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Implementation Activities Related to Disaggregation of Income Statement Expenses (DISE)

Executive Summary

- This publication serves as a practical guide for public business entities (PBEs) as they prepare to implement the FASB's new requirements on the disaggregation of income statement expenses (DISE).
- The DISE standard introduces new requirements related to disaggregating certain income statement expense captions within the footnotes to the financial statements. These disclosures are required for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027.
- To prepare the disclosures required by the DISE standard, entities might need underlying data that may not currently be readily available. The nature and extent of new information required are expected to vary by entity and industry. Entities may need to consider using estimates, making changes to their information technology (IT) systems and reporting capabilities, and adjusting processes and controls.
- This guide is designed to serve as a resource to entities as they navigate each phase of implementation from getting started, through initial annual and interim reporting, and subsequent reporting. Key actions and important decisions in each phase are highlighted.
- This guide is intended to be read alongside additional Deloitte publications that provide interpretive guidance on the DISE standard, including industry-specific insights — see [Resources](#) below. Also see the [Contacts](#) section for a list of Deloitte professionals to contact for more information on this topic.

DISE Background

On November 4, 2024, the FASB issued [ASU 2024-03](#)¹ (codified as ASC 220-40²), which requires disaggregated disclosure of income statement expenses for PBEs. The ASU does not change the expense captions an entity presents on the face of the income statement or the recognition and measurement principles of other GAAP standards; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements.

An expense caption presented on the face of the income statement within continuing operations is considered relevant and therefore subject to disaggregation if it includes any of the following natural expense categories: (1) purchases of inventory; (2) employee compensation; (3) depreciation; (4) intangible asset amortization; and (5) depreciation, depletion, and amortization (DD&A) recognized as part of oil- and gas-producing activities or other types of depletion expenses. Entities will need to disaggregate relevant expense captions into these five natural expense categories (the “required expense categories”) in a tabular presentation. The tabular disclosure for each relevant expense caption will also include certain other expenses and gains or losses that must be disclosed under existing U.S. GAAP (the “tabular integration of other disclosures”), expense reimbursements, and other expenses when applicable. The ASU does not change or remove existing expense disclosure requirements; however, it may affect where that information appears in the notes to financial statements because the ASU requires entities to include certain current disclosures in this tabular format. The graphic below illustrates the components of the disaggregated tabular disclosures of a relevant expense caption.



ASU 2024-03 also requires an entity to present a separate total of its selling expenses (outside the tabular disclosure) and, in annual reporting periods, the entity's definition of selling expenses.

The ASU explicitly allows entities to use accounting estimates or other methods that reasonably approximate the required disclosure amounts. The ASU's requirements do not apply to immaterial items.

¹ FASB Accounting Standards Update (ASU) No. 2024-03, *Disaggregation of Income Statement Expenses*.

² For titles of FASB Accounting Standards Codification (ASC) references, see Deloitte's "[Titles of Topics and Subtopics in the FASB Accounting Standards Codification](#)."

ASU 2024-03 is effective for all PBEs for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027.³ Early adoption is permitted. PBEs may apply the ASU prospectively or retrospectively. For an overview of ASU 2024-03, see Deloitte’s November 8, 2024 (updated January 21, 2025), *Heads Up*.

Introduction

Although it will be over a year before most entities issue financial statements incorporating the new DISE disclosures, entities are encouraged not to wait to begin the implementation process. While the impact of adoption will vary by entity and industry, ASU 2024-03 notes that nearly all entities will disclose more information after implementing the ASU; therefore, it is important for all entities to have an implementation plan in place well in advance of the effective date.

The publication is divided into the following sections:

- **Getting Started** — Provides helpful tips for implementing the DISE standard, including some of the suggested “dos and don’ts.” Entities are encouraged to keep these dos and don’ts in mind throughout the entire implementation process.
- **Framework for Implementation** — Contains an illustrative framework highlighting key activities that an entity may consider including in its own roadmap when implementing the DISE standard. As explained in more detail below, the framework consists of four phases: (1) understanding, education, and planning; (2) assessment; (3) implementation; and (4) adoption and post-adoption. In the assessment phase, an entity may perform a scope and gap analysis to identify the information it needs to comply with the DISE disclosure requirements. As part of this analysis, the entity would consider the information currently available through its existing IT system(s) and reports.
- **Important Decisions** — Focuses on key decisions that an entity will need to make in adopting the DISE standard.
- **Internal Control Over Financial Reporting** — Discusses the potential changes to an entity’s internal control over financial reporting (ICFR) that could result from the implementation of the DISE standard.

