Quarterly Financial Reporting Update: March 2025

Teaser Video Transcript

Disaggregated Income Statement Expense Reporting (ASU 2024-03)

So now we're going to move into a discussion of a new accounting standard, ASU 2024-03 disaggregation of income statement expenses, which you're going to hear often referred to as DICE. Now this was actually released at the end of last year, and we spoke about it briefly in our Q4 webcast. But today we're going to take a closer look. So Kendra, can you start us off by walking through what entities this guidance will apply to?

Sure. This update only applies to entities that meet the definition of a public business entity, and so it's generally not applicable to private companies, not-for-profits that don't have conduit, debt or employee benefit plans. Great, and at a high level, what does this update change for the entities that it does apply to?

Well, Carolyn, this update will require companies to provide more information about what makes up some of the line items on the income statement through a disclosure that disaggregates certain types of expenses. So for income statement line items that contain certain types of expenses, there will be a footnote disclosure in the form of a table that shows the composition of the line item. We're going to talk more detail about this and have an example disclosure in a little bit. But what I do want to point out is that the standard does not make any changes to the face of the income statement. It'll just add required disclosure in the footnotes about some of the items that appear on the income statement. US Gap really doesn't have much guidance around what line items appear on the income statement and what goes into those line items, so this standard was released in a way to provide financial statement users with more detailed information about an entity's expenses.

Thanks, Michael. So, Kendra, when will companies need to start applying this guidance? So DICE will be applicable for annual periods beginning after December 15, 2026, so in most companies 2027, and interim periods within the annual reporting periods after December 15th, 2027. For those looking to get ahead, early adoption is permitted for this one and, and you know it, it might seem like this is really far in the future and there is plenty of time to get ready for implementation. But I want to caution that this update is expected to take a significant effort to implement and it may require significant updates to how entities track expenses and the process and controls around income statement expenses. I think a lot of entities this past reporting season were surprised at the amount of effort involved in implementing the segment standard and the impact of this guidance is likely even broader.

Well. Thanks, Kendra. So to help the audience understand what might be involved in implementing the standard, let's take a few minutes to get into some of the requirements that determine which income statement line items will be disaggregated and what expenses are going to need to be broken out.