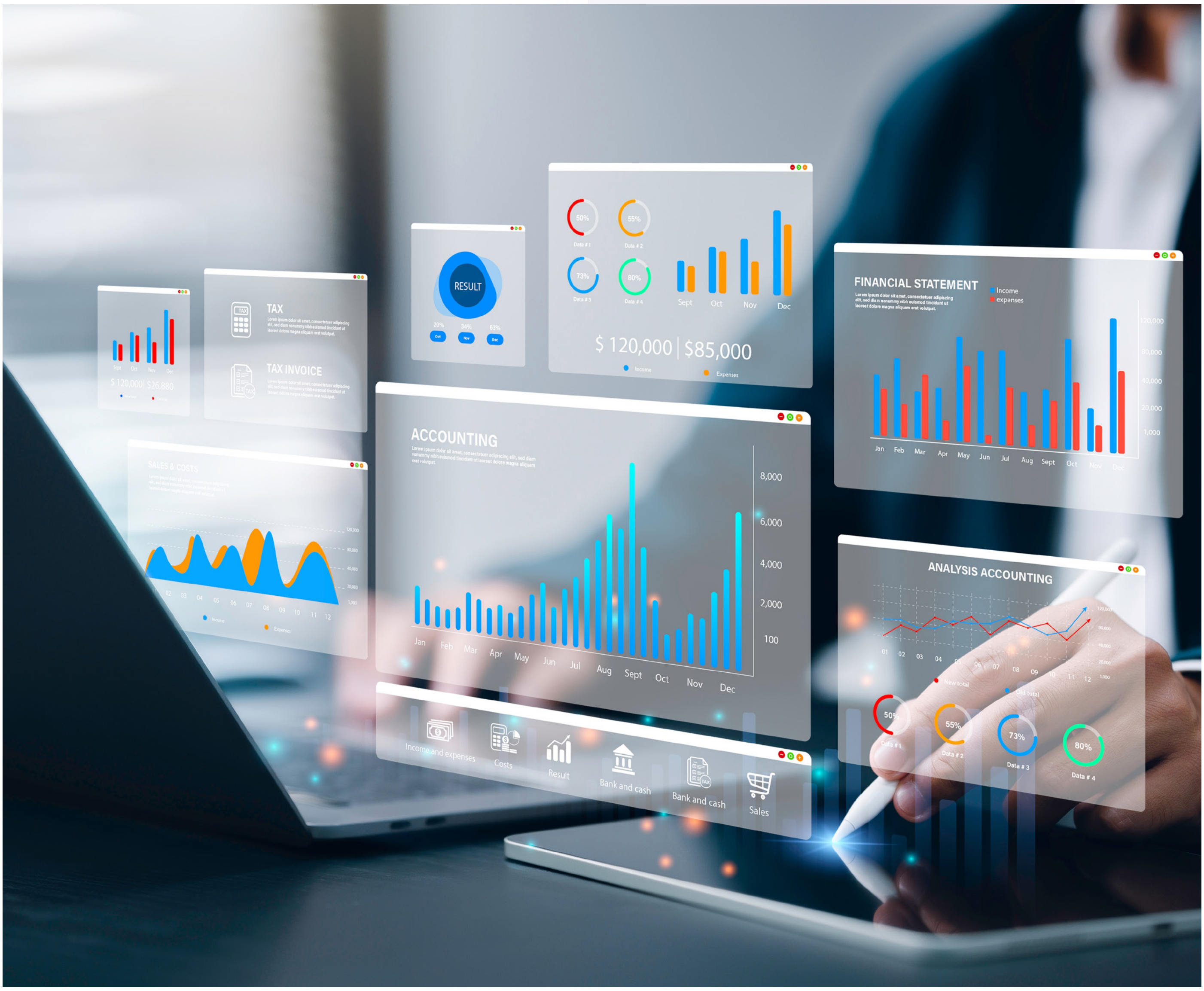
December 2024

EARLY IMPRESSIONS

FASBs’ Disaggregation of Income statement expenses (Sub-topic 220-40)



FOREWORD

Financial information analysis plays a pivotal role in understanding the intricacies of business performance. Granular information enhances transparency, comparability, and consistency in financial information and assists stakeholders in making informed decisions.

FASB, in its continuous attempt to improve the disclosures about a public business entity's expense and to address requests from users of financial statements for more detailed information about the types of expenses, has recently issued the Accounting Standard Update 2024-03 (ASU) on "Disaggregation of Income Statement Expenses"

In the absence of broad requirements in U.S. GAAP to disaggregate expenses presented on the face of the income statement, the amendment will contribute towards more detailed information required by various stakeholders for decision-making. At the same time, it will require entities to modify systems to capture such specific required data.

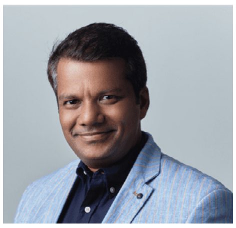
This publication provides an overview of the requirements, implementation matters, and critical considerations of FASB's amendments to Topic 220, Income Statement—Reporting Comprehensive Income through ASU.

