



FASB | IASB Education Meeting

September 29, 2023

Segment Reporting

Improvements to Reportable Segment Disclosures

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Main Provisions

1. Significant Expense Principle

2. Other Segment Items

3. Single Reportable Segment Entities

4. Multiple Measures of a Segment's Profit or Loss

5. Interim Reporting

Key Dates

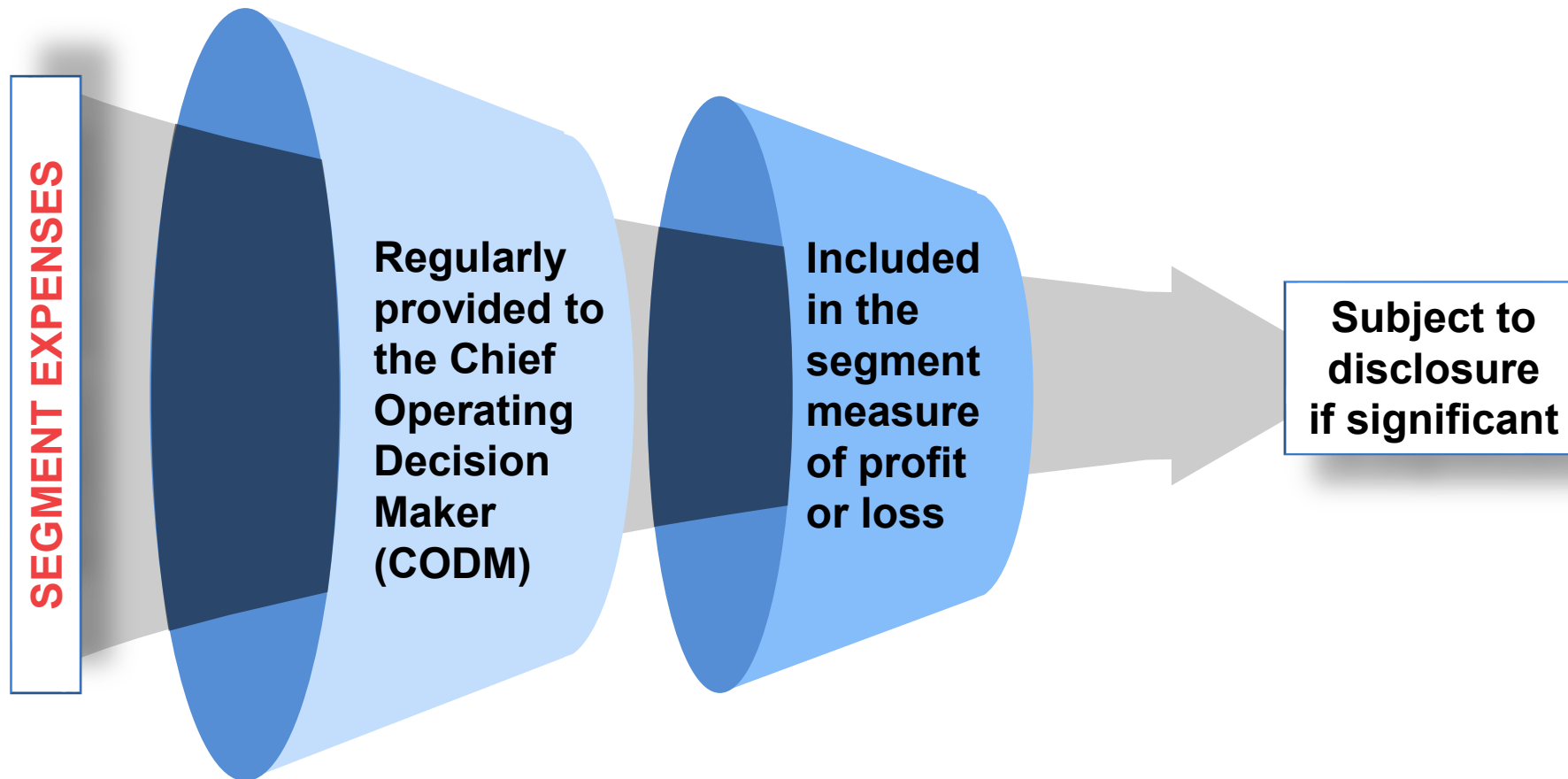
Exposure Draft:
October 2022

Comments Closed:
December 2022

Final Update
(Expected):
Q4 2023

Significant Expense Principle

The Board decided to pursue a significant expense disclosure principle illustrated below:



