KPMG

Quarterly Outlook

June 2022

Companies analyze the SEC's highly anticipated climate disclosure proposals as well as expansive proposals on cybersecurity risk, ESG considerations for funds and their advisers, and SPACs.

US GAAP

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ESG developments – from the SEC and around the world – continue to take center stage with the SEC's climate-related proposals being the talk of the town. These proposals would require expansive new disclosures on climate-related matters – both in and outside of the financial statements – some of which would be subject to assurance. The SEC has also issued ESG-related proposals on cybersecurity risk disclosures and others that target funds and investment advisers.

And while ESG may be the SEC's top project, the regulator is tackling other aspects of its rulemaking agenda at a rapid pace and addressing practice issues as they arise. Recent SEC headlines include proposals about SPACs that have the potential to significantly affect that market. The SEC staff also issued guidance on digital asset accounting, as well as a sample comment letter on the Russia-Ukraine war and related supply chain issues. Not surprisingly, the SEC has extended the comment period deadline on several recently proposed rules to give stakeholders more time to provide thoughtful feedback.

Meanwhile, the FASB is actively discussing its recently refreshed research agenda and decided to add projects to its *technical* agenda on the accounting for (1) environmental credit programs and (2) digital assets. The Board also issued two new simplification standards addressing financial instruments and a proposed standard that would extend the sunset date of its reference rate reform guidance to 2024.

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

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1 Current quarter financial reporting matters

ESG reporting: Proposals from the SEC and others

In this issue, we outline the various ESG (environmental, social, governance) reporting proposals recently published by standard setters and regulators. Related but addressed later, the FASB recently added a project to its technical agenda on the accounting for environmental credit programs.

SEC proposals

The SEC's ESG-related rulemaking agenda includes disclosure proposals on climate risk, human capital, board diversity and cybersecurity risk governance. Since our last issue, the SEC has released proposed rules that (1) relate to climate risk, (2) target funds and investment advisers and (3) address cybersecurity risk governance.

Climate risk

The proposed rules are intended to provide more consistent, comparable and reliable information so that investors can better evaluate the impact of climate-related matters on a registrant. Specifically, the proposal would require new disclosures in the annual report (Form 10-K or 20-F) or registration statements and in the financial statements.

- **Financial statement disclosures.** The proposal would require certain disclosures in a new note to the financial statements, including financial impact and expenditure metrics, and information about the effect of climate risks on financial estimates and assumptions. These disclosures would be in the scope of the registrant's internal control over financial reporting and subject to an audit.
- **Other disclosures.** The proposal would require additional climate-related disclosures outside of the financial statements in their own section (or incorporated by reference) in the annual report or registration statement, including:
  - disclosures about Scope 1 and 2 Greenhouse Gas (GHG) emissions, which would be subject to assurance – limited and then reasonable assurance – for accelerated and large accelerated filers. Disclosures about Scope 3 GHG emissions would be required only if material, or if the registrant has included Scope 3 in a GHG emissions reduction target or goal; smaller reporting companies would be exempt; and
  - disclosures that broadly align with the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and fall under the broad categories of governance, strategy and risk management.

The extended comment period ends June 17.

Funds and investment advisers

The proposals target funds and investment advisers and are intended to provide (1) preparers with consistent standards for ESG disclosures and (2) investors with more certainty about the nature of a fund.

— **ESG Enhanced Disclosure Rule.** The proposals would identify three types of ESG funds with the aim of scaling disclosures depending on the significance of ESG factors to the fund's strategy. It would impact the prospectus, annual reports and regulatory reporting.

— **Names Rule.** Proposed amendments to the 'Names Rule' under the Investment Company Act of 1940 would require at least 80% of the fund's asset value to be invested according to what the fund's name suggests (e.g. social impact, green). In addition, in measuring asset value, derivatives would be measured at their notional amount.

The comment period ends 60 days after publication in the Federal Register, which could be as soon as the end of July.

International Sustainability Standards Board developments

The ISSB released proposals on (1) general sustainability-related matters and (2) climate-related matters. Under the proposals, companies would report on all relevant sustainability topics (not just climate) across four content areas that are consistent with the TCFD framework. These areas are governance, strategy, risk management and metrics and targets (such as Scope 1, 2 and 3 GHG emissions). Companies would also include industry-specific disclosures. The sustainability disclosures would be included as part of a company's general purpose financial reporting, outside of a company's audited financial statements.

The SEC's proposed climate rules are not identical to these ISSB proposals, but there is significant commonality in the industry-agnostic disclosures, which leverage the TCFD framework.

The comment period ends July 29.

European Union (EU) developments

In April 2021, the European Commission adopted a legislative proposal for a Corporate Sustainability Reporting Directive. One of the proposals would require companies to report sustainability information based on European Sustainability Reporting Standards (ESRSs). The first set of proposed ESRSs has been issued by the European Financial Reporting Advisory Group Sustainability Reporting Board.

