Industrial products accounting and reporting insights

A quarterly summary for the Industrial products sector

June 2026

Strategy for business

Frontline Leadership in Manufacturing's AI Adoption

As AI moves from experimentation to enterprise-scale deployment, industrial companies are finding that frontline leaders play a critical role in translating AI initiatives into measurable operational value. Organizations that empower frontline managers to guide change, reinforce trust, and support employee adoption are better positioned to embed AI into day-to-day operations. Companies are seeing that disciplined execution, clear governance, and targeted deployment strategies are key differentiators in achieving long-term value from AI initiatives.

Frontline leaders are increasingly expected to bridge the gap between corporate AI strategy and operational execution by helping employees understand how AI can augment decision-making, improve safety, and streamline repetitive tasks. At the same time, organizations are recognizing the importance of change management, workforce upskilling, and transparent communication to address employee concerns around automation and job disruption. It is up to those frontline leaders to guide teams and shift their mindset from skepticism to optimism and excitement. Despite the growing investment and emphasis on AI, many manufacturers lack confidence in the preparedness of their frontline leaders. 54% of respondents reported low or very low confidence in their frontline leader's ability to lead the AI change. Many manufacturers also noted still being in the exploratory AI stage, rather than fully integrating AI into daily operations.

The manufacturing sector's ability to scale AI effectively may depend on creating a culture where frontline employees are active participants in transformation efforts rather than passive recipients of change. Prior initiatives to automate and upskill technology focused on targeted discrete repeatable tasks. This is something entirely different. AI influences judgement, decision-making, and changes how daily tasks are contemplated and completed. Industrial companies that invest in AI literacy, leadership development, and cross-functional collaboration can strengthen trust and improve adoption outcomes while supporting broader business objectives around efficiency, innovation, and competitiveness. This means making sure employees are comfortable and have the appropriate training and AI readiness skills. Frontline leaders play a critical role in how AI reaches the factory floor, but that role is limited when they are not fully engaged in the process. As AI capabilities continue to evolve, manufacturers that integrate human-centered leadership with responsible AI governance may be best equipped to convert emerging technologies into durable strategic advantage.

For more information, access the full publication.

Connected Plants Push Industrial Manufacturing Beyond ERP

Manufacturers are advancing connected plant strategies as they seek to improve operational efficiency, resilience, and decision-making across complex production environments. By integrating connected technologies, smart factories, AI-enabled analytics, cloud platforms, and real-time operational data, companies are creating more intelligent and responsive manufacturing ecosystems. But behind all this change lies a major constraint; the underlying traditional ERP systems are struggling to keep up. Traditional ERP modernization, while effective in driving financial harmonization, process standardization, and enterprise-wide visibility, may no longer be sufficient to support the demands of today's connected operations. As manufacturing environments become more dynamic and data-driven, competitive advantage is increasingly tied to the ability to make intelligent decisions in real time. This includes adjusting production schedules in response to shifting demand, identifying quality issues earlier in the production cycle, optimizing energy usage, and coordinating performance across networks of plants rather than managing operations at an individual site level. As a result, manufacturers are reevaluating the role of their digital foundations and seeking more agile, responsive platforms capable of supporting operational intelligence at scale.

ERP systems were designed primarily to govern transactional processes and maintain records. They are not designed to process large volumes of real-time operational technology data or enable rapid decision-making across interconnected manufacturing environments. Over time, manufacturers have accumulated extensive customizations and fragmented integrations, increasing complexity and constraining innovation. These challenges are becoming more pronounced as organizations attempt to scale AI-enabled capabilities, predictive maintenance programs, and cross-functional operational visibility across engineering, production, and supply chain functions. A "base plus" model addresses these challenges and enables manufacturers to scale intelligence in connected plants. Rather than replacing their ERP systems entirely, companies are retaining them as the transactional "base" responsible for core functions such as finance, procurement, compliance, and standardized enterprise processes. They then layer more agile digital capabilities on top through the "plus" component. The "plus" layer typically includes technologies such as AI-enabled analytics and cloud native intelligence. This approach allows manufacturers to introduce real-time decision-making, cross-plant optimization, and operational visibility without over-customizing ERP environments or disrupting core enterprise controls.

