

Technical Line

FASB – final guidance

A closer look at the FASB's new disaggregated expense disclosure requirements

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What you need to know

- ▶ The FASB's new guidance requires public business entities to disclose in a tabular format, on an annual and interim basis, purchases of inventory, employee compensation, depreciation, intangible asset amortization and depletion for each income statement line item that contains those expenses.
- ▶ An entity may disaggregate income statement line items that contain expense amounts related to inventory using either a cost-incurred basis or an expense-incurred basis.
- ▶ Specified expenses, gains and losses that are already disclosed under existing US GAAP are also required to be included in the disaggregated income statement expense line-item disclosures, and any remaining amounts need to be described qualitatively.
- ▶ Separate disclosures of total selling expenses and an entity's definition of those expenses are also required.
- ▶ The guidance is effective for fiscal years beginning after 15 December 2026, and interim periods within fiscal years beginning after 15 December 2027. Early adoption is permitted. Entities may apply the guidance prospectively or retrospectively.

Overview

The Financial Accounting Standards Board (FASB or Board) issued Accounting Standards Update (ASU) 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures, requiring a public business entity (PBE) to disclose, on an annual



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and interim basis, disaggregated information about certain income statement line items in a tabular format in the notes to the financial statements. The guidance does not change what a PBE presents on the face of its income statement.

The guidance addresses requests from investors and other financial statement users (collectively referred to as investors) for more detailed expense information, which they said is critical to understanding an entity's performance, assessing its prospects for future cash flows and comparing its performance both over time and with that of other entities.

The FASB issued the guidance in response to requests from investors for disclosure of the amounts of employee compensation, depreciation and amortization included in commonly presented income statement line items, such as cost of sales (COS) and selling, general and administrative expenses (SG&A). The FASB said investors also have requested disclosure of purchases of inventory to better understand an entity's materials costs and how changes in those costs may affect gross margin.

The guidance establishes a new subtopic, Accounting Standards Codification (ASC or Codification) 220-40, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*, that sets minimum disaggregated expense disclosure requirements for PBEs. The FASB said in paragraph BC4 of the ASU's Background Information and Basis for Conclusions (BC) that it expects the required disclosures will significantly enhance the transparency of an entity's operations and cost structure and improve comparability because expense categories are more clearly defined than the income statement line items that many business entities present today.

PBEs should familiarize themselves with the guidance and understand how it will affect them. They should also evaluate whether their existing systems can capture the data that is required to prepare the disclosures and whether they need to make changes to systems or additional processes and controls.

Key considerations

The guidance requires a PBE to disclose in a tabular format, on an annual and interim basis, the following categories for each income statement line item that contains at least one of these expenses (referred to as relevant expense line items):

- ▶ Purchases of inventory in the scope of ASC 330, *Inventory*
- ▶ Employee compensation
- ▶ Depreciation
- ▶ Intangible asset amortization
- ▶ Depreciation, depletion and amortization (DD&A) of capitalized acquisition, exploration and development costs recognized as part of oil- and gas-producing activities or other amounts of depletion expense

The guidance also requires PBEs to include the following in the tabular disaggregated expense disclosures for each relevant expense line item:

- ▶ Certain specified expenses, gains and losses that are already disclosed under existing US GAAP (referred to as specified existing disclosures)
- ▶ Certain expense reimbursements paid to or received from another entity, if certain elections are made

The guidance addresses investors' requests for more detailed information about certain expenses.

The difference between the amount of the relevant expense line item and the amounts disclosed above is also included in the same table as other amounts (or a similarly titled line item). This difference is provided so that the total for each disaggregated expense table agrees to the relevant income statement line item. A PBE is required to describe the composition of other amounts based on their natural expense classification.

An entity may disaggregate relevant expense line items that contain amounts related to inventory in the scope of ASC 330 using a cost-incurred basis or an expense-incurred basis. The entity is required to apply the chosen basis to all required expense categories listed above. Refer to the *Cost-incurred and expense-incurred basis* section below.

A PBE is required to disclose the total amount of its selling expenses recognized in continuing operations on an annual and interim basis and disclose how it defines selling expenses on an annual basis (or in interim reporting periods if the definition is changed).

The FASB said that applying the new guidance "might cause an entity to pursue a degree of detail in recordkeeping and computations that could be burdensome, as well as unnecessary to produce a reasonable approximation of the results. Accordingly, an entity may use estimates or other methods that produce a reasonable approximation of the amounts required to be disclosed."

Legacy requirements

There were previously no broad requirements in the Codification to present specific line items (also known as captions) on the face of the income statement or to disaggregate certain expense line items. However, there are industry-specific presentation requirements, as well as presentation requirements that are triggered when a specific event occurs (e.g., goodwill impairment for a PBE). Under existing US GAAP, certain expenses, gains and losses, while not required to be separately presented on the income statement, are required to be disclosed, including in some instances, the line item(s) where the amount is included in the income statement.

Securities and Exchange Commission (SEC) Regulation S-X includes general and industry-specific income statement presentation requirements for PBEs that file or furnish financial statements with the SEC. For example, Regulation S-X Rule 5-03, *Statements of Comprehensive Income*, lists the various expense captions that a commercial and industrial company should present on the face of the statements of comprehensive income, including "costs and expenses applicable to sales and revenues" and "selling, general and administrative expenses."

The FASB said in paragraph BC3 that investors have observed diversity in the amount of disaggregated expense information that entities provide in financial statements, and the naming and classification conventions for income statement expense line items vary by industry and entity. The Board noted in paragraph BC15 that investors have previously observed that while the disaggregation of expenses by function, such as COS and general and administrative expenses, may be helpful for analyzing overall business trends, it aggregates items with different economic drivers (e.g., labor and raw materials) and reduces the predictive value of the information. Refer to the *Natural versus functional expense classifications* section below.

Scope and scope exceptions

The guidance applies only to PBEs. Private companies, not-for-profit entities (NFPs) and employee benefit plans are excluded from the scope of the guidance.

Some Board members indicated they would be open to revisiting whether any disaggregation requirements in the guidance should be considered for private companies after considering the implementation experience of PBEs and conducting additional research focused on private companies, as noted in paragraph BC34.

The guidance does not apply to NFPs because they are already subject to expense disclosure requirements that are more disaggregated than those currently required for business entities. For example, ASC 958-720-45-15 requires NFPs to report disaggregated expense information in one location on the face of the statement of activities, as a schedule in the notes to the financial statements or in a separate financial statement.

The guidance also does not apply to employee benefit plans that are subject to ASC 960, ASC 962 and ASC 965. As discussed in paragraph BC36, employee benefit plans are excluded from the scope of the ASU because the disclosure requirements are generally not relevant to users of employee benefit plan financial statements.

Income statement line items subject to disaggregation

When applying the guidance, an entity first identifies which expense line item(s) presented on the face of its income statement need to be disaggregated in the notes to the financial statements (i.e., relevant expense line items).

A relevant expense line item is any line item presented on the face of the income statement in continuing operations that contains at least one of the following expense categories (i.e., required expense categories):

- ▶ Purchases of inventory in the scope of ASC 330
- ▶ Employee compensation
- ▶ Depreciation
- ▶ Intangible asset amortization
- ▶ DD&A of capitalized acquisition, exploration and development costs recognized as part of oil- and gas-producing activities or other amounts of depletion expense

An income statement line item that does not contain any of the required expense categories is not a relevant expense line item and, therefore, is not subject to the disaggregation requirements. For example, income tax expense is not a relevant expense line item because it does not contain any of the required expense categories.