1. Significant Expense Principle

	Auto Parts	Motor Vessels	Software	Total
Revenues from external customers	\$ 3,000	\$5,000	\$26,500	\$34,500
Intersegment revenues	-	-	4,500	4,500
	3,000	5,000	31,000	39,000
<i>Reconciliation of revenue</i>				
Other revenues				1,000
Elimination of intersegment revenues				(4,500)
Total consolidated revenues				\$35,500
Less:				
Cost of revenue	1,700	3,100	8,800	
Research and development expense	-	-	3,300	
Nonmanufacturing payroll expense ^(a)	500	900	6,050	
Professional services expense	-	-	3,000	
Interest expense	-	-	3,000	
Other segment items ^(b)	700	1,130	3,850	
Segment profit or (loss)	100	(130)	3,000	2,970
(a) The nonmanufacturing payroll expense does not include amounts capitalized on the balance sheet or included within other expense categories.				
(b) See next slide for additional information				

□ - New Disclosure: Significant segment expenses

2. Other Segment Items

Other segment items is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss.

[Abridged from previous slide]				
	Auto Parts	Motor Vessels	Software	Total
Total consolidated revenues				\$35,500
Less:				
Cost of revenue	1,700	3,100	8,800	
Research and development expense	-	-	3,300	
Nonmanufacturing payroll expense	500	900	6,050	
Professional services expense	-	-	3,000	
Interest expense	-	-	3,000	
Other segment items ^(b)	700	1,130	3,850	
Segment profit/(loss)	100	(130)	3,000	2,970

(b) Other segment items for each reportable segment include:

Auto parts—maintenance and repairs expense and certain overhead expenses.

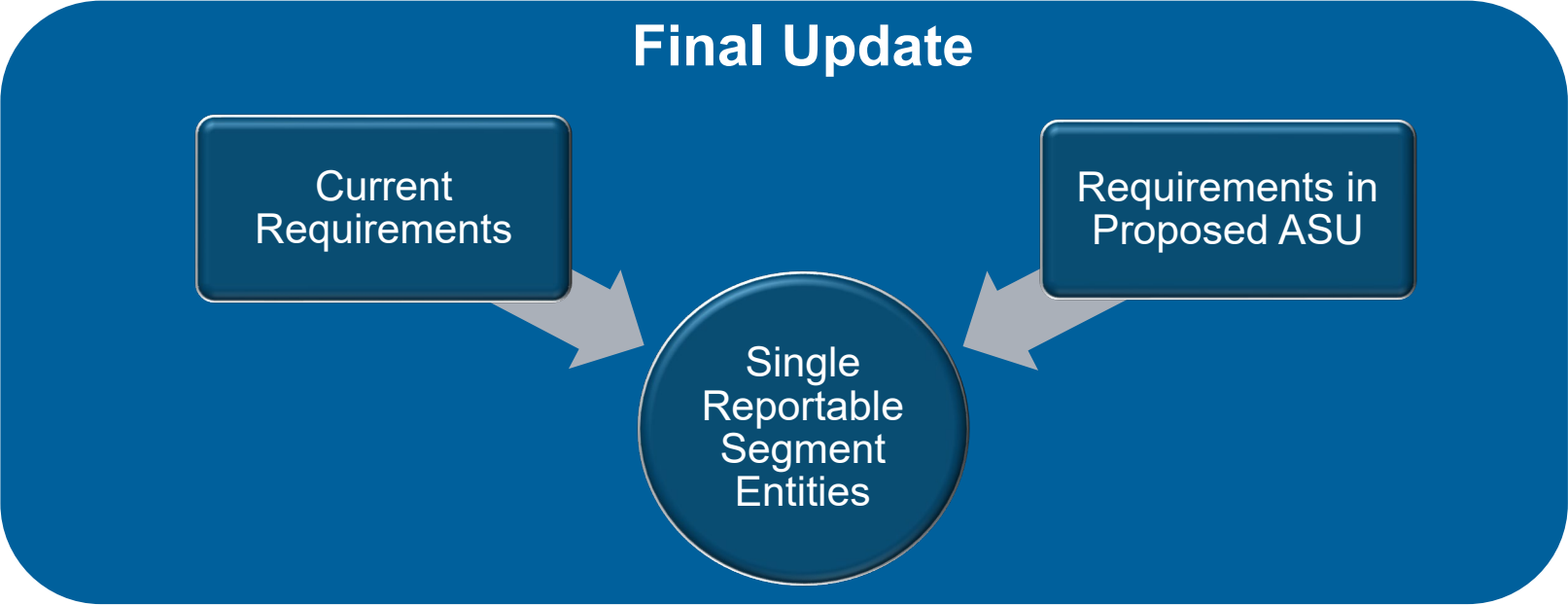
Motor vessels—marketing expense, occupancy expense, and certain overhead expenses.

