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Technical Line

FASB — proposed guidance

A closer look at the FASB's proposal to require disaggregation of certain income statement expenses

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What you need to know

- The FASB's proposal would require public business entities to disclose in a tabular format, on an annual and interim basis, inventory and manufacturing expense, employee compensation, depreciation, intangible asset amortization and, for oil- and gas-producing activities, depreciation, depletion and amortization for each income statement line item that contains those expenses.
- Specified expenses, gains and losses that are already disclosed under existing US GAAP would also have to be included in the disaggregated line-item disclosures.
- Public business entities that disclose inventory and manufacturing expense under the proposal would also disclose certain categories of inventory and manufacturing costs incurred that are either capitalized to inventory or expensed during the current period. They would have to reconcile costs incurred to inventory and manufacturing expense recognized during the current period.
- Comments are due by 30 October 2023. The FASB will host a public roundtable on 13 December 2023 to obtain additional feedback.

Overview

The proposal by the Financial Accounting Standards Board (FASB or Board) would require a public business entity (PBE) to disclose, on an annual and interim basis, disaggregated information about certain income statement line items. The proposal would not change what a PBE presents on the face of its income statement. Rather, it would require a PBE to provide the proposed disclosures in a tabular format in the notes to the financial statements.

Building a better working world

The proposal is intended to address requests from investors and other financial statement users (collectively referred to as "investors") for more detailed expense information, which they said is critical to understanding an entity's performance, assessing its prospects for future cash flows, and comparing its performance both over time and with that of other entities. In paragraph BC 2 of the Background Information and Basis for Conclusions (BC) in the proposal, the FASB said that investors have asked for disclosure of the amounts of employee compensation, depreciation and amortization included in commonly presented income statement line items, such as cost of sales (COS) and selling, general and administrative expenses (SG&A).

The proposal would establish a new subtopic, Accounting Standards Codification (ASC) 220-40, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures*, that sets minimum disaggregated expense disclosure requirements for PBEs. The FASB said in paragraph BC 4 that it expects the proposed disclosures would significantly enhance the transparency of an entity's operations and cost structure and improve comparability because expense categories would be more clearly defined than the income statement line items that are presented by many business entities today.

PBEs should familiarize themselves with the proposal and understand how it would affect them. They should also evaluate whether their existing systems can capture the data that would be required to prepare the proposed disclosures and whether changes to systems or additional processes and controls would be necessary.

We encourage stakeholders to provide the FASB with feedback on its proposal.

The proposal is intended to address investors' requests for more detailed information about certain expenses.

Key considerations

The proposal would require a PBE to disclose, in a tabular format, on an annual and interim basis, inventory and manufacturing expense, employee compensation, depreciation, intangible asset amortization and, for oil- and gas-producing activities, depreciation, depletion and amortization (DD&A) (collectively referred to as "required expense categories") for each income statement line item that contains at least one of those expenses (referred to as "relevant expense line items").

Specified expenses, gains and losses that are already disclosed under existing US GAAP (referred to as "specified existing disclosures") would also have to be included in the tabular disaggregated expense disclosures for each relevant expense line item. The difference between each relevant expense line item amount and the aggregate amount of the required expense categories and the specified existing disclosures would also be included in the same table as "other amounts remaining" (or a similarly titled caption). This difference would be provided so that the total for each disaggregated expense table agrees to the relevant income statement line item. A PBE would have to describe the composition of the difference.

Additionally, a PBE that has inventory and manufacturing expense included in a disaggregated expense table would also disclose, in a separate table, costs incurred that are either capitalized to inventory or manufacturing costs expensed during the current period. Those costs incurred would be included in the separate table in the following categories:

- Purchases of inventory
- Employee compensation
- Depreciation
- Intangible asset amortization
- DD&A
- Costs capitalized to inventory and manufacturing expenses not included above

A PBE would then reconcile total inventory and manufacturing costs incurred to inventory and manufacturing expenses recognized in the current period (if such expenses are included in the disaggregated expense tables for each relevant expense line item). These disclosures would also be required on an annual and interim basis.

The proposal would also require a PBE to disclose the total amount of its selling expenses on an annual and interim basis and disclose how it defines selling expenses and other manufacturing expenses on an annual basis.

Current requirements

There are currently no broad requirements in the accounting guidance to present specific line items (or captions) on the face of the income statement or to disaggregate certain expense line items. However, there are industry-specific presentation requirements as well as presentation requirements that are triggered when a specific event occurs (e.g., goodwill impairment for a PBE). Under existing GAAP, certain expenses, gains and losses, while not required to be separately presented on the income statement, are required to be disclosed, including in some instances, the line item(s) where the amount is included in the income statement.

Securities and Exchange Commission (SEC) Regulation S-X includes general and industry-specific income statement presentation requirements for PBEs that file or furnish financial statements with the SEC. For example, Regulation S-X Rule 5-03, *Statements of Comprehensive Income*, lists the various expense captions that a commercial and industrial company should present on the face of the statements of comprehensive income, including "costs and expenses applicable to sales and revenues" and "selling, general and administrative expenses."

The FASB said in paragraph BC 3 that investors have observed diversity in the amount of disaggregated expense information that entities provide in financial statements. Additionally, the naming and classification conventions for income statement expense line items vary by industry and entity. The Board noted in paragraph BC 11 that investors have previously observed that while the disaggregation of expenses by function, such as COS and general and administrative expenses, may be helpful for analyzing overall business trends, it aggregates items with different economic drivers (e.g., labor, raw materials) and reduces the predictive value of the information. Refer to the *Natural versus functional expense classifications* section below.

Scope and scope exceptions

The proposal would apply to PBEs only. Private companies, not-for-profit entities (NFPs) and employee benefit plans would be excluded from the scope of the guidance.

Although the proposed guidance would not apply to private companies, some Board members said they would be open to revisiting whether any final disaggregation requirements should be considered for private companies after considering the implementation experience of PBEs and conducting additional research that is focused on private companies, as noted in paragraph BC 23.

The guidance would not apply to NFPs because they are already subject to expense disclosure requirements that are more disaggregated than those currently required for business entities. For example, ASC 958-720-45-15's requires NFPs to report disaggregated expense information in one location on the face of the statement of activities, as a schedule in the notes to the financial statements or in a separate financial statement.

Income statement line items subject to disaggregation

When applying the proposed guidance, a PBE would first identify which expense line item(s) presented on the face of its income statement would have to be disaggregated in the notes to the financial statements (i.e., relevant expense line items).