We sincerely hope you find the enclosed publication informative. We will be happy to participate in any discussions required to clarify our views, which are enclosed in the attached publication. We look forward to hearing from you.

Thank you.

Yours faithfully

For Uniqus Consultech Inc.
06 December 2024



Sandip Khtetan
Global Head of Accounting & Reporting Consulting

Ashish Gupta
Partner, Accounting & Reporting Consulting

Avinash Ramkumar
Partner, Accounting & Reporting Consulting

BACKGROUND

Users of financial statements indicated that more detailed information about expenses captioned on the face of financial statements is very important for understanding an entity's performance, assessing its prospects for future cash flows, and comparing its performance both over time and with that of another entity.

There is no general requirement within US GAAP to classify expenses by function or nature. SEC registrants follow a form-driven structure as laid out in SEC rules, which require Listed Companies to present expenses in specific line items that are based on function (e.g., Commercial and Industrial Companies are required to disclose costs and expenses applicable to sales, costs of services, Selling, general, and administrative expenses on the face of the statements of comprehensive income).

In the absence of broad requirements in the FASB Accounting Standards Codification to disaggregate expenses presented on the face of the income statement, there is diversity in the amount of disaggregated expense information that companies provide. With an objective to improve the disclosures about public company expenses and to address requests from investors for more detailed information about the types of expenses included in financial statement captions, the Financial Accounting Standards Board ("FASB" or "Board"), issued an Accounting Standards Update No. 2024-03 (ASU) on November 4, 2024.

The disaggregation of income statement expenses requires segmenting the broader categories of expenses into more detailed components. This allows investors, creditors, and management to better understand the nature of a company's costs and make informed financial decisions.

The disaggregated expense information required in this update, along with the recent amendments related to disaggregation of segment information and income tax information, will enable investors to better understand the major components of an entity's income statement. The specified categories will be more clearly defined, unlike the expense captions presented by entities based on the current requirements.

The ASU would not change the presentation or structure of the income statement (i.e., it would not add new subtotals or categories). Additionally, it would not change or remove existing disclosure requirements. To understand the disclosure requirements, it is required to demystify the myths and understand the requirements:

✓

- It is applicable only on the **"public business entities (PBEs)"**.
- Disaggregation is required for items presented on the face of an income statement **and identified as "relevant expense caption".**
- The disaggregation takes form of a **"separate disclosure in the notes to financial statement".**
- It is applicable to **"interim and annual reporting periods both",** except for the requirement to disclose definition of selling expenses, which only applies to annual reporting periods (or interim reporting periods if the definition is changed)

✗

- It is applicable on **all the entities**
- Disaggregation is **required for all the items presented** on the face of income statements
- Amendment involves **new income statement presentation requirements**
- It is applicable **only on annual reporting period**

HIGHLIGHTS OF AMENDMENTS TO SUB-TOPIC 220-40 DISCLOSURE REQUIREMENTS

The ASU adds Subtopic 220-40, "Expense Disaggregation Disclosures," requiring Public Business Entities (PBEs) to make detailed disclosure of relevant expense captions presented on the face of the income statement within continuing operations into specified categories in the notes to financial statements within a new tabular disclosure requirement. The key considerations are summarized below-:

01 Disaggregating relevant expense captions into natural expense categories

02 Basis of disaggregation -Cost Incurred basis or Expense Incurred basis

03 Disclosure of expense reimbursements included in a relevant expense caption

04 Disclosure of "other items" in relevant expense captions

05 Integration with existing disclosure requirements under US GAAP

06 Disclosure related to Selling Expenses

07 Other Application matters

DEMYSTIFYING THE DISAGGREGATION DISCLOSURE PRINCIPLES:

Key Provisions	Implementation matters
01 Disaggregating relevant expense captions into natural expense categories	
• Relevant expense caption is any expense caption that is: • Presented on the *face of income statement* in continuing operations ***and*** • It includes any of the following *natural expense categories:* a. Purchases of inventory b. Employee compensation c. Depreciation d. Intangible assets amortization e. Depreciation, depletion, and amortization (DD&A) for oil and gas-producing activities (or other amounts of depletion expenses)	• Some of the common expense captions that are likely to require disaggregation include but not limited to: • Costs of goods sold or Cost of Services, • Selling, general, and administrative expenses, and • Research and development expenses. • The following are not relevant expense captions and don't warrant disaggregation: • Expense caption does not contain any of the specified natural expense categories. • Expense caption containing entirely one expense category. For, e.g. Expense caption comprising of only **depreciation expense** shall not be considered as relevant expense caption for the purpose of disaggregation. However, expense caption which **includes** depreciation as one of the expense category shall be considered as relevant expense caption. • Entity's share of profit or loss in an equity method investee. • Liability-related expenses—An expense amount based on an obligation that is an estimate of an uncertain amount that will be settled in the future, even if it is in a relevant expense caption such as provision for losses on contracts or asset retirement obligations. • Asset-related expenses- Entity is not required to further disaggregate costs capitalized as an asset, even if the costs capitalized include required expense categories such as Employee cost. For example, if an entity capitalizes employee costs to software (an asset) and in a subsequent reporting period it recognizes an amortization expense, the entity is required to disaggregate the relevant expense caption that contains the amount amortized during the period but does not need to disaggregate the resulting amortization further, i.e., the entity is not required to identify the portion of the expense that was originally employee compensation related to capitalized employee cost and include it in the employee compensation category.

