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CFGI

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What we Know

Since taking office in January, President Trump's economic policy has been focused on foreign trade and tariffs. While his initial tariff announcements focused on specific countries and goods, President Trump's April 2 executive order expanded tariffs to virtually all U.S. trading partners. As of the publication date, these tariff announcements had the following primary effects:

- A 25% tariff has been enacted on all foreign-made automobile and auto parts;
- A 10% "across the board" tariff applies to all imported goods (effective April 5);
- Incremental country-specific "reciprocal tariffs" have been paused for 90 days, except for China (effective April 9);
- Tariffs on goods imported from China have increased to 145% (effective April 10);
- Tariffs on steel and aluminum and aluminum derivatives increased to 25% (effective March 12) with additional tariffs threatened on other raw materials, including copper and lumber;
- Other countries and trading partners, including Canada, China, and the EU have announced and enacted retaliatory tariffs in response.

The extent and pace of new **tariffs have created tremendous uncertainty and compliance risk for nearly all businesses.** Even companies that are not directly impacted by the changes in will certainly be impacted by the macroeconomic fallout and retaliatory tariffs imposed by U.S. trading partners.

Tariff policies and guidance are evolving rapidly worldwide. CFGI will continue to update this publication as new policies and guidance are released.

Accounting & Reporting Considerations

The impact of the tariffs are expected to have broad accounting implications that directly impact various areas, including inventory and long-lived asset valuation, goodwill impairment assessment, income taxes, and going concern issues. The following include some specific concerns for these accounting areas:

Inventory valuation

Tariffs may result in increases in acquisition costs that should be capitalized in inventory. Increases in inventory costs as well as any impacts on pricing and demand for a company's products may impact the assessment of recoverability of inventory under the lower-of-cost-or–market and net realizable value framework.

Revenue Recognition

Amendments to customer contracts including, but not limited to, price adjustments made outside of the original contract terms could require modification assessment under ASC 606 and could impact revenue recognition.

Goodwill and long-lived asset impairments

Lower forecasted earnings and cash flows due to the impacts of tariffs could trigger required impairment assessments of goodwill and long-lived assets and result in potential impairment charges.

Income Taxes

Declining profitability due to the impacts of tariffs could result in increased valuation allowances for deferred tax assets, impact existing transfer pricing arrangements, and create new uncertain tax positions.

Disclosures

Tariffs may have a significant impact on a company's liquidity and capital resources which could result in increased going concern issues. Companies should also consider the need for incremental disclosures related to risks and uncertainties.

How We Got Here

February 1 – President Trump authorizes tariffs of 10% on imports from China and 25% on imports from Canada and Mexico. Tariffs against Canada and Mexico are subsequently delayed by 30 days.

February 10 – Trump announces plans to increase steel and aluminum tariffs to a minimum of 25%, including aluminum derivatives and eliminating exceptions.

March 4 – 25% tariffs announced on imported goods from Canada and Mexico, with delays and carve-outs for energy, U.S. automakers, and USMCA compliant goods.

March 12 – Tariffs on steel and aluminum go into effect (25%). Retaliatory tariffs announced by the EU, Canada, and China.

March 26 – 25% tariff announced on all foreign-made automobiles and automotive parts

April 2 – Trump signs executive order for "reciprocal tariffs" derived from trade deficits relative to imports, including a base of 10% across the board.

April 3 – 25% tariff imposed on all foreign-made automobiles and automotive parts (announced March 26)

April 5 – Base tariff of 10% now applies to all imported goods.

April 9 – All country-specific "reciprocal tariffs" are paused for 90 days and set to a 10% baseline, except for China. Tariffs on goods imported from China raised to 125%.

April 10 – While "reciprocal tariffs" remain paused, the U.S. increases tariffs on goods imported from China to 145%.

Navigating Uncertainty

Stating that there is much uncertainty around the tariffs would be an understatement. Changes to existing tariff announcements and executive orders occur on a near daily basis. This uncertainty follows several years of regulatory and tax disruption. Although recent tariff announcements have created disruption across industries, it's important to acknowledge that these measures may not be permanent. Many tariffs are subject to change as trade negotiations evolve. Companies are advised to take a measured approach - building contingency plans and monitoring developments closely, rather than implementing drastic operational changes prematurely. Some key practices companies are taking to get ahead of the tariff impacts are:

- Modeling out tariff announcements on a pre/post tariff implementation basis to assess and isolate impacts.
- Reviewing options for U.S.-based production and sourcing solutions to mitigate impacts
- Developing a holistic strategy to address tax, supply chain, and approaches to address trade and customs
- Assessing impacts of tariffs on current and future transfer pricing strategies
- Assessing the accounting and financial reporting implications of tariffs

Refer to our other publications related to the 2025 U.S. tariffs below.

Supply Chain

Supply chain organizations should strap in and plan for continued uncertainty in U.S. trade policy. When navigating the uncertainty, leading organizations should prioritize investments in technology and data while remaining cognizant of their entire risk universe.

ESG

Leading organizations will continue to prioritize certain elements of their ESG programs, including those around value chain resiliency and supply chains, in addition to addressing potential gaps in their Board and leadership team composition.

Finance Operations

Agile financial planning and data resilience will be vital as leading finance organizations react to continued uncertainty in the international tariff and trade landscape. In the longer term, expect industry leaders to continue emphasizing investments in technology and supply chain diversification.

Capital Markets

The increase in tariffs has created an immediate slow-down in the IPO markets, while volatility may create M&A opportunities for value creation. Leading companies will continue to prioritize IPO and dual-track readiness as investors increasingly seek liquidity on their investments.

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