Financial Reporting Spotlight: Income Statement Expense Disclosures
What's in the Income Statement?

Listening To Investors: What We Heard

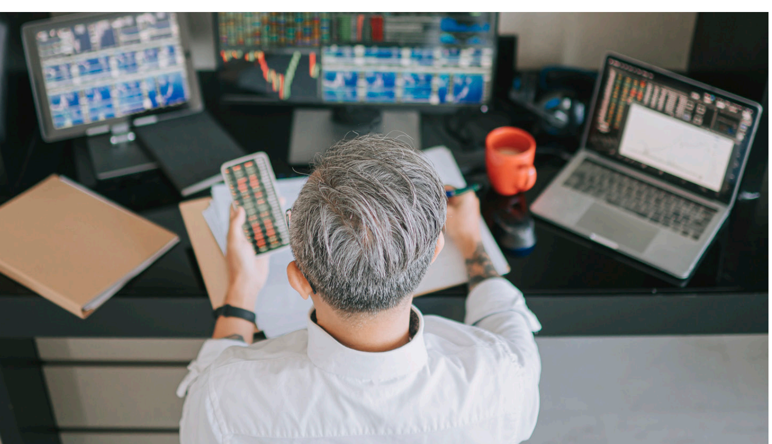
Investors have consistently told us that more disclosure of expense detail is critically important to understand a company's performance, assess its prospects for future cash flows, and compare its performance both over time and with that of other companies. We also heard from investors that often there are too few expense lines presented on the face of the income statement, which limits their ability to forecast.

How We Responded

We issued guidance that is expected to provide transparency about the components of expenses included in the income statement and enhance an investor's ability to forecast future performance. The amendments are designed to work with the wide variety of income statement expense lines that exist today and would require further break out of commonly presented expense lines (such as cost of sales and selling, general, and administrative (SG&A)) into specific additional categories that were frequently requested by investors.

Timeline

In November 2024, in response to its 2021 agenda consultation process, the FASB issued Accounting Standards Update No. 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures, which focuses on improving the decision usefulness of expense information on the income statement. The standard is effective for annual disclosures starting with the 2027 annual reports, and interim disclosures starting with the 2028 interim reports. Early adoption is permitted.



The Standard

The Update provides investors with the additional expense detail that they've told us is fundamental to their understanding of a company's performance.

Breakdown of Relevant Expense Lines into Required Expense Categories

The amendments would require disclosure of the following amounts within each relevant expense line presented on the income statement within continuing operations:

1. Purchases of inventory
2. Employee compensation
3. Depreciation
4. Intangible asset amortization
5. Depreciation, depletion, and amortization recognized as part of oil- and gas-producing activities (or other amounts of depletion expense).

Other Disclosure Requirements

In addition to the breakdown of relevant expense lines into the specific categories, the amendments would require that a company:

1. Disclose the amount of selling expenses and, in annual reports, a company's definition of selling expenses
2. Include other expense disclosures that are already required in the same tabular disclosure as the other disaggregation requirements
3. Describe the composition of expenses that are not required to be separately disclosed for each relevant expense line.

What Could the Disclosures Look Like?

Breakdown of Relevant Expense Lines into Required Expense Categories:

	Cost of Products Sold	Cost of Services	SG&A
Employee compensation	$ 17,578	$ 6,598	$ 13,242
Depreciation	10,190	763	1,454
Intangible asset amortization	3,914	642	523
Other	11,946	2,493	5,630
Purchases of inventory	20,213	-	-
Changes in inventories	157	-	-
Other adjustments and reconciling items	(542)	-	-
Total	$ 63,456	$ 10,496	$ 20,849

Selling Expense Disclosure Example:

During the year ended December 2027, selling expense was $13,425. The company's selling expenses include those expenses related to marketing and promotional activities and client relationship management.

This example does not illustrate the requirements to include other required expense disclosures in the tabular disclosure. This example also does not illustrate the qualitative disclosure requirements.

Other Resources

The Update is available at www.fasb.org. Additional information, including a brief video, is available through the FASB Projects website.

We Need Investor Involvement!

Investor feedback is vital to the success of all FASB activities so we can ensure that our projects result in information that is of the highest utility to those involved in making capital allocation decisions.

We have opportunities for investors to serve on advisory groups as well as to speak with us on specific projects within their areas of expertise.

If you would like to provide feedback or engage with us on any financial reporting topic, email: Senior Investor Liaisons Jeff Brickman at jmbrickman@fasb.org or Chandy Smith at ccsmith@fasb.org.