Getting Started

Before starting implementation of the DISE standard, all entities are encouraged to consider the following dos and don’ts:

- Dos:
 - Identify a cross-functional team of professionals from the entity’s key departments that are affected by the standard (e.g., accounting, finance, operations, IT, investor relations [IR], internal audit) so that all departments are represented before management agrees to an implementation plan. This task may include establishing a steering committee or program management team (or both) that consists of individuals from various functions and business units. In addition, multinational or decentralized entities may need to identify key contacts in each region or business unit, especially when the business models or IT systems in those regions or business units vary.
 - Create an implementation roadmap with key milestones. While the level of effort needed to implement the DISE standard will vary from entity to entity,

³ On January 6, 2025, the FASB issued [Accounting Standards Update No. 2025-01, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures \(Subtopic 220-40\): Clarifying the Effective Date](#), which clarifies the effective date of ASU 2024-03 with respect to interim periods.

this publication contains an illustrative framework (see [Framework for Implementation](#) below) to help entities develop a plan for implementation. This framework includes suggested activities to perform in each implementation phase.

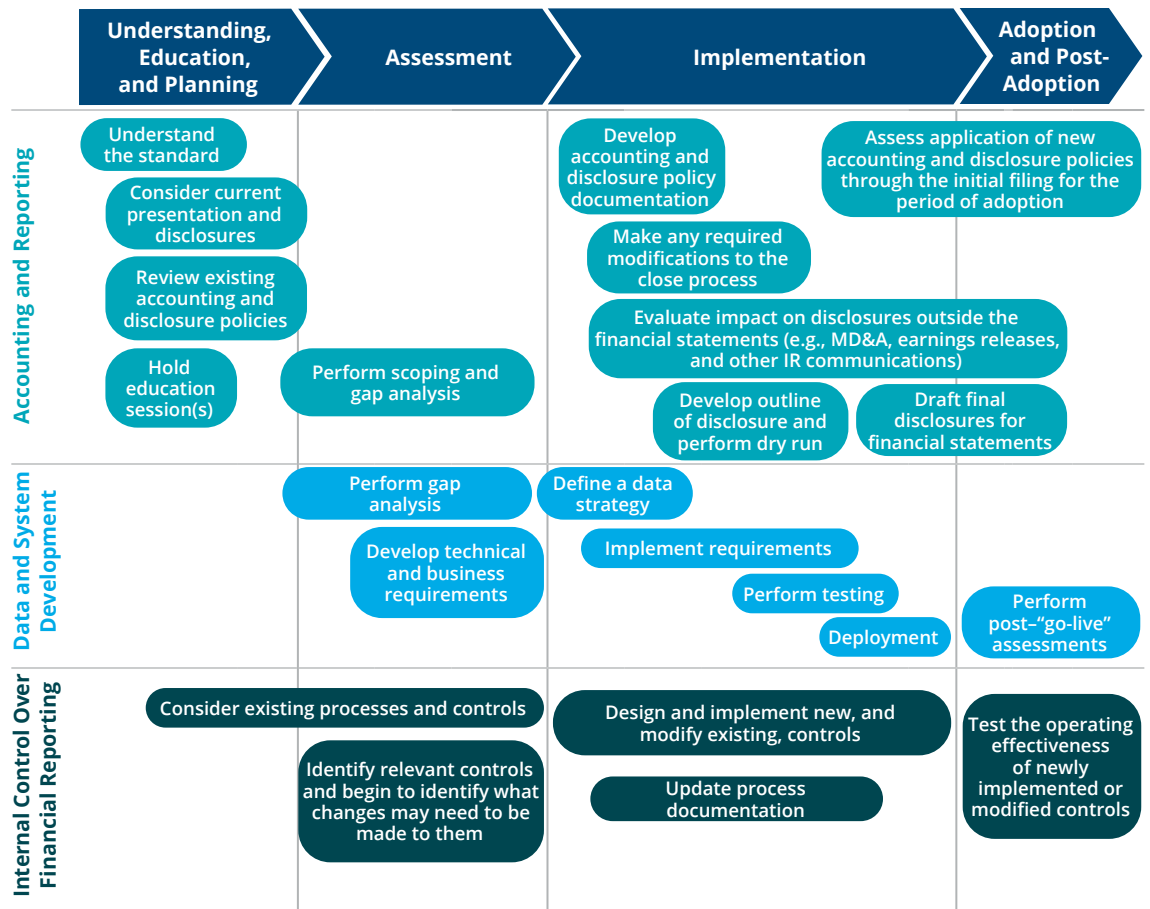
- Leverage knowledge and efficiencies gained from processes used to implement other accounting standards.
- Engage with external auditors and, if applicable, advisers early in the implementation process to obtain input on the entity's policies and positions regarding the DISE standard, clarify interpretations on the standard, and align expectations on the plan for implementing the standard.
- Consult available resources, including, but not limited to, the following:
 - The Background Information and Basis for Conclusions of [ASU 2024-03](#), which provides insights into why the FASB decided to include certain guidance in the DISE standard and should be read in conjunction with the codified guidance in ASC 220-40.
 - Deloitte publications that summarize and provide responses to many frequently asked questions (FAQs) about DISE — see [Resources](#) below.
- Monitor relevant standard-setting and regulatory developments (e.g., from the FASB and SEC), and participate in industry conferences to discuss industry-specific implementation issues. For example, the FASB will host a public roundtable on May 27, 2026, to discuss the implementation of the standard, including preparers' adoption efforts and investors' preparation efforts. The FASB notes on its [Web site](#) that “[t]hose interested in participating in the roundtable should register online by April 15, 2026.”
- Don'ts:
 - Do not wait until the year of adoption to begin assessing the impact of the DISE standard.
 - Do not assume that the DISE standard does not have a significant impact on the entity. While the standard's impact is expected to vary by entity and industry, it applies to all industries. The standard also applies to private companies that are in the process of going public or whose financial statements are included in another entity's SEC filing (e.g., under SEC Regulation S-X, Rule 3-05⁴ or Rule 3-09⁵).
 - Do not underestimate the time and resources needed to appropriately implement the DISE standard.
 - Do not delay in communicating with IR, applicable members of the C-suite, and the audit committee about the new information that will be available to investors, including considerations related to the transition approach.

