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# FASB Proposes Improvements to Reportable Segment Disclosures

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## Overview

On October 6, 2022, the FASB issued a [proposed ASU](#)<sup>1</sup> that would enhance disclosures about significant segment expenses for all public entities required to report segment information in accordance with ASC 280.<sup>2</sup> Comments on the proposed ASU are due by December 20, 2022.

## Background

ASC 280 requires a public entity to report for each reportable segment a measure of segment profit or loss that its chief operating decision maker (CODM) uses to assess segment performance and to make decisions about resource allocations. The proposed amendments address investors' observations that "although information about a segment's revenue and measure of profit or loss is disclosed in an entity's financial statements, there generally is limited information disclosed about a segment's expenses." They also address investors' requests for "additional information about a public entity's reportable segments to understand the expense categories and amounts that are included within segment profit or loss."

<sup>1</sup> FASB Proposed Accounting Standards Update (ASU), *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*.

<sup>2</sup> FASB Accounting Standards Codification Topic 280, *Segment Reporting*.

## Main Provisions of the Proposed ASU

Under the proposed ASU, a public entity would be required to provide:

- Annual and interim disclosures about the “significant segment expenses that are regularly provided to the [CODM] and included within each reported measure of segment profit or loss (collectively referred to as the ‘significant expense principle’).”
- Annual and interim disclosures of “an amount for *other segment items* by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed . . . and each reported measure of segment profit or loss.”
- In interim periods all “disclosures about a reportable segment’s profit or loss and assets” that ASC 280 currently requires in annual periods.

In addition, if a CODM were to use multiple measures, public entities would be able to disclose “more than one measure of a segment’s profit or loss” provided that at least one of those measures was determined in a manner that was “most consistent with the measurement principles” in U.S. GAAP.

Further, a public entity that has a single reportable segment would need to provide all the disclosures required by both the proposed amendments and the existing segment guidance in ASC 280.



### Connecting the Dots

The proposed ASU does not define the term “significant” or specify how entities may interpret its meaning. As indicated in the proposal’s Basis for Conclusions, “the Board expects that public entities would be able to apply judgment in a manner similar to how the threshold is already applied in other parts of Topic 280. Therefore, additional guidance about how to apply the significance threshold as part of the amendments in this proposed Update is unnecessary.”

The Basis for Conclusions also states the following:

Topic 280 uses the term *regularly reviewed* information within the definition of *operating segment* when referring to the information that a CODM uses to allocate resources and assess performance. Topic 280 also uses the term *regularly provided* information when referring to the frequency with which the CODM receives segment information when determining whether certain segment items and amounts must be reported under existing disclosure requirements. Because the scope of the amendments in this proposed Update is not revising the definition of an operating segment or segment profit or loss, the Board decided to base the significant expense principle on the information that is regularly provided to the CODM to align with the same term in the existing segment disclosure requirements. Because the term *regularly provided* information is undefined, the Board understands that entities apply judgment when determining whether certain segment items and amounts provided to the CODM must be disclosed under existing disclosure requirements. As part of the 2019 study, the Board considered whether it should clarify the meaning of the term and concluded that doing so is unlikely to lead to greater levels of segment information being disclosed.

The proposed amendments would not revise:

- The way “a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments.”
- A public entity’s current requirements related to disclosing, in certain circumstances, “other specified segment items and amounts, such as depreciation, amortization, and depletion expense.”

## Proposed Effective Date and Transition

### Effective Date

After considering stakeholder feedback on the proposed ASU, the FASB plans to establish an effective date for the amendments and determine whether to permit early application.

### Transition

The proposed enhanced segment disclosures would apply retrospectively “to all prior periods presented in the financial statements. The segment expense categories and amounts disclosed in prior periods [would be] based on the significant segment expense categories identified and disclosed in the period of adoption.” Further, a qualitative transition disclosure would be required in which a public entity describes “what the differences in the segment expense categories would have been if the significant expense principle had been applied in the most recent comparative period.”

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