The proposals would apply to all companies operating in the EU (including US companies) and their subsidiaries that meet the scoping requirements. Therefore, even if a US company already completes some form of sustainability reporting under another framework, it may still have to comply with the ESRSs.

Importantly, the scope of the disclosures would be more extensive than the proposals from the SEC and the ISSB. In particular, the concept of materiality under these proposals considers not just issues that are financially material to the company, but also those that are material to the company's impact on society and the environment (so-called double materiality).

The comment period ends August 8.

Select ESG resources:

— Talk book: Understanding the SEC's climate proposal

— ESG reporting for financial reporting professionals: KPMG Financial Reporting View

— Insights specific to measuring, reporting and assuring ESG data: KPMG ESG Assurance

— Our holistic ESG solution helps your business create a more sustainable future while driving measurable growth today: KPMG IMPACT

SEC proposes enhancements to cybersecurity disclosures

The SEC has issued a proposed rule that would enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance and incident reporting for registrants. The proposals aim to provide more consistent and decision-useful information so that investors can better evaluate a registrant's exposure to cybersecurity risks and incidents and provide strategies to mitigate them.

Of note, the proposals would increase the prominence and timeliness of reporting material cybersecurity incidents on Form 8-K. They would also require enhanced disclosures about:

— cybersecurity incidents in periodic reports;

— cybersecurity risk management policies and strategy; and

— cybersecurity oversight by the board of directors and the directors' expertise.

Currently, there are no disclosure requirements in Regulations S-K or S-X that explicitly refer to cybersecurity risks or incidents. While the SEC has acknowledged that disclosures of material cybersecurity incidents, risk management and governance laws have improved in recent years, disclosure practices are inconsistent and lack sufficient information for investors.

The comment period ended May 9.

KPMG resources: Defining Issues and Podcast

SEC issues SAB 121 on the accounting for digital assets and custodial obligations

Staff Accounting Bulletin (SAB) 121 requires issuers that have an obligation to safeguard digital assets for others to record (1) a liability for the safeguarding obligation and (2) a corresponding asset. The safeguarding obligation liability is measured initially and subsequently at the fair value of the safeguarded digital assets, determined under Topic 820 (fair value measurement). The safeguarding asset is measured in the same manner but adjusted for any loss (or potential loss) events. The SAB also outlines the disclosures that the SEC staff expects an entity with digital asset safeguarding obligations to provide.

Existing registrants are required to apply the SAB to financial statements for interim and annual periods ending after June 15, 2022. Other entities subject to the SAB are required to apply it in their next submission or filing.

KPMG resources: SAB 121 Q&A

SEC issues expansive proposals for SPACs, shell companies and financial projections

The SEC has issued expansive proposals that would impose new disclosures and other requirements in special purpose acquisition company (SPAC) IPOs and subsequent acquisitions of private operating companies (de-SPAC transactions). Specifically, the SEC is proposing:

— enhanced disclosures in filings in a SPAC IPO and the subsequent de-SPAC transaction about sponsors, including their compensation, conflicts of interest with sponsors and their affiliates, dilution and the fairness of the de-SPAC transaction;

— alignment of the existing rules and disclosure requirements governing de-SPAC transactions with those of a traditional IPO;

— increased transparency about financial projections including additional disclosures for SPAC-related transactions; and

— a safe harbor that would exempt a SPAC from the need to evaluate its status as an investment company if it complies with certain conditions and disclosures.

These proposals are in response to the SEC's concerns arising from the recent surge in SPACs, which have been used as an alternative means to conduct an IPO under the SEC's regulatory framework.

The comment period ends June 13, 2022.

KPMG resources: Hot Topic

Impact of the Russia-Ukraine war on SEC disclosures

The impacts of the Russia-Ukraine war and other nations' sanctions in response to the war may present challenges to companies as they report their financial condition and results of operations. Companies must determine whether there are impacts that should be disclosed to aid investors in making investment and voting decisions.

SEC staff sample comment letter

The staff of the SEC's Division of Corporation Finance published a sample comment letter pertaining to the war and related supply chain issues. The sample letter indicates that companies should provide detailed disclosure, to the extent material or otherwise required, regarding:

— direct or indirect exposure to Russia, Belarus or Ukraine through their operations, employee base, investments in these countries, securities traded in Russia, sanctions against Russian or Belarusian individuals or entities, or legal or regulatory uncertainty associated with operating in or exiting Russia or Belarus;

— direct or indirect reliance on goods or services sourced in Russia or Ukraine or, in some cases, in countries supportive of Russia;

— actual or potential disruptions in the company's supply chain; or

— business relationships, connections to, or assets in, Russia, Belarus or Ukraine.