Framework for Implementation

A key component of successfully implementing the DISE standard is developing an implementation roadmap. The purpose of the illustrative framework below is to outline the key activities that an entity may consider including in such a roadmap as well as some broad expectations regarding the time and effort it may take for an entity to complete certain steps in adopting the standard.

⁴ SEC Regulation S-X, Rule 3-05, “Financial Statements of Businesses Acquired or to Be Acquired.”

⁵ SEC Regulation S-X, Rule 3-09, “Separate Financial Statements of Subsidiaries Not Consolidated and 50 Percent or Less Owned Persons.”



The above framework is only a starting point; the activities and their timing will vary depending on (1) the industry or industries in which an entity operates, (2) the nature of the entity's expenses, (3) the entity's existing IT systems and processes, (4) the availability of data and the entity's reporting capabilities, and (5) the resources dedicated to the implementation plan.

The adoption of the DISE standard is expected to be an iterative process in which stakeholders throughout the organization will need to be involved. While there may be a logical progression through the phases, such as understanding the disclosure requirements, assessing the availability of data, and holding internal training, many activities will occur contemporaneously and may need to be revisited as new information becomes available or challenges arise. Accordingly, the implementation of the DISE standard may not be a linear process.

Under the illustrative framework, the adoption of the DISE standard consists of four phases: (1) understanding, education, and planning; (2) assessment; (3) implementation; and (4) adoption and post-adoption.



Key activities are associated with each phase. Certain of these activities may be performed during multiple phases of the adoption process, while others may apply to a single phase. The key activities associated with each phase are discussed below.

Phase 1: Understanding, Education, and Planning



In the first phase, entities are encouraged to focus on understanding the DISE standard as well as reviewing their existing policies, processes, and controls. The table below describes the key activities and related actions that entities would generally undertake in the first phase of adoption.

Activities	Key Actions
Accounting and Reporting	
Understand the standard	<ul style="list-style-type: none"> Read ASU 2024-03, including the Background Information and Basis for Conclusions, and ASU 2025-01. Obtain an understanding of the DISE standard by reviewing interpretive guidance and other publications, including Deloitte’s November 8, 2024 (updated January 21, 2025), <i>Heads Up</i> and December 19, 2025, <i>Accounting Spotlight</i>, <i>Frequently Asked Questions About ASU 2024-03 on Disaggregation of Income Statement Expenses (DISE)</i>.
Consider current presentation and disclosures	<ul style="list-style-type: none"> Review current expense presentation and disclosures in annual and interim financial statements to prepare for determining the relevant expense captions as well as natural expense categories and other required expenses, gains, and losses that will be required in the DISE disclosures. Determine necessary disclosures under SAB Topic 11.M⁶ for current-period Forms 10-K and 10-Q.
Review existing accounting and disclosure policies	<ul style="list-style-type: none"> Review existing policies and whitepapers to understand current accounting and disclosure policies and practices. Consider information that may be relevant to disclosures under the new standard (e.g., scope conclusions, inventory costing methods), and begin to evaluate implications related to the new DISE disclosures.
Hold education session(s)	<ul style="list-style-type: none"> Conduct education or training sessions to educate key stakeholders (e.g., accounting, finance, operations, IT, IR, internal audit) on the disclosure requirements.
Internal Control Over Financial Reporting	
Consider existing processes and controls	<ul style="list-style-type: none"> Review existing narratives and process flows to understand the entity’s current processes and controls related to the financial close and reporting process (e.g., underlying IT systems and consolidation processes, allocations, intercompany transactions and eliminations, foreign currency translation). Understand the current controls over information and data related to the natural expense categories and other expenses, gains, or losses, including general IT controls. As part of this process, the entity would identify existing controls over the initiation and approval of transactions in key business areas such as inventory, payroll, fixed assets, intangible assets, and the financial close and reporting process. The entity may also consider how master data of such transactions are controlled within financial systems (e.g., profit/cost centers, business units, geographical regions).