For industrial manufacturing executives, the focus is shifting from whether to adopt connected plant strategies to how to do so and scale them effectively without introducing the complexity and fragmentation that characterized prior transformation initiatives. Rather than attempting large-scale transformation all at once, manufacturers should look to scale incrementally, using early successes to build organizational momentum and strengthen adoption across plants and functions. Success will depend on balancing stable enterprise systems with more flexible, interoperable technologies that can support real-time decision-making, AI-enabled insights, and cross-functional visibility across operations. Companies that prioritize targeted use cases, modern data architectures, and stronger alignment between technology, operations, and workforce strategies may be better positioned to accelerate innovation, improve resilience, and unlock sustainable value from connected manufacturing investments.

For more information, access the full publication.

The Trust Advantage in Agentic Commerce

As AI agents take on more of the consumer shopping journey, from helping customers discover products, evaluate options, manage preferences, and even complete transactions, trust is becoming a critical differentiator for retailers and consumer brands. In our analysis, we highlight ways that agentic commerce can create new growth opportunities, but only if companies embed security, privacy, safety, and transparency into the experience from the start. Consumers want confidence that their data is protected, transactions are secure, and AI agents acting on their behalf are operating in their best interest.

While consumers are increasingly using AI to search for products and services, many are not yet comfortable allowing AI agents to complete purchases independently. Companies that provide clear notice, meaningful consent options, transparency into data usage, and controls for managing agent permissions may be better positioned to increase adoption, build loyalty, and reduce the cost and complexity of retrofitting controls later.

Learn more here about actions companies can take in promoting trust in agentic commerce. This includes clear notice and consent options, strengthening data and access boundaries, securing the AI "decision layer" testing test before launch along with continued monitoring subsequent to deployment. As agentic commerce accelerates, brands that make safety and transparency visible to consumers may be able to turn trust into a source of growth.

C-Suite Outlook & Industry Insights

PwC's March survey of 174 US executives indicates that energy and industrials ("E&I") executives are moving from disruption response to decisive action, with 66% planning to increase or pursue new M&A opportunities or divestitures. In an environment shaped by supply chain realignment, energy infrastructure investment and consolidation pressure, we see dealmaking emerging as a deliberate growth lever rather than a reactive response to market volatility. Technology is also central to the sector's growth agenda, with 65% of E&I executives ranking the speed of technology adoption and scaling as their top growth enabler over the next one to two years. For companies that have moved quickly, the benefits are already visible in stronger strategic agility, market competitiveness, new market entry, and supply chain resilience. At the same time, regulatory complexity remains a meaningful constraint, making it critical for energy and E&I leaders to pair disciplined risk management with bold investments in deals, technology and energy infrastructure. Learn more.

Industrial manufacturing: US Deals 2026 midyear outlook

PwC's midyear deals outlook highlights a transformative period for industrial manufacturing M&A, with deal values reaching $173 billion over the past year, a 28% increase over fiscal year 2025. The article notes that the surge is being driven by the convergence of AI infrastructure, grid modernization, and defense and resilience spending, which are pulling capital toward a shared industrial supply base.

The outlook also highlights the role of mega-deals, scope-driven acquisitions, and strategic buyers. Transactions above $5 billion now make up 56% of deal value, while strategic acquirers account for 86% of last 12 months deal value. The article also notes that corporate divestitures are accelerating as conglomerate simplification generates a pipeline of carve-outs.

Looking ahead, the article identifies convergence and the divestiture pipeline as two forces that will shape industrial manufacturing M&A in the second half of 2026. It also discusses the growing role of AI and automation in investment diligence, with buyers looking for measurable productivity improvements, labor cost offsets, and predictive maintenance savings before paying premium valuations.

Read the full outlook:

US Deals 2026 midyear outlook

Industrial manufacturing: US Deals 2026 midyear outlook

Accounting and financial reporting hot topics

Closing statements: Insights for controllers at quarter end

Closing statements is our quarterly publication that shares quarter-specific insights, trends, analysis, and observations. This edition highlights timely financial reporting reminders for controllers, tax leaders, and finance teams, including the impact of tariffs, an update on the new disaggregated income statement expense disclosures ("DISE"), and emerging topics from the SEC.

