Cohen & Co

Examining the Guidance: Key Technical Updates for CFOs & Controllers

PRESENTED BY

Phil Ryan | *Partner, Cohen & Co*
Jeff Harnden | *Managing Director, Cohen & Co*

2026 Summer CPE

Agenda

- **FASB Updates**
  - ASU 2024-03 – Disaggregation – Income Statement Expenses
  - ASU 2025-10 – Accounting for Government Grants
  - ASU 2025-04 and ASU 2024-01 - Share-based compensation updates
  - ASU 2023-09 – Improvements to Income Tax Disclosures
- **SEC Update**
  - Semiannual financial reporting
  - Simplification of filer status
  - Comment letter trends

FASB Updates

ASU 2024-03 – Disaggregation – Income Statement Expenses (DISE)

- Applies only to public — not private — companies
- No changes are expected on face of financial statements, footnote disclosure only
- Effective for Form 10-K in:
  - Fiscal years beginning after December 15, 2026 (calendar year 2027), and
  - Forms 10-Q in subsequent years
- Will be adopted in a company's 10-K first, and required in any subsequent quarterly reports

ASC 2024-03 – DISE (cont.)

- Tabular disclosure in footnotes required, disaggregating relevant expense captions into:
  - Purchases of inventory
  - Employee compensation (including share-based compensation and benefits)
  - Depreciation on fixed assets
  - Amortization on intangible assets
  - Depletion expense (oil and gas, and mining industries)
- “Highest priority” natural expense categories, per the FASB, based on investor feedback

ASC 2024-03 – DISE (cont.)

- Disaggregation — for any expense line items included in income from operations (unless item does not include required expense categories)
- Other disclosure requirements include:
  - Expense reimbursements included in a relevant expense caption (cost-sharing arrangements)
  - Tabular integration of other disclosure requirements in existing GAAP (impairments, derivative gains and losses)
  - Other items in remaining relevant expense captions after disaggregation into relevant categories (qualitative information only)

ASC 2024-03 – DISE (cont.)

- Selling expenses
  - Total selling expenses disclosed each period
  - Disclose company's definition of selling expenses in Form 10-K
- Exceptions
  - Disaggregation is not required for amounts capitalized as assets, other than inventory
  - Expenses related to future obligations where there is an uncertainty on the timing of settlement
  - Expenses based on an estimate of a future expenditure
  - Expenses not entirely made up of one required expense category

Cohen & Co

Polling Question #1

Where is your company on adoption of DISE?

A. *Completed!*
B. *Still evaluating, but close*
C. *Behind in adoption*
D. *Not applicable to me*

2026 Summer CPE

ASU 2025-10 — Accounting for Government Grants

- No guidance previously under U.S. GAAP
- ASU 2025-10 leverages IAS 20 and codifies new guidance into ASC 832
- Standard will apply to all for-profit companies
- Effective Entity Dates:
  - Public – annual periods beginning after December 15, 2028
  - Private – annual periods beginning after December 15, 2029
  - Early adoption permitted

ASU 2025-10 — Accounting for Government Grants (cont.)

- Grants recognized when it is probable:
  - A company will comply with the conditions of the grant, and
  - The grant will be received
- Grants cannot be recognized before the company begins to incur related costs
- Timing of grant recognition should generally match timing of related expense recognition

ASU 2025-10 — Accounting for Government Grants (cont.)

- Two methods of recognition
- Grants related to assets
  - Recognized on the balance sheet
    - Deferred income approach
    - Cost accumulation approach
- Grants related to income
  - Grant recognized into income as costs are incurred
  - If probability of meeting grant conditions occurs after costs are incurred, the grant is recognized once probable

Share-Based Compensation Updates

- ASU 2025-04 – Share-based consideration payable to a customer
  - Expands definition of a performance condition to explicitly include:
    - Purchase volumes
    - Dollar-value purchase thresholds
    - Purchases over a specified period
    - Purchases made by a customer’s customers
  - Eliminates election to account for forfeitures with performance conditions

Share-Based Compensation Updates (cont.)