⁶ SEC Staff Accounting Bulletin (SAB) Topic 11.M, “Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period” (SAB 74), indicates that a registrant should disclose the effects of recently issued ASUs and SABs that are not yet effective, unless such effects are expected to be immaterial. These disclosures, which would take into account the impact of the full scope of the new standards, including presentation and disclosure, are meant to help financial statement users assess the effect that the new standards will have once adopted.

Phase 2: Assessment



During the assessment phase, entities are likely to continue performing some of the activities described in the understanding, education, and planning phase. In addition, entities may start new activities (e.g., performing a gap analysis to gather information for an implementation roadmap) and begin to identify IT systems, data, and opportunities to use estimates, as described in more detail in the sections below.

Activities	Key Actions
Accounting and Reporting	
Perform scoping and gap analysis	<ul style="list-style-type: none">• Identify relevant expense captions.• Consider practical expedients, required elections, and voluntary elections (see Practical Expedients and Other Elections below).• Assess and identify the applicable DISE disclosure requirements for each relevant expense caption, including, but not limited to:<ul style="list-style-type: none">◦ Required expense categories (ASC 220-40-50-6).◦ Tabular integration of other disclosures (ASC 220-40-50-21 and 50-22).◦ Expense reimbursements (ASC 220-40-50-26 through 50-29).◦ Other items remaining in relevant expense captions (ASC 220-40-50-30).• Consider additional voluntary quantitative disclosures.• Assess the disclosure requirements related to selling expenses.• Engage with the C-suite and IR on the entity's strategy for communicating financial performance externally, considering the impact on financial statement disclosures and other information provided outside the financial statements. Also see Phase 3: Implementation and Phase 4: Adoption and Post-Adoption below.• Finalize transition plans (prospective or retrospective). See Determining a Transition Approach below. <p>Key actions for scoping and gap analysis activities associated with accounting and reporting are expected to be highly interrelated with those for data and systems development. See Phase 2.1: Scoping and Gap Analysis below for steps to consider as part of these analyses.</p>
Data and System Development	
Perform gap analysis	<ul style="list-style-type: none">• Perform data gap analysis, and develop an understanding of available information within existing systems, reports, and processes.• Consider ongoing or planned IT system transformation efforts and whether future reporting capabilities will be sufficient to meet the disclosure requirements in the DISE standard. <p>Key actions for scoping and gap analysis activities associated with accounting and reporting are expected to be highly interrelated with those for data and systems development. See Phase 2.1: Scoping and Gap Analysis below for steps to consider as part of these analyses.</p>

(Table continued)

Activities	Key Actions
Data and System Development (continued)	
Develop technical and business requirements	<ul style="list-style-type: none">• Using the results of the gap analysis, document functional and IT system requirements.• For each relevant natural expense category, evaluate the availability of data as well as the strategy for using transaction-level detail, determine estimates to support disclosures, or both.• Leverage documentation related to requirements to determine whether gaps will be addressed by acquiring new IT systems, further developing existing IT systems, or using estimates.• Engage a cross-functional team of stakeholders (e.g., accounting, finance, operations, IT, IR, internal audit) to review and approve requirements.
Internal Control Over Financial Reporting	
Identify relevant controls and begin to identify what changes may need to be made to them	<ul style="list-style-type: none">• Considering the entity's existing controls in connection with the results of the gap analysis, begin to identify where new controls may need to be designed and implemented or existing controls may need to be modified. Such controls include, but are not limited to, general IT controls, controls over system interfaces, automated controls, process-level controls, and service organization controls (including user-entity controls).• Consider the entity's controls over data governance, especially when aggregating data from disparate systems, to support the accuracy and completeness of key expense-related information (such as account codes, cost centers, and expense categories) for all relevant IT systems.• Determine whether new controls will need to be designed or existing controls should be modified for any estimates that will be used to determine amounts included in the DISE disclosure, including controls over the accuracy and completeness of data inputs, the development and review of assumptions, and periodic reassessment of estimation methods after implementation.• Evaluate whether the design of controls over the adoption of new accounting principles is sufficient for DISE or whether an additional control (or controls) should be designed and implemented for the adoption of the DISE standard.• Identify policies, standard operating procedures, and job aids that may need to be standardized and updated.

The key activities in the assessment phase should be performed for both interim and annual reporting periods. Because interim financial statements may be condensed, the expense captions presented on the face of the income statements in interim periods may differ from those in annual periods and, therefore, there could be different relevant expense captions in interim and annual reporting periods. Entities are encouraged to (1) carefully determine which expense captions are relevant for interim reporting and (2) perform the assessment phase for both annual and interim reporting periods.

