



Artificial intelligence industry's financial reporting crossroads

**Why finance leaders must rethink
the fundamentals**

A pragmatic guide for CFOs, CAOs, and controllers
KPMG Accounting Advisory Services



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Executive summary

Artificial intelligence (AI) has transitioned rapidly from an emerging technology to a core driver of commercial value, business model redesign, and asset creation. For chief financial officers (CFOs), chief accounting officers (CAOs), and controllers, this shift introduces complex financial reporting challenges that extend far beyond routine compliance. The rapid pace of AI development is blurring traditional distinctions between research and development (R&D) and production, asset and expense, and operational risk and financial opportunity.

As AI enterprises scale, finance leaders must address critical questions: How should the costs of developing proprietary models and acquiring massive datasets be recognized on the balance sheet? What is the appropriate useful life for an algorithm, and how should organizations evaluate the impact of technological change, competitive developments, and potential obsolescence on that estimate? How can revenue recognition policies keep pace with complex, usage/consumption-based contracts and other evolving commercial structures? And, as regulators increase their focus on marketing representations, how can

organizations ensure disclosures are transparent, consistent, and resilient to “AI washing” claims?

This article provides finance executives with a pragmatic guide to these complex financial reporting requirements, examining the key accounting challenges unique to AI-driven enterprises and offering clear, actionable steps to strengthen governance, anticipate regulatory scrutiny, and build market trust. Integrating technological innovation with robust financial reporting is essential for maintaining investor confidence and long-term value.



Artificial intelligence is creating extraordinary opportunities for innovation, growth, and business model transformation, but it is also challenging many of the traditional assumptions that underpin financial reporting. As organizations invest in AI assets, monetize new offerings, and navigate increasing regulatory scrutiny, finance leaders must pair technological ambition with disciplined accounting, robust governance, and transparent disclosures to build stakeholder confidence and create long-term value.

Cecil Mak

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AI business models and financial reporting focus areas

The AI sector comprises diverse business models, each presenting distinct accounting challenges that require rigorous professional judgment:



Foundation model providers

These enterprises develop the core, large-scale language models that power the industry. Their operations typically revolve around licensing core technology and providing application programming interface (API) access, making revenue recognition and the treatment of significant, ongoing R&D expenditures their primary focus areas.



Infrastructure providers

These companies provide the physical hardware, such as graphics processing units (GPUs), upon which AI runs. Other companies typically access this hardware via specialized cloud computing environments. Infrastructure providers' financial reporting focuses on the proper accounting for property, plant, and equipment, including depreciation, impairment, and inventory, as well as navigating the complexities of lease and revenue recognition accounting under Accounting Standards Codification (ASC) 842 and ASC 606,¹ respectively, for cloud-based infrastructure arrangements.



Generative AI application providers

These firms build on top of foundation models to deliver specific use-case applications, such as specialized chatbots and productivity tools. They typically monetize services through subscriptions that incorporate fixed and/or usage-based fee components. These arrangements require careful application of the revenue recognition principles under ASC 606, with key considerations often centering on identifying the contracts' performance obligations, determining the appropriate measure of progress for services recognized over time, and accounting for variable consideration.



Data and analytics companies

Specializing in the collection, curation, and processing of data, these businesses supply the core inputs for AI training. Their accounting focus centers on how to recognize revenue from complex data licensing agreements that often include rights to future, unspecified data updates. Conversely, their customers (such as model and application providers) must evaluate how to properly account for these substantial data acquisition costs.

Despite these operational differences, all AI enterprises must broadly navigate a shared set of financial reporting complexities, ranging from internally developed technology capitalization to sophisticated revenue structures. The following sections explore these key areas of financial reporting in detail.

¹ FASB, ASC 606-10, *Revenue from Contracts with Customers (Topic 606)*.

I. The AI asset lifecycle: Capitalization, valuation, and impairment

a. Capitalization: Development and data costs

One of the most significant balance sheet decisions for AI companies is determining whether the substantial costs of developing software, AI models, and related software applications and acquiring data should be expensed as incurred or capitalized. These expenditures encompass software development, data licensing fees, and data storage infrastructure costs. For generative AI applications, companies also incur significant training costs to tailor a model to its intended purpose.