A relevant expense line item would be any line item presented on the face of the income statement in continuing operations that contains at least one of the following expense categories (i.e., required expense categories):

- Inventory and manufacturing expense
- Employee compensation
- Depreciation
- Intangible asset amortization
- DD&A recognized as part of oil- and gas-producing activities

An income statement line item that does not contain any of the required expense categories would not be a relevant expense line item and, therefore, would not be subject to the proposed requirements. For example, income tax expense would not be a relevant expense line item because it does not contain any of the required expense categories.

A PBE would disclose, on an annual and interim basis, the following information in a table for each relevant expense line item:

Required expense categories	Separate disclosure of each of the following (220-40-50-4): ▸ Inventory and manufacturing expense ▸ Employee compensation ▸ Depreciation ▸ Intangible asset amortization ▸ DD&A recognized as part of oil- and gas-producing activities
Integration of specified existing disclosures Note: Disclosures would only be required in interim disaggregated expense tables if existing GAAP requires disclosure in interim reporting periods. (220-40-50-3)	Specified expenses, gains and losses for which there is an existing requirement to disclose the amount and the line item(s) in the income statement where the amount is included (220-40-50-12)
	Specified expenses, gains and losses for which there is an existing requirement to disclose the amount, but no requirement to disclose the line item in the income statement where the amount is included The amount would be included in the disaggregated expense tables only if it is recorded entirely in one line item on the income statement. (220-40-50-13)
Other amounts remaining in relevant expense line items	The aggregate of other amounts remaining in relevant expense line items after breaking out the required expense categories and integrating specified existing disclosures (220-40-50-16)
Total for each relevant expense line item	

Required expense categories

As noted in paragraphs BC 34, the FASB decided to limit the required expense categories to inventory and manufacturing expense, employee compensation, depreciation, intangible asset amortization and DD&A because those categories align with the highest priority natural expense categories indicated in investors' feedback and it would be less costly for preparers than requiring a full disaggregation of income statement line items. The proposed disaggregation approach is also similar to the current approach taken by the International Accounting Standards Board for its project on ***primary financial statements***.

Natural versus functional expense classifications

"Natural expense classification" is defined in the ASC Master Glossary as:

> "A method of grouping expenses according to the types of economic benefits received in incurring those expenses. Examples of natural expense classifications include salaries and wages, employee benefits, nonemployee professional services, supplies, interest expense, rent, utilities, and depreciation."

The FASB said in paragraph BC 35 that it views the required expense categories (i.e., inventory and manufacturing expense, employee compensation, depreciation, intangible asset amortization and DD&A) as natural expenses. As an example, the FASB noted that the types of economic benefits received from employees' services are different from those received from the use of a constructive asset (e.g., a building).

In contrast, "functional expense classification" is defined in the ASC Master Glossary as a: "method of grouping expenses according to the purpose for which costs are incurred …." Common functional expenses for a business entity include COS and SG&A. While employee compensation may represent one type of natural expense, it can be divided between different functions, such as manufacturing and production, the cost of providing services, SG&A functions, and research and development (R&D) activities, as noted in paragraph BC 36. Therefore, functional expense categories, such as SG&A expense, may include natural expense amounts that have different economic characteristics.

Determining the purpose for which a cost was incurred (i.e., the functional classification) is subjective and can require judgment. The FASB noted in paragraph BC 36 that allocating a natural expense to multiple functional expense line items does not affect its underlying natural expense categorization. For example, allocating the cost of an employee's salary to COS and R&D does not change the natural classification of the cost incurred (i.e., it remains employee compensation).

However, the Board determined that capitalization of a cost to an asset affects the natural classification of that cost and any expense that is subsequently recognized would have a different natural classification than the cost that was capitalized, as noted in paragraph BC 36. Refer to the *Employee compensation costs capitalized to assets other than inventory* section below.

Inventory and manufacturing expense

Inventory and manufacturing expense would comprise inventory expense and other manufacturing expenses. Inventory expense would be defined as "an expense resulting from the derecognition of inventory due to sale to customers, consumption in the production of goods or services for such sale, or remeasurement (for example, an impairment) in accordance with Section 330-10-35 or any other Subsequent Measurement Section within an Industry Subtopic in Topic 330 on inventory." Inventory expense would exclude the cost of sold inventory that is embedded in a gain or loss as a result of an event or transaction other than those listed above (e.g., when the inventory is derecognized as part of the transfer of a business), as noted in paragraph BC 65.

The proposed guidance would not define other manufacturing expenses, but a PBE would have to disclose its definition of those expenses on an annual basis.

The Board decided not to define other manufacturing expenses because it would be less costly and more operable to allow a PBE to apply reasonable judgment to define other manufacturing expenses based on its facts and circumstances, as stated in paragraph BC 121. However, paragraph 220-40-50-6 of the proposal states that such costs "generally include, but are not limited to, certain costs incurred as part of an entity's manufacturing activities that are not capitalizable (for example, unallocated manufacturing overhead related to abnormally low production)." A PBE would be required to disclose how it defines other manufacturing expenses on an annual basis.

Paragraph 220-40-50-17 of the proposal states that the amounts disclosed for other required expense categories discussed further below (i.e., employee compensation, depreciation, intangible asset amortization and DD&A) would exclude expenses related to the entity's manufacturing activities. For example, the inventory and manufacturing expense amount in the disaggregated expense tables would include (1) employee compensation that is capitalized into inventory and recognized as expense through the derecognition of inventory in accordance with ASC 330, *Inventory*, or an industry subtopic in ASC 330 (e.g., ASC 908-330, ASC 985-330) and (2) employee compensation that is expensed in the current period and is included in the entity's definition of "other manufacturing expenses." In contrast, employee compensation that is not related to an entity's inventory and manufacturing expenses would be included as a separate expense category ("employee compensation") in the disaggregated expense tables.

Inventory and manufacturing expense would be further disaggregated into categories of costs incurred in a separate table. Refer to *Further disaggregation of inventory and manufacturing expense into categories of costs incurred* section below.

How we see it

A PBE may need to apply judgment when establishing its accounting policy for how it defines other manufacturing expenses and would then need to apply that policy consistently. PBEs may define other manufacturing expenses differently across industries and across entities within the same industry based on entity-specific facts and circumstances.

A PBE would have to evaluate whether its existing systems can capture the data needed to distinguish manufacturing expenses from non-manufacturing expenses and whether additional processes and controls would be necessary to prepare the proposed disclosures.

Employee compensation

Definition of employee

The proposal would use the definition of *employee* that is used in ASC 718, *Compensation — Stock Compensation*, but the proposal amends the definition by making minor conforming changes so that it includes forms of consideration other than stock compensation. The FASB said in paragraph BC 59 that it does not expect the proposed changes to the definition of employee to affect how that term is currently interpreted for the purpose of applying the guidance in ASC 718.