- Entities may present different expense captions based on their business activities, industry-specific guidance, or Regulation S-X requirements. The identification of a number of relevant expense captions that require disaggregated tabular disclosure in the notes will depend on how an entity presents expenses on the face of its income statement.
- Liability-related expenses are scoped out from disaggregation requirements however, it is clarified by the Board that, the exception does not apply to the entity's ongoing and recurring activities, which also involve estimates such as:
  - Amounts accrued to pay for goods or services that have been received but have not yet been paid, invoiced, or formally agreed to with the supplier.
  - Amounts due to employees, such as accrued bonuses, vacation pay, or pension obligations.
- The disaggregation disclosure requires entities to gather granular data on items which can be complex, especially if the existing accounting system of the entity is not equipped for this level of detail.

Specified natural expense category	
a. Purchase of inventory • This category includes the costs of acquiring raw materials and other externally purchased inputs within the scope of Topic 330 or relevant Subtopics that provide industry-specific guidance, such as Subtopic 932-330 (oil and gas). Note - For vendor purchase rebates and other credits received from supplier, consideration should be given to the impact of applying authoritative guidance, including **ASC 705-20, Costs of sales and services – Accounting for consideration received from a vendor.** The entity shall account for consideration from a vendor as a reduction of the purchase price of the goods or services acquired from the vendor unless the consideration from the vendor is one of the following: (a) In exchange for a distinct good or service (as described in paragraphs 606-10-25-19 through 25-22) that the entity transfers to the vendor (b) A reimbursement of costs incurred by the entity to sell the vendor's products (c) Consideration for sales incentives offered to customers by manufacturers.	• This category does not include- • Amounts recognized from nonrecurring transactions related to (1) business combinations, (2) joint venture formations, and (3) initial consolidation of a variable interest entity that is not a business. • Intercompany purchases. • Inventory impairments. These shall be classified under the 'other items' category or disclosed separately. Note- Inventory purchased under a transaction that qualifies an asset acquisition is considered acquired in the normal course of business and hence shall be included.

- Practical expedient: When substantially all of an entity's income statement expense caption comprises purchases of inventory, the entity is not required to apply the disaggregation principle. However, it shall disclose a qualitative description of the composition of the expense caption.
- In cases where the financial statement caption includes purchases that do not represent "substantially all" of the expense caption (hence outside the scope of practical expedient) and the remaining items are immaterial, it is outside the scope of further disaggregation since ASU is not applicable to immaterial items *(Refer Section on "Other Application Matters", in the publication).*

b. Employee Compensation • This category includes the compensation (i.e. consideration granted or issued to employees in exchange for services such as cash compensation, share-based payments, and employee benefits) for full-time, part-time, temporary, and seasonal employees.	• This category does not include- • Special or contractual termination benefits that are in the scope of ASC 712 Compensation- Non- retirement Post-employment Benefits. • Amounts for non-employee subcontractors. These shall be classified under the 'other items' category or disclosed separately. Note- Special or contractual termination benefits (other than those covered under ASC 420) shall be included in the employee compensation category and shall not be combined with one-time termination benefits disclosed separately.

- Practical expedient: An entity (banks and bank holding companies) that presents an expense caption for salaries and employee benefits on the face of its income statement to comply with the requirements in SEC Regulation S-X Rule 210.9-04 may use the same amount instead of considering the revised definition of employee compensation.
- Entity may consider including amounts attributable to other transactions entered for the benefit of employees (for example, the provision of subsidized goods or services) in employee compensation. This shall require disclosure of the fact that those other transactions have been included as well as a description of those transactions.

c. Depreciation, Intangible asset amortization, DD&A, and other depletion · **Depreciation expense** This category includes amounts that are classified as depreciation, consistent with amounts recorded for long-lived assets under Topic 360. · **Intangible asset amortization** This category includes amounts that are classified as amortization consistent with amounts recorded under Topic 350. · **DD&A for oil-and-gas producing activities** This category includes depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs recognized as part of oil-and-gas-producing activities. · **Other depletion** This category includes depletion expense recognized by industries other than the oil-and-gas industry under Topic 930 Extractive Industries – Mining.	• Amortization of a right-of-use asset for a finance lease and amortization of leasehold improvement cost shall be disclosed in a manner consistent with how an entity presents depreciation or amortization of similar assets.