- ASU 2024-01 – Scope application of profits interest awards
  - Added an example of four fact patterns to ASC 718
    1. The holder participates in the residual equity of the company
    2. Even though participation may occur only upon a future exit or liquidity event, the holder ultimately participates in the residual value
    3. The fact pattern differs from #'s 1 and 2, but still provides participation in equity economics
    4. The arrangement functions more like a compensation or profit-sharing arrangement and does not provide an equity interest

ASU 2023-09 — Improvements to Income Tax Disclosures

- Effective for private companies beginning after December 15, 2025
- Provides greater detail explaining differences between:
  - The statutory federal tax rate
  - The company’s effective tax rate
- Requires expanded disclosure on taxes paid
  - Income tax
  - Federal taxes
  - State taxes
  - Foreign taxes

Polling Question #2

Do you think including profits interests as stock compensation will impact your company?

A. *Yes, it may have a material impact on expenses*
B. *Yes, but not material*
C. *Not at all*
D. *Not sure how it will impact*

2026 Summer CPE

SEC Updates

Semiannual Reporting

- SEC released proposed rule on May 5 — allow companies to elect to report semiannually
- Quarterly reporting would remain default for interim reporting
- Electing companies would file Form 10-S, similar in structure to Form 10-Q

Semiannual Reporting (cont.)

- SEC reasoning
  - Reporting has become too complex and burdensome
  - Semiannual would allow management to focus on long-term goals and strategy
  - Less reporting = more IPOs
  - Form 8-K filings will keep investors informed in between reporting periods

Semiannual Reporting (cont.)

- Comment letters
  - Investors and public generally against proposal
  - Other stakeholders (accounting firms) have been measured in responses
- Looking at the UK
  - Did investing in the company, e.g., capex, R&D, increase?
  - Analyst coverage decreased
- Practical impacts
  - Debt covenants?
  - Insider trading risks?
  - Accounting standard disclosures on quarters?

Polling Question #3

What is your opinion on semiannual reporting?

A. *I love it! The less compliance the better*
B. *I see the merits, but there could be pitfalls*
C. *It lacks proper transparency for investors*
D. *Why do we need interim reporting at all?*

2026 Summer CPE

Simplification of Filer Status

- SEC proposed changes to reporting framework
  - Increase market cap threshold for large accelerated filers
  - Eliminate accelerated filer and smaller reporting company filer status
  - Extend disclosure scaling and accommodations to smaller reporting and emerging growth companies
  - Non-accelerated filers would not be required to obtain auditor attestation on internal controls
  - Extend reporting deadlines by 30 days for entities with less than $35 million in total assets

Simplification of Filer Status (cont.)

- Comment letters
  - Generally supportive of financial reporting simplification
  - Some concern for large population of companies that would be exempt from an audit of internal controls
  - Proposed 60-month ramp-up to large accelerated filer status

Comment Letter Trends

- Letters generally have reduced over past 12 months
- Top 5 comment areas:
  1. MD&A
  2. Non-GAAP Financial Measures
  3. Segment Reporting
  4. Revenue Recognition
  5. Goodwill & Impairment

Cohen & Co

Polling Question #4

Do you think the enhanced framework will drive new IPOs?

A. *Yes, this will eliminate barriers to entry*
B. *Yes, but not as impactful as the SEC hopes*
C. *Maybe, if the scaled back requirements are substantive*
D. *No, regulation is always intrusive*

2026 Summer CPE

Cohen & Co

Thank You!

Phil Ryan
Partner, Cohen & Co
216.774.1120 | pryan@cohenco.com

Jeff Harnden
Managing Director, Cohen & Co
216.774.1120 | jharnden@cohenco.com

Learn more on our Office of the CFO services:

Technical & Financial Reporting
Finance Transformation
Managed Accounting Services

2026 Summer CPE

Cohen & Co®

Disclosure

"Cohen & Co" is the brand name under which Cohen & Company, Ltd. and Cohen & Co Advisory, LLC, and its subsidiary entities, provide professional services.

Cohen & Company, Ltd. and Cohen & Co Advisory, LLC practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards.

Cohen & Company, Ltd. is a licensed independent CPA firm that provides attest services to its clients. Cohen & Co Advisory, LLC and its subsidiary entities provide tax, advisory and business consulting services to their clients and are not licensed CPA firms.

The entities operating under the Cohen & Co brand are independently owned and are not responsible for the services provided by any other entity operating under the Cohen & Co brand. Our use of terms such as "our firm," "we," "us" and other terms of similar import denote the alternative practice structure of Cohen & Company, Ltd. and Cohen & Co Advisory, LLC.

2026 Summer CPE