



Quarterly Perspectives: Financial Reporting & Beyond / Q3 2026

October 15, 2026

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Meet the Presenters From Forvis Mazars Professional Standards Group



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Special Guest



Darien Sutton, RAI

Director

Quantitative Consulting

Looking Back



What Has Caught Our Eye ... or Ear

- Hearing that the SEC will take some action on its proposed rule on semiannual reporting in Q1 2027
- FASB has made or expects to make significant progress on several projects and has plans to issue eight exposure drafts in the next quarter according to its Technical Agenda

Here & Now



AI One Year Later

2025

- Understanding AI
- Exploring use cases
- Writing policies

2026

- Governance
- Prioritization
- Practical implementation

Future State

- Scaled adoption
- Workflow integration
- Measurable value

The Current State of AI

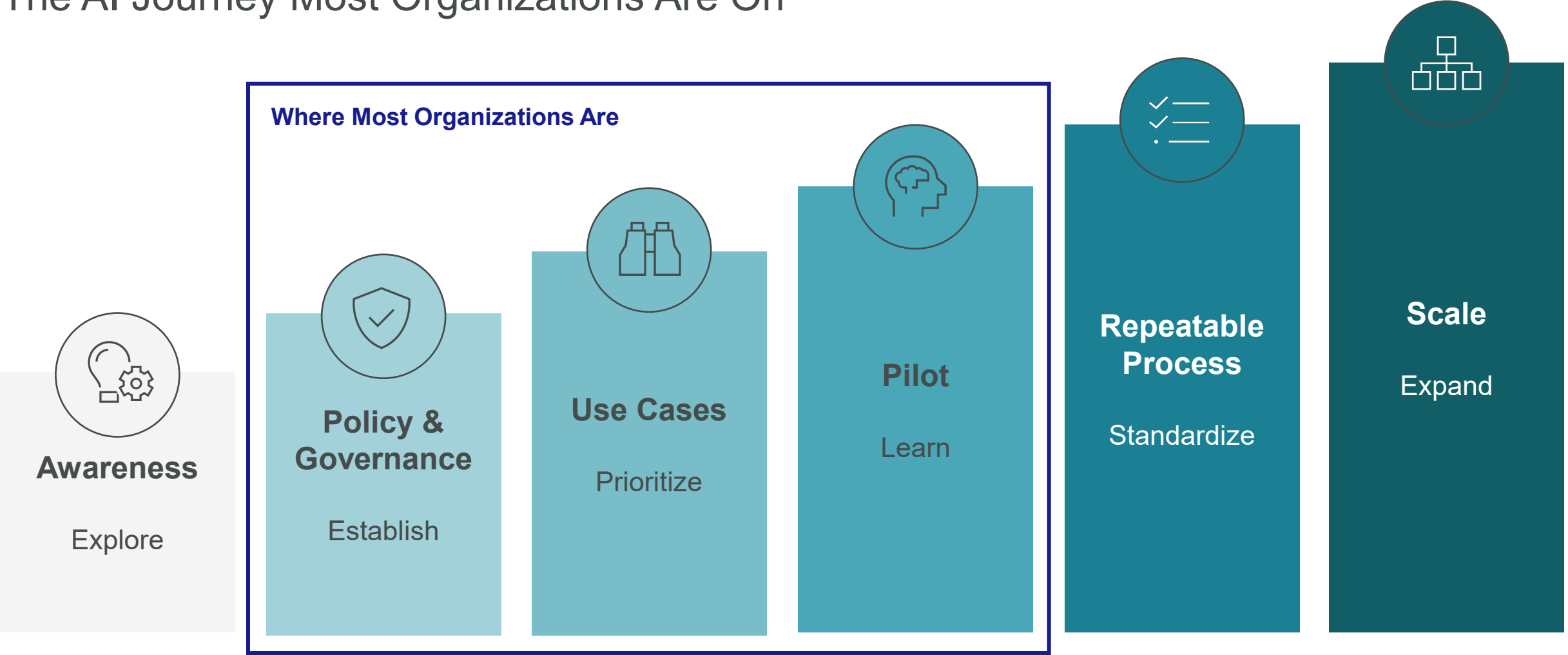
- **AI has shifted from simple assistants** to agents executing tasks, accessing systems, and completing portions of business workflows
- **AI adoption has expanded across the enterprise** and is being evaluated and adopted across finance, risk, compliance, legal, HR, operations, and other business functions
- **AI governance has moved from discussion to implementation** with the establishment of formal policies, governance structures, AI inventories, risk assessments, validation processes, and oversight
- **Existing risk and accountability principles are being applied to AI** including human accountability, existing risk management practices, third-party oversight, documentation, and explainability