There exists diversity in practice about the categorization assessment of certain items, i.e., whether these are determined to be depreciation or intangible asset amortization. It is clarified by the Board that in such cases, an entity should include such an item in the category (depreciation or intangible asset amortization) that is consistent with its current policy for disclosing total depreciation expense and total amortization expense such as:

- Current guidance in Topic 842, Leases, does not prescribe whether amortization of a right-of-use asset for a finance lease and amortization of leasehold improvements should be included as depreciation or intangible asset amortization.
- The internal-use software guidance in ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software, refers to the "amortization" of capitalized costs but also references the disclosure requirements in ASC 360-10.

02 Basis of disaggregation - Cost Incurred basis or Expense Incurred basis

- **Basis of disaggregation:** Relevant expense caption, which includes expense amount related to inventory such as Cost of products sold, can be disaggregated using any of the following basis:
  - **Cost incurred basis:** It captures the costs incurred that were capitalized to inventory in accordance with ASC 330 during the current period and costs that were directly expensed during the current period. OR
  - **Expense incurred basis:** It captures expense amounts related to the derecognition of inventory that was previously capitalized in accordance with ASC 330 and costs incurred that were directly expensed during the current period.

- An entity would apply its selected basis to all the required expense categories, which include expense amount related to inventory. For example, if an entity selects the cost-incurred basis for disaggregation of the Cost of products sold caption, which includes expenses related to inventory, employee compensation, depreciation, intangible asset amortization, etc., it will apply that basis to all the specified expense categories, such as employee compensation, intangible asset amortization, and depreciation within the relevant expense caption.
- Additional disclosure for disaggregation on cost incurred basis: Entity is required to separately disclose an amount for:

  (a) **Changes in inventories,** i.e., the difference between the amount of inventory at the end of the prior reporting, and at the end of the current reporting period, and

  (b) **Other adjustments and reconciling items**[1] for e.g. the amount attributable to differences in the foreign currency exchange rates used to translate costs incurred and inventory balances, inventory derecognized as part of deconsolidation or derecognition transactions (e.g., the sale of a business).

The additional disclosure is required to reconcile the total amount in the expense caption to the total amount presented in the income statement.

- ASU allows an entity to change its selected basis to a cost-incurred or an expense-incurred basis, provided the entity should recast the disclosure of the expense captions in the prior period presented for comparative purposes to reflect the current-period basis unless it is impracticable to do so.

[1] *Qualitative disclosure of the nature of the amounts included in the other adjustments and reconciling items caption is also required.*

03 Disclosure of expense reimbursements included in a relevant expense caption

In case of cost sharing or cost reimbursement arrangements wherein a relevant expense caption includes adjustment for expense reimbursement received, hence recorded net of reimbursement, an entity shall either:

- Separately disclose the amount of the expense reimbursement or
- Disclose the amounts of the specified expense categories that are included in the relevant expense caption, net of any reimbursement effects (e.g., reimbursements of employee compensation amount from group entity would be included as a reduction of the employee compensation category)

- The entity shall apply the disclosure selection consistently and shall made a disclosure of how expense reimbursements are presented in both interim and annual reporting periods.
- Expense reimbursements paid (or due) to other entities and included within a relevant expense caption shall be disclosed separately in the tabular disclosure with a qualitative description of which natural expense categories are reimbursed for, e.g., an entity that reimburses another entity for that entity's employee compensation costs shall disclose these amounts separately in the tabular disclosure and cannot combine them with employee compensation category with qualitative description.

- The disclosure guidance applies to certain cost-sharing arrangements, such as collaborative arrangements, cooperative advertising arrangements, and funded research and development arrangements.
- The guidance does not apply to payments made to or received from vendors such as reimbursements of out-of-pocket expenses in connection with a service contract or as a rebate on purchases respectively.

04 Disclosure of "other items" in relevant expense captions

- This category includes residual amount, i.e., the difference between the amount of relevant expense caption presented on the face of the Income statement minus the aggregate amount of expense categories separately disclosed in the disaggregation of that expense caption.
- Entity shall disclose qualitative descriptions of expenses included in this category (based on their natural expense classification), considering the significance of the amount.

- Other adjustments and reconciling items related to impact on inventory as presented on the balance sheet but do not result in the recognition of a corresponding expense within the expense caption (e.g., cost of sales). Therefore, the same shall not be combined with another category.

05 Integration with existing disclosure requirements under US GAAP

Key Provisions	Implementation matters
• Certain specified expenses, gains, and losses that are subject to existing disclosure requirements in US GAAP are presented in each applicable income statement expense caption included in the tabular disclosure. • Examples include impairment losses of long-lived assets, costs associated with an exit or disposal activity, and gains and losses on derivative instruments and related hedged items.	• Certain specified expenses, gains, and losses (e.g. warranty expense, loss contingencies, amortization of costs to obtain a contract with a customer, Operating lease cost, Foreign currency transaction gains or losses, etc.) if entirely recorded within one relevant expense caption and not multiple expense caption, then these items should be presented in the same tabular disclosure (annual and interim, as the case may be). • For e.g., if warranty expense is recorded entirely in the Cost of product sold, the entity would include an additional line item for warranty expense in its tabular disaggregation of Cost of product sold. However, if warranty expense spans multiple relevant expense captions, the entity may opt to disclose its amounts as required under Topic 460 in another part of the financial statements, such as in the Warranty note.