In addition, companies should consider (1) whether heightened cybersecurity risks, increased or ongoing supply chain challenges and volatility relating to the trading prices of commodities warrant disclosure, and (2) how these matters impact management's evaluation of disclosure controls and procedures, management's assessment of the effectiveness of internal control over financial reporting, and the board of directors' risk oversight role of any action or inaction related to the war.

Additional disclosure considerations

In addition, companies should consider how previous disclosure guidance from the SEC staff applies to impacts from the war. Specifically, certain aspects of the SEC staff's COVID-19 guidance and reminders may serve as useful guideposts for companies when preparing their quarter and year-end reports.

— **Operations, liquidity and capital resources.** Companies should consider the impact of the war on their operations, liquidity and capital resources, and revise their MD&A accordingly. Examples of operational challenges that may prompt disclosure in MD&A are adjustments to supply chain or distribution networks, closure of manufacturing plants or operations in Ukraine, and withdrawal of business operations from Russia and Belarus.

— **Evolving impacts of the war, including forward-looking information.** The effects of the war may impact forward-looking information disclosed in communications to investors. Companies are encouraged to provide disclosures that are specific to the business and that allow investors to evaluate the current and expected impact of the war on the company 'through the eyes of management'. Disclosures should be updated timely, as the facts, circumstances and impacts evolve.

— **Non-GAAP financial measures.** Companies may consider presenting non-GAAP financial measures to help explain the impact of the war. However, if a company chooses to provide these measures, it must explain why management finds the measures useful and how they help investors assess the war's impact on the financial information being presented.

KPMG resources: Hot Topic

Other SEC headlines

SEC updates electronic filing requirements

The SEC has issued a final rule that will require certain forms to be filed or submitted electronically that are currently permitted to be filed or submitted in paper form. The rule also amends certain forms to require structured data reporting (e.g. in Form 11-K) and remove outdated references. These updates are intended to promote efficiency and transparency and to make such information more readily accessible to the public.

The rule becomes effective 30 days after publication in the Federal Register. However, the SEC is providing filers with specialized transition periods for certain of the amendments to allow them the adequate time to prepare to submit these documents electronically.

SEC reopens the comment periods for its proposed rules regarding private fund advisers and Regulation ATS

The SEC has reopened the comment periods for its proposed rules on (1) enhanced private fund investor protection and (2) including significant Treasury markets platforms in Regulation ATS. SEC Chair Gary Gensler indicated that these issues have drawn significant interest from a variety of constituents and that they would benefit from additional time to provide thoughtful feedback. The new comment period ends June 13, 2022.

This announcement was made in combination with the SEC's notice to extend the comment period on its proposed rules on climate-related disclosures.

Monitoring Turkey's inflation rates

According to the data published by the Turkish Statistical Institute, Turkey's three-year cumulative inflation rate exceeded 100% at the end of February 2022 and continues to as of March 31, which would indicate that Turkey's economy is highly inflationary under Topic 830 (foreign currency matters).

This is important because the financial statements of a foreign entity in a highly inflationary economy must be remeasured as if the functional currency was the reporting currency. Therefore, a reporting entity with a USD reporting currency for its consolidated financial statements is required to use USD as the functional currency for its Turkish operations that are currently reported in local currency.

Companies with material operations in Turkey should determine the reporting period in which they must start to account for Turkey's economy as highly inflationary. For example, calendar year-end companies with material operations in Turkey should be prepared to account for Turkey as highly inflationary beginning on April 1, 2022.

KPMG resources: Handbook: Foreign currency

PCAOB developments impacting preparers

Agenda prioritization

The PCAOB Office of the Chief Auditor (OCA) recently published updated standard-setting and research agendas. The agendas represent the new Board's focus to modernize, simplify and enhance PCAOB standards, and are the result of the Board's assessment of priorities that advance audit quality to protect the interests of investors.

The standard-setting agenda includes six short-term projects where OCA expects PCAOB action during the next 12 months. These 'short-term' projects include:

- planning and supervision of audits involving other auditors;
- quality control;
- noncompliance with laws and regulations;
- an attestation standards update;
- going concern; and
- confirmations.

OCA also added four mid-term projects to its standard-setting agenda:

- substantive analytical procedures;
- fraud;
- interim ethics and independence standards; and
- interim standards.

The PCAOB is actively researching other topics that will inform OCA's agenda and enable it to respond quickly to the evolving audit environment, including advances in data and technology and the use of information from sources external to the entity, both in the financial reporting process and as audit evidence.

PCAOB releases 2021 Conversations with Audit Committee Chairs

The PCAOB released a Spotlight that addresses the PCAOB staff's conversations with 244 audit committee chairs in 2021. Topics highlighted include the staff's observations on the audit committee chairs' views related to communications with auditors, auditor strengths and areas for improvement, PCAOB inspection reports, firm quality control systems, annual assessments of the external auditor, auditors' use of technology, and information outside of the audited financial statements.