AI Then & Now

	Then		Now
 Technology	Chatbots and Drafting	>>	Agents and Workflow Support
 Business	Curiosity	>>	Value Expectations
 Governance	Policies	>>	Risk Assessments, Inventories, and Oversight
 Regulation	Awareness and Principles	>>	Practical Guidance and Risk-Based Oversight

Capability has accelerated faster than organizational readiness

The AI Journey Most Organizations Are On



Being in the middle is not being behind!

The Headlines Are Not the Benchmark

The objective should not be to match the most advanced demonstration you have seen. The objective should be to make deliberate progress based on your organization's needs, capabilities, and risk profile.

Headlines

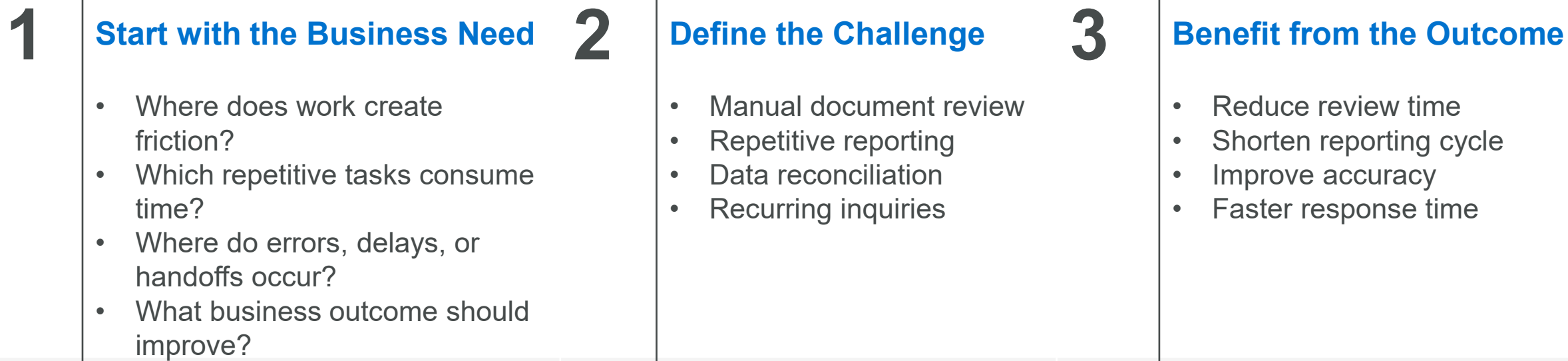
- Autonomous agents are everywhere
- Companies are replacing entire teams
- Massive transformations
- Everyone is already doing it

Clients

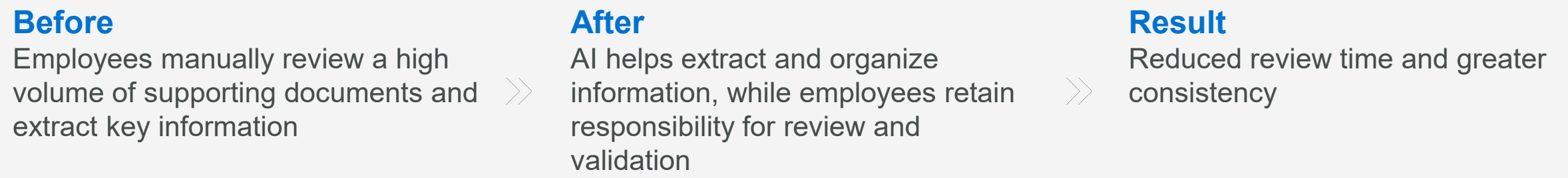
- Recently adopted AI policies
- Governance committees
- Initial tool rollouts
- First use cases
- Questions about where to begin

Start with a Business Need

AI should support the business strategy ... not become the business strategy



Example



Start with the problem or desired outcome. Then determine whether AI is the right solution.