Software development costs are subject to capitalization or expense under either Financial

Accounting Standards Board (FASB) ASC 350-40, *Internal-Use Software*,² or ASC 985-20, *Costs of Software to Be Sold, Leased, or Marketed*,³ depending on whether the software is developed solely for internal use (including sale to customers under a software-as-a-service [SaaS] model) or for external licensing to customers. Internal-use software development is governed by ASC 350-40, while development of software that will be licensed to customers (external-use software) is governed by ASC 985-20. Software that will be sold to customers under both SaaS and licensing models is external-use software subject to ASC 985-20.



Internal-use AI software

The primary challenge under ASC 350-40 is determining precisely when the capitalization criteria in ASC 350-40-25 are met. Capitalizing costs too early leads to overstated assets, while delayed capitalization results in understated balance sheets.

This evaluation is further complicated by Accounting Standards Update (ASU) 2025-06,⁴ the FASB's recent updates to ASC 350-40. The amendments in ASU 2025-06 eliminate ASC 350-40's references to, and guidance that depends on, traditional linear "development stages" (preliminary, application development, and postimplementation) that do not align with modern agile and iterative software development.

² FASB, ASC 350-40, *Intangibles—Goodwill and Other—Internal-Use Software*.

³ FASB, ASC 985-20, *Software—Costs of Software to Be Sold, Leased, or Marketed*.

⁴ FASB, ASU No. 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*.

Instead, under the updated guidance, capitalization would begin once management authorizes the project, commits funding, and determines that it is probable the software project will be completed and perform its intended function (the “probable to complete” threshold). To assist companies in this evaluation, *updated* ASC 350-40 provides new guidance on applying this threshold. For AI software, companies may determine that the AI features thereof represent novel, unique, or unproven features or functions that preclude the underlying software from meeting the “probable to complete” threshold until sufficient coding and testing have been performed to demonstrate viability of those features or functions.

It is important to note that the changes to the capitalization threshold do not alter the types of costs eligible for capitalization. Under ASC 350-40 (both pre- and post-ASU 2025-06), personnel training costs, data migration/conversion costs, and indirect external costs must be expensed as incurred. The updates also do not change that cost capitalization must cease when the software is substantially complete and ready for its intended use (i.e., following the completion of all substantial testing).

External-use AI software

ASC 985-20 applies if the company intends to license its AI software to customers who will take physical possession of the software or have the contractual right to do so without significant penalty.

Under ASC 985-20, development costs must be expensed as incurred until “technological feasibility” established, which is done by the completion of a detailed program design (and the absence of any high-risk development issues) or a working model. Eligible development costs incurred after establishing technological feasibility (production costs) are capitalized to the extent they are recoverable, up until the product is available for general release to customers.

In agile development environments especially, there is often very little time between the completion of a working model and general



Action for finance leaders

Map your AI development lifecycle against both the current and updated capitalization thresholds under Subtopic 350-40. Partner with technology leadership to establish a robust accounting framework that accurately captures development milestones and prepares the organization for transition to the updated guidance.



release; meanwhile, creation of detailed program designs is uncommon. As a result, companies typically capitalize minimal development expenditures under ASC 985-20, and we have yet to see AI software companies capitalize substantial external-use software costs.



Action for finance leaders

Review the software delivery model to confirm whether ASC 985-20 or ASC 350-40 applies. Assess whether your agile development process realistically creates a meaningful capitalization window under ASC 985-20.

Data costs

AI development requires vast amounts of training data, raising the question of whether data acquisition costs, most commonly in the form of data licensing fees, should be expensed as incurred, recognized as a separate intangible asset, or capitalized as part of the software itself.

The accounting treatment depends primarily on the data's intended use and alternative future utility. If the acquired data has a demonstrable

alternative use (e.g., it can be used for multiple distinct software projects or other commercial applications), the license should be recognized as a separate intangible asset under ASC 350-30.⁵ Conversely, if the data is acquired solely for a single software development project, the costs are expensed or capitalized in accordance with the software development guidance (ASC 350-40 or ASC 985-20) applicable to that project.



Action for finance leaders

Establish rigorous procedures to evaluate whether acquired datasets have substantive alternative uses, and document the accounting treatment based on that determination and the associated software delivery model.

b. Accounting for compute and storage

Computational and storage costs represent a major operational expense, particularly as companies utilize physical hardware and cloud-hosted environments.

On-premise hardware (GPUs and CPUs)

Physical computing hardware, such as servers, GPUs, and central processing units (CPUs) acquired to support computational requirements, is accounted for under ASC 360, *Property, Plant, and Equipment*,⁶ if owned, or ASC 842, *Leases*,⁷ if leased.