- The disclosure guidance to integrate with existing disclosure requirements is intended to enhance the relevance of the tabular format disclosure by reducing the amounts disclosed for categories that are labelled as "other items."
- This disclosure is mandatory even If an entity discloses a such specified expense, gain, and loss amount elsewhere in the footnotes forming a part of financial statements.

06 Disclosure related to Selling Expenses

Key Provisions	Implementation matters
• ASU requires a narrative disclosure of the total selling expenses recognized in continuing operations in the notes to financial statements. • Entity is allowed to determine its own definition of selling expenses and apply that definition consistently each reporting period. • ASU also requires an entity to disclose its definition of selling expenses in annual reporting periods (or interim reporting periods if the definition is changed).	• Disclosure related to selling expenses applies to all PBEs, including those that do not present an expense caption for "selling, general, and administrative expenses" on the income statement. • Entity that presents a separate expense caption similar to "selling expenses" on the income statement shall not be required to make a narrative disclosure of the total selling expenses and may conclude that the existing expense caption represents its definition of selling expenses under the new standard. • However, disclosure-related definitions of selling expenses shall be made.

- Although the entity is allowed to define selling expenses and their components, however, amounts that are clearly within the definition of other defined expenses (e.g., research and development costs) are restricted to be included in selling expenses. Therefore, determination of expenses forming a part of selling expenses may require judgment and may result in significant diversity in practice.
- If an entity changes its definition of selling expenses, prior period comparative information will be recasted in the period of the change unless it is impracticable.
- This category includes amounts that are expensed during the reporting period and, therefore, shall not include:
  - Selling expenses presented as a reduction of revenue, such as incentive payments to customers.
  - Selling expenses capitalized during the period, such as costs to obtain a contract with a customer. In such cases, amortization of previously capitalized expenses may be included if they are included in the definition of selling expenses.

07 Other Application matters

a. Materiality Considerations

ASC 105-10-05-06 states that the provisions of the Codification need not be applied to immaterial items. As concluded in the basis of the conclusion, the guidance in ASC 105-10-05-06 about immaterial items also applies to the amendments related to this disclosure. Therefore, the requirement to disclose-

- The disaggregation of relevant expense captions into required expense categories and other disclosures does not apply to immaterial items.

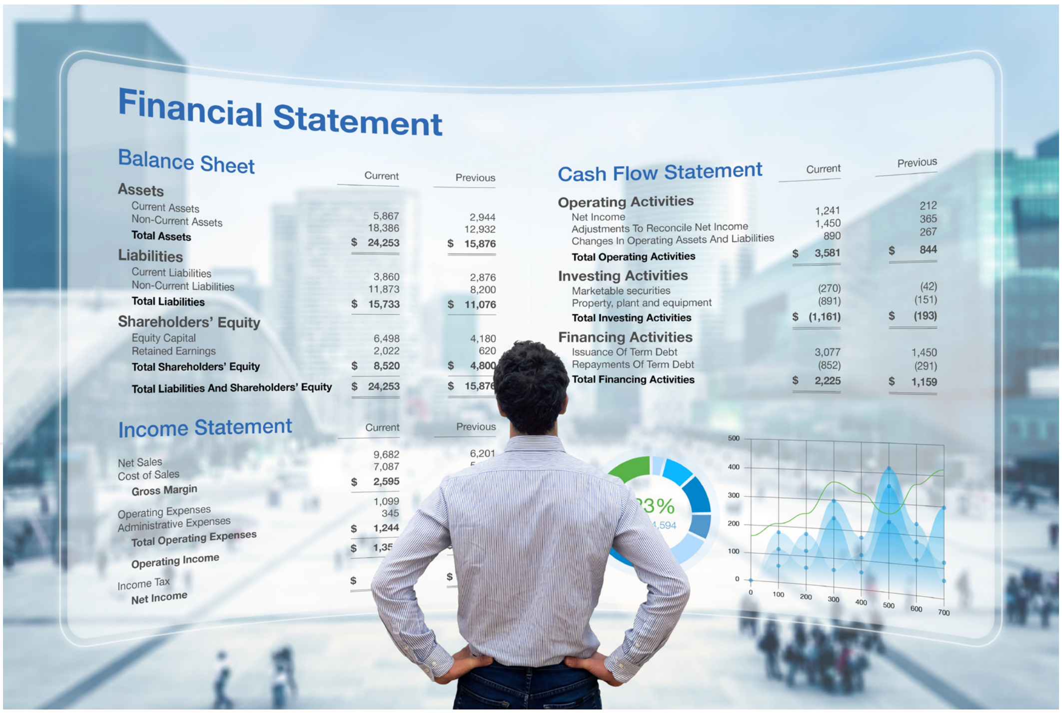
b. Effective date and transition

- The amendments in ASU are effective for the annual reporting period beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted.
- The amendment in ASU applies on a prospective basis, however, retrospective application to all or some of the prior periods presented is permitted.