The assessment phase is expected to result in the development of an implementation roadmap designed to guide the entity into the implementation phase. In developing the implementation roadmap, an entity will want to identify (1) key milestones and dates for meeting those milestones and (2) resource requirements and resources to fulfill those requirements. The implementation roadmap may also include a detailed project plan establishing an implementation timeline for both annual and interim reporting for all regions and business units. The implementation roadmap and detailed project plan should be shared with relevant stakeholders, including external auditors. Phase 2.1: Scoping and Gap Analysis

below outlines a key activity of the assessment phase, which serves as a critical input to an entity's implementation roadmap.

Phase 2.1: Scoping and Gap Analysis

In the assessment phase, entities may perform a scoping and gap analysis to help identify relevant expense captions and required disclosures; the information that the entity will need to comply with the disclosure requirements; what information is readily available to comply with the DISE standard; and whether other steps will need to be taken to determine whether aspects of the entity's processes, systems, reports, and related controls may need to be modified to obtain the necessary information. In some instances, an estimate may be used to comply with certain of the DISE disclosure requirements; however, use of such an estimate may still involve modifications to the entity's processes, systems, reports, and related controls. Entities may consider performing the following steps as part of this analysis:

- *Step 1: Identify the relevant expense captions* — Before assessing data gaps, entities will want to identify which expense captions on the face of the income statement include any of the five natural expense categories: (1) purchases of inventory, (2) employee compensation, (3) depreciation, (4) intangible asset amortization, and (5) DD&A.
- *Step 2: Identify disclosure requirements for relevant expense captions* — In addition to the five natural expense categories, ASC 220-40-50 specifies other potentially required expenses, gains, and losses and other items that need to be disaggregated for relevant expense captions. Entities should assess the applicability of each of those required disclosures.
- *Step 3: Develop a listing of required disclosures that are not provided* — Compare the applicable disclosure requirements (including those related to selling expenses) with an entity's current financial statement disclosures to determine whether there are any gaps. The entity may already provide some of the required ASC 220-40 disclosures in its existing financial statement disclosures.
- *Step 4: Determine whether required data are readily available* — For each disclosure gap identified in step 3, determine whether data from existing systems or reports are available to provide the required disclosures in their prescribed format.
- *Step 5: Analyze results and determine next steps* — To determine next steps, an entity may evaluate each required data point that is not currently available and consider whether it needs to modify systems/reports to provide incremental data, calculations, or both. If the entity uses estimates to comply with the requirement, it should determine whether it has sufficient information to determine the estimate. Entities preparing consolidated financial statements should consider the impact of intercompany eliminations when evaluating the availability of data from various legal entities, geographies, or both.

An entity may also consider reviewing the results of the gap analysis internally with the cross-functional team (e.g., accounting, finance, operations, IT, IR, internal audit) and with the entity's external auditors, advisers, or both. These discussions may provide insight into any potential implementation challenges or other operational challenges.

Phase 3: Implementation



The third phase of adoption is implementation. In this phase, the entity implements changes to its processes, systems, and controls in addition to developing its accounting and disclosure policies and drafting its disclosures. The table below outlines implementation-related activities.

Activities	Key Actions
Accounting and Reporting	
Develop accounting and disclosure policy documentation	<ul style="list-style-type: none"> Establish the method, assumptions, and data used for any estimates. Develop documentation related to disclosure policies and positions, including: <ul style="list-style-type: none"> Estimation methods. Key factors or judgments the entity made when determining the expense category in which costs are presented, considering consistency with existing accounting policies (e.g., determining the scope of certain costs). The use of practical expedients and other elections (see Practical Expedients and Other Elections below). The entity's definition of selling expenses. Consider any nonroutine transactions that may give rise to new expenses or affect the comparability of expense disaggregation between reporting periods. Obtain feedback from external auditors and advisers on documentation related to accounting and disclosure policies and positions, including estimation methods.
Develop outline of disclosure and perform dry run	<ul style="list-style-type: none"> Draft an outline of the DISE disclosure to include in the financial statements. Continue to evaluate the impact on disclosures outside the financial statements (e.g., MD&A, earnings releases, and other IR communications); also see Phase 4: Adoption and Post-Adoption below. After implementing IT systems and business process changes, perform a dry run by drafting disclosures in compliance with the DISE standard to verify that all required information is available.
Modify close process	<ul style="list-style-type: none"> Incorporate any additional steps that need to be performed as part of the periodic closing process, and communicate changes to relevant stakeholders (see the sections below for consideration of new data, reports, and related controls). Consider the timelines and cadence for both annual and interim reporting periods.
Data and System Development	
Define a data strategy	<ul style="list-style-type: none"> On the basis of the defined accounting and disclosure policies, determine whether transactional data, estimates, or a combination will be used to generate the DISE disclosure. Consider whether to use system-generated reports, manually prepared schedules, or system-generated reports that are manually modified. Identify key master data to be standardized.
Implement requirements	<ul style="list-style-type: none"> Undertake project to implement required changes to IT systems (e.g., new development or acquisition of software).

