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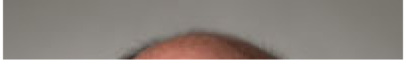
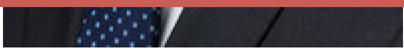
company's segment expenses, the FASB says.

Jason Bramwell • Nov. 27, 2023

The Financial Accounting Standards Board (FASB) on Monday approved new rules that are expected to improve disclosures about a public company's reportable segments and provide more information to investors about a segment's expenses.

The changes outlined in Accounting Standards Update (ASU) No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, are the "most significant since 1997" when the board issued Statement 131 to improve the way public companies report financial information about their business segments, FASB Chair Richard Jones said in October 2022 after the board issued its proposed ASU.





Richard Jones

Following the board's vote on Monday to approve the updated segment reporting accounting rules, Jones said in a statement, "The new segment reporting guidance is based on the FASB's extensive outreach with stakeholders, including investors, who indicated that enhanced disclosures about a public company's segment expenses would enable them to develop more decision-useful financial analyses. It will improve financial reporting by providing additional information about a public company's significant segment expenses and more timely and detailed segment information reporting throughout the fiscal period."

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 had told the FASB 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.

According to the FASB, the changes made to segment reporting guidance include:

- 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.
- 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

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 the public entity's consolidated financial statements.
- Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280.

The FASB states in the ASU:

> The amendments in this Update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses.
>
> Currently, Topic 280 requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the CODM uses to assess segment performance and make decisions about allocating resources. Topic 280 also requires other specified segment items and amounts, such as depreciation, amortization, and depletion expense, to be disclosed under certain circumstances. The amendments in this Update do not change or remove those disclosure requirements.

> The amendments in this Update also do not change how a public

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