Reporting the disclosures for all comparative periods presented (that is, each period for which an income statement is presented) will improve the comparability and consistency of the disaggregated information disclosed.

c. Interaction with IFRS:

- As per existing guidance, under IAS 1, an entity classifying expenses by function discloses additional information on the nature of expenses, including depreciation and amortization expenses and employee benefits expenses. However, IAS 1 does not specifically require that an entity disclose the amounts of those natural expenses included in each line on the statement of profit and loss.
- In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 and is effective for annual reporting periods beginning on or after January 1, 2027. While IFRS 18 has broader impacts on financial reporting under IFRS and includes specific presentation requirements for the statement of profit or loss (income statement), both IFRS Accounting Standards and USGAAP require that an entity present or disclose some similar expense categories. IFRS 18 requires that when an entity presents one or more expenses based on their function in the operating category of the statement of profit or loss, IFRS 18 requires that an entity discloses in a single note the total amounts of (a) depreciation, (b) amortization, (c) employee benefits, (d) impairment losses and their reversals, and (e) inventory write-downs and their reversals.
- The amendments in this Update differ from IFRS 18 in some respects. The following summarizes key differences:
    - ASU requires that an entity disclose the amounts for purchases of inventory within the scope of Topic 330, whereas IFRS 18 has no similar requirement.
    - ASU requires that an entity disclose total selling expenses and an entity's definition of selling expenses, whereas IFRS 18 does not have a similar requirement.
    - ASU requires the disaggregation of the required expense categories for amounts included in relevant expense captions, whereas IFRS 18 requires the disaggregation of the total amounts of similar natural expense categories.
    - ASU requires disaggregation of certain natural expenses to be provided in interim reporting periods, whereas IFRS 18 has no similar requirement.
    - ASU does not require disaggregation of impairments of nonfinancial assets or write-downs of inventory unless disclosure of those amounts is required by paragraphs 220-40-50-21 through 50-22, whereas IFRS 18 requires that those amounts be disclosed.



ILLUSTRATIVE EXAMPLE TO UNDERSTAND THE DISCLOSURE REQUIREMENTS

Entity XYZ
Consolidated Income Statement
For the year ended December 31, 2024, 2023 and 2022

	2024 ($)	2023 ($)	2022 ($)
Revenue:			
Products	82,144	79,137	75,180
Services	26,132	23,146	21,989
Total revenue	**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 & administrative	20,849	18,871	18,116
Research and development expenses	2,000	3,000	4,000
Total operating expenses	**96,801**	**92,337**	**88,258**
Operating income	11,475	9,946	8,911
Interest expenses	4,971	4,213	4,297
Income before income taxes	**6,504**	**5,733**	**4,614**
Income tax expenses	1,786	1,834	1,809
Net income	**4,718**	**3,889**	**2,805**

Notes:

1. "Cost of products sold contains amounts related to inventory within the scope of Topic 330."
2. "The entity also recognizes property, plant, and equipment impairment classified as held and used in selling, general, and administrative expenses."
3. "The entity has a funded research and development cost-sharing arrangement with a strategic partner."
4. "The entity recognizes expenses associated with warranty accruals entirely within the cost of products sold."
5. "The entity recognizes operating lease costs in both cost of services and selling, general, and administrative expenses."
6. "The entity recognizes amounts related to the initial recognition and subsequent measurement of a liability for an environmental obligation in the cost of products sold."
7. "Interest expense and Income tax expense captions do not contain any of the specified natural expense categories."

The following summarizes application guidance for the implementation of amendments required by ASU

Step 1: Identification of relevant expense caption

Applying the principles of ASU, Entity XYZ identified the following Income statement captions as relevant expense captions requiring disaggregation disclosure of natural expense category-:

(a) Cost of products sold

(b) Cost of services

(c) Selling, general & administrative

Note-: Income tax expense and interest expense, even though presented on the face of its income statement, do not contain any of the natural expense categories and, therefore, shall not be considered relevant expense captions.

Step 2: Exceptions to disaggregation disclosure

Asset-related exceptions – It is not applicable in the current case, since cost is capitalized only in case of inventory.

Liability-related exceptions – Cost of products sold expense caption includes an amount for the environmental obligation. The Entity is ***not required to disaggregate*** this amount since (1) it will be settled in the future and there is uncertainty amount of settlement, (2) It is based on an estimate of future expenditure, (3) It is not entirely made up of one natural expense category.

Step 3: Integration with existing disclosure requirements under US GAAP

1. **Impairment of Property, plant, and equipment:** The expense caption "Selling, general, and administrative expenses" includes costs relating to "Property, plant, and equipment impairment classified as held and used". ASU requires impairment expense as a separate category in the tabular format disclosure in accordance with paragraph 220-40-50-21(c). Therefore, disaggregation of the "Selling, general, and administrative expenses" caption requires Property, plant, and equipment impairment to be disclosed as a separate category.
2. **Warranty accruals:** The Entity recognizes expenses associated with warranty accruals entirely within the cost of products sold and, therefore, includes warranty expense as a separate category in accordance with paragraph 220-40-50-22(k). Therefore, disaggregation of the "Cost of products sold" caption requires warranty expenses to be disclosed as a separate category.
3. **Operating lease costs:** The operating lease cost spans multiple relevant expense captions, i.e., cost of services and selling, general, and administrative expenses. Hence, it is not required to be disclosed separately. Instead, those expenses are included in the amount for other items for each relevant expense caption.