(Table continued)

Activities	Key Actions
Data and System Development (continued)	
Perform testing	<ul style="list-style-type: none">• Develop a test plan that supports evaluation of technical and business requirements for any changes made to IT systems or processes and controls. The test plan should be aligned with change management control expectations (e.g., integration testing, functional testing, performance testing, user acceptance testing, and other testing that may be defined in change management policies).• Set up a process to log, track, and resolve any risks, issues, and defects for each implementation.• Document test procedures and results for each test. Specifically, for key reports, clearly document the identification and tests of key fields and calculations.• Review and remediate defects identified during testing.
Deployment	<ul style="list-style-type: none">• Deploy system, technical, data, and reporting changes into staging environment before moving into production.• Run reports to validate and facilitate debugging, reconciliations, and remediation.
Internal Control Over Financial Reporting	
Design and implement new, and modify existing, controls	<ul style="list-style-type: none">• Reevaluate the design of existing controls that address financial statement presentation and disclosure and related footnotes and consider whether such controls need to be modified.• Identify and evaluate controls over information used to generate the DISE disclosure. Such information may include system-generated reports, manually prepared schedules, or system-generated reports that are modified manually. The types of controls over such information may include, but are not limited to, general IT controls, automated controls, interface controls, and controls that may exist at a service organization, including related complementary user entity controls.• Design controls over the methods, data, and assumptions used to determine any new estimates.• Train relevant personnel on any changes to business processes and controls, including those supporting the initiation of transactions and those directly supporting the preparation of the DISE disclosure.• Implement new and modified controls.• Test the implementation of new and modified controls and make improvements as necessary.
Update process documentation	<ul style="list-style-type: none">• Document reporting processes and procedures related to new estimates and information used to generate the disclosure, as applicable.• Update existing periodic reporting policies and procedures as well as related job aids.

Phase 4: Adoption and Post-Adoption



Although adopting the DISE standard may seem like a one-time effort, the success of an entity's implementation depends partly on the activities performed during the adoption and post-adoption phases. During the adoption phase, entities should monitor the results of initial implementation activities to determine whether they need to make any changes to comply

with the disclosure requirements as of the adoption date. As part of this determination, entities should evaluate whether IT systems, controls, and policies are operating as intended and assess any new transactions or changes in facts and circumstances through the end of the reporting period. During the post-adoption phase, entities are encouraged to continually monitor their compliance with the standard, including when facts and circumstances change and new accounting standards are issued that update the DISE disclosure requirements. Entities may need to dedicate resources to ensuring compliance with the DISE standard on an ongoing basis. Consequently, entities are strongly encouraged not to dismiss these phases of the process.

Adoption

The following activities are expected to be completed in the final stages of adopting the DISE standard and before the financial statements are issued:

Activities	Key Actions
Accounting and Reporting	
Assess application of new accounting and disclosure policies through the initial filing for the period of adoption	<ul style="list-style-type: none"> • Check that personnel are applying the new disclosure policies resulting from the implementation of the DISE standard, and provide guidance as questions arise during policy application through the initial filing. • Evaluate whether disclosures are in compliance with the requirements of the DISE standard as of the adoption date. Continue to assess transactions and changes in facts and circumstances since the initial implementation phase through the reporting date. Changes may occur on the basis of the issuance of new accounting standards as well as by the application of existing standards to new facts and circumstances (e.g., newly applicable expenses or changes to the recording of expenses, gains, and losses described in ASC 220-40-50-21 and 50-22).
Draft final disclosures for financial statements	<ul style="list-style-type: none"> • Draft final disclosures in accordance with the DISE standard. • Engage with IR as new disclosures are drafted and reviewed for considerations that could affect market perceptions or analyst interpretations.
Evaluate impact on disclosures outside the financial statements (e.g., MD&A, earnings releases, and other IR communications)	<ul style="list-style-type: none"> • Evaluate whether additional disclosures are needed in MD&A to comply with SEC Regulation S-K, Item 303.⁷ • Consider including discussion of natural expense categories in MD&A if such discussion is relevant to assessing financial condition and results of operations. • Assess whether the new disaggregated expense disclosures in the financial statement footnotes prompt a need for additional breakdowns or explanations in earnings releases, particularly if there are meaningful natural expense trends. • Work closely with IR to determine whether investors, analysts, or other stakeholders are likely to request further information on the newly disaggregated expenses, and help IR prepare communications if needed.

⁷ SEC Regulation S-K, Item 303, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(Table continued)

Activities	Key Actions
Data and System Development	
Perform post-“go-live” assessments	<ul style="list-style-type: none">• Perform post-“go-live” assessments of system implementation or upgrades, incorporating feedback from key project personnel (e.g., finance, financial reporting, IT, internal audit, external auditors).• Evaluate whether IT system modifications or upgrades are functioning as intended.
Internal Control Over Financial Reporting	
Test the operating effectiveness of newly implemented or modified controls	<ul style="list-style-type: none">• Test the operating effectiveness of newly implemented or modified controls, if applicable.• Evaluate any control deficiencies, and communicate identified deficiencies to appropriate stakeholders (e.g., the audit committee).• Consider the nature and extent of changes made to controls, and evaluate whether such changes would be disclosed in Form 10-K, Item 9(a), as a material change to ICFR.