A relevant expense line item that consists entirely of one expense category listed above is not required to be disaggregated. See *Expenses not required to be disaggregated* section below for more information.

An entity is required to disclose, on an annual and interim basis, the following information in a table for each relevant expense line item:

Required expense categories	Separate disclosure of each of the following (220-40-50-6): <ul style="list-style-type: none"> ▶ Purchases of inventory ▶ Employee compensation ▶ Depreciation ▶ Intangible asset amortization ▶ DD&A recognized as part of oil- and gas-producing activities or other depletion expense
Integration of specified existing disclosures These disclosures are only required in interim disaggregated expense tables if existing US GAAP requires disclosure in interim reporting periods (220-40-50-3).	Specified expenses, gains and losses for which there is an existing requirement to disclose the amount and the line item(s) in the income statement where the amount is included (220-40-50-21) Specified expenses, gains and losses for which there is an existing requirement to disclose the amount but no requirement to disclose the line item in the income statement where the amount is included The amount is required to be included in the disaggregated expense tables only if it is included entirely in one expense line item on the income statement (220-40-50-22).
Expense reimbursements related to cost-sharing or cost-reimbursement arrangements	Expense reimbursements received from another entity if the entity chooses to separately disclose the reimbursement (220-40-50-26(a)) and expense reimbursements paid to another entity (220-40-50-28)
Other amounts remaining in relevant expense line items	The aggregate of other amounts remaining in relevant expense line items after breaking out the required expense categories and integrating specified existing disclosures (220-40-50-30)
Total for each relevant expense line item	

Required expense categories

As noted in paragraphs BC49 and BC60, the FASB decided to limit the required expense categories to purchases of inventory, employee compensation, depreciation, intangible asset amortization and DD&A or other depletion because those categories align with the highest priority natural expense categories indicated in investors' feedback, and it will be less costly for preparers than requiring the full disaggregation of income statement line items. The disaggregation approach is also similar to the approach in International Financial Reporting Standards 18, *Presentation and Disclosure in Financial Statements*.

Natural versus functional expense classifications

The ASC Master Glossary defines natural expense classification as:

"A method of grouping expenses according to the types of economic benefits received in incurring those expenses. Examples of natural expense classifications include salaries and wages, employee benefits, nonemployee professional services, supplies, interest expense, rent, utilities, and depreciation."

The FASB said in paragraph BC55 that it considers the required expense categories (i.e., purchases of inventory, employee compensation, depreciation, intangible asset amortization and DD&A or depletion) to be natural expenses. As an example, the FASB noted that the types of economic benefits received from employees' services are different from those received from the use of a constructive asset (e.g., a building).

In contrast, the ASC Master Glossary defines functional expense classification as: "A method of grouping expenses according to the purpose for which costs are incurred" Common functional expenses for a business entity include COS and SG&A. While employee compensation may represent one type of natural expense, it can be divided between different functions, such as manufacturing and production, the cost of providing services, SG&A functions, and research and development (R&D) activities, as noted in paragraph BC56. Therefore, functional expense line items on the income statement, such as SG&A, may include natural expense amounts that have different economic characteristics.

Determining the purpose for which a cost was incurred (i.e., the functional classification) is subjective and can require judgment. The FASB noted in paragraph BC57 that allocating a natural expense to multiple functional expense line items does not affect its underlying natural expense categorization. For example, allocating the cost of an employee's salary to COS and R&D does not change the natural classification of the cost incurred (i.e., it remains employee compensation).

Purchases of inventory

There are two acceptable bases an entity can use to disaggregate relevant expense line items that contain amounts related to inventory in the scope of ASC 330.

Purchases of inventory include costs incurred to obtain raw materials, finished goods and other externally purchased inputs. They only include amounts in the scope of ASC 330 or within an industry subtopic in ASC 330. However, purchases of inventory do not include amounts recognized as part of a business combination, a joint venture formation or upon the initial consolidation of a variable interest entity that is not a business combination. Amounts recognized from those excluded transactions are disclosed in the "other amounts" category or as a separate category in the disaggregated expense table.

The Board expects disclosure of purchases of inventory as a standalone expense category to be useful because investors can combine amounts disclosed with information from other sources (e.g., the prevailing market prices of known key inputs) to assess the effect on an entity's performance. In addition, the Board said in paragraph BC78 that it expects the disclosure of purchases of inventory to help an investor understand an entity's relative cost exposures.

Cost-incurred and expense-incurred basis

The guidance provides an entity with two acceptable bases for disclosing the disaggregation of a relevant expense line item that contains expense amounts related to inventory in the scope of ASC 330 (e.g., cost of products sold):

- ▶ **Cost-incurred basis:** This includes any costs incurred that were capitalized to inventory in accordance with ASC 330 and any costs incurred that were directly expensed during the current period, including costs that are capitalizable under ASC 330 but were directly expensed to the income statement. An entity that applies the cost-incurred basis needs to disclose an amount for changes in inventories and an amount for other adjustments and reconciling items to reconcile costs incurred to the total relevant expense line item. Refer to *Changes in inventories and other adjustments and reconciling items* section below.
- ▶ **Expense-incurred basis:** This includes expense amounts related to the derecognition of inventory that was previously capitalized in accordance with ASC 330 and any costs incurred that were directly expensed during the current period, including costs that are capitalizable under ASC 330 but were directly expensed to the income statement. An entity is required to disclose the expense amounts related to the derecognition of inventory based on the natural expense category when the costs were initially incurred (e.g., the expense from the derecognition of inventory may relate to costs from purchases of inventory and employee compensation that were incurred in prior periods).

An entity's chosen basis needs to be applied consistently to all required expense categories. For example, if an entity applies the cost-incurred basis and employee compensation is included in the relevant expense line item, the employee compensation category in the disaggregated expense table needs to include amounts capitalized to inventory and amounts directly expensed during the current reporting period.

The FASB said in paragraph BC66 that investors have requested greater visibility into costs included in cost of goods sold and similar expense captions. The Board received feedback from preparers that disaggregating inventory expense into natural categories (e.g., employee compensation, depreciation and materials) would be prohibitively costly because it would require an entity to identify costs capitalized as part of inventory in a prior period and expensed in the current period. Preparers also said such a disaggregation would be challenging in cases where costs may have been capitalized to inventory many years ago (e.g., during a last-in, first-out liquidation), as noted in paragraph BC67. In response to stakeholder feedback, the Board decided to allow an entity to present the required disclosures on a cost-incurred basis or expense-incurred basis.

Changes in inventories and other adjustments and reconciling items

An entity that applies the cost-incurred basis must disclose changes in inventories and other adjustments and reconciling items to reconcile total costs incurred to the relevant expense line item on the income statement.

