.
Subjective acceleration clauses and debt default disclosures	May 27, 2026	Exposure draft – Q4 2026	Added at the recommendation of the <a href="#">Private Company Council (PCC)</a> to address pervasive application challenges and diversity in practice related to subjective acceleration clauses in the classification of debt as current or noncurrent.
Investment companies – contractual sales restrictions	May 13, 2026	Board deliberations	Added in response to an agenda request to reexamine ASU 2022-03 regarding the fair value measurement of equity securities subject to contractual sale restrictions. The request noted that the



## FASB projects and agenda priorities

Project	Date added	Current status	Origins and objectives
			current guidance – which does not require entities to consider these restrictions – can produce values inconsistent with the instrument’s economics and observable market pricing. This issue is particularly relevant for investment companies within the scope of Topic 946.
Private credit disclosures	May 13, 2026	Board deliberations	Added in response to stakeholder feedback, including input from advisory groups and the <a href="#">Financial Accounting Standards Advisory Council</a> , regarding the rapid growth of private credit and evolving nontraditional lending structures. Although private credit funds generally apply Topic 946 (investment companies) and measure investments at fair value under Topic 820, many rely on Level 3 inputs and are not subject to loan-level disclosure requirements applicable to amortized-cost lenders, prompting the Board to assess whether targeted disclosure improvements may be warranted.
Fair value hedging – portfolio layer method for liabilities	Apr 22, 2026	Board deliberations	Added to address stakeholder feedback received through agenda requests and the FASB’s 2025 Invitation to Comment, Agenda Consultation, requesting that the portfolio layer method in Topic 815 (derivatives and hedging) be extended to liabilities to better align hedge accounting with entities’ risk management activities.
Indexation – debt and equity	Mar 18, 2026	Exposure draft – Q4 2026	Added to address application challenges in the indexation guidance in Subtopic 815-40 (derivatives and hedging – contracts in entity’s own equity), with the Board pursuing a targeted



## FASB projects and agenda priorities

Project	Date added	Current status	Origins and objectives
			'acceptable variables' approach to improve Step 2 of the indexation analysis.
Accounting for commodities	Feb 4, 2026	Exposure draft – Q4 2026	Added in response to feedback received through the FASB's 2025 Invitation to Comment, Agenda Consultation, requesting an optional fair value measurement alternative for tangible commodity inventories held by depository and lending institutions in the scope of Topic 942 (depository and lending).
Accounting for transfers of crypto assets	Nov 19, 2025	Board deliberations	Added in response to feedback received on the FASB's 2025 Invitation to Comment, Agenda Consultation, regarding the accounting for crypto asset transfer arrangements. The project focuses on clarifying when control of a crypto asset has been transferred for derecognition purposes and expanding the scope of Subtopic 350-60 (crypto assets) to address wrapped tokens and receipt tokens.
Cash equivalents – disclosure enhancement and classification of certain digital assets	Oct 29, 2025	Exposure draft – Q3 2026	Added to address disclosure enhancements and the classification of certain digital assets as cash equivalents, including clarifying when stablecoins may be appropriately classified as cash equivalents.

## PCC sharpens focus on debt classification and targeted simplifications

At its [March meeting](#) with the FASB, the Private Company Council (PCC) continued its efforts to address complexity in private company reporting, with particular emphasis on debt classification, lease accounting and emerging stakeholder concerns.

- Subjective acceleration clauses and related debt disclosures.** PCC members recommended the FASB add a project to its technical agenda addressing the effect of subjective acceleration clauses on current versus noncurrent debt classification. Members supported moving from a probability-based assessment to a trigger-based model, under which such clauses would affect classification only when a lender demands repayment due to noncompliance. Additional recommendations included:



## FASB projects and agenda priorities

- classifying long-term debt as current only when a subjective acceleration clause is triggered;
- making conforming changes to guidance on refinancing and revolving credit arrangements so that classification effects are trigger-based;
- adding an illustrative example on subsequent events;
- requiring disclosures in the period a trigger occurs, including the nature of the event, the amount of debt affected and any waiver terms; and
- requiring prospective transition, with some members noting that retrospective application could be permitted.

The FASB has since added the project to its [technical agenda](#) and plans to issue an exposure draft by the end of the year.

