



## In This Issue

- Issue —  
“Accounting for  
Paid-in-Kind  
Dividends on  
Preferred Stock”

# Summary of the March Meeting of the Emerging Issues Task Force

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This *EITF Snapshot* summarizes the March 25, 2025, meeting of the Emerging Issues Task Force (EITF or “Task Force”). Initial Task Force recommendations are summarized by the Financial Accounting Standards Board (FASB or “Board”) staff in an agenda decision memo for the Board’s discussion at a public meeting. On the basis of such discussion, the Board determines whether to add a project to the FASB’s technical agenda and votes on all substantive decisions (including a cost-benefit analysis). The Board then directs the staff to draft a proposed Accounting Standards Update (ASU) for a vote by written ballot. These decisions are expected to be made at a single meeting. After the FASB approves the draft proposed ASU, it is exposed for public comment. When the comment period ends, the FASB considers the comments received; redeliberates the issues at a public Board meeting; and, ultimately, issues a final ASU.

The official EITF meeting summaries are posted to the [Deloitte Accounting Research Tool](#) (DART) and to the [FASB’s Web site](#). [EITF meeting materials](#) (released before the meeting and used to frame the discussion) are also available on those sites.

## Issue — “Accounting for Paid-in-Kind Dividends on Preferred Stock”

**Status:** Agenda decision reached. The EITF directed the FASB staff to draft an agenda decision memo for the Board’s consideration.

**Affects:** All entities.

**Background:** At its January 9, 2025, meeting, the EITF Agenda Committee added a project to its agenda to clarify the measurement of paid-in-kind (PIK) dividends on equity-classified preferred stock. Deloitte was identified as the lead EITF member and tasked with drafting the [issue summary](#) related to this topic. The EITF deliberated this issue at its March 25, 2025, meeting.

Paragraph 4 of the issue summary states, in part, “For some preferred stock instruments, dividends are paid-in-kind rather than paid in cash. The issuer satisfies dividend payment obligations associated with these instruments either by issuing additional fungible preferred securities with the same terms as the original preferred security or by increasing the original preferred security’s liquidation preference.”<sup>1</sup> PIK dividend features may be either discretionary (i.e., the issuer or holder may elect payment of dividends in cash or in kind) or nondiscretionary (i.e., all dividends must be paid in kind).

The method used to initially measure PIK dividends affects the carrying amount of preferred stock on the balance sheet and the amount by which an entity should reduce net income when calculating income available to common stockholders in the computation of earnings per share. There is no U.S. GAAP guidance on how such PIK dividends should be initially measured; thus, there is diversity in practice related to the accounting for these transactions.

The EITF deliberated the merits of three alternatives:

- *Alternative A* — “PIK dividends should be measured at the fair value of the preferred shares issuable as of the date the dividends are recognized.”
- *Alternative B* — “PIK dividends should be measured on the basis of the stated dividend rate on the liquidation preference of the preferred stock instrument.”
- *Alternative C* — “The measurement of PIK dividends should depend on whether the PIK dividends are discretionary or non-discretionary.”

The scope of the issue is the measurement of certain PIK dividends on equity-classified preferred stock (whether convertible or nonconvertible), including instruments classified outside permanent equity in accordance with the SEC guidance in ASC 480-10-S99-3A on temporary equity (i.e., the SEC staff announcement on classification and measurement of redeemable securities).

The scope of the issue discussed specifically excluded the following:

- Liability-classified preferred stock.
- Dividends on preferred stock payable in equity securities when the terms differ from those of the original preferred stock instrument (e.g., dividends on preferred stock payable in shares of common stock).
- Dividends on preferred stock payable in a variable number of shares of the same preferred stock instrument that has a fixed monetary value.
- Nonmonetary distributions.
- Stock splits or other dilutive-type adjustments.

**Summary:** At its March 25, 2025, meeting, the EITF made the following decisions:

- In a 9 to 1 vote in favor of Alternative B, the EITF recommended that an entity be required to measure PIK dividends on the basis of the stated dividend rate on the liquidation preference related to the preferred stock instrument.

<sup>1</sup> For some preferred stock instruments with cumulative stated dividends, declared but unpaid dividends accrue to the liquidation preference of the preferred stock; for others, however, cumulative stated dividends accrue to the liquidation preference regardless of whether they are declared. For this reason, PIK dividends that would accrue to the liquidation preference of preferred stock are distinct from those that are simply cumulative dividends.

- EITF members unanimously agreed that the proposed changes should apply to all entities prospectively<sup>2</sup> and that early adoption should be permitted. However, the EITF was split (a 5 to 5 vote) on whether entities should have the option of applying the proposed changes retrospectively during transition.

Certain EITF members observed that, if the FASB adds the project to its technical agenda and supports giving entities the option of applying the proposed changes retrospectively, the FASB staff should consider whether to include in the proposed ASU prescriptive transition guidance addressing some of the observations made by EITF members during the meeting. All EITF members noted that they would not object if the proposed ASU contains transition guidance that either specifically permits or specifically precludes entities from electing an option to apply the proposed changes retrospectively.

**Next Steps:** The FASB staff will perform additional research and outreach to determine whether to permit entities to adopt the proposed changes retrospectively during transition. In addition, the FASB staff will prepare an agenda decision memo for the Board to discuss, at a public meeting, whether to add the project to its agenda. The memo will include the materials addressed by the EITF, a summary of the EITF's discussions, the basis for the EITF's recommendation, and an analysis of the FASB's agenda criteria.

<sup>2</sup> During deliberations, EITF members also clarified that the unit of account for applying the transition guidance should be at the dividend level rather than at the level of the preferred stock instrument.

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The purpose of this publication is to briefly describe matters discussed at the most recent meeting of the Emerging Issues Task Force. This summary was prepared by Deloitte's National Office. Although this summary of the discussions and conclusions reached is believed to be accurate, no representation can be made that it is complete or without error. Official meeting minutes are prepared by the Financial Accounting Standards Board staff and are available approximately three weeks after each meeting. The official meeting minutes sometimes contain additional information and comments; therefore, this meeting summary is not a substitute for reading the official minutes. In addition, tentative conclusions may be changed or modified at future meetings.

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