Post-Adoption

After adoption in the first annual period, entities will be required to provide DISE disclosures for interim periods. As discussed above, because interim financial statements may be condensed, the expense captions presented on the face of the income statements, and therefore the relevant expense captions, in interim periods could differ from those in annual periods. Entities are encouraged to carefully determine which expense captions are relevant for interim reporting.

In addition, during the post-adoption phase, entities are encouraged to continually monitor compliance with the standard, including when (1) the existing DISE standard requires disaggregated disclosures because of new transactions or changes in facts and circumstances (e.g., newly applicable expenses or changes to the recording of expenses, gains, and losses described in ASC 220-40-50-21 and 50-22) and (2) the FASB releases new ASUs that could modify the DISE disclosure requirements (e.g., an ASU may add a disclosure requirement to other GAAP for which an entity must provide separate disclosure in the DISE disaggregation as part of the ‘tabular integration of other disclosure requirements’). Entities should consider implementing controls to monitor changes in DISE disclosure requirements resulting from current-period events or changes and issuance of future ASUs.

Important Decisions

While adopting the DISE standard, entities will want to thoughtfully consider certain elections as discussed in the assessment and implementation phases above.

Determining a Transition Approach

PBEs may apply ASU 2024-03 prospectively or retrospectively. Entities are encouraged to determine a transition approach early in the adoption process since the transition method applied will affect the data required. An entity adopting the standard retrospectively is permitted to provide information for all or some comparative periods. If the entity has changed external auditors during any of the periods presented in the retrospective application, the entity is encouraged to discuss any audit-related implications with its external auditor (e.g., the auditor responsible for auditing the prior period(s) presented).

Since the new disaggregated expense information in the footnotes may lead to new questions about the information provided or related trends from external parties such as investors, analysts, and rating agencies, entities should consider engaging with IR and other key stakeholder groups early to understand expectations, specifically regarding the determination of the transition approach. Even if a retrospective approach is not applied, investors may request comparative information (e.g., on earnings calls).

Practical Expedients and Other Elections

In adopting the DISE standard, an entity must make certain elections and consider applying certain practical expedients. It is important for the entity to consider the application of practical expedients or other elections and the potential impact of such elections on its gap analysis and, conversely, how findings from the gap analysis might influence the application of practical expedients or elections.

The table below summarizes the practical expedients that entities may consider.

Summary of Practical Expedients Available

Purchases of inventory	When substantially all of an income statement expense caption comprises purchases of inventory (as defined in ASC 220-40-50-7), further disaggregation of that expense caption is not required. Instead, an entity may qualitatively describe the composition of that expense caption.
Employee compensation	Allows entities that present an expense caption for salaries and employee benefits on the face of the income statement in accordance with SEC Regulation S-X, Rule 9-04 ⁸ (applicable to bank holding companies), to continue using that amount to determine what amounts are classified as employee compensation, as opposed to determining employee compensation on the basis of the definition in the DISE standard.

Entities are not required to adopt the practical expedients in the DISE standard, but adoption of the expedients by qualifying entities may reduce the effort associated with implementing certain of the standard's requirements.

In addition, the table below outlines other elections that entities will need to consider, as applicable. For further discussion of the practical expedients and elections available to entities, see Deloitte's November 8, 2024 (updated January 21, 2025), [Heads Up](#) and December 19, 2025, [Accounting Spotlight](#) on FAQs about DISE.

Summary of Elections Under the DISE Standard

Basis for disaggregation of relevant expense captions containing amounts within the scope of ASC 330: cost-incurred or expense-incurred	Entities that present relevant expense captions that contain amounts within the scope of ASC 330, <i>Inventory</i> , must select one of two acceptable bases: the cost-incurred basis or the expense-incurred basis. See FAQ 15 in Deloitte's December 19, 2025, Accounting Spotlight and Appendix B of Deloitte's November 8, 2024 (updated January 21, 2025), Heads Up for an example illustrating each basis.
Employee compensation — other transactions for the benefit of employees (optional)	In addition to the costs included in the definition of employee compensation, an entity may elect to include amounts attributable to other transactions entered into for the benefit of employees in employee compensation. For example, if this election is made, employee compensation could include subsidized goods or services provided to employees.

⁸ SEC Regulation S-X, Rule 9-04, "Statements of Comprehensive Income."