- **Lease accounting simplifications.** The PCC reviewed stakeholder feedback and takeaways from the January 2026 leases working group meeting. Members supported continued research on lease modifications, embedded leases and lease classification criteria, as well as further consideration of weighted-average lease disclosures and related-party leases in combination with other lease issues. The PCC agreed to discontinue research on an optional single lease classification model and a scope exception for low-value leases.
- **Debt modifications, extinguishments and troubled debt restructurings.** Members discussed concerns about the complexity of existing accounting models and recent feedback from the 2025 Invitation to Comment (ITC), Agenda Consultation. Given the FASB's plans to discuss the topic at a future meeting, the PCC agreed to pause further research.
- **Employee stock ownership plans.** Based on feedback from PCC liaison meetings and the 2025 ITC, PCC members added employee stock ownership plans to their research agenda, with a focus on repurchase obligations from a plan sponsor perspective. An education session will be scheduled for a future meeting.

Among other business, the PCC welcomed a new member Wim Schaffers, whose term began on January 1, 2026.

Since the March meeting, The Financial Accounting Foundation's board of trustees [announced](#) that Jere Shower has been reappointed as chairman of the PCC and that David Finkelstein, Bradley Hendricks and David Hoagland have been reappointed as PCC members. Their second terms will begin on January 1, 2027 and end on December 31, 2029.

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## FASAC discusses agenda priorities, emerging issues and the role of technology

The Financial Accounting Standards Advisory Council (FASAC) met in [March](#) to discuss the FASB's agenda priorities and decision criteria, as well as the implications of evolving macroeconomic trends and technology for financial reporting and standard-setting.

### *Agenda consultation and decision criteria*

FASB staff provided an update on progress on the 2025 Invitation to Comment, Agenda Consultation, including [projects added to the technical agenda](#), topics for which additional



## FASB projects and agenda priorities

research has been requested and topics considered but not added. Council members then discussed the Board's agenda decision criteria, with particular focus on how the Board assesses whether there is a pervasive need to improve US GAAP.

Council members emphasized that applying the criteria requires judgment and that the criteria should be considered collectively. They discussed the following.

- **Issue pervasiveness.** While pervasiveness is often evaluated based on the number of affected entities and the magnitude of the impact, members noted that issues affecting a narrower population may still warrant attention when the accounting is complex, difficult for investors to understand or misaligned with the economics of a transaction. Members also highlighted the potential role of the Emerging Issues Task Force and the use of technology to assess how frequently issues arise in practice.
- **Emerging issues.** Members noted that evaluating emerging issues requires judgment, including balancing the benefits of timely standard-setting against an evolving understanding of transactions and stakeholder needs. Some members suggested that disclosure-focused improvements could provide a timelier initial response than recognition and measurement changes.
- **Narrow versus broad topics.** Members discussed applying agenda criteria to both narrow and broad topics, noting that broad topics could be addressed through targeted or phased improvements. However, members cautioned that multi-phase projects can present challenges and suggested a 'portfolio' approach that balances large, pervasive projects with more targeted or industry-specific issues.

## Macro trends and economic outlook

The Council discussed current macroeconomic trends, including increased investment in data centers, the growing use of AI, expansion of private credit markets and heightened economic uncertainty. Members generally observed that existing GAAP provides a robust framework for these developments, though applying judgment can be challenging and current disclosures may not always fully convey related uncertainties. Investor members highlighted challenges in understanding complex data center arrangements and suggested that more integrated disclosures could improve decision usefulness.

## Technology and financial reporting

Finally, Council members discussed how advances in technology are affecting financial reporting and standard-setting. Members emphasized that while the capabilities of AI tools are advancing rapidly, organizations continue to face challenges, including the need for clearer guidance on controls, testing and assurance over AI-enabled processes. While AI is generally improving efficiency for investors, preparers and auditors, members emphasized that human judgment remains critical. The Council also recommended that the Board consider technology's impact when evaluating the costs and benefits of future standards.



# 4

## Recommended reading and CPE opportunities

### Liquidity is no longer binary: Strategies evolve as companies engineer exits over time instead of single events

Private market timelines have changed. Companies are staying private longer and investors are adjusting, rethinking how capital comes back when the old playbook doesn't line up. **Sal Melilli**, KPMG US New York Office Managing Partner and KPMG Private Emerging Growth Leader, discusses how today's private companies are increasingly engineering multi-stage exits over time, allowing leaders to de-risk and access capital on terms that match their long-term growth cycles. In this article, he explores how founders and boards are no longer chasing exits but are designing flexibility and planning for multiple paths when timelines move. Read the [article](#).

