



# Stay Ahead of the Curve: FASB Updates That Matter

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# Introductions



**Angie Storm**  
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# Agenda

- 1** ASUs effective in 2025 and 2026
- 2** Other FASB developments
- 3** Private company council update
- 4** Closing/Q&A



# ASUs effective in 2025 and 2026



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# ASU 2023-09, Income tax disclosures



## What

- Requires enhanced income tax disclosures, especially disaggregated rate reconciliation and taxes paid.
- Eliminates certain disclosures, such as reasonably possible changes in unrecognized tax benefits and cumulative temporary differences without recognized deferred tax liabilities.
- Adds requirements to disaggregate income/loss and tax expense by domestic vs. foreign and federal, state, and foreign jurisdictions for continuing operations.



## Why

- To improve the transparency and decision usefulness of income tax disclosures.

**Effective** For private entities in **2026**

Early adoption permitted

Defining Issues

Hot Topic

Handbook

Webcast

# ASU 2023-09 – Rate reconciliation

## Qualitative disclosure

Nature and effect of:

- Specific categories
- Individual jurisdictions

that result in significant differences between the statutory rate and the effective rate

## Example

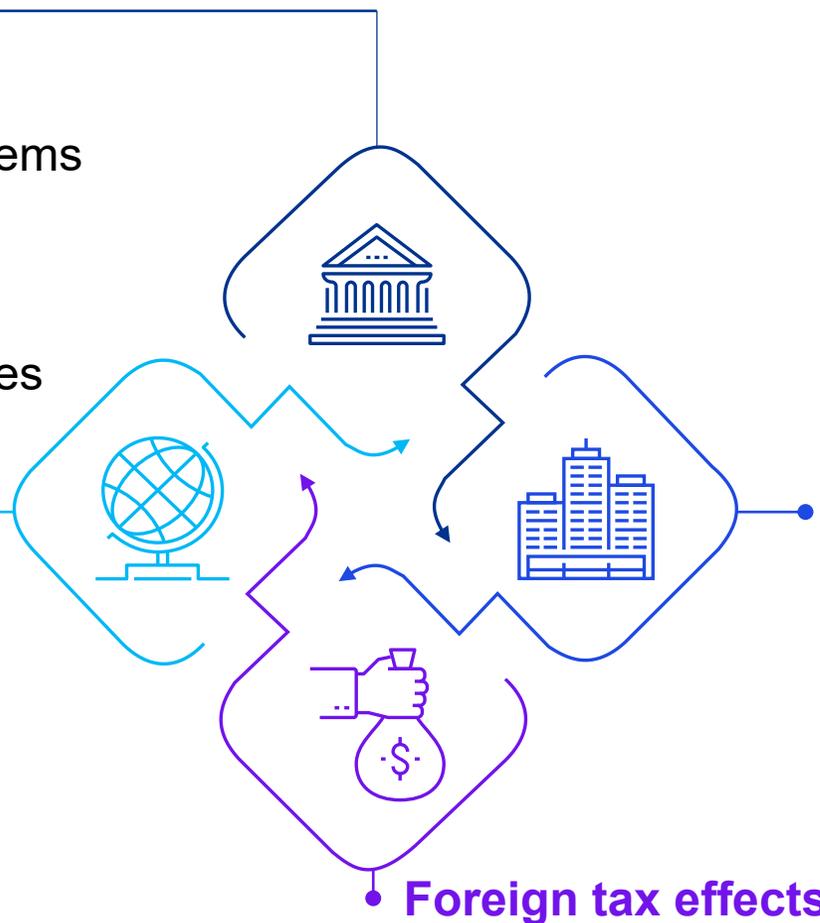
Entity's effective tax rate for the fiscal year ending December 31, Year 3 was 17%, which differs from the statutory income tax rate of 21%. This difference is primarily due to the decreasing effect of research tax credits, excess tax benefits on share-based payments and foreign tax effects due to lower tax rates in foreign countries, particularly operations in Ireland. These effects were partially offset by the increasing effect of state and local taxes, net of federal effect, and cross-border taxes in the US for global intangible low-taxed income.