The Use Cases Creating Value Now

Document Review & Information Extraction	First Draft Content Creation	Internal Knowledge Search	Workflow Automation
<ul style="list-style-type: none">• Reviewing contracts• Pulling data from PDFs• Extracting payment instructions• Processing supporting documentation	<ul style="list-style-type: none">• Policies• Procedures• Reports• Internal communications	<ul style="list-style-type: none">• Searching policies• Locating procedures• Answering employee questions• Accessing institutional knowledge	<ul style="list-style-type: none">• Routing requests• Classification• Documentation management• Repetitive operational tasks
Reduce manual effort	More time for review and decision making	Faster access to information	Reduced cycle times

High Hype

- Autonomous organizations
- Fully automated business processes
- Human replacement

High Value

- Document review
- Summarization
- Knowledge search
- Workflow support
- First draft creation

AI Strategy

What to Consider

A successful AI transformation journey starts with understanding your overarching strategic objectives related to people, process, data, and technology

People

- Increase overall enterprise AI literacy through training of the risks and opportunities of AI
- Select champions to drive change and innovation within each functional area

Process

- Focus on processes that are ripe for change and create existing pain points for employees
- Document current state using AI tools to catalyze the discovery process

Data

- Review data architecture and document data requirements to extract the most value from AI
- Create a data engineering roadmap to prioritize key data flows and integrations

Technology

- Assess existing technology landscape and identify risks and opportunities
- Integrate new solutions with existing architecture for a seamless rollout

What Leaders Are Talking About

1

Start

Where to Start

Which business problem should we address first?

- Meaningful business need
- Clear process and owner
- Feasible, controlled scope
- Measurable outcome

AI Inside Existing Technology

Where are vendors already introducing AI?

- Existing platforms and applications
- New features and software updates
- Third-party and data risks
- Contracting and oversight

2

Enable

Governance Beyond Policy

How do we turn the AI policy into an operating process?

- Use-case intake and approval
- Ownership and accountability
- Risk assessment and monitoring
- Acceptable-use expectations

Data Readiness

Can we trust, access, and appropriately use the information AI needs?

- Data quality and availability
- Privacy and confidentiality
- Access and permissions
- Governance and lineage

3

Scale

Demonstrating Value

How will we measure whether AI is creating value?

- Productivity and capacity
- Quality and consistency
- Costs and cycle times
- Customer and employee experience

Workforce Impact

How will work, roles, and required skills change?

- Human oversight and accountability
- AI literacy and training
- Adoption and change leadership
- Redesigning work

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”) Codified in ASC 220-40

Objective: Investors desired more detailed information about expenses to better understand an entity’s performance, assess its prospects for future cash flows, and compare its performance over time and with that of other entities

Scope: Public Business Entities (PBEs)

Annual reporting periods
Beginning after December 15, 2026 (for 2027 for calendar year companies ... comparatives not required)

Interim reporting periods
Within annual periods beginning after December 15, 2027 (for quarters in 2028 for calendar year companies ... comparatives not required)

Early adoption is permitted

Transition – entities may apply the amendments either:

Option 1 Prospective

- Apply to the current period and future periods

Option 2 Retrospective

- Apply to any or all comparative periods presented

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”) **Bridging the GAAP ... What Changes and What Stays the Same**

What’s Changing

- Disclose in a new table amounts for purchases of inventory, employee compensation, depreciation, intangible asset amortization, and DD&A related to oil and gas producing activities or other depletion expense in each interim and annual reporting period
- Integrate certain existing required disclosures into the new tabular disclosures
- Disclose expense reimbursements related to cost-sharing and cost-reimbursements arrangements
- Provide a qualitative description of the composition of “other” items within relevant expense captions
- Disclose total selling expenses (annual and interim), with a clear definition of selling expenses annually

What’s Staying the Same

- Presentation on the face of the income statement
- Existing GAAP and SEC presentation requirements
- No new recognition or measurement guidance for expenses
- Materiality principles continue to apply; immaterial amounts need not be disaggregated
- Not considered a change in accounting principle under ASC 250, *Accounting Changes and Error Corrections*

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”)

Key Provisions

PBEs must disaggregate relevant expense captions in a tabular format within the notes to the financial statements

Relevant Expense Caption (on the face of income statement):
Disaggregation required if caption includes any of the following
[SHOWN IN THE TABLE]

