ASU 2024-03 (DISE): An Important SEC Disclosure Change with Enterprisewide Implications

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ASU 2024-03 (Disaggregation of Income Statement Expenses, or DISE) requires public companies to disaggregate income statement expense into defined natural categories and present them in structured, tabular disclosures in the financial statement notes. The standard is effective for annual reporting periods beginning after December 15, 2026, thus effective for calendar year SEC registrants beginning January 1, 2027.

ASU 2024-03 is not just a disclosure update. It elevates requirements for transparency, comparability and scrutiny of cost structures, demanding greater coordination across data, systems, processes, governance and internal controls to support more granular, repeatable and audit-ready reporting.

The impact of this new standard will vary. For some organizations, compliance represents a more structured, multiyear effort. Organizations with mature data models and reporting disciplines may only have to focus on refining and aligning what already exists. Other organizations may need to address foundational gaps in data granularity, system integration, allocation methodologies and cross-functional ownership. Most companies will fall somewhere in the middle, building on existing data, systems and governance while addressing targeted gaps.

Common challenges for companies will include capturing expense data at the right level of detail, connecting information across functions and systems, formalizing allocation approaches, and embedding disclosures into the close process without significant manual effort. Timing is also a consideration, as data, systems and controls work can compress the implementation timeline.

Below, we offer guidance on where organizations should prioritize their efforts to meet these new disclosure requirements and build a process that is accurate, supportable and sustainable.

What does ASU 2024-03 require?

To put it simply, ASU 2024-03 requires companies to be able to trace and report on expenses from underlying transactions through to SEC disclosure-ready categories, with enough consistency, documentation and control to support external reporting.

The standard introduces requirements for greater structure and transparency into expense reporting, including clearer visibility into classifications, reimbursements and supporting detail.

ASU 2024-03 requires companies to be able to trace and report on expenses from underlying transactions through to SEC disclosure-ready categories, with enough consistency, documentation and control to support external reporting.

Key elements include:

- Disaggregation into natural expense categories that include compensation, inventory purchases, depreciation and amortization
- Disclosure of expense reimbursements within relevant captions
- Residual reconciliation through an “other items” category
- Separate disclosure of selling expenses and related definitions

Why is this more than a disclosure update?

The implications of ASU 2024-03 extend well beyond the financial statements. Meeting the new requirements often involves reexamining how expense data is captured across systems, how it is categorized and mapped, and how it flows through the organization into external reporting. In many cases, the work touches multiple functions, including finance, IT, HR and procurement. As a result, ASU 2024-03 is less about technical accounting in isolation and more about how data, processes and governance need to operate together to support consistent, audit-ready reporting.

Where should companies focus their efforts?

For most companies, meeting the ASU 2024-03 disclosure requirements comes down to three practical questions: Do we have the right data? Can we produce the disclosure reliably? And is the process governed well enough to withstand audit scrutiny?

1. **Data readiness**

   The starting point is whether expense data is captured at the level of detail required for disclosure and can be consistently mapped from underlying systems through to financial statement reporting. This often involves aligning the chart of accounts, strengthening mappings between systems, and ensuring that expense information can be classified across both functional and natural dimensions. Clear traceability, from transaction to disclosure, is critical to supporting accuracy and auditability.

2. **Repeatable and efficient reporting**

ASU 2024-03 raises expectations around consistency and repeatability in how disclosures are prepared. Manual, spreadsheet-driven approaches become harder to sustain as the level of detail increases, inherent risk elevates and audit scrutiny intensifies. As a result, leading organizations are moving toward more structured, technology-enabled reporting processes that integrate directly into the close cycle.

When it comes to developing reliable, repeatable reporting processes, the focus may not necessarily be on large-scale transformation, but rather on reducing manual intervention, improving data flows and building processes that can operate reliably quarter after quarter.

3. **Governance and controls**

ASU 2024-03 introduces new expectations around how expense data is defined, validated and disclosed. This typically requires clearer ownership of key decisions, including how expense categories are defined, how allocations are applied and how disclosures are reviewed. Documentation and consistency become increasingly important, particularly as disclosures are subject to external reporting requirements.

From a controls perspective, this is generally an extension of existing internal control frameworks, with added focus on data completeness, allocation methodologies and the ability to support disclosures under audit.

