

Accounting & Auditing Update

FASB Proposal: Improvements to Public Entity Operating Segment Disclosures

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The Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update (ASU) to improve the disclosures about a public entity's reportable segments by requiring more detailed information about such expenses on an annual and interim basis. Currently, information about a segment's revenue and measure of profit or loss is disclosed in an entity's financial statements but there is generally limited information disclosed about a segment's expenses.

The amendments in this proposed ASU would apply to all public entities that are required to report segment information in accordance with Topic 280, *Segment Reporting*.

Proposed Amendments

The key proposed amendments in the ASU would:

- Require disclosure in interim periods of a reportable segment's profit or loss and assets as required currently by Topic 280 for annual periods.
- Require public entities to disclose, on an interim and annual basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of profit or loss. A public entity would evaluate segment expenses that are regularly provided to the CODM, as well as segment expenses that are easily computable from information that is regularly provided to the CODM.
- Require public entities to disclose, on an interim and annual 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 under the significant expense principle and each reported measure of segment profit or loss. A qualitative description of the composition of other segment items should also be disclosed, even when a public entity doesn't separately report significant segment expense.
- Clarify that a public entity can disclose more than one measure of a segment's profit or loss used by the CODM to evaluate segment performance and allocate resources. However, at least one of the reported measures, or the single reported measure if only one is disclosed, must be determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the consolidated financial statements.
- Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this proposed Update and all existing segment disclosures in Topic 280.

Current Disclosure Requirements Remain

The amendments in this proposed ASU would not change or remove the current disclosure requirements in Topic 280 and also would not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments.

Comment Period

Comments on the proposed ASU are due by December 20, 2022. Once feedback on the proposed amendments is considered, the FASB will determine the effective date and whether early application would be permitted. The amendments in this proposed ASU would be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods would be based on the significant segment expense categories identified and disclosed in the period of adoption.

A copy of the proposed ASU can be accessed [here](#).

Contact Us

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