- **Purchases of Inventory** (Topic 330)
- **Employee Compensation** (Topics 710, 712, 715, 718)
- **Depreciation** (Topic 360)
- **Intangible Asset Amortization** (Topic 350)
- **Depreciation, Depletion, & Amortization** (oil and gas activities)

Integration of Existing Disclosures [SHOWN IN THE TABLE]

- **Group 1 (13 items):** Must be mapped and disaggregated
- **Group 2 (21 items):** Disclosed separately if fully included in one caption or in “Other” category
- Presence of these items alone does **not** make a caption “relevant”

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”)

Key Provisions

Expense Reimbursements (Cost-Sharing/Cost-Reimbursement) Presented in a Relevant Expense Category [SHOWN IN THE TABLE]

- **Received:** Disclose separately or net with related expense
- **Paid:** Must be disclosed separately in tabular format
- **Qualitative disclosure** required for both

Other Required Disclosures

- **Remaining “Other” Amounts** [SHOWN IN THE TABLE]
 - Qualitative description required
- **Selling Expenses** [NARRATIVE DISCLOSURE]
 - Total annual and interim amounts disclosed
 - Accounting policy for defining selling expenses must be included annually and in interim if changed

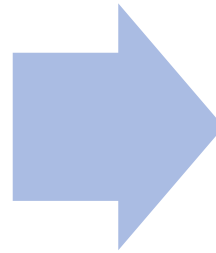
ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”)

Purchase of Inventory

Applies to amounts related to inventory within the scope of ASC 330

Inventory-related purchase expense captions can be disaggregated using one of two approaches

Once a basis is elected, it must be consistently used for all relevant categories within the caption



- **Cost-Incurred Basis –**

- This method requires disclosing capitalized and expensed costs, inventory changes, and reconciling items for transparent reporting

- **Expense-Incurred Basis –**

- Discloses expenses related to the derecognition of inventory and directly expensed costs
- Disaggregation is presented by natural expense categories such as inventory purchases, employee compensation, etc.

Purchase of Inventory – Cost-Incurred Basis vs. Expense-Incurred Basis

Example Scenario

Company presents **Cost of Goods Sold (COGS)** on the income statement

Facts:

- Purchase of inventory: \$1,000
- Cost of inventory sold: \$700
- Beginning inventory: \$0
- Ending inventory: \$300

Disaggregation Approach	Purchase of Inventory	Changes in Inventory	COGS
Cost-Incurred Basis	\$1,000	\$(300) *	\$700
Expense-Incurred Basis	\$700	-	\$700

** Calculated as [\$0–\$300]*

This simplified example does not include amounts for any other required expense categories, an “other amounts” category, or any adjustments or reconciling items

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”)

Employee Compensation – Components

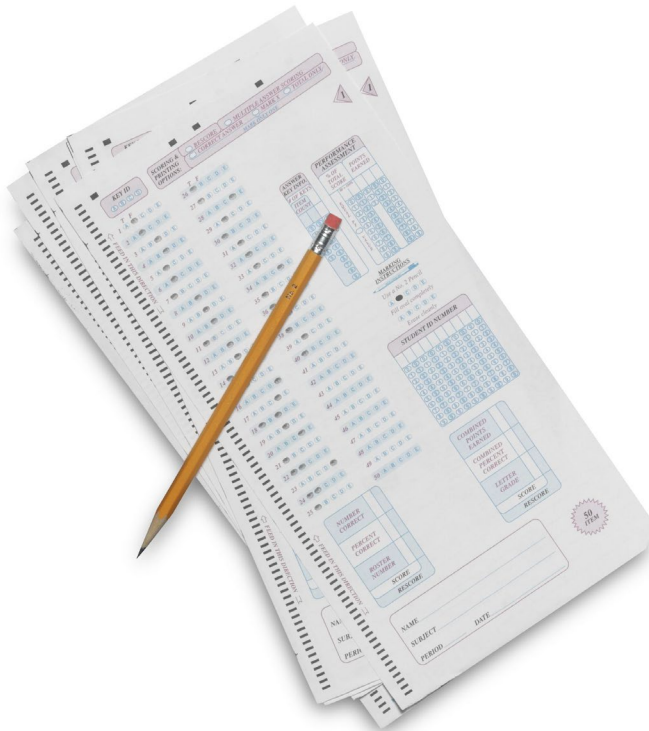
- The employee definition (based on ASC 718) includes full-time, part-time, temporary, or seasonal employees
- Does not include nonemployees such as contract labor, professional services providers
 - Costs associated with nonemployees can be voluntarily disclosed as an expense category but not included in the required employee compensation category
- A new “employee compensation” definition is not intended to list all possible types of cash and noncash compensation across all entities but specifically includes the following:
 - 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 special or contractual termination benefits) given by an entity in exchange for service rendered by employees or for the termination of employment
 - Compulsory payments paid to the general government that confer entitlement to receive a (contingent) future social benefit, such as unemployment insurance benefits and supplements; accident, injury, and sickness benefits; old-age, disability, and survivors’ pensions; and family allowances, reimbursements for medical and hospital expenses, or provision of hospital or medical services