# ASU 2023-09 – Rate reconciliation – Specific categories

## Domestic federal

- Tax credits
- Nontaxable or nondeductible items
- Cross-border tax laws
- Changes in tax laws
- Changes in valuation allowances

## Worldwide changes in unrecognized tax benefits



## Domestic state and local, net of federal effect

# ASU 2023-09 – Income taxes paid

## Scope:

- All entities
- Each annual reporting period
- Comparative information by jurisdiction is not required (e.g. tabular presentation)

Amount of income taxes paid\* –  
disaggregated by jurisdiction where income  
taxes paid\*  $\geq$  5% of total income taxes paid\*



Amount of income taxes paid\* –  
disaggregated by federal, state, and foreign

*\*net of refunds received*

# ASU 2023-09 – Income taxes paid (example)

	20X5	20X4
<b>US federal</b>	<b>1,355</b>	<b>1,500</b>
<b>Domestic state and local</b>		
California	215	250
Minnesota	180	*
New Jersey	*	180
New York State	*	200
New York City	*	220
Other	65	85
<b>Subtotal</b>	<b>460</b>	<b>935</b>

**Note:** This example is for illustrative purposes only and reflects one potential way to meet the requirements.

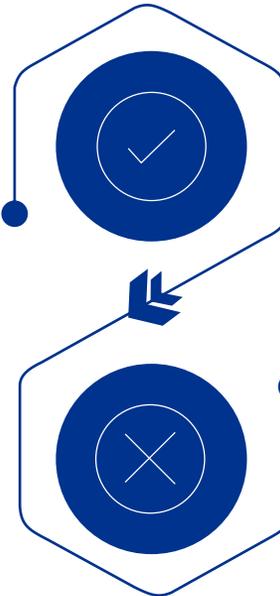
	20X5	20X4
<b>US federal</b>	<b>1,355</b>	<b>1,500</b>
<b>Foreign</b>		
U.K.	540	810
India	*	(200)
Ireland	155	*
Germany Federal	200	180
Berlin	210	190
Other	80	130
<b>Subtotal</b>	<b>1,185</b>	<b>1,110</b>
<b>Total</b>	<b>3,000</b>	<b>3,545</b>

\* The amount of income taxes paid during the year does not meet the five percent disaggregation threshold.