2 New standards and guidance

FASB amends TDR guidance and enhances disclosures

For entities that have adopted the credit impairment standard (Topic 326), ASU 2022-02 makes various changes to US GAAP, primarily relating to loan modifications and disclosures. Of note, the ASU:

— eliminates creditors' separate recognition and measurement guidance for troubled debt restructurings (TDRs);

— enhances disclosures by creditors for modifications of receivables from debtors experiencing financial difficulty in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay or a term extension; and

— requires public business entities to disclose current-period gross writeoffs by year of origination (i.e. the vintage year) for the related financing receivables and net investments in leases.

The effective dates are as follows.

	Entities that have adopted Topic 326	All other entities
Annual and interim periods – Fiscal years beginning after	December 15, 2022	December 15, 2022, consistent with when the entity first applies Topic 326
Early application permitted?	Yes, permitted for an entity that has adopted Topic 326, including adoption in an interim period, as of the beginning of the fiscal year of adoption. An entity may elect to early adopt the amendments related to receivable modifications separately from the amendments related to vintage disclosures.	

KPMG resources: Defining Issues

FASB expands fair value hedge accounting

ASU 2022-01 establishes the portfolio-layer method, which expands an entity's ability to achieve fair value hedge accounting for financial assets in a closed portfolio.

The primary amendments to Topic 815 (derivatives and hedging):

— allow prepayable and non-prepayable financial assets to be included in the closed portfolio;

— expand the current single-layer model to allow multiple-layer hedges of a single closed portfolio;

— clarify that fair value basis adjustments in an existing portfolio-layer method hedge are maintained at the closed-portfolio level (i.e. not allocated to individual assets);

— prohibit an entity from considering fair value basis adjustments related to a portfolio-layer method hedge when estimating credit losses;

— address how an entity accounts for fair value basis adjustments when discontinuing a portfolio-layer method hedge; and

— allow the reclassification of held-to-maturity debt securities to available-for-sale within 30 days of the date of adoption if certain criteria are met.

The effective dates are as follows.

	Public business entities	Other entities
Annual and interim periods – Fiscal years beginning after	December 15, 2022	December 15, 2023
Early application permitted?	Yes, on any date on or after the issuance of the ASU for any entity that has adopted the amendments in ASU 2017-12.	

KPMG resources: Defining Issues

3 Projects and agenda priorities

FASB tackles its research agenda

In December 2021, FASB Chair Rich Jones announced comprehensive changes to the FASB research agenda, mostly stemming from the feedback received on the June 2021 FASB Invitation to Comment (ITC), Agenda Consultation. Since that announcement, the FASB has discussed several of its new research projects and decided to add projects to its technical agenda on the accounting for (1) environmental credit programs and (2) digital assets.

Accounting for environmental credit programs

At a May meeting, the Board decided to add a project to its technical agenda to address the recognition, measurement, presentation and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits – e.g. renewable energy credits and carbon offset credits. The project will also address financial reporting requirements for nongovernmental creators of environmental credits.

The Board preliminarily decided that the project scope will include environmental credits that are legally enforceable and can be traded and will exclude the accounting for tax credits, tax incentives, or renewable energy structures or entities.

A project about financial instruments with ESG-linked features remains on the Board's research agenda and may be added to its technical agenda at a future date.

Accounting for certain digital assets

At a May meeting, the Board decided to add a project to its technical agenda to address the recognition, measurement, presentation and disclosure of certain digital assets in the financial statements. The project is expected to focus on whether to require or permit ongoing fair value measurement for in-scope digital assets. At a future meeting, the Board will consider which digital assets will be scoped into the project, and whether all industries would be subject to the resulting guidance.

The Board decided *not* to add to its technical agenda a project on the accounting for exchange-traded commodities. However, accounting for commodities will remain on the Board's research agenda, and a project may be added to its technical agenda at a future date.

KPMG resources: Web article

Other research agenda developments

Also during the quarter, the Board discussed the pre-agenda research performed to date on **the accounting for and disclosure of intangible assets, including software costs**. The Board made no technical decisions and directed the staff to continue its research. That research will be considered in future decision-making meetings, during which the Board will decide whether to add this project to its technical agenda.

Related to its research project on the **accounting for government grants**, the FASB is preparing to issue an Invitation to Comment on whether the requirements in IAS 20 (accounting for government grants and disclosure of government assistance) should be incorporated into US GAAP.

FASB proposes to extend the sunset date of its reference rate reform guidance

In April, the FASB issued a proposed ASU that would defer the sunset date of Topic 848 (reference rate reform) by two years to December 31, 2024. The proposed ASU would also expand the definition of a US benchmark interest rate under Topic 815 (derivatives and hedging) to include all rates based on the Secured Overnight Financing Rate (such as SOFR term). The current definition under Topic 815 includes only the SOFR Overnight Index Swap Rate.