- ▶ **Changes in inventories** in the current period equal the difference between the amount of inventory included on the balance sheet presented at the end of the prior period and the amount presented at the end of the current period (i.e., an entity needs to subtract ending inventory of the current period from ending inventory of the prior period to calculate changes in inventories). An impairment recognized in the current period of inventory held at the end of the prior period is included within the changes in inventories under a cost-incurred basis.
- ▶ **Other adjustments and reconciling items** include other amounts that are necessary to reconcile costs incurred to expenses recognized during the reporting period. This could include the amount of inventory derecognized during the period that is not recognized as an expense (e.g., inventory sold to noncustomers in connection with derecognition transactions such as divestitures) or the amount attributable to foreign currency translation. An entity is also required to qualitatively describe the composition of those amounts based on their natural expense classification.

Practical expedient for purchases of inventory

When substantially all of an entity's relevant expense line item comprises purchases of inventory in the scope of ASC 330 (which may be common in certain sectors, such as airlines and oil and gas), the entity is not required to provide the disaggregated disclosure for that expense line item. An entity that elects this practical expedient is required to qualitatively disclose the composition of the expense line item.

As discussed in paragraph BC79, the Board decided to allow this practical expedient because the cost of disaggregating purchases of inventory in the scope of ASC 330 and other items would outweigh the expected benefits.

Employee compensation

Definition of employee

The guidance uses the definition of employee that is used in ASC 718, *Compensation – Stock Compensation*, with minor conforming changes to consider forms of compensation other than stock compensation and clarify that the term includes full-time, part-time, temporary,

seasonal and inactive employees. The FASB said in paragraph BC91 that the changes to the definition do not affect how the term is currently interpreted for the purpose of applying the guidance in ASC 718.

Definition of employee compensation

The guidance defines employee compensation broadly to include all forms of cash consideration (including deferred cash compensation), share-based payment arrangements, medical care benefits, pension benefits, postretirement benefits and nonretirement postemployment benefits (including one-time, special or contractual termination benefits) given by an entity in exchange for services rendered by employees or for the termination of employment.

Given the broad definition of employee compensation, the amount disclosed includes compensation costs arising from wages, salaries, profit-sharing, bonuses, one-time termination benefits, other postemployment benefits, employee stock ownership plans, employee share purchase plans, defined contribution plans and multiemployer plans. It also includes compulsory payments paid to the general government that confer entitlement to receive a (contingent) future social benefit, such as unemployment insurance benefits and supplements; accident, injury and sickness benefits; old-age, disability and survivors' pensions; and family allowances or reimbursements for medical and hospital expenses, or provision of hospital or medical services. For defined benefit plans, employee compensation includes only the service cost component of net period pension cost and net periodic postretirement benefit cost.

Employee compensation excludes compensation amounts related to non-employees (e.g., independent contractors). An entity is not precluded from including other costs related to non-employees (e.g., contract labor and professional service providers) in the disaggregated expense table, but those amounts need to be disclosed separately from the employee compensation expense category.

Even though one-time employee termination benefits accounted for in accordance with ASC 420, *Exit or Disposal Cost Obligations*, are included in the definition of employee compensation, those benefits are required to be disclosed separately from employee compensation in the disaggregated expense tables.

The definition of employee compensation establishes a minimum requirement of the types of cash and noncash compensation that are considered employee compensation for purposes of preparing the required disclosures. An entity is permitted to make an election to include amounts attributable to other transactions entered into for the benefit of employees (e.g., the provision of subsidized goods or services) in employee compensation. The entity is required to disclose that other transactions for the benefit of employees have been included in employee compensation and also disclose a description of the transactions that have been included.

Practical expedient for determining employee compensation

Article 9 of SEC Regulation S-X provides rules for the form and content of consolidated financial statements filed for bank holding companies, savings and loan holding companies, and the financial statements for banks and savings and loan associations. Entities that comply with Regulation S-X Rule 9-04, *Statements of comprehensive income*, generally present "salaries and employee benefits" as a separate line item on the face of the income statement.

As a practical expedient for determining what amounts are classified as employee compensation, entities that present "salaries and employee benefits" (or a similarly named line item) on the face of the income statement to comply with Rule 9-04 are permitted to use those amounts for purposes of disclosing employee compensation rather than the amounts determined in accordance with the definition of employee compensation. The FASB said in paragraph BC96 that it does not expect this practical expedient to result in substantially different amounts for employee compensation than under the definition in the new guidance.

How we see it

The guidance establishes a new definition of employee compensation that an entity needs to use in disclosing the disaggregation of relevant expense line items. An entity may need to consider the new definition when designing its processes and controls as well as educate investors and other financial statement users about what comprises employee compensation.

Depreciation and intangible asset amortization

The amounts provided separately for depreciation and intangible asset amortization need to be consistent with the existing requirement to disclose "depreciation expense for the period" in ASC 360-10, *Property, Plant, and Equipment – Overall*, and "the aggregate amortization expense for the period" in ASC 350-30, *Intangibles – Goodwill and Other, General Intangibles Other Than Goodwill*, respectively.

Amortization of a right-of-use asset for a finance lease and leasehold improvements

The amortization of a right-of-use asset for a finance lease and leasehold improvements recognized in accordance with ASC 842, *Leases*, needs to be included in either the depreciation or intangible asset amortization expense category. ASC 842 does not address whether amortization of these types of assets should be included in the current disclosure requirements for depreciation or intangible asset amortization.

The Board acknowledged in paragraph BC102 that the total amounts of depreciation and amortization disclosed in accordance with this guidance may differ from the disclosed amounts required under ASC 360-10 and ASC 350-30 because of the addition of amortization of right-of-use assets for finance leases and leasehold improvements and the capitalization of depreciation and amortization to assets other than inventory.

Amortization of capitalized costs related to software to be sold, leased or marketed

Capitalized costs related to software to be sold, leased or marketed are subject to the disclosure requirements in ASC 350-30. Therefore, amortization of those costs needs to be considered intangible asset amortization for purposes of applying the guidance, as noted in paragraph BC98.

Amortization of capitalized costs related to internal-use software

The guidance does not address how amortization of internal-use software should be disclosed. The FASB said in paragraph BC101 that those amounts should be included in either depreciation recognized in accordance with ASC 360-10 or intangible asset amortization recognized in accordance with ASC 350-30.

DD&A and other depletion expense

In addition to depletion expense recognized as part of oil- and gas-producing activities under ASC 932-360, *Extractive Activities – Oil and Gas – Property, Plant, and Equipment*, entities need to include amounts for depletion expense associated with other activities (e.g., depletion expense recognized by entities in the scope of ASC 930 on mining).

The FASB acknowledged in paragraph BC63 that DD&A (or other amounts of depletion expense) is an industry-specific expense but said it included it as a required expense category because "it represents a potentially significant noncash expense that is recognized systematically like depreciation and intangible asset amortization."

Integration of specified existing disclosures

Specified expenses, gains and losses that are already disclosed under existing US GAAP (i.e., specified existing disclosures) are required to be included in the disaggregated expense tables. The integration of specified existing disclosures into the tables only applies to relevant

expense line items. That is, an income statement line item that includes a specified existing disclosure but does not include any required expense categories (i.e., purchases of inventory, employee compensation, depreciation, intangible asset amortization and DD&A or other depletion expense) is not a relevant expense line item that is disaggregated.

Including specified existing disclosures in the disaggregated expense tables is intended to assist investors in locating relevant information in the notes to the financial statements. It is also intended to reduce the other items remaining for each relevant expense line item after breaking out all the required disaggregated information. Refer to *Other amounts remaining in relevant expense line items* section below.