# ASU 2023-09 – Other changes

## Additional disclosures

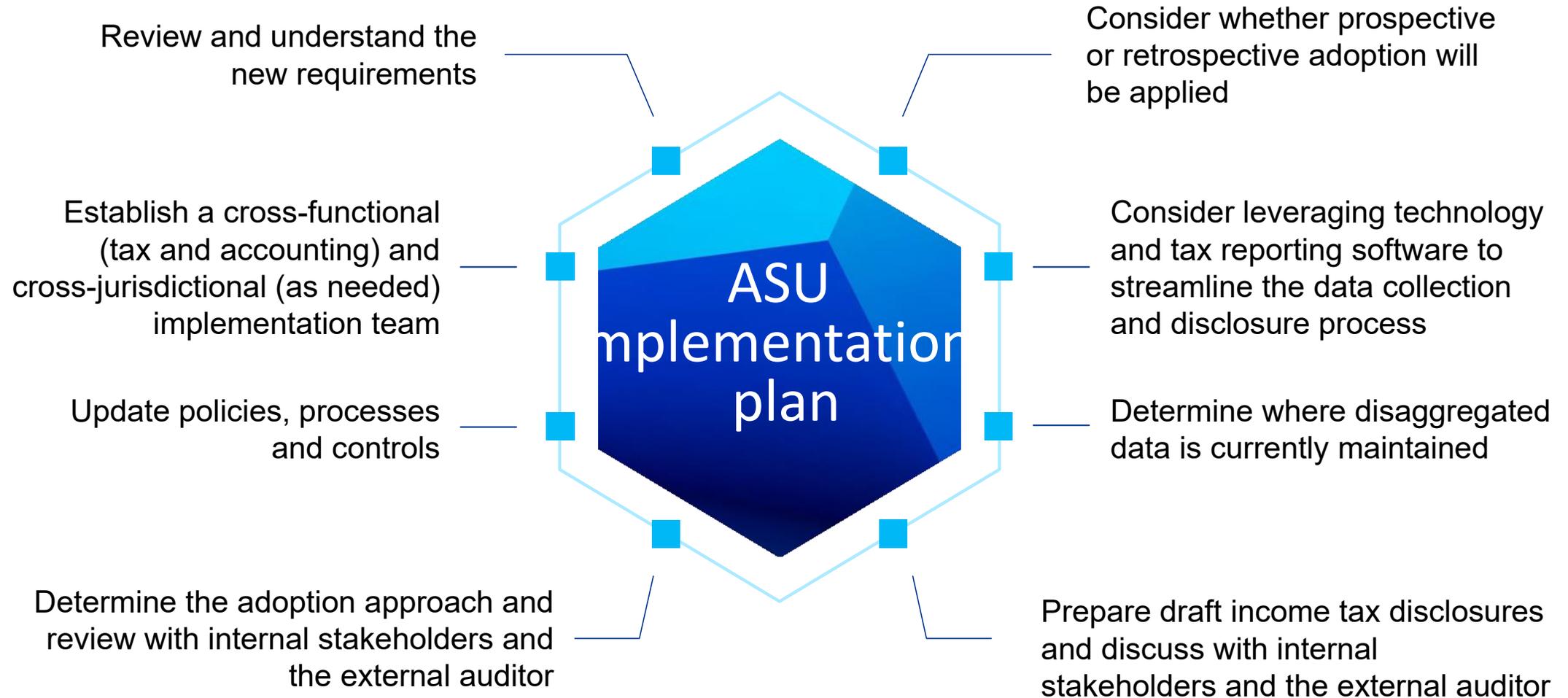
- ◆ For continuing operations
  - Income/loss before income tax expense/benefit disaggregated between domestic and foreign
  - Income tax expense/benefit disaggregated by federal, state and foreign



## Disclosure eliminations

- ◆ Information about reasonably possible changes in unrecognized tax benefits for next 12 months
- ◆ Cumulative amount of each type of temporary difference when deferred tax liability is not recognized due to recognition exceptions

# ASU 2023-09 implementation – Next steps



# ASU 2025-05, Measurement of credit losses for accounts receivable and contract assets



## What

- All entities may elect a practical expedient that assumes current conditions as of the balance sheet date persist through the forecast period.
- Entities other than public business entities that elect practical expedient can also make an accounting policy election to consider subsequent collections after the balance sheet date in estimating credit losses.



## Why

- To reduce the time and effort for preparers to analyze and estimate credit losses on certain receivables while still providing decision useful information to investors.

**Effective** For all entities in **2026**

Early adoption permitted

Defining Issues

Handbook

# ASU 2025-05, Measurement of credit losses for accounts receivable and contract assets



## Disclose...

Entities are **required to disclose**:

- **whether they have** applied the practical expedient and/or the accounting policy election
- **the date** through which subsequent cash collections were evaluated if electing the accounting policy.



## Transition

- **Prospective transition** approach
- If an entity other than a public business entity elects to apply the practical expedient and accounting policy, if applicable, after the effective date, it is not required to justify that such methods are preferable.

## Simplified Approach

- **Practical expedient:** permits an entity to assume that current economic conditions as of the balance sheet date do not change for the remaining life of the current accounts receivable and current contract assets.
- **Accounting policy election:** Allows an entity to consider cash collection activity after the balance sheet date but before the date the financial statements are available to be issued (or before any alternative date selected by the entity that is after the balance sheet date but before financial statements are available to be issued) when estimating expected credit losses on current accounts receivable and contract assets.
  - Policy election is only available if practical expedient is applied
  - Election is only available for entities other than public business entities
- Both practical expedient and policy election would be applied consistently to all current accounts receivable and current contract asset balances.