Software—depreciation and amortization expense, travel expense, office supplies expense, marketing expense, occupancy expense, property tax expense, certain overhead expenses, and other gains and losses.

□ - New Disclosure: Amount of other segment items and description of its composition

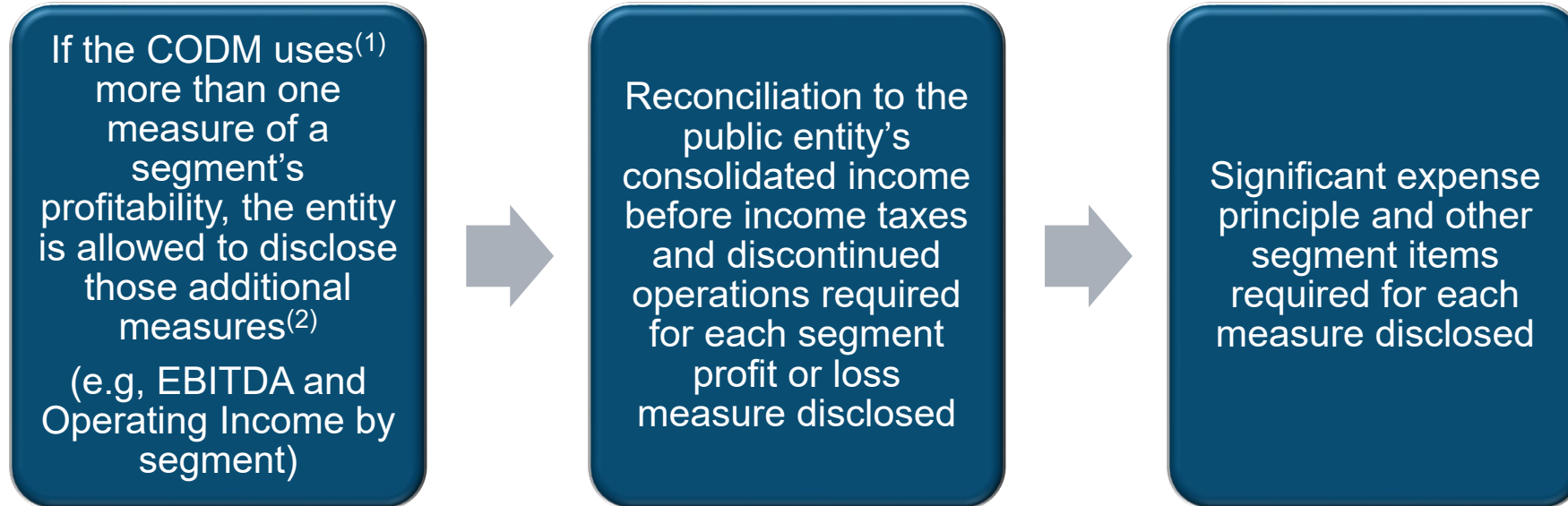
3. Single Reportable Segment Entities

There is currently no explicit requirement for single reportable segment entities to provide segment disclosures.



Key Takeaway: The segment disclosure requirements apply to all public entities, regardless of the number of segments. The segment information is based on the amounts provided to the CODM, which may provide additional information for investors.

4. Multiple Measures of a Segment's Profit or Loss



(1) A measure the CODM “uses” in assessing segment performance and deciding to how to allocate resources

(2) Required to disclose the measure of a segment's profit or loss that is most consistent with GAAP measurement methods

5. Interim Reporting

Disclosures Required On An Interim Basis

Current Interim Requirements

- Revenue
- Segment profit or loss
- Reconciliation of segment profit to consolidated income
- Segment assets



Current Annual Disclosures

- Interest revenue and expense*
- Depreciation and amortization*
- Unusual items*
- Equity in the income of equity method investees*
- Income tax expense or benefit*
- Other significant noncash items*
- Investment in equity method investees*
- Expenditures for long-lived assets



Significant Expense Principle and Other items

- Significant expense categories and amounts
- Other segment items

* To the extent such information would be required for the company on an annual basis

Other Segment Disclosures

Disclosure of the title and position of CODM

If an entity does not disclose significant expenses for one or more segments, disclose the nature of the expense information that the CODM uses to manage operations (e.g., explanation that the CODM only reviews consolidated expenses)

Narrative explanation of how the CODM uses the reported measure(s) of a segment's profit or loss in assessing segment performance and deciding how to allocate resources

Transition and Effective Date

Transition

- Require retrospective adoption
- Segment expense categories and amounts disclosed in prior periods shall be based on the significant expense categories identified in the period of adoption.

Effective Date

- Fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 2024.
- Early adoption is permitted.