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### Apply adaptability as your AI strategy

AI is here to stay, and the stakes are real. The question has shifted from "What can AI do?" to "What do our people need to do differently because AI exists?" **Rema Serafi**, KPMG US Vice Chair – Tax, discusses how this requires leaders to hardwire adaptability into their organizations: rethinking how they train, communicate and measure success; embedding continuous learning into the flow of work; encouraging shared instead of centralized judgment; and making it clear that progress, not perfection, is the goal. Rema also shares how she's seen AI reshape the tax profession and why the most strategic organizations will use AI to free their people for work that has been the hardest to scale. Read the [article](#).

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### How manufacturers are reframing trade uncertainty

The Supreme Court's determination, which found that the tariffs imposed by the president under the International Emergency Economic Powers Act were not legally authorized, has not brought clarity so much as it has reset the conversation. **Brian Higgins**, KPMG US Advisory Principal and Manufacturing Sector Leader, discusses how across the industrial manufacturing sector, the ruling has reinforced a shift already underway: resilience and scenario planning are becoming key differentiators. The conversation is no longer about what happened, but about how companies plan for multiple outcomes and adapt quickly to be better positioned to absorb disruption without losing continuity. It reflects a broader recognition that resilience depends on preparation, not prediction. Read the [article](#).

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### AI is already in the exam room. Is governance keeping up?

AI is no longer operating quietly behind the scenes of healthcare. In this article, **Drew Corrigan**, KPMG US Audit Partner and Healthcare Sector Leader, emphasizes that as AI-generated information enters exam rooms and shapes patient-physician interactions,



## Recommended reading and CPE opportunities

healthcare organizations must treat AI governance, explainability and oversight as day-one design principles instead of retrofits. He highlights that trust in data, clear accountability, auditable data lineage, and continuous post-deployment monitoring are essential for scaling AI from pilots to daily operations. He also discusses how disciplined, governed AI use cases can help providers manage bias, protect clinical integrity and convert AI from a novelty into a trusted asset for clinicians and patients. Read the [article](#).

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## The insurance affordability squeeze: Why auto carriers are at an inflection point

**Sean Vincente**, KPMG US Advisory Partner and Insurance Sector Leader, and **Lenny LaRocca**, KPMG US Senior Advisory Partner and Automotive Industry Leader, explore how the affordability challenge confronting auto insurers is not cyclical noise; it reflects structural shifts in risk, cost and consumer expectations. In this article, they discuss how enhanced modeling, more granular risk assessment and sustained performance discipline are measures carriers can take to shape outcomes, even as external pressures persist. Read the [article](#).

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## From buildouts to outcomes: The public-private playbook for rural connectivity

Access to high quality connectivity has become foundational to economic participation, healthcare delivery, education and public services. Yet in many rural communities, reliable broadband remains uneven or out of reach. **Frank Albarella**, KPMG US Sector Leader for Media and Telecommunications, and **Andy Gottschalk**, KPMG US Sector for State, Local and Education, discuss how the real challenge is not simply deployment, but durability: building communication infrastructure that is resilient, scalable and economically sustainable so that public investment catalyzes networks that remain viable and continue to serve communities over the long term. Meeting that challenge requires a coordinated approach built on three interdependent elements: hybrid connectivity models that combine complementary technologies; public-private partnerships that align capital with operational expertise; and AI-enabled operations that improve performance, efficiency and sustainability at scale. Read the [article](#).

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## 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.

KPMG Executive Education is hosting the 36<sup>th</sup> Annual Finance and Accounting Executive Symposium in Las Vegas December 2-3. 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](#).

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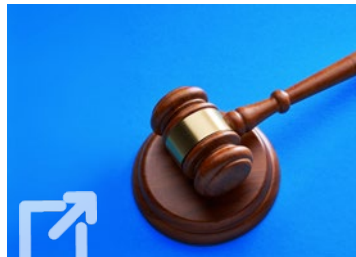
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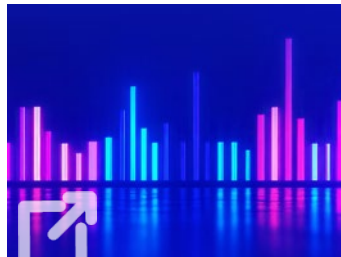
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