# Other ASUs effective for private entities in 2025 or 2026

Topic	Key Highlights	Effective in	KPMG resources in
ASU 2024-04 Debt – Debt with conversion and other options	Provides guidance on whether induced conversion or extinguishment accounting should be applied to certain settlements of convertible debt instruments that do not occur in accordance with the instruments' preexisting terms.	2026	<ul style="list-style-type: none"> <li>• <a href="#">Defining Issues</a></li> <li>• <a href="#">Webcast</a></li> <li>• <a href="#">Handbook</a></li> <li>• <a href="#">Podcast</a></li> </ul>
ASU 2024-02 Codification Improvements	Amendments to remove references to the concepts statements.	2026	----
ASU 2024-01 Compensation – Stock Compensation	Provides four cases illustrating the scope application of ASC 718 for profits interest awards.	2026	<ul style="list-style-type: none"> <li>• <a href="#">Podcast</a></li> <li>• <a href="#">Webcast</a></li> <li>• <a href="#">Handbook</a></li> </ul>
2023-08 Intangibles – Goodwill and Other – Crypto Assets	Introduces fair value measurement, separate presentation and new disclosures for in-scope crypto assets.	2025	<ul style="list-style-type: none"> <li>• <a href="#">Defining Issues</a></li> <li>• <a href="#">Hot Topic</a></li> </ul>

# Other ASUs effective for private entities in 2025 or 2026 (continued)

Topic	Key Highlights	Effective in	KPMG resources
2023-05 Business Combinations – Joint Venture Formations	Specifies how net assets contributed to a joint venture are accounted for on the joint venture’s formation.	2025	<ul style="list-style-type: none"> <li>• <a href="#">Defining Issues</a></li> <li>• <a href="#">Podcast</a></li> <li>• <a href="#">Handbook</a></li> </ul>
2023-02 Investments – Equity Method and Joint Ventures	Expands use of the proportional amortization method to additional tax equity investments.	2025	<ul style="list-style-type: none"> <li>• <a href="#">Defining Issues</a></li> <li>• <a href="#">Handbook</a></li> </ul>
2022-03 Fair Value Measurement of Equity Securities subject to Contractual Sale Restrictions	Clarifies that contractual sale restrictions are not considered in fair value measurements.	2025	<ul style="list-style-type: none"> <li>• <a href="#">Defining Issues</a></li> <li>• <a href="#">Podcast</a></li> <li>• <a href="#">Handbook</a></li> </ul>
2018-12 Insurance – Targeted accounting improvements for long-duration contracts	Makes targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity.	Annual periods in 2025; interim periods in 2026	<ul style="list-style-type: none"> <li>• <a href="#">Handbook</a></li> <li>• <a href="#">Podcast</a></li> <li>• <a href="#">Illustrative Disclosures</a></li> </ul>

# Other FASB developments



# ASU 2025-07, ASC 815 – Derivative scope refinements

## What



- Creates new scope exception for contracts with underlyings based on operations or activities specific to one of the parties to the contract.
- Clarifies that entities should apply ASC 606 (revenue) when recognizing share-based noncash consideration from a customer for the transfer of goods or services. The guidance in other ASC Topics (e.g., 815 and 321), is not applied unless and until the entity's right to receive or retain the consideration is unconditional under ASC 606.



## Why



- Feedback received during 2021 FASB ITC, Agenda Consultation about challenges in applying derivatives standard to certain transactions with contingent features controlled by the entity.