Topic 848 provides companies with several optional expedients to ease the potential accounting burden when transitioning away from LIBOR.

The deferral would be effective immediately on issuance of a final ASU and would be applied prospectively. The comment period ended June 6.

KPMG resources: Web article and Handbook: Reference rate reform

EITF discusses the accounting for investments in certain tax credit structures

At its March meeting, the EITF tentatively decided to allow entities that make qualifying investments in tax credits through limited liability entities (e.g. partnerships or LLCs) to account for those investments under the proportional amortization method (PAM), regardless of the type of underlying project. PAM is an alternative to either the cost or equity method of accounting, and its scope is currently limited to investments in *qualified affordable housing projects* made through limited liability entities.

Although the EITF tentatively decided not to limit qualifying investments to investments in qualified affordable housing projects, it will continue to deliberate whether to revise the criteria that define a qualifying investment, as well as disclosure and transition provisions, at a future meeting.

The next EITF meeting is scheduled for June 16.

KPMG resources: Web article

March FASAC meeting

The Financial Accounting Standards Advisory Council (FASAC) met in March and discussed the FASB's new research project on the accounting for and disclosures of intangibles, including a discussion about internally developed intangibles, software costs, and research and development. The FASB staff also educated members on the objective of the research project on the accounting for government grants, including the forthcoming Invitation to Comment.

— **Accounting for and disclosures of intangibles.** Members discussed and generally supported the research project but suggested that the Board begin with improving disclosure and presentation requirements (versus recognition and measurement), possibly in tandem with the FASB project on disaggregation—income statement expenses.

Investors indicated that increased capitalization of intangibles would not provide decision-useful information and could lead to discrepancies between the income statement and the statement of cash flows. However, investors supported increased disclosures to better understand the nature and quality of the capital expenditures, and to better assist them in determining how costs related to intangibles are presented in the financial statements, including the statement of cash flows.

Preparers and practitioners indicated that the capitalization of intangibles is highly subjective and that an increase in the capitalization of intangibles would increase costs and complexity in accounting for these assets.

— **Software costs**. Members generally agreed that the Board should consider improvements to the accounting for and disclosure of software costs, including software developed for internal and external use, with an initial focus on recognition and measurement.

  Investors requested greater consistency and comparability in the accounting for and disclosure of software costs, and indicated that they would like to better understand the nature of costs related to software. Several investors suggested that it would be more decision-useful if all software costs are recognized as an expense when incurred and disaggregated by nature.

April PCC meeting

The Private Company Council (PCC) met in April and discussed a variety of topics, including several of the topics recently added to the FASB research agenda. Key highlights are discussed below.

— **Profits interests and their interrelationship with partnership accounting.** The FASB staff recommended that the Board add a project to its technical agenda to determine the appropriate scope of the guidance for profits interests awards. The staff noted that (1) current diversity in practice results from the lack of authoritative guidance on the topic of profits interests and (2) the issue potentially affects public and private entities.

— **Topic 842 (leases) implementation issues**. PCC members discussed challenges private companies face when adopting Topic 842, including evaluating individually immaterial lease agreements that may be material in the aggregate, allocating costs to lease and non-lease components and addressing diversity in practice in the accounting for contingent lease incentives. The FASB staff and PCC members also discussed whether private companies are expected to elect the practical expedient that allows lessees to combine lease and non-lease components, capitalization thresholds and use of leasing software.

— **Topic 326 (credit losses).** The FASB staff provided an overview of ASU 2022-02 on troubled debt restructurings and vintage disclosures and provided background on the Board's decision not to further defer the effective date of Topic 326 for nonpublic entities. PCC members also shared their observations on nonpublic entities' readiness to adopt Topic 326.

— **Accounting for financial instruments with ESG-linked features and regulatory credits.** The FASB staff discussed the FASB research project. PCC members identified ESG-linked features as an emerging area that could become more prevalent for private companies and encouraged the Board to monitor how ESG-related activities could affect financial reporting.

The next PCC meeting is on June 23.

4 Recommended reading and CPE opportunities

New SEC climate disclosure rules offer ESG strategy gut check for boards

In an article for *Directors & Boards*, KPMG US IMPACT Leader Rob Fisher writes about the proposed SEC climate disclosure standards and topics for board consideration. "Business leaders have a unique opportunity to respond to investor demands, unlock value and build trust among their stakeholders using ESG engagement to reduce their carbon footprints, account for climate risks and report their strategy and progress to stakeholders," he wrote. Read the article.