(Table continued)

Summary of Elections Under the DISE Standard

Expense reimbursements related to a cost-sharing or cost-reimbursement arrangement from another entity	An entity that includes amounts net of expense reimbursements from another entity within a relevant expense caption may elect one of the following alternatives: (1) disclose separately the amount of the expense reimbursement or (2) disclose the amounts of the required expense categories that are included in the relevant expense caption, net of any reimbursement effects.
Selling expenses	<p>An entity is required to present a separate total of its selling expenses. This disclosure must be provided outside the tabular disclosure of relevant expense categories.</p> <p>ASU 2024-03 does not define selling expenses. Rather, entities will make their own determination of the composition of selling expenses and disclose the definition on an annual basis.</p>

Use of Estimates

The DISE standard explicitly allows entities to use estimates or other methods that produce a reasonable approximation of the amounts they are required to disclose. This provision is intended to alleviate concerns about potential reporting system and process limitations related to preparing the disclosures. Paragraph BC53 of ASU 2024-03 notes that entities may use estimates to determine the amounts to disclose when transaction-level data are burdensome to use because of intercompany activity, costing approaches, or other “bookkeeping practices applied in the preparation of consolidated financial statements.” Therefore, “an entity may take a reasonable approach to prepare the disclosure information in a systematic and rational way.” Entities may decide to use transaction-level detail, estimates, or a combination when developing their disclosures.

When using estimates, it is critical for the entity to document its approach to determining the estimate, including the method, data, and assumptions used. Entities will want to consider the following when determining estimates:

- *Method* — Entities will want to develop a method that is repeatable, supportable, and auditable and are encouraged to document how this method reasonably approximates the required disclosure.
- *Data* — Entities may need some level of transactional data to support their estimates and will want to consider the controls over the accuracy and completeness of such data.
- *Assumptions* — Entities will want to use objective assumptions that are supportable and auditable and are less likely to change from year to year, unless such changes are warranted because of changes to underlying data or conditions. Entities are encouraged to document how the selected assumptions support the reasonable approximation of the amounts that must be disclosed.

Therefore, ongoing review is necessary, and entities are expected to regularly reevaluate and update their estimation method, the data used, and underlying assumptions to ensure continued accuracy and relevance. In addition, entities should review the methods, data, and assumptions used to support estimates with their external auditors on a timely basis.

Entities may also need to implement new controls or modify existing controls over the estimation process. Because controls over estimates are typically management review controls, they necessitate a higher degree of judgment, knowledge, and experience from the control performer and sufficient evidence to support that the control is designed and operating effectively. Clear documentation of the inputs used by the reviewer, specific activities performed by the reviewer using the inputs, and outputs of the review will contribute to an effectively designed control.

Internal Control Over Financial Reporting

To facilitate reliable financial reporting, an entity must maintain a strong system of internal control. Because an entity may adjust its financial reporting processes and controls as a result of the new DISE standard, the entity may also be required to modify its ICFR.

Entities may need to exercise significant judgment in applying certain guidance in the new DISE standard (e.g., the use of accounting estimates or other reasonable methods to determine the amounts that must be disclosed). Entities will need to design and implement appropriate controls over the method, data, and assumptions used to determine such estimates.

As stated above, entities may need to implement new, or modify existing, IT systems to gather additional information required by the DISE standard. Entities will need to test (1) controls over their IT system implementations, modifications, or both and (2) controls that address the accuracy and completeness of new information used in the preparation of the disclosure.

To the extent that an entity may rely on service organizations or another third party, it is important to discuss data requirements with the service organization or third party so that they have enough time to meet the requirements and implement or make changes to their controls, as applicable. If relevant controls over the data are not included in a System and Organization Controls 1 (SOC 1) report, an entity may consider implementing new or modifying existing controls to address the accuracy and completeness of data provided by a service organization or another third party.

An entity's internal audit function could play a pivotal role in the evaluation of necessary modifications to the entity's ICFR, including, but not limited to, modifications related to (1) assessing risks, (2) identifying and designing (or redesigning) relevant controls, and (3) monitoring the effectiveness of controls.

Since SEC registrants are required to provide periodic disclosures and certifications related to internal controls, management will need to evaluate the potential impact of any changes in internal control on such disclosures and certifications. Further, SEC registrants are required to disclose any material changes in their ICFR in a Form 10-Q or Form 10-K in accordance with SEC Regulation S-K, Item 308(c).⁹

Resources

For additional information, see the following Deloitte publications:

- [Heads Up](#) on FASB ASU 2024-03, summarizing the main provisions and disclosure requirements of the DISE standard.
- [Accounting Spotlight](#) on FAQs about ASU 2024-03 on DISE.
- [Aerospace & Defense Spotlight](#) on considerations related to materials purchased for over-time contracts in DISE disclosures.
- [Engineering & Construction Spotlight](#) on considerations related to materials purchased for over-time contracts in DISE disclosures.

⁹ SEC Regulation S-K, Item 308(c), "Internal Control Over Financial Reporting: Changes in Internal Control Over Financial Reporting."

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