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Ms. Hillary H. Salo
Technical Director
File Reference No. 2022-ED100
Financial Accounting Standards Board
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Proposed Accounting Standards Update, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (File Reference No. 2022-ED100)

Dear Ms. Salo:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's efforts to seek input from all stakeholders on how to improve segment reporting disclosures and promote high-quality financial reporting. We believe that input from financial statement users and preparers will be important in helping the Board achieve its objective.

Our comments on certain aspects of the proposed amendments are described below.

Multiple measures of segments' profit or loss

We support the FASB's efforts to address what some stakeholders have described as a lack of clarity in the guidance in Accounting Standards Codification (ASC) 280, *Segment Reporting*, about whether companies can report multiple measures of segment profit or loss used by the chief operating decision maker. We believe that if the Board decides to permit multiple measures, the final guidance should use the explicit language in the proposal. However, if the Board decides that only a single measure of segment profit or loss should be reported, we believe that the guidance should explicitly state that companies can only report the measure that is most consistent with the measurement principles used for preparing the consolidated financial statements.

This point is important because the Securities and Exchange Commission staff's Compliance and Disclosure Interpretations on non-GAAP measures states that the disclosure of financial information that ASC 280 "requires or expressly permits" is excluded from the definition of non-GAAP financial measures.¹

¹ Division of Corporation Finance, Compliance and Disclosure Interpretations on Non-GAAP Financial Measures, Question 104.1



Significant segment expense

We believe the proposed amendments that would require a public entity to disclose, by reportable segment, the significant segment expense categories and amounts are clear. As noted by the Board, the significant segment expenses would be determined by using a management approach that is in line with today's guidance in ASC 280. We also agree that the majority of the judgments that would be required to disclose significant segment expenses would be similar to those made when applying ASC 280.

Interim reporting

The proposed requirement to include in interim periods all disclosures about a reportable segment's profit or loss and assets under ASC 280 that are now provided only in annual periods would provide consistency with the annual disclosures. However, we encourage the Board to consider feedback from investors on whether these interim disclosures would provide decision-useful information.

Retrospective application and early adoption

We agree that the proposed amendments should be applied on a retrospective basis and should permit entities to early adopt the guidance.

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We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

Ernst + Young LLP