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”) **Employee Compensation – Practical Expedient**

Entities subject to SEC Regulation S-X Rule 9-04 (e.g., banks) may continue using existing presentation under SEC rules instead of adopting the new ASU definition



Reasonable Approximations & Other Practical Considerations in Reporting



Use of Estimates

Organizations can apply estimates or reasonable approximations in financial disclosures

Single Expense Caption

If an expense caption consists of one expense type, further tabular breakdown is not required

Interim vs. Annual Disclosures

Interim statements may present expense disaggregation differently than annual reports

Illustrative Example of Disclosures – Manufacturing & Service Operations

(Source: FASB)

Entity X Consolidated Income Statement For the Years Ended December 31, 20X4, 20X3, and 20X2			
	20X4	20X3	20X2
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 captions because these captions contain one or more of the five required expense categories.

Illustrative Example of Disclosures – Manufacturing & Service Operations

(Source: FASB)

Disaggregation of Relevant Expense Captions

	20X4	20X3	20X2
Cost of products sold			
<i>Cost of products sold</i>			
Purchases of inventory	\$ 20,213	\$ 19,199	\$ 16,319
Employee compensation	17,578	16,539	14,078
Depreciation	10,190	9,989	9,650
Intangible asset amortization	3,914	4,050	3,929
Warranty expense	4,394	3,952	3,894
Other cost of products sold ^(a)	7,552	7,606	7,993
Changes in inventories	157	(861)	843
Other adjustments and reconciling items ^(b)	(542)	424	538
Total cost of products sold	\$ 63,456	\$ 60,898	\$ 57,244

- (a) Other cost of products sold consists primarily of amounts paid to carriers for outbound freight services related to contract fulfillment and amounts related to the measurement of a liability for an environmental obligation for the years ended December 31, 20X4, 20X3, and 20X2. Year ended December 31, 20X4, also includes inventory amounts recognized as part of a business combination.
- (b) Other adjustments and reconciling items consist 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, 20X4, 20X3, and 20X2.

Cost of services

<i>Cost of services</i>			
Employee compensation	\$ 6,598	\$ 5,654	\$ 4,354
Depreciation	763	765	742
Intangible asset amortization	642	670	650
Other cost of services ^(c)	2,493	2,479	3,152
Total cost of services	\$ 10,496	\$ 9,568	\$ 8,898

- (c) Other cost of services consists primarily of operating lease and travel expenses for the years ended December 31, 20X4, 20X3, and 20X2.

- **Cost of Products Sold (COPS):** Disaggregates all required categories and presents a tabular integration of existing disclosures. The remaining items are included under the “other cost of products sold.”
- **Integration of Existing Disclosures:** Warranty expense (not required to be mapped under current disclosure requirements) is entirely included in COPS, and, therefore, presented as a separate expense category within the same tabular disclosures. If this expense had been allocated to different expense captions, it would have been included under “other cost of products sold.”
- **Inventory:** The entity chose to disclose the amounts on a cost-incurred basis (that is, the amounts disclosed include costs incurred that were capitalized to inventory during the current reporting period and costs incurred that were directly expensed during the current reporting period). The entity further discloses the changes in inventories caption and the other adjustments and reconciling items and describe the nature of amounts included in other adjustments and reconciling items.

If Entity X had instead disclosed the required expense categories on an expense-incurred basis (that is, the amounts disclosed comprise expense amounts related to the derecognition of inventory that was previously capitalized in accordance with Topic 330 and any costs incurred that were directly expensed during the current reporting period), then the changes in inventories caption and the other adjustments and reconciling items caption would not be necessary in the disaggregation disclosure.