The guidance includes two lists of existing disclosures that are required to be integrated into the disaggregated expense tables if certain conditions are met. Refer to Appendix D for the two lists included in ASC 220-20-50-21 and 50-22.

The first list (ASC 220-40-50-21(a) through (m)) includes specified expenses, gains and losses for which there is an existing requirement to disclose **both**:

- ▶ The amount
- ▶ The line item in the income statement where the amount is included

For example, ASC 815, *Derivatives and Hedging*, requires an entity to disclose the amount for gains and losses on derivative instruments and related hedged items and the income statement line item where the amount is aggregated. Because this requirement is included in ASC 220-40-50-21(i), an entity needs to include that disclosure as a separate category in the disaggregated expense table for each relevant expense line item that includes such gain or loss.

The second list (ASC 220-40-50-22(a) through (u)), includes specified expenses, gains and losses for which there is an existing requirement to disclose the amount, but no requirement to disclose the line item in the income statement where the amount is included. These amounts are required to be included in the disaggregated expense tables only if the amount is recorded entirely in one relevant expense line item.

For example, ASC 842 requires an entity to disclose operating lease cost but not the income statement line item(s) where that amount is included. If the total amount is recognized entirely in SG&A, the entity is required to include that amount as a separate expense category in the SG&A disaggregated expense table. Conversely, if the aggregate amount is presented within COS and SG&A, the entity is not required to include the individual amounts as a separate expense category in the respective disaggregated expense tables. Instead, operating lease cost is included in other amounts remaining within each relevant expense line item table, and, if significant, it is described qualitatively.

If there is a change in facts and circumstances that results in an item listed in ASC 220-40-50-22 changing from being included in one relevant expense line item to multiple relevant expense line items, or vice versa, the entity would not recast the comparative period to reflect the current year disclosure. The entity would need to provide disclosure, as required by ASC 205-10-50-1, that explains the change affecting comparability of the financial statements.

As an example, assume an entity enters into a new operating lease in the current year and includes the operating lease cost for that lease in COS. The entity also has one other operating lease in place during the current and comparative period and includes the operating lease cost for that lease in SG&A. In the comparative period, operating lease cost was entirely included in one relevant expense line item and was, therefore, required to be separately disclosed in the SG&A disaggregated expense table. In the current year, operating lease cost is included in both COS and SG&A (i.e., two relevant expense line items), so it is not required to be separately

Specified existing disclosures are included in the disaggregated expense tables when certain conditions are met.

disclosed in the current period's disaggregated expense table. In this example, an entity does not recast the comparative period disclosure to reflect the change in the current period but needs to disclose the change in facts and circumstances.

There are certain existing disclosure requirements that are not included in ASC 220-20-50-21 and 50-22, such as the requirements to disclose "total research and development costs charged to expense" in ASC 730, *Research and Development*, and "total amount charged to advertising expense" in ASC 720-35, *Advertising Costs*, respectively. The Board said in paragraph BC104 that it selected the specified existing disclosures that are included in the ASU based on whether the amount disclosed is a type of expense, gain or loss that is mutually exclusive from the required expense categories. That is, the Board intentionally excluded certain expenses, gains and losses that may overlap with the required expense categories.

Interim reporting considerations

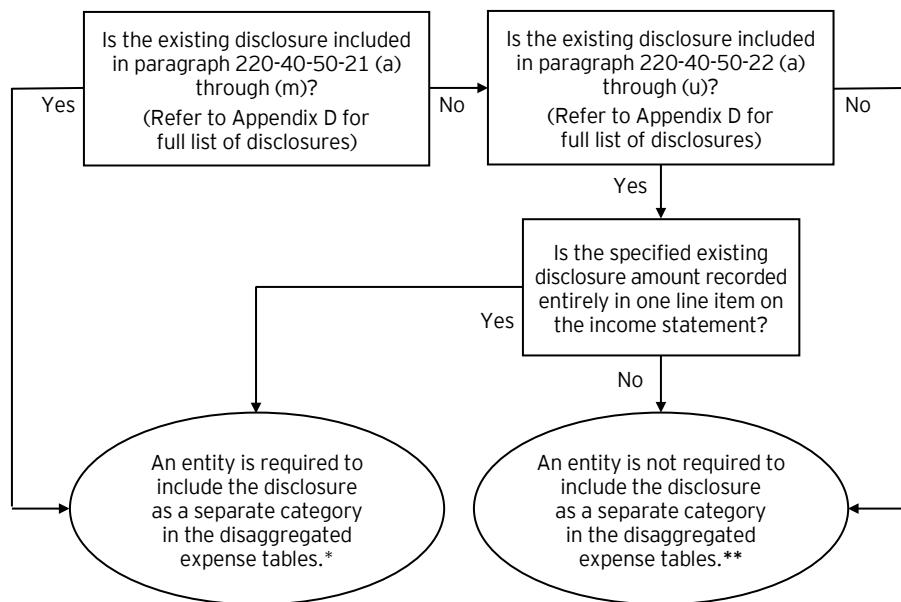
An entity is required to include a specified existing disclosure in the interim disaggregated expense tables only if such disclosure is required in interim reporting periods.¹ That is, the new guidance does not change existing US GAAP requirements for specified existing disclosures. Therefore, the disaggregated expense table may have different specified existing disclosures in interim and annual periods.

Materiality considerations

In some circumstances, an entity may not make an existing required US GAAP disclosure because of the application of ASC 105-10-05-6, which states that "the provisions of the Codification need not be applied to immaterial items." The FASB said in paragraph BC122 that in such cases ASC 105-10-05-6 applies to this guidance, and the Board does not expect the implementation of this guidance to affect an entity's conclusion that the disclosure is not required.

Decision tree on the integration of specified existing disclosures

The following decision tree summarizes how an entity determines which existing disclosures are integrated into the disaggregated expense tables for each relevant expense line item:



* An entity is not required to include the disclosures listed in ASC 220-40-50-21 and 50-22 in the interim disaggregated expense tables if the existing disclosure requirements referenced in those paragraphs are not required in interim reporting periods. In addition, if an entity does not make an existing disclosure in ASC 220-40-50-21 and 50-22 (e.g., because it concludes the disclosure is immaterial), the guidance does not affect that conclusion.

** Existing disclosures that are not separately disclosed as an expense category are included in "other amounts" (or a similarly titled caption) in the disaggregated expense tables and described qualitatively.

Expense reimbursements in relevant expense line items

An entity that participates in cost-sharing or cost-reimbursement arrangements may receive or pay reimbursements from or to another entity. Arrangements that include these types of reimbursements include joint interests in oil and gas properties and collaborative arrangements. The way an entity presents those reimbursements in the disaggregated expense tables depends on whether it received or paid the reimbursement.

An entity that includes an expense reimbursement received from another entity in a relevant expense line item needs to either (1) separately disclose the amount of the expense reimbursement in the disaggregated expense table or (2) disclose the expense amounts of the required categories net of the related reimbursement amount.

An entity that receives an expense reimbursement from another entity is also required to disclose how the expense reimbursements are included in the disaggregated expense tables. An entity that receives reimbursement from another entity and applies method (1) above is also required to disclose qualitative descriptions of the expense categories based on their natural expense classification to which the reimbursement relates.