Owned assets are depreciated over their estimated useful lives. Depreciation is classified within cost of sales in the income statement if the underlying hardware is directly involved in generating revenue, such as hosting SaaS applications or processing client data. Leased assets are classified as either operating or finance leases under ASC 842, with straight-line lease cost or amortization and interest recognized accordingly.

Cloud computing arrangements

Many AI companies leverage third-party infrastructure to avoid large up-front capital expenditures. These infrastructure arrangements typically involve the companies accessing the third party's infrastructure via the cloud. These cloud computing arrangements often introduce complexity related to determining whether they contain a lease under ASC 842 (e.g., of the underlying GPUs the company will access).

This determination is highly relevant for contracts involving dedicated GPU or server capacity. Under ASC 842, a contract contains a lease only if it conveys the right to control the use of an identified asset for a period of time. Cloud infrastructure arrangements are often determined to be service contracts, rather than leases, because the provider retains substantive substitution rights and/or controls the configuration and use of the hardware (e.g., the provider will control how a particular GPU is configured with other GPUs into clusters,

⁵ FASB, ASC 350-30, *Intangibles—Goodwill and Other—General Intangibles Other Than Goodwill*.

⁶ FASB, ASC 360-10, *Property, Plant, and Equipment—Overall*.

⁷ FASB, ASC 842-10, *Leases—Overall*.

and how data processing jobs get assigned to different clusters). By contrast, we have observed some large-scale cloud infrastructure arrangements determined to contain leases of the underlying infrastructure because the customer has the right to control the configuration and use of the hardware.

For cloud arrangements that are service contracts, customer companies must apply the cloud arrangement implementation cost guidance in ASC 350-40. Costs to configure, integrate, and implement a cloud-based infrastructure arrangement are generally capitalizable and amortized over the contract term (including any renewal options that the company is reasonably certain to exercise).

Conversely, data migration, conversion, and user training costs must be expensed as incurred. All hosting and subscription fees incurred during the implementation period are also expensed as incurred and cannot be capitalized.



Action for finance leaders

Implement a cross-functional review process with procurement and information technology to analyze major cloud infrastructure contracts. Distinguish capitalizable implementation costs from noncapitalizable costs and ongoing hosting or consumption fees, and document lease versus service conclusions under ASC 842.

Multiple-element arrangements

AI contracts often bundle multiple services—such as software access, implementation, and dedicated computing capacity—into a single master agreement. Finance leaders must identify and separate these elements within arrangements to ensure each component receives the appropriate accounting treatment (e.g., distinguishing capitalized implementation costs from prepaid subscription fees and ongoing usage-based charges).



Action for finance leaders

Establish billing and contract review processes to identify and bifurcate distinct components within bundled cloud and infrastructure arrangements, ensuring proper allocation and timing of expense recognition. If accounting for an arrangement in which it is determined you are leasing the underlying infrastructure assets, then establish and consistently apply a policy about whether you will separate the lease and nonlease components of the contract.

c. Valuation of intangible AI assets

For AI-driven companies, proprietary algorithms, trained models, and curated datasets represent their most significant value drivers. Valuing these unique assets in business combinations or for impairment testing requires a disciplined application of valuation principles under ASC 820⁸:



Cost approach

This method estimates the cost to re-create the asset, including development, data curation, and training expenses. However, the cost approach fails to capture the competitive advantages or future economic benefits generated by a high-performing model. It also risks overstating value if the underlying technology has become uncompetitive.



Market approach

This method relies on comparable market transactions. Because AI models are highly proprietary and transaction details are rarely public, finding comparable data points is extremely difficult, limiting the utility of this approach.



Income approach

This is typically the most appropriate valuation method. It estimates future cash flows directly attributable to the intangible asset and discounts them to present value using techniques such as the Multi-Period Excess Earnings Method or the Relief from Royalty Method. This method requires robust, defensible projections regarding monetization viability, technological obsolescence rates, and discount rates that reflect the high-risk profile of AI ventures.

In “acqui-hire” transactions, where a target company is acquired primarily to secure a specialized engineering team rather than its existing assets or products, purchase price allocations may result in a significant portion of the transaction value being assigned to goodwill, with little to no value allocated to distinct intangible assets.



Action for finance leaders

Engage independent valuation specialists early in merger and acquisition (M&A) transactions, fundraising activities, and when impairment triggers occur. Document and formalize the methodologies and critical assumptions underpinning your valuations, particularly regarding income projections and technological lifecycles.