How to navigate new disclosures for government assistance

In an article for the *Journal of Accountancy*, Department of Professional Practice Audit Partner Michael Kraehnke writes about the new disclosure-only standard on government assistance (ASU 2021-10), including its scope and who should further analyze the new required annual disclosures. Finance leaders and audit committee members also have a role to play in their oversight of financial reporting for companies receiving government assistance. Read the article.

Embedding human capital management into ESG

In an article for *Financial Executive*, Board Leadership Center Leader John Rodi and Audit Talent and Culture Leader Rebecca Sproul write that human capital management (HCM) is critical to a company's performance and reputation and should be embedded in its ESG strategy. Companies are being called on to disclose their HCM resources based on SEC principles, with a focus on how material those disclosures would be to understanding a company's business. Read the article.

Opinion: What the new R&D tax rule means for life sciences companies

In an article for *CFO Dive*, Pharmaceuticals National Audit Leader Mark Drozdowski and Business Tax Services Practice Leader Christine Kachinsky write about the Build Back Better proposed rule that would have delayed the effective date for capitalization and amortization of research and development (R&D) expenditures to tax years beginning after December 31, 2025. For life sciences companies that spend heavily on R&D, this change has significant tax and financial reporting implications. And, while the status of the Build Back Better Act is not yet final, careful modeling of these impacts is advised. Read the article.

What to consider as FASB tackles digital assets

In an article for *Compliance Week*, Department of Professional Practice Audit Partner Scott Muir discusses the new FASB project on the accounting for digital assets, potential changes to accounting practice, likely next steps for the Board and what practitioners should do now. Current practice is to account for digital assets using an intangible asset model, but many practitioners are calling for a fair value model to better reflect the economics of these assets. Read the article.

Upcoming CPE opportunities

KPMG Executive Education provides award-winning training for individuals and finance teams. Our robust catalog of CPE-eligible accounting and finance courses – delivered by industry and technical experts – covers a wide range of technical accounting, finance, business management, SEC reporting and MD&A topics.

Learning delivery methods include in-person, live virtual and digital self-study. Also available are customized, on-site CPE sessions, digital self-study subscriptions and custom learning portals.

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

Appendix: Accounting standards effective dates

In this table:

A = annual periods

I = interim periods

* = Indicates a gap in ASU sequencing. ASUs excluded from this list are effective for all applicable entities, including entities with off-calendar year-ends.

☐ = If 'Complex effective date' is marked 'Yes', additional information is required to determine when the ASU is effective for your company. See the source ASU at FASB.org for complete effective date information. For certain ASUs, additional information is provided in the footnotes.

⮝ = Certain not-for-profit entities and employee benefit plans must adopt this ASU using the public company effective dates. For more information, refer to the source ASU at FASB.org.

Blue shading indicates that the **ASU is first effective in 2022 for a calendar year-end entity.**

The ASUs in this table are generally effective for A/I periods in fiscal years beginning on or after the dates provided.

Appendix: Accounting standards effective dates

ASU	Title	Topics	A/I	Public business entities: SEC filers *not* eligible to be an SRC	Public business entities: SEC filers eligible to be an SRC	Public business entities: Not an SEC filer	All other entities	Early adoption	Complex effective date□	Resources
2022-02	Troubled debt restructurings and vintage disclosures	326	A	12/15/22	12/15/22	12/15/22	12/15/22	Yes[1]	Yes	Defining Issues Handbook
			I	12/15/22	12/15/22	12/15/22	12/15/22			
2022-01	Fair value hedging—Portfolio layer method	815	A	12/15/22	12/15/22	12/15/22	12/15/23	Yes	No	Defining Issues Handbook
			I	12/15/22	12/15/22	12/15/22	12/15/23			
2021-10	Disclosures by business entities about government assistance	832	A	12/15/21	12/15/21	12/15/21	12/15/21[2]	Yes	No	Defining Issues
			I	N/A	N/A	N/A	N/A			
2021-09	Discount rate for lessees that are not public business entities	842	A	N/A	N/A	N/A	12/15/21	Yes	No	Defining Issues Handbook
			I	N/A	N/A	N/A	12/15/22			
2021-08	Accounting for contract assets and contract liabilities from contracts with customers	805	A	12/15/22	12/15/22	12/15/22	12/15/23	Yes	No	Defining Issues
			I	12/15/22	12/15/22	12/15/22	12/15/23			
2021-07	Determining the current price of an underlying share for equity-classified share-based awards	718	A	N/A	N/A	N/A	12/15/21	Yes	No	Defining Issues
			I	N/A	N/A	N/A	12/15/22			
2021-05*	Lessors—Certain leases with variable lease payments	842	A	12/15/21	12/15/21	12/15/21	12/15/21	Yes	No	Defining Issues Handbook
			I	12/15/21	12/15/21	12/15/21	12/15/22			
2021-04	Issuer's accounting for certain modifications or exchanges of free-standing equity-classified written call options	260 470-50 718 815-40	A	12/15/21	12/15/21	12/15/21	12/15/21	Yes	No	Defining Issues
			I	12/15/21	12/15/21	12/15/21	12/15/21			
2021-02	Revenue from contracts with customers: Practical expedient for franchisors	952-606	A	N/A	N/A	N/A	12/15/20	Yes	Yes[3]	Revenue for franchisors
			I	N/A	N/A	N/A	12/15/20			
2021-01*	Reference rate reform: Scope	848	A	1/7/21	1/7/21	1/7/21	1/7/21	N/A	Yes[4]	Defining Issues
			I	1/7/21	1/7/21	1/7/21	1/7/21			
2020-10*▲	Codification improvements	Various	A	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Web article
			I	12/15/20	12/15/20	12/15/20	12/15/22			