Readers can learn more about:

Tariff update: Refunds, Section 122 challenges, and Q1 lessons learned

The tariff landscape continues to evolve, with companies now shifting from evaluating the accounting implications of potential International Emergency Economic Powers Act ("IEEPA") tariff refunds to executing the refund process. With the U.S. Customs and Border Protection refund portal open, companies are identifying eligible entries, coordinating with brokers, preparing Consolidated Administration and Processing of Entries, or CAPE, submissions, and addressing validation or denial issues. At the same time, ongoing appeals and challenges related to Section 122 tariffs may affect companies' Q2 accounting conclusions.

The key message: tariff refunds are a cross-functional effort. Trade compliance may lead the filing process, but finance, accounting, tax, legal, treasury, transfer pricing, and supply chain teams all need to stay aligned. Companies should apply their Q1 accounting model consistently, monitor legal and procedural developments, and continue evaluating whether disclosure is needed, regardless of whether a refund receivable has been recorded.

DISE adoption is getting closer

2027 may still feel far away, but implementation of the DISE continues to require planning and attention. In May, the FASB held a roundtable to give stakeholders an opportunity to share feedback on DISE implementation. Some preparers attending the roundtable highlighted significant efforts to date in implementing the new requirements. Specifically, they cited challenges with data availability, complex cost allocation structures, multiple ERP systems, and the use of estimates. On the other hand, investor representatives emphasized the usefulness of the new disaggregated expense information, including the potential to better understand a company's cost structure and assess earnings quality.

It is unclear whether the FASB will take any actions based on feedback from the roundtable. For now, companies should continue moving ahead with implementation plans and focus on identifying data gaps, estimation approaches, and related controls.

Learn more:

- Disaggregation of income statement expenses (after adoption of ASU 2024-03) (Financial statement presentation guide 3.11)

- Podcast - Disaggregated expense disclosures: Don’t roll the DISE

Read the full report: **PwC Closing statements: Q2 2026 Insights for controllers at quarter end**

Product Financing Arrangements

Companies continue to evaluate inventory-related structures involving third parties that purchase, hold, or take legal title to inventory intended for the reporting entity’s future use, sale, or incorporation into a finished product. While the structures vary, they often raise a common accounting question: whether the arrangement is, in substance, a product financing arrangement under ASC 470-40, *Debt*, rather than a sale, purchase commitment, logistics arrangement, or other executory contract.

The analysis should focus on the economic substance of the arrangement and the allocation of risks and rewards, rather than legal form alone. A key question is whether the third party has substantive control of the inventory and bears meaningful economic risk during the holding period, or whether the reporting entity continues to control the product’s use, bears downside risk, and is effectively committed to reacquire the product or processed goods. Other factors may also be relevant, and a full analysis should be performed based on the structure of the arrangement and the detailed terms of the contract.

When these arrangements are financing in substance, the accounting outcome may differ from the legal form of the transaction. For example, the reporting entity may need to recognize inventory and a related financing obligation or continue to recognize inventory that has been transferred to a third party if it retains the substantive economics of ownership. Because these arrangements are highly fact-specific, companies should consult with their accounting advisors when evaluating the appropriate accounting treatment.

Learn more: PwC Inventory Guide Section 1.6 and PwC Revenue Guide Section 8.7

New accounting standards

The FASB recently issued new guidance that may be relevant to companies as they evaluate upcoming accounting and reporting requirements.

FASB issues new guidance on PIK dividends

On April 23, 2026, the FASB issued ASU 2026-01, *Equity (Topic 505), Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock*. The new guidance requires paid-in-kind dividends within its scope to be initially measured based on the PIK dividend rate stated in the preferred stock agreement. That measurement is used both to record the dividend in the financial statements and to calculate earnings per share.

The guidance applies to preferred stock classified in equity, including preferred stock classified as mezzanine equity under SEC guidance. It does not change when PIK dividends are recorded or when they affect EPS. The

ASU is effective for all entities for annual reporting periods beginning after December 15, 2026, including interim periods within those annual periods. Early adoption is permitted.

Read our In depth: FASB issues new guidance on PIK dividends

FASB issues new guidance on environmental credits

On May 19, 2026, the FASB issued ASU 2026-02, *Environmental Credits and Environmental Credit Obligations (Topic 818)*. The new guidance establishes ASC 818 and provides accounting guidance for the recognition, measurement, presentation, and disclosure of environmental credits and environmental credit obligations.