⁸ FASB, ASC 820-10, *Fair Value Measurement—Overall*.

d. Useful and economic life estimations and impairment risks

The rapid pace of AI innovation introduces uncertainty about the useful and economic lives of key assets, including capitalized software, data licenses, physical hardware, and capitalized cloud implementation costs. Setting these lives, which influence amortization and depreciation periods and lease accounting, requires judgment.

Under ASC 360, ASC 350-40, and ASC 985-20, finance leaders must determine whether an acquired asset is subject to rapid technological obsolescence (supporting a short, useful life) or represents a durable competitive advantage (supporting a longer useful life). Similarly, under ASC 842, the estimated *economic* life of hardware directly influences whether a lease is classified as operating or finance/sales-type.

AI assets are subject to the standard long-lived asset impairment guidance, but finance leaders must monitor for novel, industry-specific impairment indicators, such as:

- The release of a superior model by a competitor
- Quantifiable degradation in performance (model drift)
- New data regulations that affect the company's ability to retain, train, or process data.

Technological changes, innovation, and other market dynamics can trigger a cascade of impairment and/or depreciation/amortization expense effects across the ecosystem. For example (not exhaustive):

- **Chipmakers** may face immediate inventory obsolescence risks under ASC 330⁹ for older-generation processors.
- **AI companies** may face hardware obsolescence if existing chips are too slow or too power-intensive compared to a new fleet; this may trigger impairments and/or reductions to useful lives.
- **Data center** power, cooling, or space constraints may force the premature decommissioning of older hardware, requiring accelerated depreciation, or trigger impairment charges.
- **Homogeneity requirements** in cluster architecture may “strand” older, incompatible hardware assets that cannot combine with newer infrastructure assets, triggering accelerated depreciation of those stranded hardware assets.
- **Data center operators** may face facility impairments under ASC 360 if existing buildings cannot meet the increased power and cooling demands of next-generation hardware.



Action for finance leaders

Document and regularly reassess the estimated useful and economic lives of AI model, software, and physical infrastructure assets. Establish a proactive monitoring process for technological, performance, and regulatory impairment triggers. If an asset is scheduled for decommissioning or early retirement, then ensure depreciation or amortization is accelerated appropriately.

⁹ FASB, ASC 330-10, *Inventory—Overall*.

e. The sale-leaseback-resell model

An emerging transaction structure involves the “sale-leaseback-resell” model, where an enterprise sells its physical hardware to a cloud provider, leases back the capacity, and resells that computing capacity to its own customers. This model is designed to optimize the balance sheet and outsource physical facility management while maintaining access to critical compute resources.

This structure requires meticulous accounting analysis across three distinct phases:

1 The initial sale

Finance leaders must determine whether the hardware transfer qualifies as a sale under the sale-leaseback provisions of ASC 842. A sale can only be recognized if control of the hardware transfers to the cloud provider (assessed under the transfer of control guidance in ASC 606) and the leaseback would not be classified as a finance lease. If a sale cannot be recognized, then the transaction is treated as a failed sale-leaseback and accounted for as a financing arrangement (the hardware remains on the balance sheet, and proceeds are recorded as debt).

2 The leaseback

If a valid sale occurs, then the company recognizes a right-of-use asset and a lease liability for the operating leaseback of computing capacity, adjusting for any off-market terms.

3 Reselling compute capacity

The company must determine whether reselling capacity to end customers constitutes a sublease of the underlying hardware under ASC 842 or a service contract under ASC 606:

- If a sublease exists, then the company accounts for sublease revenue under ASC 842 and must evaluate whether it can combine the lease and nonlease components of the arrangement with its customer under ASC 842-10-15-42A.
- If a sublease does not exist, then the arrangement is accounted for entirely as a service contract under ASC 606. Because the company controls the right to use the compute capacity prior to transfer, by virtue of its leaseback from the cloud provider, it is the principal in the transaction, recognizing revenue on a gross basis over time and recording leaseback costs within cost of sales.



Action for finance leaders

Subject sale-leaseback-resell arrangements to rigorous technical accounting review. Document whether and why control transfers, assessment of leaseback classification, and the company’s principal-versus-agent determination for the resale arrangement.

II. Monetizing AI:

The revenue recognition puzzle

AI companies commonly sell service-based offerings (SaaS and infrastructure-as-a-service [IaaS]), which require systematic application of the five-step model under ASC 606.