Appendix: Accounting standards effective dates

				Public business entities						
ASU	**Title**	**Topics**	**A/I**	**SEC filers *not* eligible to be an SRC**	**SEC filers eligible to be an SRC**	**Not an SEC filer**	**All other entities**	**Early adoption**	**Complex effective date**	**Resources**
2020-08*	Codification improvements to Subtopic 310-10, Receivables—Nonrefundable fees and other costs	310-20	A	12/15/20	12/15/20	12/15/20	12/15/21	No[5]	No	—
			I	12/15/20	12/15/20	12/15/20	12/15/22			
2020-07	Presentation and disclosures by not-for-profit entities for contributed nonfinancial assets	958	A	N/A	N/A	N/A	6/15/21	Yes	No	Defining Issues
			I	N/A	N/A	N/A	6/15/22			
2020-06	Accounting for convertible instruments and contracts in an entity's own equity	470-20 815-40	A	12/15/21	12/15/23	12/15/23	12/15/23	Yes[6]	No	Defining Issues Handbook
			I	12/15/21	12/15/23	12/15/23	12/15/23			
2020-04*	Simplifying the effects of reference rate reform on financial reporting	848	A	3/12/20	3/12/20	3/12/20	3/12/20	N/A	Yes[7]	Defining Issues
			I	3/12/20	3/12/20	3/12/20	3/12/20			
2020-01*	Clarifying the Interactions between Topic 321, Topic 323 and Topic 815	321 323 815	A	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Web article Defining Issues Handbook
			I	12/15/20	12/15/20	12/15/20	12/15/21			
2019-12	Simplifying the accounting for income taxes	740	A	12/15/20	12/15/20	12/15/20	12/15/21	Yes	No	Defining Issues Handbook
			I	12/15/20	12/15/20	12/15/20	12/15/22			
2019-11	Codification improvements to Topic 326, Financial instruments—Credit losses	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[8]	Web article Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2019-05*	Credit losses – Targeted transition relief	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[8]	Web article Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2019-04	Credit losses, derivatives and hedging, financial instruments – Codification improvements	326 815 825	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	Yes[9]	Defining Issues Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			

Appendix: Accounting standards effective dates

				Public business entities						
ASU	**Title**	**Topics**	**A/I**	**SEC filers *not* eligible to be an SRC**	**SEC filers eligible to be an SRC**	**Not an SEC filer**	**All other entities**	**Early adoption**	**Complex effective date□**	**Resources**
2019-02*	Improvements to accounting for costs of films and license agreements for program materials	926-20 920-350	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues
			I	12/15/19	12/15/19	12/15/19	12/15/20			
2019-01^	Leases – Codification Improvements	842	A	12/15/19	12/15/19	12/15/19	12/15/21	Yes	Yes[10]	Defining Issues
			I	12/15/19	12/15/19	12/15/19	12/15/22			
2018-20^	Leases – Narrow-scope improvements for lessors	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10,11]	Defining Issues Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2018-19	Codification improvements to Topic 326, Financial instruments – Credit losses	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Web article Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2018-18	Collaborative arrangements – Clarifying the interaction between Topic 808 and Topic 606	606 808	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues
			I	12/15/19	12/15/19	12/15/19	12/15/21			
2018-17	Consolidation – Targeted improvements to related party guidance for variable interest entities	810	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Defining Issues Handbook
			I	12/15/19	12/15/19	12/15/19	12/15/21			
2018-16	Inclusion of the SOFR OIS rate as a benchmark interest rate for hedge accounting purposes	815	A	12/15/18	12/15/18	12/15/18	12/15/20	Yes	Yes[12]	Web article
			I	12/15/18	12/15/18	12/15/18	12/15/21			
2018-15	Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract	350-40	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	No	Hot Topic
			I	12/15/19	12/15/19	12/15/19	12/15/21			
2018-14	Disclosure framework – Changes to the disclosure requirements for defined benefit plans	715-20	A	12/15/19	12/15/19	12/15/19	12/15/20	Yes	Yes[13]	Defining Issues
			I	N/A	N/A	N/A	N/A			
2018-12*	Insurance – Targeted improvements to the accounting for long-duration contracts	944	A	12/15/22	12/15/24	12/15/24	12/15/24	Yes	No	Handbook
			I	12/15/22	12/15/25	12/15/25	12/15/25			