An entity that includes an expense reimbursement paid to another entity in a relevant expense line item is required to separately disclose the amount of that expense reimbursement in the disaggregated expense tables. The entity is also required to disclose qualitative descriptions of the expense categories based on their natural expense classification to which the reimbursement relates.

As discussed in paragraph BC112, the Board provided this guidance to address stakeholder feedback that noted cost-sharing payments and receipts are generally not allocated to natural expenses and allocating reimbursements to the required categories may not be operable due to these arrangements being with third parties.

How we see it

Cost-sharing or cost-reimbursement arrangements are common in certain industries, such as life sciences and oil and gas. For example, in applying this guidance to an entity in the oil and gas industry, an operator that receives expense reimbursements might apply method (2) above if it records expenses net of reimbursements. A non-operator that pays expense reimbursements would separately disclose expense reimbursements paid if that cost is included in a relevant expense line item and would disclose qualitative descriptions of the expense categories to which the reimbursement relates.

Other amounts remaining in relevant expense line items

An entity is required to quantitatively disclose the other amounts remaining within each relevant expense line item in the tabular disclosure after breaking out the required expense categories and integrating the specified existing disclosures.

Other amounts remaining in relevant expense line items is the difference between the following:

- The amount of the relevant expense line item presented on the face of the income statement
- The aggregate amount of expense categories that are separately disclosed, including the required expense categories, specified existing disclosures and expense reimbursements

The quantitative disclosure of other amounts remaining in relevant expense line items needs to be provided so that the total for each disaggregated expense table agrees to the income statement line item.

An entity is also required to qualitatively describe the composition of other amounts remaining based on the natural expense classifications of the amounts. The detail provided in the qualitative disclosure needs to be commensurate with the significance of the amounts being described. The FASB said in paragraph BC115 that stakeholders commented that a qualitative disclosure of the remaining items is operable and provides investors with additional relevant expense information without resulting in significant costs for preparers.

ASC 220-40-50-30 states that an entity is not precluded from providing further disaggregation of relevant expense line items before applying the guidance on other amounts remaining. That is, an entity can elect to separately disclose expense categories that are not required under the guidance. For example, an entity that outsources labor activities can elect to separately disclose compensation paid to independent contractors in the disaggregated expense tables to provide investors further disaggregated information on labor-related costs that do not meet the definition of employee compensation. However, an entity may not combine the voluntary disclosure amounts with the expense categories that are required to be separately disclosed in the disaggregated expense tables.

Expenses not required to be disaggregated

The guidance includes certain exceptions to the requirement to disclose disaggregated expense information for relevant expense line items.

Relevant expense line item consisting entirely of one required category

An entity is not required to disclose in the notes to the financial statements a disaggregated table of a relevant expense line item (i.e., one that contains purchases of inventory, employee compensation, depreciation, amortization, or DD&A or depletion) that consists entirely of one of the required categories. That is because the line item on the income statement satisfies the disclosure requirements of this guidance.

For example, if depreciation is a relevant expense line item and the line item consists entirely of depreciation, no additional disclosure is required. Alternatively, if the relevant expense line item includes depreciation and intangible asset amortization, an entity is required to separately disclose the disaggregation of that line item.

Equity method investments

An entity's share of earnings or losses from equity method investments (accounted for in accordance with ASC 323-10-45-1) is not a relevant expense line item under the guidance. Additionally, an entity is not required to further disaggregate its disclosure of summarized information of results of operations of equity method investments (disclosed in accordance with ASC 323-10-50-3(c)).

Certain asset-related expenses

The FASB said in paragraph BC57 that when costs are capitalized to an asset, it affects the natural classification of that cost, and any expense subsequently recognized from the derecognition of the asset would have a different natural classification than the cost that was capitalized. Refer to *Natural versus functional expense classifications* section above.

Under the guidance, an entity is not required to disaggregate costs capitalized as an asset. This exception does not apply to costs that are capitalized to inventory, because those are required to be disaggregated by natural expense classification. Refer to *Cost-incurred and expense-incurred basis* section above. When an expense amount is recognized as the result of the derecognition of an asset other than inventory, an entity is required to apply the disaggregation requirements of this guidance based on the nature of the expense at the time it is recognized in the income statement.

For example, employee compensation costs capitalized to assets other than inventory (e.g., internal-use software) are excluded from the disclosure of employee compensation expense. This includes commissions paid to an employee that are capitalized in accordance with ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. Such costs (i.e., capitalized costs to obtain a contract with a customer) are subsequently recognized as an expense through amortization (or impairment). Because the amortization of that cost does not retain the original natural classification of employee compensation, an entity does not include the amortization of previously capitalized commission costs in its disclosure of employee compensation. Amortization of costs to obtain a contract with a customer are separately disclosed in a disaggregated expense table if certain conditions are met. Refer to *Integration of specified existing disclosures* section above.

Certain liability-related expenses

An entity is not required to disaggregate an expense amount into the required expense categories if all of the following criteria are met:

- ▶ The expense relates to an obligation that will be settled in the future, and there is uncertainty about the timing of settlement.
- ▶ The expense relates to an obligation that is based on an estimate of a future expenditure.
- ▶ The expense is not entirely made up of one required expense category (e.g., employee compensation).

Examples of expenses that meet the criteria above include provision for losses on contracts, claims and claims adjustment expenses and asset retirement obligations. An expense that meets the above criteria may be required to be separately disclosed in a disaggregated expense table if certain conditions are met. Refer to *Integration of specified existing disclosures* section above.

Examples of expenses that do not meet the criteria above include expense amounts related to accruals for liabilities to pay for goods or services that have been received or supplied but have not been paid or invoiced. This includes amounts due to employees, such as accrued bonuses, vacation pay or pension obligations.

The Board provided this guidance to limit the complexity that would otherwise exist by disaggregating certain liability-related expenses into the required expense categories because these types of expenses relate to future obligations that are estimates at the time of recognition. However, the Board acknowledged in paragraph BC45 that estimates are required in the financial statements for many of an entity's activities. Therefore, the fact that an estimate is involved does not solely constitute the type of uncertainty contemplated in developing the guidance discussed above. For example, expenses related to accruals for goods that have been received but for which an entity has not paid or employee bonuses are not intended to be excluded from the disaggregation requirements.

Disclosure of selling expenses

An entity is required to disclose total selling expenses recognized during the period on an annual and interim basis and to disclose how it defines selling expenses on an annual basis, or in interim periods if the definition is changed.

An entity's definition of selling expenses is required to include only items presented as expenses in the income statement. The Board said in paragraph BC119 that management has broad latitude in defining selling expenses, including whether selling expenses include or exclude fulfillment costs, costs associated with physical sales locations, websites, allocation of

management expenses and many other acceptable judgments made by preparers. This guidance is intended to address investors' requests for disclosure of selling expenses separate from other expenses (e.g., general and administrative expense), which they said will improve their ability to predict an entity's performance by providing insight into costs that are more likely to vary based on changes in revenue, as noted in paragraph BC5.

Changes in elected disclosure alternatives and definitions

The disclosures required by this guidance are required to be applied consistently for all periods presented. If an entity changes its display of the required disclosures as a result of a change in the election of an alternative or a change in a definition of a disclosure under the guidance, it is required to (1) disclose the reason for the change in the interim and annual reporting periods affected by the change and (2) recast the prior periods presented for comparative purposes, except for when changes in facts and circumstances result in a change in the disclosure requirement for items in paragraphs 220-40-50-22 as discussed in the *Integration of specified existing disclosures* section above. If it is impracticable to recast prior periods, an entity is required to disclose that fact and explain why.