Definition of employee compensation

The proposal would define *employee compensation* broadly to include all forms of cash consideration (including deferred cash compensation), share-based payment arrangements, medical care benefits, pension benefits, postretirement benefits and nonretirement postemployment benefits (including one-time, special or contractual termination benefits) given by an entity in exchange for services rendered by employees or for the termination of employment.

Given the broad definition of employee compensation, the amount disclosed would include compensation costs arising from wages, salaries, social security contributions, profit-sharing, bonuses, one-time termination benefits, other postemployment benefits, employee stock ownership plans, employee share purchase plans, defined contribution plans and multiemployer plans. However, employee compensation would exclude compensation amounts related to non-employees (e.g., independent contractors).

Even though one-time employee termination benefits accounted for in accordance with ASC 420, *Exit or Disposal Cost Obligations*, would be included in the definition of employee compensation, those benefits would be disclosed separately from employee compensation in the disaggregated expense tables.

The proposed definition of employee compensation would establish a minimum requirement of the types of cash and noncash compensation that would be classified as employee compensation for purposes of preparing the proposed disclosures. A PBE would be permitted to make an accounting policy election to classify other transactions entered into for the benefit of employees (e.g., the provision of subsidized goods or services) as employee compensation. The entity would be required to apply its policy consistently and disclose that other transactions for the benefit of employees have been included in employee compensation and also disclose a description of the transactions that have been included.

Practical expedient for determining employee compensation

Article 9 of SEC Regulation S-X provides rules for the form and content of consolidated financial statements filed for bank holding companies, savings and loan holding companies, and the financial statements for banks and savings and loan associations. Entities that comply with Regulation S-X Rule 9-04, *Statements of comprehensive income*, generally present "salaries and employee benefits" as a separate line item on the face of the income statement.

As a practical expedient for determining what amounts are classified as employee compensation, entities that present "salaries and employee benefits" (or a similarly named line item) on the face of the income statement to comply with Regulation S-X, Rule 9-04 would be permitted to use those amounts for purposes of disclosing employee compensation rather than the amounts determined in accordance with the proposed definition of employee compensation. The FASB said in paragraph BC 62 that it does not expect this practical expedient to result in substantially different amounts for employee compensation than under the proposed definition.

Employee compensation costs capitalized to assets other than inventory

The FASB said in paragraph BC 36 that when costs are capitalized to an asset it affects the natural classification of that cost and any expense that is subsequently recognized would have a different natural classification than the cost that was capitalized. Refer to *Natural versus functional expense classifications* section above.

Under the proposal, employee compensation costs capitalized to assets other than inventory (e.g., internal use software, costs to obtain a contract with a customer) would be excluded from the disclosure of employee compensation expense. An example may be commissions paid to an employee that are capitalized in accordance with ASC 340-40, *Other Assets and Deferred Costs—Contracts with Customers*. Such costs (i.e., capitalized costs to obtain a contract with a customer) are subsequently recognized as an expense through amortization (or impairment). A PBE would not include the amortization of previously capitalized commission costs in its disclosure of employee compensation. Amortization of costs to obtain a contract with a customer would be separately disclosed in a disaggregated expense table if certain conditions are met. Refer to *Integration of specified existing disclosures* section below

Depreciation and intangible asset amortization

The amounts disclosed for depreciation and intangible asset amortization would be consistent with the existing requirement to disclose "depreciation expense for the period" in ASC 360, *Property, Plant, and Equipment*, and "the aggregate amortization expense for the period" in ASC 350-30, *General Intangibles Other Than Goodwill*, respectively.

Amortization of capitalized costs related to software to be sold, leased or marketed

Capitalized costs related to software to be sold, leased or marketed are subject to the disclosure requirements in ASC 350-30. Therefore, amortization of those costs would be considered intangible asset amortization for purposes of applying the proposed guidance, as noted in paragraph BC 67.

Amortization of capitalized costs related to internal-use software

The proposal does not address how amortization of internal-use software would be disclosed. The FASB said in paragraph BC 70 that those amounts would be included in either depreciation recognized in accordance with ASC 360-10 or intangible asset amortization recognized in accordance with ASC 350-40.

Amortization of finance lease right-of-use assets and leasehold improvements

The amortization of finance lease right-of-use assets and leasehold improvements recognized in accordance with ASC 842, *Leases*, would be included in either the depreciation or intangible asset amortization expense category.

DD&A

The FASB acknowledged in paragraph BC 44 that DD&A is an industry-specific expense but said it proposed including it as a required expense category for entities with oil- and gas-producing activities because "it represents a potentially significant noncash expense that is recognized systematically like depreciation and intangible asset amortization."

Integration of specified existing disclosures

Specified expenses, gains and losses that are already disclosed under existing US GAAP (i.e., specified existing disclosures) would also have to be included in the disaggregated expense tables. The integration of specified existing disclosures into the tables only applies to relevant expense line items. That is, an income statement line item that includes a specified existing disclosure but does not include any required expense categories (i.e., inventory and manufacturing expense, employee compensation, depreciation, intangible asset amortization and DD&A) would not be a relevant expense line item.

Including specified existing disclosures in the disaggregated expense tables is intended to assist investors in locating relevant information in the notes to the financial statements. It is also intended to reduce the other amounts remaining for each relevant expense line item after breaking out all the required disaggregated information. Refer to *Other amounts remaining in relevant expense line items* section below.

The proposal includes two lists of existing disclosures that would be integrated into the disaggregated expense tables if certain conditions are met. Refer to Appendix D for the two lists included in proposed paragraphs 220-20-50-12 and -50-13.

The first list (paragraph 220-40-50-12(a) through (l)) includes specified expenses, gains and losses for which there is an existing requirement to disclose **both:**

- The amount
- The line item in the income statement where the amount is included

For example, ASC 815, *Derivatives and Hedging*, requires an entity to disclose the amount for gains and losses on derivative instruments and related hedged items and the income statement line item where the amount is aggregated. Because this disclosure requirement is included in paragraph 220-40-50-12(h), a PBE would include that disclosure as a separate category in the disaggregated expense table for each relevant expense line item that includes such gain or loss.

The second list (paragraph 220-40-50-13(a) through (t)), includes specified expenses, gains and losses for which there is an existing requirement to disclose the amount, but no requirement to disclose the line item in the income statement where the amount is included. These amounts would be included in the disaggregated expense tables only if the amount is recorded entirely in one relevant expense line item.

Specified existing disclosures would have to be included in the proposed disaggregated expense tables when certain conditions are met.

For example, ASC 842 requires an entity to disclose operating lease cost but does not require disclosure of the income statement line item(s) where that amount is included. If the total amount is recognized entirely in SG&A, a PBE would be required to include that amount as a separate expense category in the SG&A disaggregated expense table. Conversely, if the aggregate amount is presented within COS and SG&A, a PBE would not be required to include the individual amounts as a separate expense category in the respective disaggregated expense tables. Instead, operating lease cost would be included in other amounts remaining within each relevant expense line item table and would, if significant, be described qualitatively.