# Effective

For all entities in

# 2027

Early adoption permitted

Defining Issues

Handbook

# Forthcoming ASU, ASC 815 – Hedge accounting improvements

## What



- **Issue 1 – Similar Risk Assessment for Cash Flow Hedges:** Allow more individual forecasted transactions to be hedged as a group if they have a similar risk exposure
- **Issue 2 – Change in hedged risk for ‘Choose-Your-Rate’ Debt Instruments:** Provide specific guidance for hedging ‘chosed-your-rate’ debt instruments
- **Issue 3 – Cash Flow Hedges of Non-financial Components:** Provide new alternatives for hedging forecasted purchases and sales of nonfinancial assets
- **Issue 4 – Net Written Options:** Permit net written options to qualify as hedging instruments
- **Issue 5 – Foreign-currency-denominated debt instrument as hedging instrument and hedged item:** Allow a foreign-currency-denominated debt instrument to serve as both a hedging instrument and a hedged item.

## Why



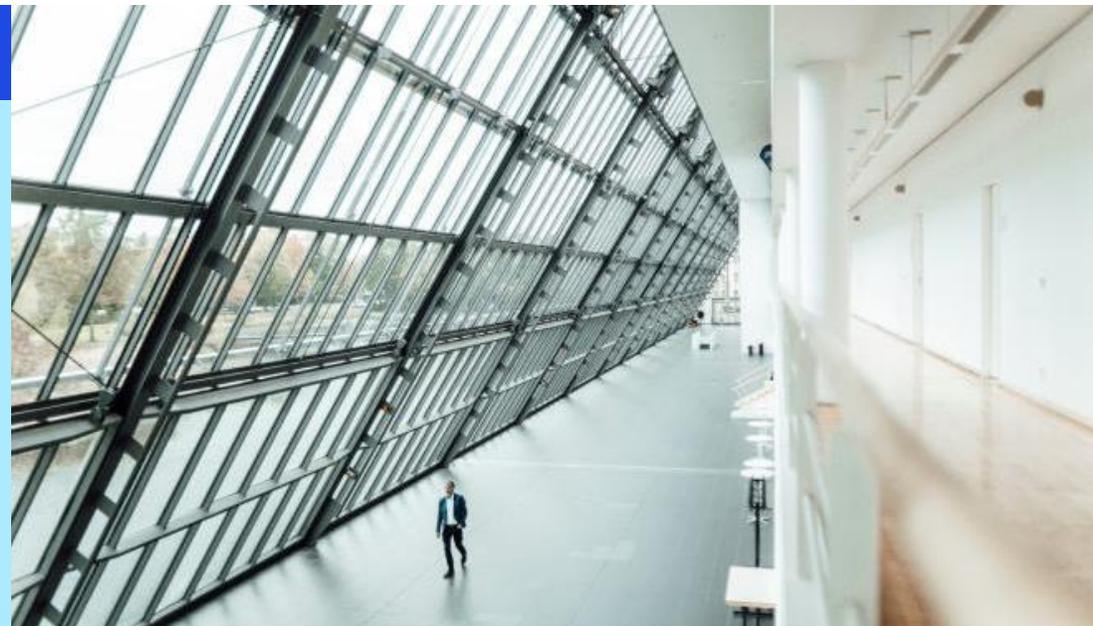
- Intended to more closely align the financial reporting of hedging activities with the economics of an entity’s risk management activities

# ASU 2025-06, Targeted improvements – Accounting for internal-use software

## Why



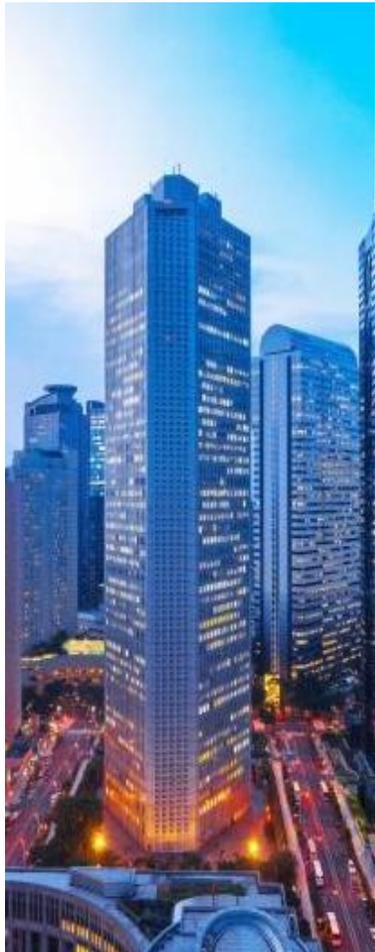
- Existing distinction between external-use software and internal-use software is outdated
  - Current guidance (ASC 350-40 and ASC 985-20) is not suitable for agile software development
- Modernize software cost accounting in US GAAP and enhance transparency
  - Targeted improvements to ASC 350-40 to reflect agile development and improve cost disclosures



