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Are you ready for DISE?

- How well do you understand DISE and the new requirements?
- Have you considered the elections and practical expedients available?
- Have you considered the impacts of DISE and what data may be needed to adopt the new disclosure requirements?
- Are your systems capable of tracking and providing the information necessary for the required expense category disclosure?
- Have you considered what changes to your internal controls may be needed to address DISE disclosures?

Disaggregation of Income Statement Expenses (DISE)

Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) 220-40 Overview

- **New guidance** for expense disaggregation disclosures for annual and interim financial statements
- **Impacts all public business entities** and those private companies in the process of going public or whose financial statements are included in another entity's Securities and Exchange Commission (SEC) filing
- Effective for annual reporting periods **beginning after December 15, 2026** and interim periods beginning after December 15, 2027

Additional requirements of the standard

- Disaggregation of additional expense categories if certain conditions are met
- Qualitative description of the "Other" category commensurate with the value of the remaining items
- Disclosure of selling expenses and the entity's definition of selling expenses

Objective of the expense disaggregation standard

Address investors' requests for more granular information by breaking down commonly presented expense captions into natural expense categories in the footnotes. Below are the primary categories:

- **Purchases of inventory**
- **Employee compensation**
- **Depreciation**
- **Intangible asset amortization**
- **Depreciation, depletion and amortization – oil and gas**[1]

1: According to ASC 220-40-50-6, depreciation, depletion and amortization (DD&A) of capitalized acquisition, exploration, and development costs recognized as part of oil- and gas-producing activities should be consistent with amounts recorded in accordance with ASC 932-360 on extractive activities (oil and gas), property, plant, and equipment, or other amounts of depletion expense.

Note: The standard's approach to expense disaggregation does not change income statement presentation.

DISE | Consumer Industry - Quick Reference

Examples of considerations for companies in the Consumer industry:

- Companies in the consumer industry typically present Income Statement items such as cost of sales and selling, general and administrative expenses that will likely have to be considered for disaggregation.
- Under the standard, inventory can be disaggregated using either the cost incurred or expense incurred approach; the choice may be heavily influenced by inventory policies and system complexity. Entities using Last in First Out (LIFO), Retail Inventory Method, or significant standard costing may have a more difficult time applying the expense incurred approach.
- A practical expedient allows entities to qualitatively describe an Income Statement expense caption if at least 90% relates to inventory purchases (ASC 330) rather than presenting detailed disaggregation—for example, certain retailers whose cost of sales primarily relate only to purchase of finished goods might qualify.
- Large multinationals with complex structures may face challenges aggregating data for disclosures—such as sourcing data, coordinating controls across systems, and eliminating intercompany transactions.
- Under the standard, estimates that produce a reasonable approximation of the amounts required to be disclosed are permitted. Companies can consider where they can appropriately use estimates and what data will be needed to support such estimates and their related internal controls. Consider coordinating early with external auditors when using estimates.
- Under the standard, compensation paid to non-employee subcontractors, professional service providers or temporary staff is not disclosed as employee compensation. Within Accounting Standards Update (ASU) 2024-03, the definition of employee was revised to clarify that "An individual that meets the definition of an employee includes, but is not limited to, a full-time, part-time, temporary, or seasonal employee." Entities may consider voluntary separate disclosure of these amounts to provide insight into total workforce costs, to address comparability among peers.

Contact us to understand how we may tailor our services to meet your needs

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Additional Information:

Heads Up (Nov 8, 2024 – updated Jan 21, 2025) | FASB Issues Final Standard on Disaggregation of Income Statement Expenses

Accounting Spotlight — Frequently Asked Questions About ASU 2024-03 on Disaggregation of Income Statement Expenses (DISE) (December 19, 2025) | DART – Deloitte Accounting Research Tool

Accounting Spotlight — Implementation Activities Related to Disaggregation of Income Statement Expenses (DISE) (March 13, 2026) | DART – Deloitte Accounting Research Tool