- **Environmental Obligations:** It is not required to be disaggregated; therefore, included in the amount for other items.

Illustrative Example of Disclosures – Manufacturing and Service Operations

(Source: FASB)

Selling, general, and administrative

Selling, general, and administrative (SG&A)

Employee compensation	\$ 13,242	\$ 11,379	\$ 10,764
Depreciation	1,454	1,755	1,737
Property, plant, and equipment 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 consists primarily of professional services fees and operating lease expense for the years ended December 31, 20X4, 20X3, and 20X2.

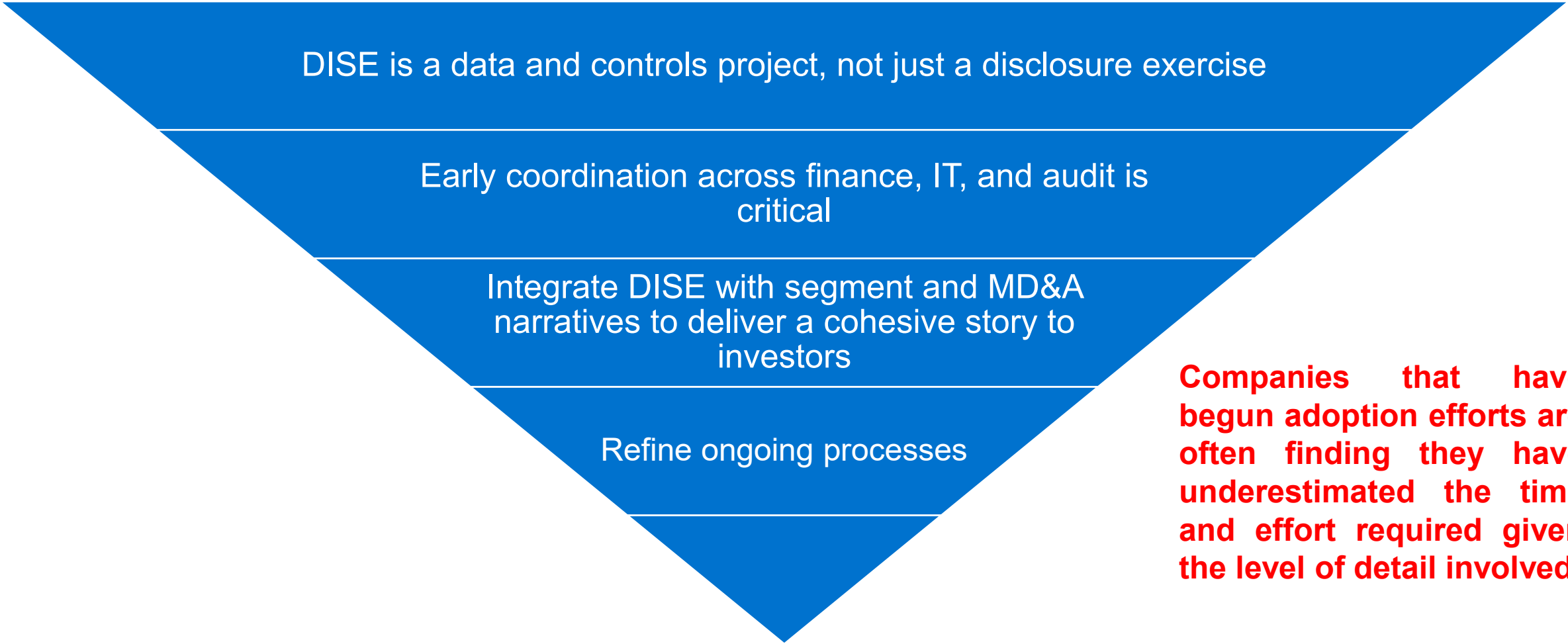
- Impairment of property, plant, and equipment (required to be mapped under existing disclosure requirements) classified as held and used – Disclosed as a separate category in the tabular format disclosure.
- Operating Lease costs (not required to be mapped under existing disclosure requirements) – Recognized in both cost of services and selling, general, and administrative expenses. Therefore, those expenses are included in the amount for other items for each relevant expense caption.