There are certain existing disclosure requirements that are not included in proposed paragraphs 220-20-50-12 and 50-13, such as the requirement to disclose "total research and development costs charged to expense" in ASC 730, *Research and Development*, and "total amount charged to advertising expense" in ASC 720-35, *Advertising Costs*, respectively. The Board said in paragraph BC 72 that it selected the specified existing disclosures that are included in the proposal based on whether the amount disclosed would be a type of expense, gain or loss that would be mutually exclusive from the required expense categories. That is, the Board intentionally excluded certain expenses, gains and losses that may overlap with the required expense categories.

Interim reporting considerations

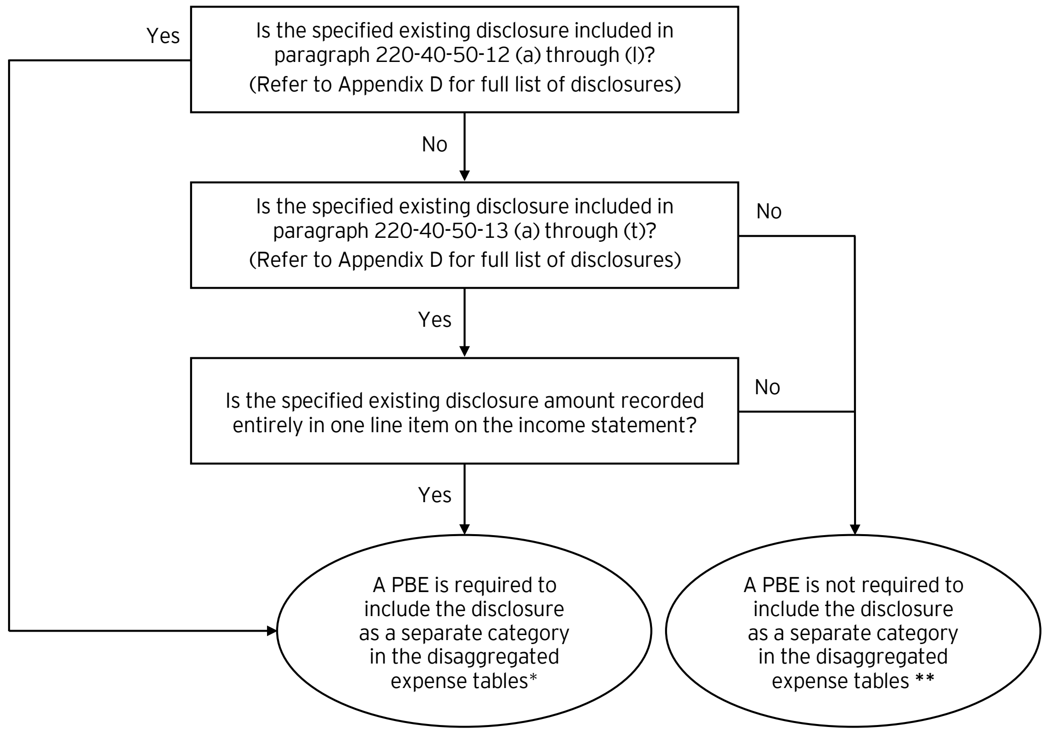
A PBE would only be required to include a specified existing disclosure in the interim disaggregated expense tables if it is required in interim reporting periods. That is, the proposal would not change existing GAAP requirements for specified existing disclosures. Therefore, the disaggregated expense table may have different specified existing disclosures in interim and annual periods.

Materiality considerations

In some circumstances, an existing GAAP disclosure is not made, for example because of the application of ASC 105-10-05-6, which states that "the provisions of the Codification need not be applied to immaterial items." In such cases, the FASB said in paragraph BC 77 that the implementation of the proposal would not affect an entity's conclusion that the disclosure is not required.

Decision tree on the integration of specified existing disclosures

The following decision tree summarizes how a PBE would determine which existing disclosures specified in ASC 220-40-50-12 and 50-13 would be integrated into the disaggregated expense tables for each relevant expense line item:



* A PBE would not be required to include the disclosures listed in paragraphs 220-40-50-12 and 50-13 in the interim disaggregated expense tables if the existing disclosure requirements referenced in those paragraphs are not required in interim reporting periods. In addition, if a PBE does not make an existing disclosure in paragraphs 220-40-50-12 and 50-13 (e.g., because the entity concludes the disclosure is immaterial), the proposal would not affect that conclusion.

** Specified existing disclosures that are not separately disclosed in the disaggregated expense tables would be included in "other amounts remaining" (or a similarly titled caption) in relevant expense line items and described qualitatively.

Other amounts remaining in relevant expense line items

A PBE would quantitatively disclose the other amounts remaining within each relevant expense line item in the tabular disclosure after breaking out the required expense categories and integrating the specified existing disclosures.

Other amounts remaining would be the difference between the following:

- The amount of the relevant expense line item presented on the face of the income statement
- The aggregate amount of expense categories that are separately disclosed, including the required expense categories and specified existing disclosures

The quantitative disclosure of other amounts remaining would be provided so that the total for each disaggregated expense table agrees to the income statement line item.

A PBE would also qualitatively describe the composition of other amounts remaining based on their natural expense classifications. The detail provided in the qualitative disclosure would be commensurate with the significance of the amounts being described. The FASB said in paragraph BC 82 that it anticipates that a qualitative description would provide investors with additional relevant expense information and would not involve significant implementation costs for preparers.

Paragraph 220-40-50-16 of the proposal states that an entity is not precluded from providing further disaggregation of relevant expense line items before applying the guidance on other amounts remaining. That is, an entity can elect to separately disclose expense categories that would not be required under the proposed guidance. For example, an entity that outsources labor activities could elect to separately disclose compensation paid to independent contractors in the disaggregated expense tables to provide investors further disaggregated information on labor-related costs that do not meet the proposed definition of employee compensation.