Under the new standard, environmental credit assets are recognized and measured based on their intended use and how the credits are obtained. Environmental credit obligation accounting depends on whether the obligation is funded by compliance environmental credits held by the entity or is unfunded.

The guidance is effective for public business entities for annual reporting periods beginning after December 15, 2027, including interim periods within those annual periods. For all other entities, it is effective one year later. Early adoption is permitted as of the beginning of an annual reporting period.

Read our In depth: FASB issues new guidance on environmental credits

Regulatory update

Proposed SEC optional semiannual reporting framework

On May 5, the SEC issued a rule proposal that would provide an optional semiannual reporting framework as an alternative to the existing quarterly reporting framework. The optional semiannual reporting framework would be available to any registrant currently required to file a quarterly report on Form 10-Q.

The proposed rule will be subject to a public comment process that ends on July 6, with stakeholders invited to provide input. The proposal includes specific requests for feedback on accounting, financial reporting and auditing matters as well as questions about potential cost savings for preparers and any impacts that less frequent financial reporting would have on a company's access to the capital markets. The proposal does not address specific effective dates or transition considerations.

Following the comment period, the SEC will evaluate feedback and determine whether to proceed with final rulemaking, which may include revisions to what was proposed. For further discussion on the semi-annual reporting framework, refer to our In Brief, as well as this podcast joined by SEC Division of Corporation Finance Director Jim Moloney.

SEC proposes major filer status overhaul

The SEC proposed rule changes that would simplify the determination of filer status, resulting in only two primary filer categories: large accelerated and non-accelerated. Non-accelerated filers would be entitled to many of the accommodations currently available to smaller reporting companies and emerging growth companies.

Key takeaways on the proposal:

There would be two primary filer categories: large-accelerated filers ("LAF") and non-accelerated filers ("NAF").

- LAF requirements would remain similar to today, but the threshold to become a large-accelerated filer would be raised to $2 billion public float (compared to $700 million today). Public float calculation would be revised to be calculated using a 10-day average at the end of the second quarter over two years.

- NAFs would have scaled disclosures as well as other accommodations aligned with current smaller reporting and emerging growth companies, including only two years of financial statements, scaled executive compensation disclosures, and more.
- While management's responsibility to assess the effectiveness of internal controls over financial reporting ("ICFR") would remain unchanged, NAFs would no longer be required to obtain an auditor attestation on ICFR.
- A subset of NAFs with under $35 million in total assets, referred to as small NAF registrants ("SNFs"), would have additional time to file annual and quarterly reports.

Companies filing initial registration statements would always enter as NAFs—regardless of size, revenues, or past issuances of debt securities—and would retain that status for a minimum of five years.

For further discussion, refer to our In Brief.

SEC registered offering reform: capital raising impacts

The SEC also proposed reforms to modernize the registered securities offering framework and expand access to public capital markets. If adopted, the changes would broaden eligibility to use Form S-3, providing more registrants access to shelf offerings, ATM programs, and registration and communication benefits currently reserved for well-known seasoned issuers ("WKSIs"), while also expanding Form S-1 incorporation–by-reference rules. For further discussion, refer to our In Brief.

Industrial products SEC comment letter trends

The SEC Division of Corporation Finance's filing review process monitors the disclosures made by registrants. Based on the analysis of comment letters publicly issued to Industrial products companies in the 12 months ended March 31, 2026, (1) non-GAAP measures, (2) Management's Discussion & Analysis (MD&A), (3) segment reporting, (4) debt, quasi-debt, warrants and equity, and (5) goodwill and other intangibles generated the highest volume of SEC comments. We have seen a decrease in the number of comments in each of these areas compared to the 12 months ended March 31, 2025.

Check out the following for more details related to current comment letter trends:

- *SEC now: Today's landscape and recent developments*
- *SEC now: Non-GAAP 2025 comment letter trends*
- *SEC now: 2025 comment letter trends on transactions*
- *SEC now: Segments 2025 comment letter trends*
- *SEC now: Revenue 2025 comment letter trends*
- *SEC now: MD&A 2025 comment letter trends*

Visit our *SEC comment letter trends for Industrial products* page to see our insights on the nature of the SEC staff comments by topic, sample text from the SEC staff's comments, and links to where you can learn more about the accounting and disclosure requirements addressed in each topical area.

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