The cost of implementing the guidance will likely be influenced by the processes entities currently use to gather and aggregate data (e.g., use of standard costing systems).

These changes do not represent a change in accounting principle in accordance with ASC 250, *Accounting Changes and Error Corrections*. The requirements described above apply when an entity changes its display of the required disclosures for the current annual or interim reporting period compared with the prior annual or interim reporting period.

Internal control considerations

The new requirements may have significant implications on an entity's internal control over financial reporting. Entities should familiarize themselves with the guidance and evaluate whether their existing systems can capture the data that will be required to make the required disclosures and whether additional processes and controls are necessary.

Applying the guidance may be complex, and certain circumstances and events may factor into how a company implements the guidance, including:

- The extent and existence of intra-entity cost center allocations
- Consolidation processes, including those that may eliminate intra-entity transactions
- The effect of foreign currency transactions
- Use of standard costing systems
- Recent acquisitions requiring an integration of the acquired entities processes and systems that track expenses or use different inventory cost-flow assumptions

Entities should also consider the complexity of their organizations (e.g., multinational operations) and the extent that internal control processes (including accounting and reporting systems) across business units are decentralized. They need to make sure entity-wide processes are designed to facilitate the consistent collection and classification of data for preparing the required disclosures. Entities also need to consider providing the proper training to their accounting and financial reporting personnel.

Transition and effective date

The guidance is effective for public business entities for fiscal years beginning after 15 December 2026, and interim periods within fiscal years beginning after 15 December 2027.² Early adoption is permitted.

The guidance may be applied prospectively or retrospectively. If it is applied prospectively, the required disclosures do not need to be included for reporting periods beginning before the effective date that are presented for comparative purposes in financial statements issued after the effective date.

If the guidance is applied retrospectively, the required disclosures need to be included for reporting periods beginning before the effective date that are presented for comparative purposes with financial statements issued after the effective date.

Endnotes:

- ¹ The FASB has a current project on its technical agenda to amend ASC 270, *Interim Reporting*, to clarify what disclosures are required at interim periods.
- ² The FASB issued a proposed ASU to clarify that entities are required to adopt the guidance in interim periods within fiscal years beginning after 15 December 2027. The proposal aligns the transition guidance in the Codification with the Board's intent described in BC154.

Appendix A: Example – Entity with manufacturing and service operations

The following example of an annual disclosure is based on Example 1 in ASC 220-40-55-3 to 55-12.

For the year ended 31 December 20X4, Entity X, a manufacturer with significant service operations, presents the following comparative income statement:

Consolidated Income Statement			
	20X4	20X3	20X2
Revenues:			
Products	\$ 82,144	\$ 79,137	\$ 75,180
Services	26,132	23,146	21,989
Total revenues	108,276	102,283	97,169
Operating expenses:			
Cost of products sold	63,456	60,898	57,244
Cost of services	10,496	9,568	8,898
Selling, general, and administrative	20,849	18,871	18,116
Total operating expenses	94,801	89,337	84,258
Operating income	13,475	12,946	12,911
Interest expense	4,971	4,213	4,297
Income before income taxes	8,504	8,733	8,614
Income tax expense	1,786	1,834	1,809
Net income	\$ 6,718	\$ 6,899	\$ 6,805

← Relevant expense line items

Relevant expense line items: Entity X determines that cost of products sold, cost of services and SG&A are relevant expense line items because they include at least one of the required expense categories in ASC 220-40-50-6.

Additional background: Entity X recognizes (1) impairment of property, plant and equipment (PP&E) classified as held and used in SG&A, (2) expenses associated with warranty accruals entirely within cost of products sold, (3) operating lease cost in both cost of services and SG&A and (4) amounts related to the initial recognition and subsequent measurement of an environmental obligation in cost of products sold. Entity X chooses to disclose the disaggregation of costs of products sold on a cost-incurred basis.

Entity X discloses the following disaggregated information in the notes to the financial statements:

Cost of products sold (cost-incurred basis)			
	20X4	20X3	20X2
Purchases of inventory	20,213	19,199	16,319
Employee compensation	17,578	16,539	14,078
Depreciation	10,190	9,989	9,650
Intangible asset amortization	3,914	4,050	3,929
Warranty expense	4,394	3,952	3,894
Other cost of products sold ^(a)	7,552	7,606	7,993
Changes in inventories	157	(861)	843
Other adjustments and reconciling items ^(b)	(542)	424	538
Total cost of products sold	63,456	60,898	57,244

^(a) Other cost of products sold consists primarily of amounts paid to carriers for outbound freight services related to contract fulfillment and amounts related to the measurement of a liability for an environmental obligation for the years ended December 31, 20X4, 20X3, and 20X2. Year ended December 31, 20X4, also includes inventory amounts recognized as part of a business combination.

^(b) Other adjustments and reconciling items consist of reconciling adjustments attributable to differences in the foreign exchange rates used to translate beginning inventory, ending inventory, and costs incurred from various functional currencies into the reporting currency for the years ended December 31, 20X4, 20X3, and 20X2.

Cost of services			
	20X4	20X3	20X2
Employee compensation	6,598	5,654	4,354
Depreciation	763	765	742
Intangible asset amortization	642	670	650
Other cost of services ^(c)	2,493	2,479	3,152
Total cost of services	10,496	9,568	8,898

^(c) Other cost of services consists primarily of operating lease and travel expenses for the years ended December 31, 20X4, 20X3, and 20X2.

Selling, general, and administrative			
	20X4	20X3	20X2
Employee compensation	13,242	11,379	10,764
Depreciation	1,454	1,755	1,737
PP&E impairment	412	-	-
Intangible asset amortization	523	596	-
Other SG&A ^(d)	5,218	5,141	5,615
Total SG&A	20,849	18,871	18,116

^(d) Other SG&A consists primarily of professional services fees and operating lease expense for the years ended December 31, 20X4, 20X3, and 20X2.