Defining Issues

Handbook

# ASU 2025-06, Targeted improvements – Accounting for internal-use software



## Key decisions

- Internal-use software will be capitalized when:
  - Management has authorized and committed to fund the project, and
  - It is probable that the project will be completed and the software will be used to perform its intended function.
- Link ‘probable’ to the ASC Master Glossary definition.
- Software projects subject to significant development uncertainty will not be considered probable-to-complete until such uncertainty is resolved.
- Significant development uncertainty will exist when either the software or its core features/functions are novel, unique or unproven, or the significant performance requirements of the software (i.e. what the software is needed to do – e.g. its functions or features) remain unidentified or subject to substantial further revision.
- Significant development uncertainty stemming from novel, unique or unproven features/functions must be resolved through coding and testing that establishes the software can meet its performance requirements, similar to how ‘high-risk development issues’ are resolved for external-use software under ASC 985-20.

# ASU 2025-06, Effective date and transition

01

**All entities** for interim *and* annual reporting periods beginning after December 15, 2027. Early adoption permitted as of beginning of the year adopted.



02

**Transition method** choices;

- retrospectively;
- prospectively only to software costs incurred on new and existing software projects after the adoption date; **or**
- prospectively to software costs incurred on new and existing software projects after the adoption date with a cumulative effect adjustment for existing, in-process project capitalized costs.



03

Entities would make the transition disclosures required under ASC 250 depending upon the transition method selected.



# Interim reporting

**Objective is to clarify interim reporting requirements by improving navigability of ASC 270 and more clearly specify what disclosures are required in an interim reporting period. Applicable to all entities that provide full sets of interim financial statements and notes in accordance with GAAP.**

## Objectives

- Specify the form and content choices for interim financial statements and accompanying notes.
- Include a comprehensive list of required interim disclosures in ASC 270.
- Introduce a disclosure principle that would require disclosure of events and changes since the end of the previous annual reporting period that materially affect the entity.

## Non-SEC registrants may opt for either of the following related to form and content of financial statements and notes:

- Like annual financial statements and notes, subject to applicable disclosure requirements in GAAP; or
- ‘Condensed statements’ that are financial statements presented:
  - In a condensed aggregated format in accordance with Reg. S-X with notes like in annual financial statements;
  - Like annual financial statements with limited notes; or
  - In a condensed aggregated format in accordance with Reg. S-X with limited notes.

FASB Proposal

Comment Letter

# Accounting for government grants

## What



- Provide a framework for the recognition, measurement, and presentation of government grants received by business entities.
- The Board decided to develop an accounting model using the main principles in IAS 20 with targeted revisions, including scope and recognition threshold.



## Scope



- Transfers of monetary and tangible nonmonetary assets, other than exchange transactions, from a government to a business entity.
- Scope exceptions:
  - Exchange transactions, such as those in the scope of ASC 606 on revenue from contracts with customers and ASC 610-20 on gains and losses from derecognition of nonfinancial assets
  - Items accounted for under ASC 740 on income taxes
  - The benefit of below-market interest rate loans
  - Government guarantees

FASB Proposal

Comment Letter

# Accounting for government grants

## Recognition and Presentation

- Grant recognized when it is **probable** that:
  - The entity will comply with the conditions attached to the grant; **and**
  - The grant will be received.
- Recognize benefit in earnings on a systematic and rational basis over the period(s) in which the entity expenses the related costs for which the grant is intended to compensate.
- **Grants related to assets:** account for as either:
  - An adjustment to the carrying amount of the asset (cost accumulation approach); or
  - Deferred income (deferred income approach)
- **Grants related to income:** present either
  - Separately as other income (gross presentation); or
  - As a deduction from the related expense (net presentation).