Further disaggregation of inventory and manufacturing expense into categories of costs incurred

A PBE that discloses inventory and manufacturing expense in its tabular disclosure would also disclose, in a separate table, the following information, on an annual and interim basis:

Costs incurred in the current period that are capitalized to inventory or expensed as incurred (220-40-50-18):	Costs incurred would be separately disclosed for each of the following categories: ‣ Purchases of inventory ‣ Employee compensation ‣ Depreciation ‣ Intangible asset amortization ‣ DD&A recognized as part of oil- and gas-producing activities ‣ Other costs capitalized to inventory and manufacturing expenses not included in the categories above
Total inventory and manufacturing costs incurred	
Changes in inventory (220-40-50-19)	The difference between the amount of inventory included on the balance sheet presented at the end of the prior period and that presented at the end of the current period
Other adjustments and reconciling items (220-40-50-20)	Other adjustments and reconciling items that are necessary to reconcile total inventory and manufacturing costs incurred to total inventory and manufacturing expense recognized in the current period
Total inventory and manufacturing expense	

Costs incurred in the current period

A PBE would disclose certain categories of inventory and manufacturing costs incurred in the current period that are either capitalized to inventory or expensed as incurred. The PBE would then reconcile total costs incurred to inventory and manufacturing expense recognized in the period (and included in the disaggregated expense table for any relevant expense line item that includes inventory and manufacturing expense).

In paragraph BC 46, the FASB said that investors have requested greater visibility into costs included in cost of goods sold (or similar captions). When considering various disaggregation approaches, the Board received feedback from preparers that disaggregating inventory expense into natural categories (e.g., employee compensation, depreciation) would be prohibitively costly because it would require an entity to identify costs capitalized as part of inventory in a prior period and expensed in the current period. Preparers also said such a disaggregation would be challenging in cases where costs may have been capitalized to inventory many years ago (e.g., when applying LIFO), as noted in paragraph BC 47.

The proposed disclosure of inventory and manufacturing costs incurred in the current period is intended to provide investors with insight into the nature of costs that will be recognized as inventory expense in the future, while taking into consideration the implementation concerns raised by preparers.

The FASB observed that, to apply existing inventory accounting requirements, manufacturing entities need to have systems designed to appropriately track and/or approximate costs incurred in the production process. Therefore, the Board expects that it would be feasible for entities, including manufacturing entities, to disaggregate costs incurred that are either capitalized to inventory or expensed as part of manufacturing activities during the current period, as noted in paragraphs BC 48 and BC 49. The Board acknowledged that factors such as the use of standard costs, intra-entity allocations, foreign currency transactions and consolidations are likely to influence the cost of implementing the proposed guidance.

Purchases of inventory

Purchases of inventory would include costs incurred (i.e., costs capitalized to inventory or expensed as incurred during the current period) to obtain raw materials, finished goods and other externally purchased inputs. They also would include inventory recognized as part of an asset acquisition, business combination or upon initial consolidation of a variable interest entity that is not a business.

The cost of implementing the proposed guidance would likely be influenced by the use of standard costs, intra-entity allocations, foreign currency transactions and consolidations.

The Board expects disclosure of costs incurred for purchases of inventory to be useful because investors would be able to combine the cost amounts disclosed with information from other sources (e.g., the prevailing market prices of known key inputs) to assess the effect on an entity's performance. In addition, the Board said in paragraph BC 55 that it expects the disclosure of purchases of inventory and employee compensation to help an investor understand an entity's relative cost exposures.

Employee compensation

The disclosure of costs incurred for employee compensation would be based on the same definition of "employee compensation" discussed in the *Required expense categories* section above. However, the amount disclosed would only include employee compensation costs capitalized to inventory and employee compensation costs expensed as incurred during the period that relate to other manufacturing activities (refer to *Inventory and manufacturing expense* section above). In contrast, the amount disclosed for employee compensation expense in the disaggregated expense tables would only include employee compensation that is unrelated to an entity's manufacturing activities and was not previously capitalized to inventory.

How we see it

We observe that preparing the employee compensation disclosures for each of the tables noted above may be challenging, and a PBE would need to evaluate whether its existing systems can capture the different sets of data needed to prepare the proposed disclosures. In addition, a PBE may need to educate its investors and other financial statement users about the composition of each amount disclosed as employee compensation.

Depreciation, intangible asset amortization and DD&A

The disclosure of categories of inventory and manufacturing costs incurred would include depreciation, intangible asset amortization and DD&A that has been capitalized to inventory under ASC 330 (or an industry subtopic in ASC 330) or relates to other manufacturing activities and has been expensed during the current period.

Other amounts remaining for costs incurred

A PBE would also quantitatively disclose other amounts remaining for inventory and manufacturing costs incurred that are not related to purchases of inventory, employee compensation, depreciation, intangible asset amortization and DD&A. A PBE would also qualitatively describe the composition of those amounts based on natural expense classifications.

Changes in inventory and other adjustments and reconciling items

To reconcile total costs incurred to total inventory and manufacturing expense recognized in the current period, a PBE would disclose changes in inventory and other adjustments and reconciling items.

Changes in inventory in the current period would equal the difference between the amount of inventory included on the balance sheet presented at the end of the prior period and that presented at the end of the current period. For example, an impairment of inventory held at the end of the prior period would be captured in the change in inventory.

Other adjustments and reconciling items would include other amounts that are necessary to reconcile costs incurred to expenses recognized during the reporting period. This could include the amount of inventory derecognized during the period that does not meet the definition of inventory expense under the proposal (e.g., inventory sold to noncustomers in connection with a disposal) or amounts attributable to foreign currency translations. A PBE would also have to qualitatively describe the composition of those amounts based on natural expense classifications.

Disclosure of selling expenses

A PBE would be required to disclose total selling expenses recognized during the period on an annual and interim basis. The entity would also have to disclose how it defines selling expenses on an annual basis.

The Board said in paragraph BC 86 that it intends for selling expenses to only include items that are presented as expenses on the income statement. In addition, the Board said in paragraph BC 89 that management would have broad latitude in defining selling expenses, including whether selling expenses include or exclude fulfillment costs, costs associated with physical sales locations, websites, allocation of management expenses and many other acceptable judgments made by preparers.

The proposed requirements are intended to address investors' requests for disclosure of selling expenses separate from other expenses (e.g., general and administrative expense), which they said would improve their ability to predict an entity's performance by providing insight into costs that are more likely to vary based on changes in revenue, as noted in paragraph BC 5.

Internal control considerations

The proposal may have significant implications on a PBE's internal control over financial reporting. PBEs should familiarize themselves with the proposal and evaluate whether their existing systems can capture the data that would be required to make the proposed disclosures and whether additional processes and controls would be necessary.

Applying the proposed guidance may be complex, and certain circumstances and events may factor into how a company would implement the guidance, including:

- The extent and existence of intra-entity cost center allocations
- Consolidation processes, including those that may eliminate intra-entity transactions

- The effect of foreign currency transactions
- Recent acquisitions requiring an integration of the acquired entities processes and systems that track expenses or use different inventory cost-flow assumptions

Entities should also consider the complexity of their organization (e.g., multinational operations) and the extent that internal control processes, including accounting and reporting systems, across business units are decentralized. They would need to make sure entity-wide processes are designed to facilitate the consistent collection and classification of data for preparing the proposed disclosures. PBEs would also have to consider providing the proper training to their accounting and financial reporting personnel.