SaaS providers

AI-enabled SaaS offering contracts often include complex commercial terms that complicate the identification of performance obligations. Finance leaders must evaluate whether additional AI features, premium support, or implementation services are distinct and should be accounted for separately. However, even if service AI features or services are distinct, ASC 606 permits companies to account for them as a single performance obligation—and therefore avoid potentially complex questions of transaction price allocation—if they are provided over the same period of time and with the same pattern of transfer to the customer. For example, two distinct services provided over the same one-year period and for which a time-based revenue recognition pattern is appropriate for both can be accounted for as a single performance obligation under ASC 606.

While straightforward implementation is typically distinct, complex integration services that can only be performed by the SaaS provider

may not be distinct from the SaaS, such that revenue attributable to the integration services is recognized over the SaaS subscription period.

SaaS contracts also frequently feature variable consideration, such as usage-based fees (e.g., fees based on volume of data processed or API calls made) and performance-based royalties. While many usage-based fees qualify for the variable consideration allocation exception under ASC 606 (permitting recognition in the period of usage), tiered pricing structures, fixed minimums, and volume rebates can complicate the picture. If features such as these are not eligible for the variable consideration allocation or as-invoiced exceptions, then companies must estimate the variable consideration for which these exceptions cannot be applied using either the expected value or most likely amount method, subject to the constraint that precludes including an estimate of variable consideration in the transaction price of a contract if doing so gives rise to the risk of a significant revenue reversal.



Action for finance leaders

Conduct cross-functional reviews with sales and legal teams to establish clear, consistent policies for identifying distinct performance obligations under ASC 606. Develop data-driven systems to estimate variable consideration and update those estimates when and as appropriate. Document appropriate applications of the variable consideration allocation and/or as-invoiced exceptions.



IaaS providers

For infrastructure providers, the threshold question is whether the arrangement to provide compute or storage capacity contains a lease under ASC 842. If the customer controls the use of a dedicated asset, then a lease exists under ASC 842. If the capacity arrangement is instead classified as a service, then ASC 606 applies. Even if a lease exists, nonlease service components may exist in the contract that these providers must account for separately under ASC 606 unless they can, and choose to, combine those components with the lease elements of the contract.

Under ASC 606, IaaS bundles (compute, storage, and networking) must be separated into distinct performance obligations, and the transaction price must be allocated to each, unless the practical expedient that permits two or more contemporaneously provided services applies (see discussion under “SaaS providers” above). Variable consideration (e.g., consumption-based fees, SLA credits), breakage, and principal-versus-agent evaluations when reselling third-party capacity can add significant accounting complexity when applying ASC 606 to these arrangements.



Action for finance leaders

Implement rigorous contract reviews to ensure proper lease-versus-service determinations under ASC 842, and proper identification of nonlease components separate from any leases determined to exist. For service contracts/service components, establish robust tracking and estimation (where necessary) procedures for usage-based billing, SLA credits, and any other variable consideration elements. Ensure principal-versus-agent determinations are made and robustly documented where necessary.



III. The tax equation:

Credits, deductions, and global complexity

Tax accounting for AI companies often diverges significantly from financial reporting standards, impacting cash flows and effective tax rates.

A primary consideration is the treatment of R&D expenditures. Under IRC Section 174,¹⁰ companies must capitalize and amortize R&D and software development costs for tax purposes (over 5 years for domestic research and 15 years for foreign research), which contrasts with the capitalization options under generally accepted accounting principles (GAAP). Companies subject to the corporate alternative minimum tax may also face timing differences where cash tax benefits cannot be recognized immediately in financial statements.

AI enterprises may also qualify for R&D tax credits under IRC Section 41.¹¹ However, securing these credits requires detailed documentation demonstrating that activities and expenditures qualify as qualified research expenses, particularly when evaluating complex, nonhuman AI training activities.

Additionally, the global nature of AI introduces international tax complexities, including digital services taxes, value-added tax/sales tax on digital services, data localization compliance, and transfer pricing requirements for intellectual property (such as AI models) across different jurisdictions.



Action for finance leaders

Integrate your tax strategy with your overall AI development plans. Work with tax advisors to maintain robust documentation supporting Section 174 capitalization and Section 41 credit eligibility, and proactively model the international tax and transfer pricing implications of scaling AI operations globally.

¹⁰ Internal Revenue Code, 26 U.S.C. § 174, *Research and experimental expenditures*.

¹¹ Internal Revenue Code, 26 U.S.C. § 41, *Credit for increasing research activities*.