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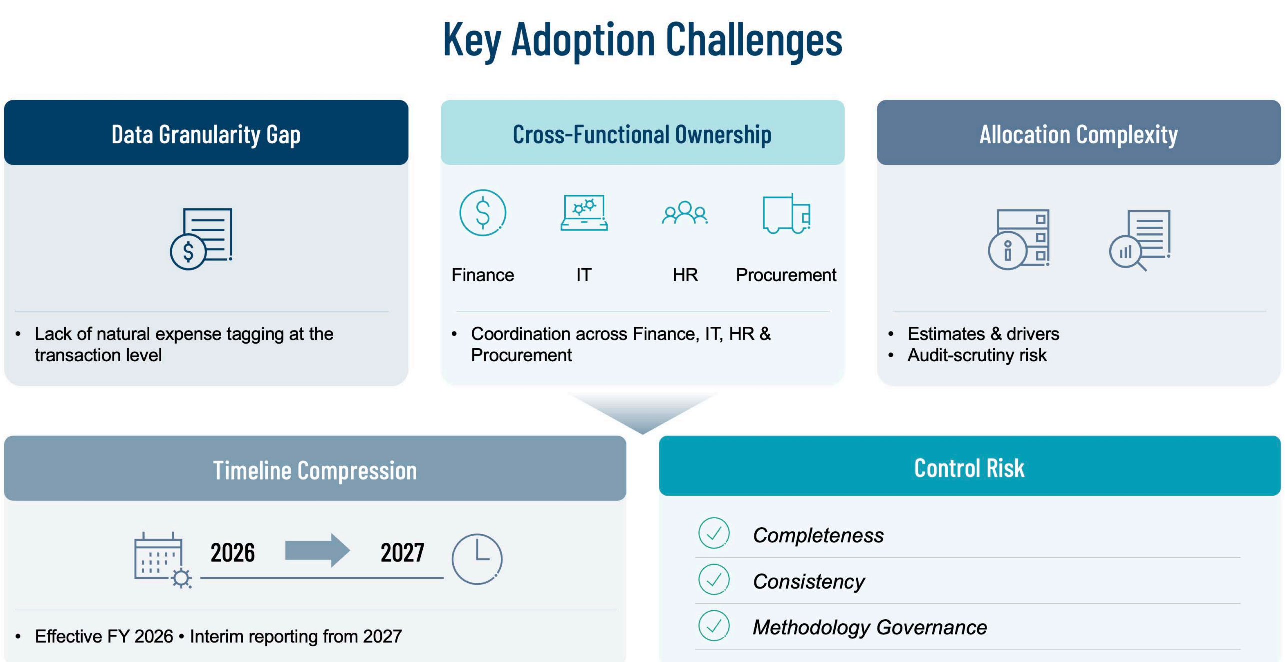
What are some of the key challenges in meeting the ASU 2024-03 requirements?

The challenges are less about technical accounting requirements and more about execution across data, systems and processes.

Common challenges related to ASU 2024-03 implementation include:

- **Data granularity:** Expense data may not be captured at the level of detail required for disclosure.
- **Cross-functional coordination:** Relevant data often resides across multiple functions within the organization and requires clear alignment.

- **Information technology decentralization**: Companies may be relying on various ERP systems spread across multiple geographies and reporting units.
- **Allocation complexity:** There are higher expectations around consistency, documentation and audit support.
- **Process integration:** Companies should embed disclosures into the close cycle without relying on manual workarounds.
- **Timeline pressure:** The December 15, 2026, effective date can compress implementation timelines, particularly where readiness has not been assessed.



What value, beyond compliance, should companies seek?

While compliance is the immediate goal, many organizations are identifying broader benefits from more structured expense data and reporting processes. These benefits can include:

- Better cost transparency and analysis
- Stronger financial planning and analysis insights
- Improved consistency and comparability in external reporting
- Progress toward broader finance data modernization initiatives

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How Protiviti can help

Protiviti supports organizations at all stages through an end-to-end approach to ASU 2024-03 adoption, helping clients move from initial readiness through implementation and ongoing reporting. This includes assessing data, systems and processes to identify gaps and define an actionable roadmap; supporting interpretation of technical requirements and development of audit-ready methodologies; and designing integrated data and reporting processes that reduce reliance on manual effort.

Protiviti also assists with strengthening governance and internal controls, embedding disclosures into the close process and supporting adoption requirements where applicable.

About the authors

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