Transition and effective date

PBEs would be required to apply the guidance prospectively but would be permitted to apply it retrospectively. The Board acknowledged that many entities may not have all the necessary prior year information to apply the proposed requirements retrospectively and observed that requiring retrospective application would be costly and may necessitate a later effective date.

The Board will determine the effective date and whether early adoption would be permitted after it considers comment letter feedback. The FASB will also host a public roundtable on 13 December 2023 to obtain additional feedback.

Appendix A: Example — Entity with manufacturing and service operations

The following example of an annual disclosure is based on Example 1 in paragraphs 220-40-55-4 to 55-12 of the proposal.

For the year ended December 31, 20X3, Entity XYZ, a manufacturer with significant service operations, presents the following comparative statement of operations:

Consolidated Statement of Operations	20X3	20X2	20X1
Revenues:			
Products	$ 82,144	$ 79,137	$ 75,180
Services	26,132	23,146	21,989
Total revenues	108,276	102,283	97,169
Operating expenses:			
Cost of products sold	63,456	60,898	57,244
Cost of services	10,496	9,568	8,898
Selling, general, and administrative	20,849	18,871	18,116
Total operating expenses	94,801	89,337	84,258
Operating income	13,475	12,946	12,911
Interest expense	4,971	4,213	4,297
Income before income taxes	8,504	8,733	8,614
Income tax expense	1,786	1,834	1,809
Net income	**$ 6,718**	**$ 6,899**	**$ 6,805**

Relevant expense line items

Relevant expense line items: Entity XYZ determines that cost of products sold, cost of services and SG&A would be relevant expense line items because they include at least one of the required expense categories in proposed paragraph 220-40-50-4.

Additional background: Entity XYZ recognizes (1) impairment of property, plant and equipment (PP&E) classified as held and used in SG&A, (2) expenses associated with warranty accruals entirely within cost of products sold and (3) operating lease cost in both cost of services and SG&A.

Under the proposal, Entity XYZ would disclose the following disaggregated information in the notes to the financial statements:

Cost of products sold	20X3	20X2	20X1
Inventory and manufacturing expense	53,688	51,935	48,680
Employee compensation	2,046	1,827	1,279
Depreciation	1,395	1,311	1,232
Warranty expense	4,394	3,952	3,894
Other cost of products sold[(a)]	1,933	1,873	2,159
Total cost of products sold	**63,456**	**60,898**	**57,244**

The company defines manufacturing expenses (other than inventory expense) as those incurred for the purpose of producing units of inventory but are not capitalizable. Other manufacturing expenses include costs incurred related to idled manufacturing plants.

(a) Other cost of products sold consisted primarily of amounts paid to carriers for freight services related to contract fulfillment for the years ended December 31, 20X3, 20X2 and 20X1.

Inventory and manufacturing expense	20X3	20X2	20X1
Purchases of inventory	20,213	19,199	16,319
Employee compensation	15,532	14,712	12,799
Depreciation	8,795	8,678	8,418
Intangible asset amortization	3,914	4,050	3,929
Other inventory and manufacturing costs[(b)]	5,619	5,733	5,834
Total inventory and manufacturing costs	**54,073**	**52,372**	**47,299**
Other adjustments and reconciling items[(c)]	(542)	424	538
Change in inventories	157	(861)	843
Total inventory and manufacturing expense	**53,688**	**51,935**	**48,680**

(b) Other inventory and manufacturing costs consisted primarily of power, fuel and other utilities costs for the years ended December 31, 20X3, 20X2 and 20X1.

(c) Other adjustments and reconciling items consisted of reconciling adjustments attributable to differences in the foreign exchange rates used to translate beginning inventory, ending inventory and costs incurred from various functional currencies into the reporting currency for the years ended December 31, 20X3, 20X2 and 20X1. For the year ended December 31, 20X3, other adjustments and reconciling items also included the carrying amount of inventory sold to noncustomers in connection with a disposal transaction.

Selling, general, and administrative			
	20X3	20X2	20X1
Employee compensation	13,242	11,379	10,764
Depreciation	1,454	1,755	1,737
PP&E impairment	412	-	-
Intangible asset amortization	523	596	-
Other SG&A[(d)]	5,218	5,141	5,615
Total SG&A	**20,849**	**18,871**	**18,116**

(d) Other SG&A consisted primarily of professional services fees, operating lease expense and the costs paid to third parties for printing, publications and advertising for the years ended December 31, 20X3, 20X2 and 20X1.

Cost of services			
	20X3	20X2	20X1
Employee compensation	6,598	5,654	4,354
Depreciation	763	765	742
Intangible asset amortization	642	670	650
Other cost of services[(e)]	2,493	2,479	3,152
Total cost of services	**10,496**	**9,568**	**8,898**

(e) Other cost of services consisted primarily of operating lease and travel costs for the years ended December 31, 20X3, 20X2 and 20X1.

Disclosure considerations

Disaggregated expense tables

- The table for each relevant expense line item (i.e., cost of products sold, cost of services and SG&A) includes a separate line item for each applicable required expense category in paragraph 220-40-50-4 (i.e., inventory and manufacturing expense, employee compensation, depreciation, intangible asset amortization and DD&A).
- Impairment of PP&E is an example of a specified existing disclosure for which there is an existing requirement to disclose the amount and line item in the income statement where it is included (ASC 360-10-50-2). In this example, impairment is included entirely within SG&A and is, therefore, disclosed as a separate category within the SG&A table.
- Warranty expense and operating lease cost are examples of specified existing disclosures in paragraph 220-40-50-13 that would be integrated into the disaggregated expense tables if the amount is recorded entirely in one relevant expense line item.
  - In this example, warranty expense is recognized entirely within cost of products sold. Therefore, Entity XYZ discloses warranty expense as a separate category within the cost of products sold table.
  - In contrast, operating lease cost is recognized in cost of services and SG&A (i.e., more than one relevant expense line item). Therefore, Entity XYZ is not required to integrate operating lease cost as a separate category in the respective disaggregated expense tables. Instead, operating lease cost would be included in the aggregate of other amounts remaining for the cost of services and SG&A disaggregated expense tables, respectively, and, if significant, would be included in the qualitative disclosure (discussed further below).
- Entity XYZ quantitatively discloses the aggregate of other amounts remaining in each relevant expense line item so that the total for each disaggregated expense table agrees to the relevant income statement line item. Entity XYZ also qualitatively describes the composition of those amounts based on natural expense classifications. For example, Entity XYZ describes the composition of other cost of products sold as consisting primarily of amounts paid to carriers for freight services related to contract fulfillments.