Selling Expenses

During the years ended December 31, 20X4, 20X3, and 20X2, selling expenses were \$13,425, \$12,123, and \$11,585, respectively. The entity's selling expenses include those expenses related to marketing and promotional activities and client relationship management.

ASU 2024-03 – *Disaggregation of Income Statement Expenses* (“DISE”)

Key Success Factors



DISE is a data and controls project, not just a disclosure exercise

Early coordination across finance, IT, and audit is critical

Integrate DISE with segment and MD&A narratives to deliver a cohesive story to investors

Refine ongoing processes

Companies that have begun adoption efforts are often finding they have underestimated the time and effort required given the level of detail involved!

IEEPA Status Update

CAPE Continues Forward

Phase 1 and Phase 2 of the Consolidated Administration and Processing of Entries (CAPE) system available for unliquidated entries or entries within 80 days of liquidation

Through October 2, 2026:

209,262

CAPE Declarations submitted and passed file validations

27.4MM

Entries passed file validation

\$136.6B

Potential and certified refunds accepted for processing in CAPE

\$126B

Refunds certified by CAPE and sent to the U.S. Department of Treasury for disbursement



CAPE – Phase 3

Limited rollout

Phase 3 launched on October 6, 2026, covering finally liquidated entries for plaintiffs that:

1. The Court of International Trade has ordered reliquidation and
2. Submitted a valid Importer of Record number to CBP by July 30, 2026

Current Progress

As of 12 PM ET on October 6, 2026:

- 477 CAPE Declarations accepted
- 425,517 entries have passed entry and file validations

Future Outlook

- Plaintiffs who did not submit a valid Importer of Record will be provided additional instructions by CBP for future submission
- Companies who are not plaintiffs may not currently receive relief under Phase 3

Contracts with Customers

Understanding Obligations to Customers

Management needs to determine whether there exists a contractual, legal, or implicit obligation to refund tariff-related costs to customers

Variable Consideration

- Exists if customer has a valid expectation arising from:
 - The entity's customary business practices
 - Published policies, or
 - Specific statement to accept an amount of consideration less than the price stated in the contract
- ASC 606-10-32-5 through 14

Contract Modification

- Exists if an obligation results from a change to the contract
- ASC 606-10-25-10 through 13

Present contractual obligations to repay tariff refunds to customers will result in a refund liability. It is possible that a refund liability would be recognized **prior to** recognition of a refund asset.

Tariff Refund Monetization

Exchanging a Right to Tariff Refund for Current Cash Flows

Opportunity for cash today presents complexity going forward

- Only the importer of record has the right to payment from U.S. Customs and Border Protection
- Monetizing a tariff refund results in a separate transaction from the original right to obtain a refund
- Generally, monetization would be accounted for as a financing transaction

Key Takeaway: Such contracts are typically tailor-made to specific facts and circumstances. Additional diligence and scrutiny may be required.



Looking Ahead

Adapting to a Changing Tariff Landscape

Tariffs continue to persist after the SCOTUS IEEPA ruling, including the following legal authorities:

- Section 122 of Trade Act of 1974 (expired July 24, 2026)
- Section 201 of Trade Act of 1974
- Section 232 of Trade Expansion Act of 1972
- Section 301 of Trade Act of 1974
- Section 338 of Smoot-Hawley Tariff Act of 1930

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Conversations You Should Be Having



What Is on the Horizon

- Keep an eye on the world of crypto if it is something of interest to you as FASB has an exposure draft on accounting and the SEC has several proposed rules on the regulatory front
- The intersection of AI, accounting education, and finding qualified staffing is going to be fascinating

Selected FORsights™

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- [Preparing for DISE ASU 2024-03: Readiness Considerations](#)
- [Tackling Tax Episode 28: What's Happening With Tariffs \(Podcast\)](#)
- [Public Sector AI Starts with Better Processes](#)
- [H1 2026 State of SaaS](#)
- [FASB's Stablecoin Proposal on Cash Equivalent Classification](#)
- [Forvis Mazars Integrated Report – 2026](#)
- [2026 AICPA & CIMA Conference on Banks & Savings Institutions and Conference on Credit Unions](#)
- [Financial Reporting Developments: EBP, FASB, & SEC Updates](#)
- [Quarterly Financial Reporting Update: Q2 2026](#)

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