Disclosure considerations

- ▶ The table for each relevant expense line item (i.e., cost of products sold, cost of services and SG&A) includes a separate line item for each applicable required expense category in ASC 220-40-50-6 (i.e., purchases of inventory, employee compensation, depreciation, intangible asset amortization, and DD&A and other depletion expense).
- ▶ Entity X may elect to disclose the amounts under a cost-incurred or expense-incurred basis because costs of products sold contains amounts related to inventory in the scope of ASC 330. In this example, Entity X chooses to disclose the disaggregation of cost of products sold on a cost-incurred basis. Therefore, the disaggregation of cost of products sold includes disclosure of the changes in inventories and other adjustments and reconciling items. Entity X also qualitatively describes the composition the other adjustments and reconciling items line as required by the guidance.
 - ▶ In contrast, if Entity X applies the expense-incurred basis, then the changes in inventories and other adjustments and reconciling items lines would not be necessary.
- ▶ Impairment of PP&E is an example of a specified existing disclosure for which there is an existing requirement to disclose the amount and line item in the income statement where it is included (ASC 360-10-50-2). In this example, impairment is included within SG&A and is, therefore, disclosed as a separate category within the SG&A table.
- ▶ Warranty expense and operating lease cost are examples of specified existing disclosures in ASC 220-40-50-22 that are required to be integrated into the disaggregated expense tables if the amount is recorded entirely in one relevant expense line item.
 - ▶ In this example, warranty expense is recognized entirely within cost of products sold. Therefore, Entity X discloses warranty expense as a separate category within the cost of products sold table.
 - ▶ In contrast, operating lease cost is recognized in cost of services and SG&A (i.e., more than one relevant expense line item). Therefore, Entity X is not required to integrate operating lease cost as a separate category in the respective disaggregated expense tables. Instead, operating lease cost needs to be included in the aggregate of other amounts remaining for the cost of services and SG&A disaggregated expense tables, respectively, and, if significant, needs to be included in the qualitative disclosure (discussed further below).
- ▶ Entity X also recognizes amounts related to the initial recognition and subsequent measurement of an environmental obligation in costs of products sold. Entity X does not disaggregate that amount into the required expense categories and instead includes it in other amounts, because separate disclosure is not required under the guidance.
- ▶ Entity X quantitatively discloses the aggregate of other amounts remaining in each relevant expense line item so that the total for each disaggregated expense table agrees to the relevant income statement line item. Entity X also qualitatively describes the composition of those amounts based on natural expense classifications. For example, Entity X describes the composition of other cost of products sold as consisting primarily of amounts paid to carriers for freight services related to contract fulfillment and amounts related to the measurement of an environmental obligation, as discussed above.

Example annual disclosure of selling expenses and the related accounting policy

During the years ended December 31, 20X4, 20X3, and 20X2, selling expenses were \$13,425, \$12,123, and \$11,585, respectively. The entity's selling expenses include those expenses related to marketing and promotional activities and client relationship management.

Appendix B: Example – Entity with service operations

The following example of an annual disclosure is based on Example 2 in ASC 220-40-55-13 to 55-19.

For the year ended 31 December 20X4, Entity X, a services provider, presents the following comparative income statement:

Consolidated Income Statement			
	20X4	20X3	20X2
Revenues	\$737,132	\$710,146	\$694,180
Cost of sales	140,055	170,435	145,778
Depreciation and amortization	31,578	26,178	23,628
Selling, general, and administrative expenses	497,962	458,215	471,626
Research and development expenses	57,235	52,174	48,898
Operating income	10,302	3,144	4,250
Interest expense	3,145	2,665	2,297
Income before income taxes	7,157	479	1,953
Income tax expense	1,503	101	410
Net income	\$ 5,654	\$ 378	\$ 1,543

← Relevant expense line items

Relevant expense line items: Entity X determines that COS, depreciation and amortization, SG&A and R&D are relevant expense line items because they include at least one of the required expense categories in ASC 220-40-50-6.

Additional background: Entity X recognizes one-time employee termination benefits in COS, SG&A and R&D. In addition, Entity X has a funded research and development cost-sharing arrangement with a strategic partner and recognizes an expense reimbursement from that partner in R&D.

Entity X discloses the following disaggregated information in the notes to the financial statements:

Cost of sales			
	20X4	20X3	20X2
Employee compensation	86,336	83,903	100,009
One-time employee termination benefits	7,434	39,298	-
Other cost of sales ^(a)	46,285	47,234	45,769
Total cost of sales	140,055	170,435	145,778

^(a) Other cost of sales consist primarily of subcontractor costs and travel expenses for the years ended December 31, 20X4, 20X3, and 20X2.

Depreciation and amortization			
	20X4	20X3	20X2
Depreciation	19,126	17,984	17,893
Intangible asset amortization	12,452	8,194	5,735
Total depreciation and amortization	31,578	26,178	23,628

Selling, general, and administrative			
	20X4	20X3	20X2
Employee compensation	278,859	238,272	301,841
One-time employee termination benefits	19,243	60,635	-
Other SG&A ^(b)	199,860	159,308	169,785
Total SG&A	497,962	458,215	471,626

^(b) Other SG&A consists primarily of professional services fees and the costs paid to third parties for printing, publications, and advertising for the years ended December 31, 20X4, 20X3, and 20X2.

Research and development			
	20X4	20X3	20X2
Employee compensation	46,242	41,379	40,764
One-time employee termination benefits	1,454	1,855	-
Other R&D ^(c)	17,836	16,845	15,890
Cost reimbursements ^(d)	(8,297)	(7,905)	(7,756)
Total R&D	57,235	52,174	48,898

^(c) Other R&D consists primarily of payments to third parties for professional services and licenses of intellectual property for the years ended December 31, 20X4, 20X3, and 20X2.

^(d) Cost reimbursements consist of payments from a strategic partner for employee compensation and materials costs related to R&D incurred as part of a funded research and development arrangement for the years ended December 31, 20X4, 20X3, and 20X2.

Disclosure considerations

- ▶ Entity X discloses a disaggregated expense table for each relevant expense line item (i.e., COS, depreciation and amortization, SG&A and R&D). The table for each relevant expense line item includes each applicable required expense category in ASC 220-40-50-6.
- ▶ One-time employee termination benefits is disclosed separately from employee compensation within each applicable table in accordance with ASC 220-40-50-6(b). In this example, Entity X separately discloses such expenses within COS, SG&A and R&D.
- ▶ Expense reimbursements received as part of cost-sharing arrangements can be either separately disclosed in the disaggregated expense table or included within the other categories presented in the table. In this example, Entity X elects to disclose the amount of the expense reimbursement separately from the other categories. Entity X also discloses a qualitative description of the expense categories to which the expense reimbursement relates.
 - ▶ If Entity X elects to disclose the expense categories in a relevant expense line item net of the expense reimbursement, it is required to disclose how the expense reimbursements are included in the disaggregated expense table.
- ▶ Entity X quantitatively discloses the aggregate of other amounts remaining in each relevant expense line item so that the total for each disaggregated expense table agrees to the relevant income statement line item. Entity X also qualitatively describes the composition of those amounts based on natural expense classifications. For example, Entity X describes the composition of other COS as consisting primarily of subcontractor costs and travel expenses.

Example annual disclosure of selling expenses and the related accounting policy

During the years ended December 31, 20X4, 20X3, and 20X2, selling expenses were \$224,536, \$223,493, and \$231,892, respectively. The entity's selling expenses include those expenses related to advertising and certain customer acquisition-related costs.

Appendix C: Example – Bank

The following example of an annual disclosure is based on Example 3 in ASC 220-40-55-20 to 55-25.

For the year ended 31 December 20X4, Entity X, a bank, presents the following comparative income statement:

	Consolidated Income Statement		
	20X4	20X3	20X2
Interest Income			
Loans	\$ 2,795,052	\$ 2,142,873	\$ 2,072,997
Investment securities	628,887	442,550	465,842
Other	209,629	116,461	79,193
Total interest income	3,633,568	2,701,884	2,618,032
Interest expense			
Deposits	302,797	30,280	151,399
Borrowed funds	279,505	83,852	167,703
Total interest expense	582,302	114,132	319,102
Net interest income	3,051,266	2,587,752	2,298,930
Provision for (recapture of) credit losses	116,461	(186,337)	372,674
Net interest income after provision for (recapture of) net credit losses	2,934,805	2,774,089	1,926,256
Noninterest income			
Service charges on deposit accounts	201,702	171,062	151,969
Other service charges and fees	282,383	239,487	212,757
Total noninterest income	484,085	410,549	364,726
Noninterest expense			
Salaries and employee benefits	1,464,608	1,176,183	1,365,443
Occupancy and depreciation	376,587	279,875	349,679
Data processing	166,111	146,308	161,046
Advertising and marketing	56,876	30,555	28,192
Professional fees	73,230	61,459	74,473
Other	30,513	21,399	24,804
Total noninterest expense	2,167,925	1,715,779	2,003,637
Income before income taxes	1,250,965	1,468,859	287,345
Income tax expense	262,703	308,460	60,342
Net income	\$ 988,262	\$ 1,160,399	\$ 227,003

Relevant expense line items

Relevant expense line items: Entity X determines that occupancy and depreciation and the line item described as “other” are relevant expense line items because they include at least one of the required expense categories in ASC 220-40-50-6.