Inventory and manufacturing expense table

- Entity XYZ further disaggregates inventory and manufacturing expense into categories of costs incurred (i.e., purchases of inventory, employee compensation, depreciation, intangible asset amortization and other costs incurred that are not included in the previous categories).
- Entity XYZ also reconciles costs incurred to inventory and manufacturing expense recognized in the current period and would provide a qualitative disclosure of the components of other adjustments and reconciling items.

Example annual disclosure of selling expenses and the related accounting policy

During the years ended December 31, 20X3, 20X2 and 20X1, selling expenses were $13,425, $12,123 and $11,585, respectively. The entity's selling expenses include those expenses relating to marketing and promotional activities and client relationship management.

Appendix B: Example — Entity with service operations

The following example of an annual disclosure is based on Example 2 in paragraphs 220-40-55-13 to 55-19 of the proposal.

For the year ended December 31, 20X3, Entity XYZ, a services provider, presents the following comparative statement of operations:

Consolidated Statement of Operations	20X3	20X2	20X1
Revenues	$737,132	$710,146	$694,180
Cost of sales	140,055	170,435	145,778
Selling, general, and administrative expenses	497,962	458,215	471,626
Research and development expenses	57,235	52,174	48,898
Depreciation and amortization	31,578	26,178	23,628
Operating income	10,302	3,144	4,250
Interest expense	3,145	2,665	2,297
Income before income taxes	7,157	479	1,953
Income tax expense	1,503	101	410
Net income	**$ 5,654**	**$ 378**	**$ 1,543**

Relevant expense line items

Relevant expense line items: Entity XYZ determines that COS, SG&A, R&D and depreciation and amortization would be relevant expense line items because they include at least one of the required expense categories in proposed paragraph 220-40-50-4.

Additional background: Entity XYZ recognizes one-time employee termination benefits in COS, SG&A and R&D. In addition, Entity XYZ recognizes operating lease cost in COS, SG&A and R&D.

Under the proposal, Entity XYZ would provide the following disclosures in a tabular format in the notes to the financial statements:

Cost of sales	20X3	20X2	20X1
Employee compensation	86,336	83,903	100,009
One-time employee termination benefits	7,434	39,298	-
Other COS[(a)]	46,285	47,234	45,769
Total COS	**140,055**	**170,435**	**145,778**

[(a)] Other COS consisted primarily of operating lease and travel expenses for the years ended December 31, 20X3, 20X2 and 20X1.

Selling, general, and administrative	20X3	20X2	20X1
Employee compensation	278,859	238,272	301,841
One-time employee termination benefits	19,243	60,635	-
Other SG&A[(b)]	199,860	159,308	169,785
Total SG&A	**497,962**	**458,215**	**471,626**

[(b)] Other SG&A consisted primarily of professional services fees, operating lease expense and the costs paid to third parties for printing, publications and advertising for the years ended December 31, 20X3, 20X2 and 20X1.

Research and development	20X3	20X2	20X1
Employee compensation	46,242	41,379	40,764
One-time employee termination benefits	1,454	1,855	-
Other R&D[(c)]	9,539	8,940	8,134
Total R&D	**57,235**	**52,174**	**48,898**

[(c)] Other R&D consisted primarily of operating lease expense and payments to third parties for professional services and licenses of intellectual property for the years ended December 31, 20X3, 20X2 and 20X1.

Depreciation and amortization	20X3	20X2	20X1
Depreciation	19,126	17,984	17,893
Intangible asset amortization	12,452	8,194	5,735
Total depreciation and amortization	**31,578**	**26,178**	**23,628**

Disclosure considerations

- Entity XYZ discloses a disaggregated expense table for each relevant expense line item (i.e., COS, SG&A, R&D and depreciation and amortization). The table for each relevant expense line item includes each applicable required expense category in paragraph 220-40-50-4.
- One-time employee termination benefits would be disclosed separately from employee compensation within each applicable table in accordance with paragraph 220-40-50-4(b). In this example, Entity XYZ separately discloses such expenses within COS, SG&A and R&D.

- Operating lease cost is an example of a specified existing disclosure in paragraph 220-40-50-13 that would be integrated into the disaggregated expense tables if the amount is recorded entirely in one relevant expense line item.
    - In this example, operating lease cost is recognized in COS, SG&A and R&D (i.e., more than one relevant expense line item). Therefore, Entity XYZ is not required to integrate operating lease cost as a separate category in each respective disaggregated expense table. Instead, operating lease cost would be included in the aggregate of other amounts remaining within each respective table and, if significant, be included in the qualitative disclosure (discussed further below).
- Entity XYZ quantitatively discloses the aggregate of other amounts remaining in each relevant expense line item so that the total for each disaggregated expense table agrees to the relevant income statement line item. Entity XYZ also qualitatively describes the composition of those amounts based on natural expense classifications. For example, Entity XYZ describes the composition of other COS as consisting primarily of operating lease and travel expenses.

Example annual disclosure of selling expenses and the related accounting policy

During the years ended December 31, 20X3, 20X2 and 20X1, selling expenses were $224,536, $223,493 and $231,892, respectively. The entity's selling expenses include those expenses related to advertising and certain customer acquisition-related costs.

Appendix C: Example — Bank

The following example of an annual disclosure is based on Example 3 in paragraphs 220-40-55-20 to 55-25 of the proposal.

For the year ended December 31, 20X3, Entity XYZ, a bank, presents the following comparative statement of operations:

Consolidated Statement of Operations			
	20X3	20X2	20X1
Interest Income			
Loans	$ 2,795,052	$ 2,142,873	$ 2,072,997
Investment securities	628,887	442,550	465,842
Other	209,629	116,461	79,193
Total interest income	3,633,568	2,701,884	2,618,032
Interest expense			
Deposits	302,797	30,280	151,399
Borrowed funds	279,505	83,852	167,703
Total interest expense	582,302	114,132	319,102
Net interest income	3,051,266	2,587,752	2,298,930
Noninterest income			
Service charges on deposit accounts	201,702	171,062	151,969
Other service charges and fees	282,383	239,487	212,757
Total noninterest income	484,085	410,549	364,726
Total revenue	3,535,351	2,998,301	2,663,656
Provision for (recapture of) credit losses	116,461	(186,337)	372,674
Noninterest expense			
Salaries and employee benefits	1,464,608	1,176,183	1,365,443
Occupancy and depreciation	376,587	279,875	349,679
Data processing	166,111	146,308	161,046
Advertising and marketing	56,876	30,555	28,192
Professional fees	73,230	61,459	74,473
Other	30,513	21,399	24,804
Total noninterest expense	2,167,925	1,715,779	2,003,637
Income before income taxes	1,250,965	1,468,859	287,345
Income tax expense	262,703	308,460	60,342
Net income	**$ 988,262**	**$ 1,160,399**	**$ 227,003**

Relevant expense line items

Relevant expense line items: Entity XYZ determines that occupancy and depreciation and the line item described as "other" would be relevant expense line items because they include at least one of the required expense categories in proposed paragraph 220-40-50-4.