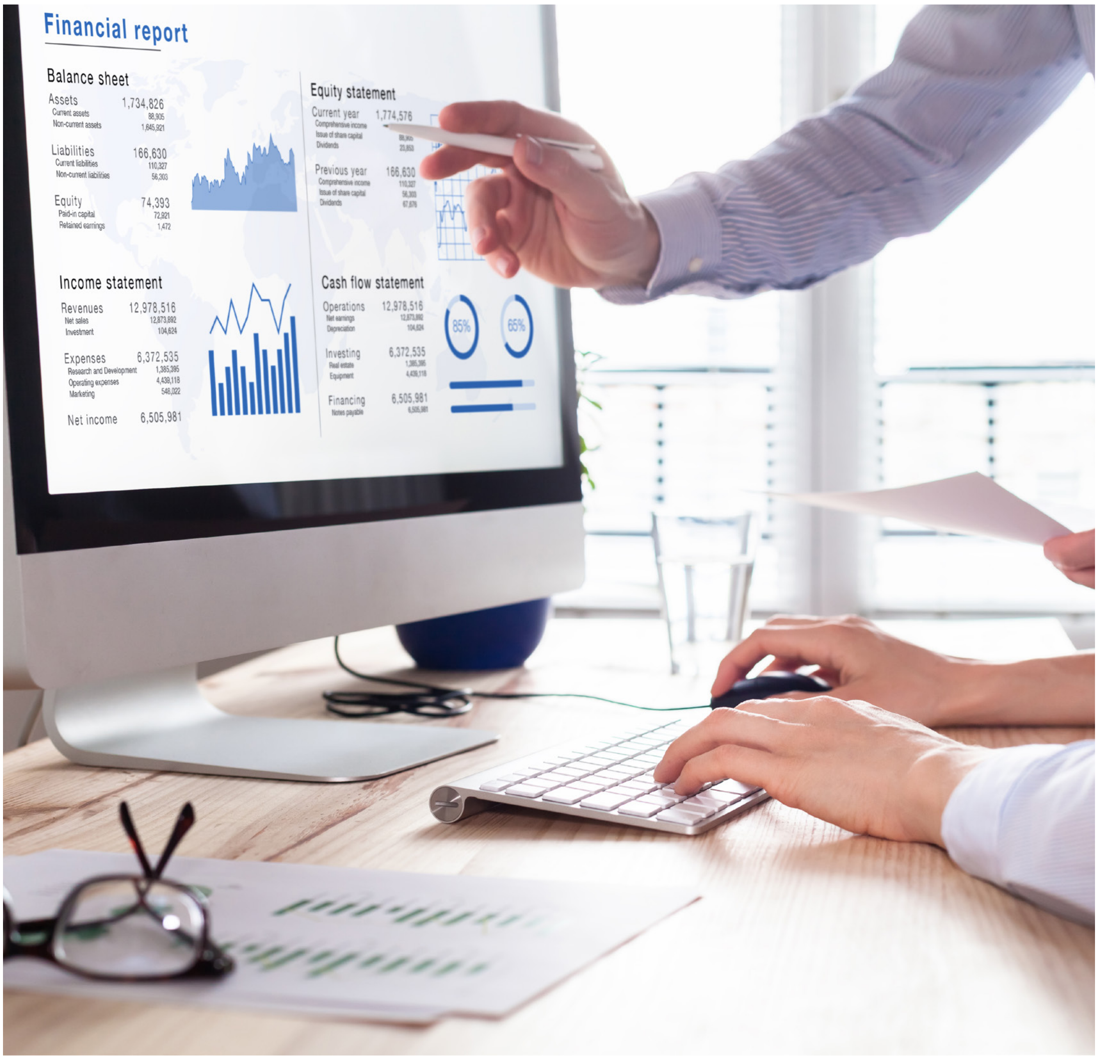
Step 4: Expenses reimbursement

Entity XYZ elected to recognize an expense reimbursement from the strategic partner in research and development expenses and elects to separately disclose the amount of that expense reimbursement.

Additionally, the entity qualitatively describes the expense categories to which the reimbursement relates.

Step 5: Disclosure of remaining other items

Since the remaining items are not significant, hence the entity provides only qualitative disclosure.