IV. Bridging theory and practice:

Disclosures and SEC scrutiny

The regulatory environment: A focus on transparency

The Securities and Exchange Commission (SEC) staff have clearly signaled that AI disclosures are a top priority, warning registrants against “AI washing,” the practice of making exaggerated or unsubstantiated claims regarding AI capabilities and financial impacts. Recent studies show that over 70 percent of S&P 500 companies now list AI as a material risk in their public filings.¹²

Comment letters and enforcement actions focus on several key themes:



Substantiating claims

Companies must provide specific, factual support for representations regarding AI-driven revenue growth, cost savings, or competitive advantages.



Consistency

Information presented in formal SEC filings must align with disclosures made in press releases, investor presentations, and product marketing materials.



Enforcement actions

The SEC is actively pursuing enforcement, including charges against firms for misrepresenting their use of proprietary, automated AI technology.

Finance leaders should adopt a disciplined approach to public reporting: assessing materiality early, clearly defining AI usage and limitations, and ensuring risk factor disclosures are specific, balanced, and consistent across all communications channels.



¹² “AI Risk Disclosures in the S&P 500: Reputation, Cybersecurity, and Regulation” by The Conference Board and ESGAUGE

Key disclosure focus areas

Disclosure area	Key considerations and details to include
 Materiality and narrative	Assess materiality early. Ensure Management’s Discussion and Analysis (MD&A) and risk factors provide a balanced, factual representation of how AI drives strategy and financial results, avoiding promotional language.
 Leases	Disclose the policies and judgments used to identify leases under ASC 842, the details of significant sale-leaseback transactions, and required lessee and lessor disclosures.
 Software capitalization	Disclose accounting policies for capitalizing development costs, specifying the criteria used to establish technological feasibility for external-use software (under ASC 985-20) or capitalization triggers for internal-use software and cloud implementation costs (under ASC 350-40).
 Amortization, useful life, and impairment	Disclose the useful lives and amortization methods for capitalized software, data costs, and cloud implementation costs, along with the technical and commercial reasons supporting those estimates. Disclose specific impairment triggers (such as performance degradation or competitor advancements) and critical assumptions used in impairment tests.
 Revenue recognition	Explain key judgments in identifying performance obligations in multielement contracts, the treatment and estimation of variable consideration, and the timing of revenue recognition under ASC 606.
 Technical judgments	Disclose key estimates and assumptions regarding AI models—such as expected maintenance, retraining costs, and performance degradation (model drift)—and their financial statement impacts.



Action for finance leaders

Establish a dedicated governance committee—comprising finance, legal, technology, and investor relations representatives—to review all public AI-related statements. Ensure that the technical reality of your accounting matches your public disclosures, establishing long-term credibility with the market and regulators.

Conclusion

The commercialization of AI presents significant operational opportunities, but navigating the financial reporting requirements demands deep technical rigor and proactive diligence. The accounting and disclosure challenges—ranging from software capitalization and data valuation to structured cloud agreements—test a company's internal controls, governance, and financial integrity.

Applying existing GAAP to these rapid technological developments requires careful, proactive professional judgment. As the SEC staff intensifies its focus on clear, substantiated disclosures, maintaining transparent, consistent financial reporting is critical. Finance leaders who proactively align their capitalization, leasing, and revenue recognition policies with established standards will establish their financial reporting as a key source of trust and credibility in the market.

How KPMG can help

Navigating the financial and regulatory reporting landscape of AI requires forward-looking technical advice grounded in deep industry knowledge. The KPMG Accounting Advisory Services team is distinctly positioned to help AI companies achieve financial and regulatory reporting rigor and build stakeholder confidence.

We work with CAOs, CFOs, and their teams to address their most complex challenges, from establishing capitalization policies for AI development costs to implementing robust processes for revenue recognition under ASC 606. Moreover, we bring a critical audit-tested perspective, helping you anticipate how accounting judgments are evaluated and guiding your team in preparing the robust documentation necessary to navigate the audit process with confidence.

Whether you are preparing for an initial public offering, tackling a complex M&A transaction, or simply striving to enhance your internal controls and disclosures, our dedicated professionals provide the technical knowledge and practical insights needed to strengthen your financial reporting and disclosures in the age of AI.

Read KPMG publications below for further insights:

- [Handbook: Software and website costs](#)
- [Handbook: Leases](#)
- [Handbook: Fair value measurement](#)
- [Handbook: Impairment of nonfinancial assets](#)
- [Handbook: Revenue for software and SaaS](#)
- [Handbook: Revenue recognition](#)
- [Hot Topic: Software data costs](#)

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