Additional background: Entity XYZ applies the practical expedient for employee compensation described in paragraph 220-40-50-11 and elects to not repeat the amount presented on the face of the income statement as salaries and employee benefits in the notes to financial statements. In addition, Entity XYZ recognizes operating lease cost entirely in the occupancy and depreciation expense line item.

EY note: Salaries and employee benefits would also be considered a relevant expense line item because it includes at least one of the required expense categories in proposed paragraph 220-40-50-4. If Entity XYZ did not elect the practical expedient for employee compensation, the entity would disclose a disaggregated expense table for salaries and employee benefits in the notes to the financial statements based on the proposal's definition of employee compensation.

Under the proposal, Entity XYZ would provide the following disclosures in a tabular format in the notes to the financial statements:

Occupancy and depreciation			
	20X3	20X2	20X1
Depreciation	164,232	146,403	145,907
Operating lease expense	152,445	103,239	149,842
Other occupancy expenses[(a)]	59,910	30,233	53,930
Total occupancy and depreciation	**376,587**	**279,875**	**349,679**

(a) Other occupancy expenses consisted primarily of repair and maintenance expense for the years ended December 31, 20X3, 20X2 and 20X1.

Other			
	20X3	20X2	20X1
Intangible asset amortization	13,139	10,980	10,068
Other[(b)]	17,374	10,419	14,736
Total Other	**30,513**	**21,399**	**24,804**

(b) Other consisted primarily of regulatory licensing fees and charitable contributions for the years ended December 31, 20X3, 20X2 and 20X1.

Disclosure considerations

- Entity XYZ discloses a disaggregated expense table for each relevant expense line item (i.e., occupancy and depreciation and other). The table for each relevant expense line item includes each applicable required expense category in paragraph 220-40-50-4.
- Operating lease cost is an example of a specified existing disclosure that would be integrated into the disaggregated expense tables if the amount is recorded entirely in one relevant expense line item.
  - In this example, operating lease cost is recognized entirely in occupancy and depreciation (i.e., in one relevant expense line item). Therefore, Entity XYZ discloses operating lease cost as a separate category within the occupancy and depreciation table.
- Entity XYZ quantitatively discloses the aggregate of other amounts remaining in each relevant expense line item so that the total for each disaggregated expense table agrees to the relevant income statement line item. Entity XYZ also qualitatively describes the composition of those amounts based on natural expense classifications. For example, Entity XYZ describes the composition of other as consisting primarily of regulatory licensing fees and charitable contributions.

Example annual disclosure of selling expenses and the related accounting policy

During the years ended December 31, 20X3, 20X2 and 20X1, the company defined selling expenses to be the same as its advertising and marketing expenses, which are presented on the face of its consolidated income statement. The entity's advertising and marketing expenses include costs incurred for advertising, market research and business development.

Appendix D: Specified existing disclosures

The following existing disclosure requirements are included in proposed paragraph 220-20-50-12 (a) through (l) and would be required to be integrated into the disaggregated expense tables for each relevant expense line item(s) where the amount is included:

- The amount of research and development assets acquired in a transaction other than a business combination and written off (see paragraph 250-30-50-1(c))
- Impairment loss recognized related to an intangible asset (see paragraph 350-30-50-3)
- Impairment loss of long-lived assets classified as held and used (see paragraph 360-10-50-2)
- Gain or loss recognized in accordance with paragraphs 360-10-35-37 through 35-45 and 360-10-40-5 for long-lived assets classified as held for sale or disposed of (see paragraph 360-10-50-3)
- Each major type of cost associated with an exit or disposal activity (for example, one-time employee termination benefits, contract termination costs and other associated costs) (see paragraph 420-10-50-1)
- Bargain purchase gain recognized in a business combination (see paragraph 805-30-50-1)
- Any gain or loss recognized upon the deconsolidation of a subsidiary or the derecognition of a group of assets in accordance with paragraph 810-10-40-3A (see paragraph 810-10-50-1B)
- Gains and losses on derivative instruments and related hedged items (see paragraph 815-10-50-4A)
- Amortization of license agreements for program material (see paragraph 920-350-50-2)
- Impairment of license agreements for program material (see paragraph 920-350-50-4)
- Amortization of film costs (see paragraph 926-20-50-4A)
- Impairment of film costs (see paragraph 926-20-50-4C)

The following existing disclosure requirements are included in proposed paragraph 220-20-50-13 (a) through (t) and would be required to be integrated into a disaggregated expense table only if the amount is recorded entirely in one relevant expense line item:

- Provision for expected credit losses (see paragraphs 326-20-50-13 and 326-30-50-9)
- Losses on firm purchase commitments (see paragraph 330-10-50-5)
- Amortization expense attributable to the expiration of an insurance or reinsurance coverage provided under a contract that transfers only significant underwriting risk (see paragraph 340-30-50-2)
- Amortization of costs to fulfill a contract with a customer (see paragraph 340-40-50-3)
- Impairment of costs to fulfill a contract with a customer (see paragraph 340-40-50-3)
- Amortization of costs to obtain a contract with a customer (see paragraph 340-40-50-3)
- Impairment of costs to obtain a contract with a customer (see paragraph 340-40-50-3)
- Amortization of capitalized implementation costs of hosting arrangements that are service contracts (see paragraph 350-40-50-3)
- Asset retirement obligation accretion expense (see paragraph 410-20-50-1)
- Loss contingencies recognized (see paragraph 450-20-50-1)

- Warranty expense (the total of expenses recognized related to aggregate changes in the liability for accruals related to product warranties issued during the reporting period and the aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates) (see paragraph 460-10-50-8)
- Expense related to counterparty default in own-share lending arrangements issued in contemplation of convertible debt issuance (see paragraph 470-20-50-2C)
- Aggregate gain on restructuring of payable by a debtor with a troubled debt restructuring (see paragraph 470-60-50-1)
- Gains and losses upon consolidation of a variable interest entity that is not a business (see paragraph 810-10-50-3)
- Foreign currency transaction gains or losses (see paragraph 830-20-50-1)
- Operating lease cost (see paragraph 842-20-50-4)
- Short-term lease cost (see paragraph 842-20-50-4)
- Variable lease cost (see paragraph 842-20-50-4)
- Net gain or loss recognized from sale and leaseback transactions (see paragraph 842-20-50-4)
- Gains and losses from nonmonetary transactions (see paragraph 845-10-50-1)