Illustrative disclosure provided by Entity XYZ

Disaggregation of relevant expense captions into natural expense category:

(a) Cost of products sold:

	2024 ($)	2023 ($)	2022($)
Purchase of inventory	20,213	19,199	16,319
Employee compensation	17,578	16,539	14,078
Depreciation	10,190	9,989	9,650
Intangible assets amortization	3,914	4,050	3,929
Warranty expenses	4,394	3,952	3,894
Other cost of products sold[1]	7,552	7,606	7,993
Change in inventories	157	(861)	843
Other adjustments and reconciling items[2]	(542)	424	538
Total cost of products sold	63,456	60,898	57,244

Notes:

1. "Other costs of products sold consist 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, 2024, 2023, and 2022. The Year ended December 31, 2024, also includes inventory amounts recognized as part of a business combination"
2. "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, 2024, 2023, and 2022."

(b) Cost of services:

	2024 ($)	2023 ($)	2022($)
Employee compensation	6,598	5,654	4,354
Depreciation	763	765	742
Intangible assets amortization	642	670	650
Other cost of services[1]	2,493	2,479	3,152
Total cost of services	10,496	9,568	8,898

Notes:

1. "Other cost of services consists primarily of operating lease and travel expenses for the years ended December 31, 2024, 2023, and 2022."

(c) Selling, general and administrative:

	2024 ($)	2023 ($)	2022($)
Employee compensation	13,242	11,379	10,764
Depreciation	1,454	1,755	1,737
Property, plant, and equipment impairment	412	-	-
Intangible assets amortization	523	596	-
Other SG&A[1]	5,218	5,141	5,615
Total SG&A	20,849	18,871	18,116

Notes:

1. "Other SG&A consists primarily of professional services fees and operating lease expense for the years ended December 31, 2024, 2023, and 2022."

(d) Research and development:

	2024 ($)	2023 ($)	2022($)
Employee compensation	1,700	2,700	3,700
Other R&D[1]	800	900	1,000
Cost reimbursements[2]	(500)	(600)	(700)
Total SG&A	2,000	3,000	4,000

Notes:

1. "Other R&D consists primarily of payments to third parties for professional services and licenses of intellectual property for the years ended December 31, 2024, 2023, and 2022."
2. "Cost reimbursements consist of payments from a strategic partner for employee compensation and materials costs related to R&D incurred as part of a funded research and development arrangement for the years ended December 31, 2024, 2023, and 2022."

(e) Selling expenses:

Selling Expenses during the years ended December 31, 2024, 2023, and 2022, 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.

For more information on amendment in ASU, see the press release on the FASB's Web site.

QUESTIONS FOR FINANCE TEAMS TO ADDRESS

Some of the questions, which are relevant to the finance teams.

01

Does an entity need to change the presentation of expense captions on the face of its income statement as part of adopting the new standard?

(Refer the "Background" section)

02

Which type of costs shall be included in "Purchase of inventory?"

(Refer the "Purchase of inventory" section)

03

Will selling expenses in the nature of incentive payments to customers adjusted from revenue also be included in the Selling Expense disclosure?

(Refer the "Disclosure related to Selling Expenses" section)

04

Which expenses shall be forming a part of selling expenses?

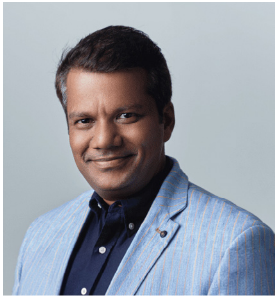
(Refer the "Disclosure related to Selling Expenses" section)

05

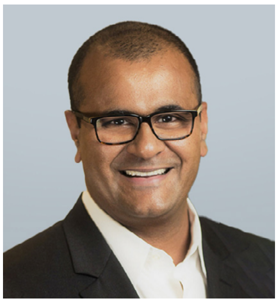
Impact of change in the definition of selling expenses, and requirements to recast prior period comparative information in the period of the change?

(Refer the "Disclosure related to Selling Expenses" section)

A TEAM THAT
YOU CAN TRUST TO DELIVER



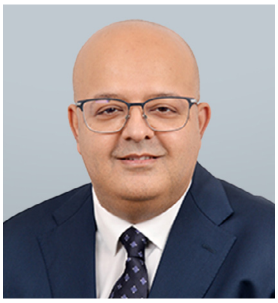
Sandip Khetan
Co-Founder, Global Head of ARC
sandip.khetan@uniqus.com



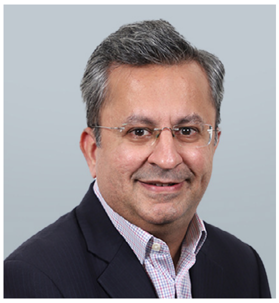
Avinash Ramkumar
Partner, ARC
avinash@uniqus.com

Arda Kaya
Partner, ARC
ardakaya@uniqus.com

Shashikant Shenoy
Partner, ARC
sshenoy@uniqus.com



Sharad Chaudhry
Partner, ARC
schaudhry@uniqus.com



Sagar Lakhani
Partner, ARC
sagarlakhani@uniqus.com

Raghuram K
Partner, ARC
sshenoy@uniqus.com

Puneet Chowdhary
Director, ARC
puneetchowdhary@uniqus.com

Rounak Goyal
Manager, ARC
rounakgoyal@uniqus.com

To know more about us, please visit *www.uniqus.com*