# Accounting for environmental credit programs



## Why

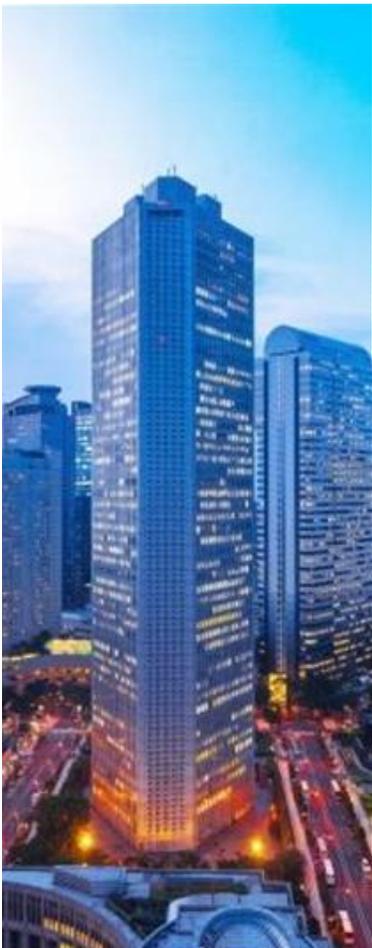


- Improve recognition, measurement, presentation and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for nongovernmental creators of environmental credits.
- These credits include (but are not limited to):
  - Compliance credits
  - Renewable energy credits/certificates (REC)
  - Renewable identification numbers (RIN)
  - Carbon offset credits

FASB Proposal

Comment Letter

# Accounting for environmental credit programs



## **New ASC 818 would...**

- Define attributes of environmental credits and environmental credit obligations (ECOs) and limit the scope of ASC 818 to credits and obligations meeting these definitions.
- Require environmental credits to be accounted for based on how an entity intends to use the credit.
- Environmental credits that are probable of being used to settle an ECO or transferred in an exchange transaction would be recognized as an asset.
- The cost of all other environmental credits would be expensed as incurred.
- Require environmental credits that are probable of being used to settle an ECO (compliance credits) to be recognized at cost with no subsequent remeasurement. All other environmental credits recognized as assets would also be recognized at cost but be tested for impairment at each reporting date.
- Require entities to recognize ECO liabilities based on the amount of credits needed to satisfy the obligation as if the reporting date were the end of the compliance period. A liability would be measured based on the carrying amount of compliance credits on hand (the funded portion). Any unfunded portion would generally be measured based on the fair value of credits the entity would need to purchase to satisfy the obligation.

# Accounting for debt exchanges

## What



- When certain requirements are met, the satisfaction of an existing debt obligation and issuance of a new debt obligation to multiple creditors is accounted for as a debt extinguishment



## Why



- Stakeholders expressed concerns that accounting for the exchange of debt instruments as a modification of the existing debt obligations rather than an extinguishment and issuance of new debt does not reflect the economics of the transaction

# Private company council update



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# Private Company Council

September 2025 meeting



## PCC agenda priorities

Requested further research on:

- Lease accounting implications
- Subjective acceleration clauses within debt arrangements
- Interest method and determining the effective interest method

## Research agenda projects

Update on research conducted and feedback received for:

- Accounting for and disclosure of intangibles
- Financial key performance indicators for business entities

## Other business

- Update on Digital Asset research project related to improvements to the accounting for and disclosures of certain digital asset and related transactions



**What questions  
do you have?**



**Thank you!**



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