Additional background: Entity X applies the practical expedient for employee compensation described in ASC 220-40-50-20 and elects to not repeat the amount presented on the face of the income statement as salaries and employee benefits in the notes to financial statements. In addition, Entity X recognizes operating lease cost entirely in the occupancy and depreciation expense line item.

Entity X discloses the following disaggregated information in the notes to the financial statements:

Occupancy and depreciation			
	20X4	20X3	20X2
Depreciation	164,232	146,403	145,907
Operating lease expense	152,445	103,239	149,842
Other occupancy expenses ^(a)	59,910	30,233	53,930
Total occupancy and depreciation	376,587	279,875	349,679

^(a) Other occupancy expenses consist primarily of repair and maintenance expense for the years ended December 31, 20X4, 20X3, and 20X2.

Other			
	20X4	20X3	20X2
Intangible asset amortization	13,139	10,980	10,068
Other ^(b)	17,374	10,419	14,736
Total other	30,513	21,399	24,804

^(b) Other consists primarily of regulatory licensing fees and charitable contributions for the years ended December 31, 20X4, 20X3, and 20X2.

Disclosure considerations

- ▶ Entity X discloses a disaggregated expense table for each relevant expense line item (i.e., occupancy and depreciation and other). The table for each relevant expense line item includes each applicable required expense category in ASC 220-40-50-6.
- ▶ Operating lease cost is an example of a specified existing disclosure that is integrated into the disaggregated expense tables if the amount is recorded entirely in one relevant expense line item.
 - ▶ In this example, operating lease cost is recognized entirely in occupancy and depreciation (i.e., in one relevant expense line item). Therefore, Entity X discloses operating lease cost as a separate category within the occupancy and depreciation table.
- ▶ Entity X quantitatively discloses the aggregate of other amounts remaining in each relevant expense line item so that the total for each disaggregated expense table agrees to the relevant income statement line item. Entity X also qualitatively describes the composition of those amounts based on natural expense classifications. For example, Entity X describes the composition of other as consisting primarily of regulatory licensing fees and charitable contributions.

Example annual disclosure of selling expenses and the related accounting policy

During the years ended December 31, 20X4, 20X3, and 20X2, the entity defined selling expenses to be the same as its advertising and marketing expenses, which are presented on the face of its consolidated income statement. The entity's advertising and marketing expenses include costs incurred for advertising, market research, and business development.

Appendix D: Specified existing disclosures

The following existing disclosure requirements are included in ASC 220-20-50-21 (a) through (m) and are required to be integrated into the disaggregated expense tables for each relevant expense line item(s) where the amount is included:

- ▶ The amount of research and development assets acquired in a transaction other than a business combination and written off (see ASC 350-30-50-1(c))
- ▶ Impairment loss recognized related to an intangible asset (see ASC 350-30-50-3)
- ▶ Impairment loss of long-lived assets classified as held and used (see ASC 360-10-50-2)
- ▶ Gain or loss recognized in accordance with ASC 360-10-35-37 through 35-45 and 360-10-40-5 for long-lived assets classified as held for sale or disposed of (see ASC 360-10-50-3)
- ▶ Each major type of cost associated with an exit or disposal activity (for example, one-time employee termination benefits, contract termination costs and other associated costs) (see ASC 420-10-50-1)
- ▶ Components of net benefit cost recognized (other than service cost amounts included within employee compensation) (see ASC 715-20-50-1(h))
- ▶ Bargain purchase gain recognized in a business combination (see ASC 805-30-50-1(f))
- ▶ Any gain or loss recognized upon the deconsolidation of a subsidiary or the derecognition of a group of assets in accordance with ASC 810-10-40-3A (see ASC 810-10-50-1B)
- ▶ Gains and losses on derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments in accordance with ASC 815-20-25-58 and ASC 815-20-25-66) and related hedged items (see ASC 815-10-50-4A)
- ▶ Amortization of license agreements for program material (see ASC 920-350-50-2)
- ▶ Impairment of license agreements for program material (see ASC 920-350-50-4)
- ▶ Amortization of film costs (see ASC 926-20-50-4A)
- ▶ Impairment of film costs (see ASC 926-20-50-4C)

The following existing disclosure requirements are included in ASC 220-20-50-22 (a) through (u) and are required to be integrated into a disaggregated expense table only if the amount is recorded entirely in one relevant expense line item:

- ▶ Provision for expected credit losses (see ASC 326-20-50-13 and 326-30-50-9)
- ▶ Losses on firm purchase commitments (see ASC 330-10-50-5)
- ▶ Amortization expense attributable to the expiration of an insurance or reinsurance coverage provided under a contract that transfers only significant underwriting risk (see ASC 340-30-50-2)
- ▶ Amortization of costs to fulfill a contract with a customer (see ASC 340-40-50-3)
- ▶ Impairment of costs to fulfill a contract with a customer (see ASC 340-40-50-3)
- ▶ Amortization of costs to obtain a contract with a customer (see ASC 340-40-50-3)
- ▶ Impairment of costs to obtain a contract with a customer (see ASC 340-40-50-3)
- ▶ Amortization of capitalized implementation costs of hosting arrangements that are service contracts (see ASC 350-40-50-3)
- ▶ Asset retirement obligation accretion expense (see ASC 410-20-50-1)

- ▶ Loss contingencies recognized (see ASC 450-20-50-1)
- ▶ Warranty expense (the total of expenses recognized related to aggregate changes in the liability for accruals related to product warranties issued during the reporting period and the aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates) (see ASC 460-10-50-8)
- ▶ Expense related to counterparty default in own-share lending arrangements issued in contemplation of convertible debt issuance (see ASC 470-20-50-2C)
- ▶ Aggregate gain on restructuring of payables by a debtor with a troubled debt restructuring (see ASC 470-60-50-1)
- ▶ Gains and losses upon consolidation of a variable interest entity that is not a business (see ASC 810-10-50-3)
- ▶ Foreign currency transaction gains or losses (see ASC 830-20-50-1)
- ▶ Operating lease cost (see ASC 842-20-50-4)
- ▶ Short-term lease cost (see ASC 842-20-50-4)
- ▶ Variable lease cost (see ASC 842-20-50-4)
- ▶ Net gain or loss recognized from sale and leaseback transactions (see ASC 842-20-50-4)
- ▶ Gains and losses from nonmonetary transactions (see ASC 845-10-50-1)
- ▶ Amortization of capitalized acquisition costs (see ASC 944-30-50-1(c))