Appendix: Accounting standards effective dates

				Public business entities						
ASU	**Titled**	**Topics**	**A/I**	**SEC filers *not* eligible to be an SRC**	**SEC filers eligible to be an SRC**	**Not an SEC filer**	**All other entities**	**Early adoption**	**Complex effective date□**	**Resources**
2018-11^	Leases – Targeted improvements	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10,14]	Web article Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2018-10^	Leases – Codification improvements	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10,15]	Web article Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2018-01*^	Leases – Land easement practical expedient for transition	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10]	Web article Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			
2017-12*	Targeted improvements to the accounting for hedging activities	815	A	12/15/18	12/15/18	12/15/18	12/15/20	Yes	No	Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/21			
2017-04*	Simplifying the test for goodwill impairment	350	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Defining Issues
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2016-13*	Measurement of credit losses on financial instruments	326	A	12/15/19	12/15/22	12/15/22	12/15/22	Yes	No	Handbook
			I	12/15/19	12/15/22	12/15/22	12/15/22			
2016-02*^	Leases	842	A	12/15/18	12/15/18	12/15/18	12/15/21	Yes	Yes[10]	Handbook
			I	12/15/18	12/15/18	12/15/18	12/15/22			

Appendix: Accounting standards effective dates

Notes

[1] Early adoption of ASU 2022-02 is permitted for all entities that have adopted Topic 326. If an entity adopts the ASU in an interim period, it should apply the guidance in the ASU as of the beginning of the fiscal year that includes the interim period. An entity may early adopt the amendments related to receivable modifications by creditors separately from the amendments related to vintage disclosures.

[2] ASU 2021-10 applies to all entities except for not-for-profit entities within the scope of Topic 958 and employee benefit plans within the scope of Topics 960, 962 and 965.

[3] The effectives dates of ASU 2021-02 shown here are for entities to which the ASU applies that had already adopted Topic 606 when ASU 2021-02 was issued (1/28/2021).

[4] ASU 2021-01 may be applied as of the beginning of an interim period that includes 3/12/2020 (see ASU 2020-04) and is only available for a limited time, generally through 12/31/2022.

[5] Public business entities may not early adopt ASU 2020-08. All other entities may early adopt ASU 2020-08 for interim and annual periods in fiscal years beginning after 12/15/2020.

[6] All entities may early adopt ASU 2020-06, but no earlier than annual and interim periods in fiscal years beginning after 12/15/2020. An entity should adopt the guidance at the beginning of its fiscal year. See ASU 2020-06 for more information.

[7] ASU 2020-04 is effective for all entities from 3/12/2020 through 12/31/2022.

[8] For companies that have adopted ASU 2016-13, this ASU was effective for annual and interim periods in fiscal years beginning after 12/15/2019.

[9] The effective dates of ASU 2019-04 shown here relate to the amendments to Topic 326 only and apply to entities that have not yet adopted ASU 2016-13. See ASU 2019-04 for detailed effective date information for early adopters and the other amendments therein.

[10] The effective dates for 'All other entities' applies to private companies that had not yet issued (or made available for issuance) financial statements reflecting the adoption of Topic 842 as of 6/3/2020.

'Public' not-for-profit entities (i.e. not-for-profit entities that have issued or are conduit bond obligors for securities that are traded or quoted on an exchange or an over the counter market) that had not yet issued (or made available for issuance) financial statements reflecting the adoption of Topic 842 as of 6/3/2020 must adopt Topic 842 for annual and interim periods in fiscal years beginning after 12/15/2019.

[11] For companies that have adopted ASU 2016-02, ASU 2018-20 can be elected at (1) the beginning of the first financial reporting period in which the ASU was issued, (2) the beginning of the first financial reporting period after the ASU was issued, or (3) the company's mandatory Topic 842 effective date.

[12] ASU 2018-16 is generally effective at the same time as ASU 2017-12. However, entities that are not public business entities that have adopted ASU 2017-12 were required to adopt ASU 2018-16 for annual and interim periods in fiscal years beginning after 12/15/2019.

[13] ASU 2018-14 is effective for public business entities for annual periods *ending* after 12/15/2020 and, for all other entities, for annual periods *ending* after 12/15/2021.

[14] For companies that have adopted ASU 2016-02, ASU 2018-11 became effective on issuance (7/30/2018), but can only be adopted by companies either at (1) the beginning of the company's first reporting period after issuance or (2) the company's mandatory Topic 842 effective date.

[15] For companies that have adopted ASU 2016-02, ASU 2018-10 became effective on issuance (7/18/2018).

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