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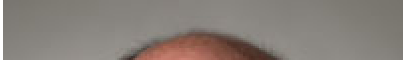
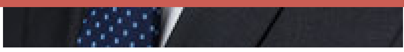
company's segment expenses.

Jason Bramwell • Oct. 10, 2022

The Financial Accounting Standards Board (FASB) is mulling a change to accounting rules that the board said last week would improve disclosures about a public company's reportable business segments by providing investors with more detailed information about a segment's expenses.





Richard Jones

The proposed Accounting Standards Update (ASU), which the board issued on Oct. 6, "would represent the FASB's most significant change to segment reporting since 1997," said FASB Chair Richard Jones.

"On the basis of our extensive stakeholder outreach, the proposed ASU would provide investors and other allocators of capital with valuable insights into significant segment expenses, expand segment disclosures reported in interim periods, and require disclosures for single-segment entities," he added.

A business segment is a part of a company that can be identified by the products it provides or by the services or geographical locations it operates in. Investors use segment information to understand a company's different business activities and its overall performance, and it assists in assessing potential future cash flows, according to the FASB.

Investors have noted that although information about a segment's revenue and measure of profit or loss is disclosed in a company's financial statements, there generally is limited information disclosed about a segment's expenses.

The proposed ASU states:

> Feedback on the Post-Implementation Review (PIR) Report on FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*, which was issued in 2012, indicated overall support from stakeholders for the management approach to segment reporting. That report stated that investors are generally satisfied with the segment note disclosures. A minority of investor

survey respondents, approximately one-third, indicated that they are

expenses, according to the FASB. The key amendments in the proposed ASU would:

1. Require that a public company disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss.
2. Require that a public company disclose, on an annual and interim basis, 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.
3. Require that a public company provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280, *Segment Reporting*, in interim periods.
4. Clarify that if the CODM uses more than one measure of a segment's profit or loss, at least one of the reported segment profit or loss measures (or the single reported measure if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in a public company's consolidated financial statements.
5. Require that a public company that has a single reportable segment provide all the disclosures required by the amendments in the proposed ASU and all existing segment disclosures in Topic 280.

The amendments in the proposed ASU would apply to all public entities that are required to report segment information in accordance with Topic 280.

Stakeholders are asked to review and provide comments on the proposed ASU by Dec. 20.