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Technical Line

FASB — final guidance

A closer look at the FASB's new segment disclosure requirements

In this issue:

What you need to know

- All public entities, including those with a single reportable segment, are required to disclose additional and more detailed information about a reportable segment's expenses in interim and annual periods, under the final guidance issued by the FASB.
- The new guidance permits public entities to disclose more than one measure of a segment's profit or loss if such measures are used by the chief operating decision maker to allocate resources and assess performance, as long as at least one of them is determined in a way that is most consistent with US GAAP measurement principles.
- The SEC staff said in recent discussions it won't object to entities choosing to disclose in the footnotes additional measures of segment profitability that aren't determined in accordance with US GAAP, even though Item 10(e) of Regulation S-K prohibits such disclosures, provided that entities comply with all other SEC rules and regulations and staff guidance on the use of non-GAAP financial measures.
- The SEC staff has said it will focus closely on segment reporting, including compliance with the new guidance, in its 2024 review of financial statement disclosures.
- The guidance is effective for all public entities for fiscal years beginning after 15 December 2023 and interim periods beginning after 15 December 2024. It should be applied retrospectively to all periods presented in financial statements. Early adoption is permitted.

Overview

The **amendments** to Accounting Standards Codification (ASC) 280, *Segment Reporting*, issued by the Financial Accounting Standards Board (FASB or Board) require public entities to disclose significant segment expenses and other segment items on an annual and interim basis. They also require public entities to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that, prior to the adoption of the amendments, are required annually (e.g., depreciation, depletion and amortization expense).

The new guidance clarifies that public entities with a single reportable segment are also required to provide the new disclosures and all existing disclosures required by ASC 280.

In addition, it allows public entities to disclose more than one measure of a segment's profit or loss if such measures are used by the chief operating decision maker (CODM) to allocate resources and assess performance, as long as at least one of the measures is determined in a way that is most consistent with US GAAP measurement principles.

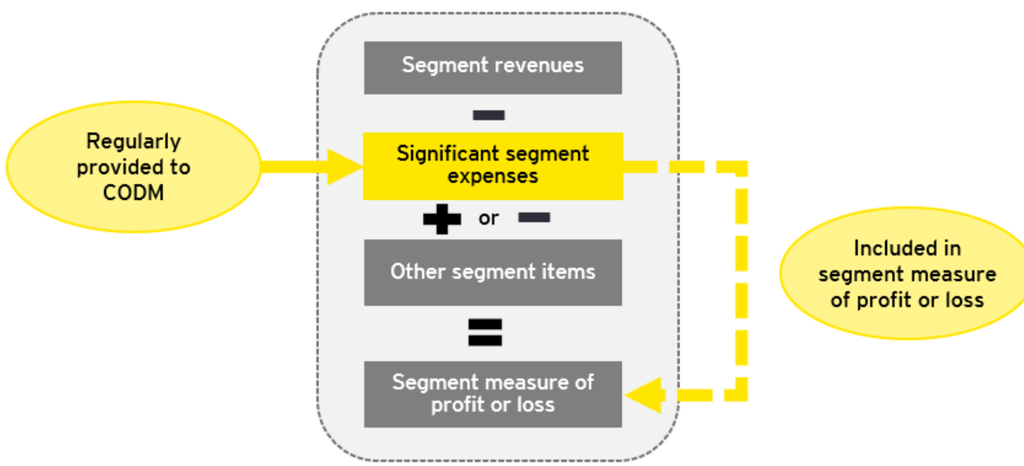
This publication has been updated to include recent clarifications by the Securities and Exchange Commission (SEC) staff on the disclosure of additional segment profitability measures and significant segment expenses, as well as other staff observations.

The FASB issued Accounting Standards Update (ASU) 2023-07[1] in response to investor requests for public entities to disclose more information about segment-level financial performance. Users of financial statements observed that segment information is critically important because it helps them better understand a public entity's business activities and overall performance and assess potential future cash flows of the business.[2] Accordingly, the Board focused on enhancing disclosures in this area.

ASU 2023-07 did not change how a public entity identifies its operating segments, aggregates those operating segments or applies the quantitative thresholds to determine its reportable segments. The SEC staff has said that its disclosure review priorities for 2024 will include a particular focus on segment reporting matters, including registrants' compliance with the FASB's new disclosure requirements.[3]

Significant expense principle

The guidance requires a public entity to disclose for each reportable segment, on an interim and annual basis, the significant expense categories and amounts that are regularly provided to the CODM and included in each reported measure of a segment's profit or loss.[4] A public entity is also required to disclose the title and position of the individual or the name of the group or committee identified as the CODM.



The significant expense principle is consistent with the management approach that public entities already apply for segment reporting. That is, public entities are required to disclose information about significant segment expenses based on information regularly provided to the CODM, rather than prescribed expense categories.

The significant expense principle also applies to segment expenses that are easily computable based on information that is regularly provided to the CODM.

Regularly provided

Under the significant expense principle, a public entity first identifies the expenses from the segment information regularly provided to the CODM and included in each reported measure of a segment's profit or loss. While ASU 2023-07 does not define "regularly provided," ASC 280 uses the term to refer to the frequency with which the CODM receives segment information when determining whether certain segment items and amounts should be reported under existing disclosure requirements. The Board intended for the term to be applied consistently with how it is applied under the existing guidance in ASC 280. The Board acknowledged that applying the term in practice requires judgment when determining whether certain segment items and amounts provided to the CODM need to be disclosed under ASC 280.[5]

The SEC staff has said it generally considers segment information that is provided to the CODM on a quarterly basis to meet the regularly provided threshold in ASC 280.[6]

Easily computable expenses

The Board decided that the significant expense principle should also apply to segment expenses that are easily computable based on information that is regularly provided to the CODM. The Board said that including this concept in the guidance helps to make sure investors receive relevant expense information based on the substance of the segment information regularly provided to the CODM, rather than on its form.[7]

The Board acknowledged that information may be distributed to the CODM in various formats (e.g., paper reports, through an electronic dashboard) and that information may include segment expenses shown in a form other than a caption and actual amounts (e.g., advertising expense expressed as a percentage of revenue) or segment expenses that can be computed based on other information provided to the CODM.

Consider the following fact pattern, which illustrates an example described by the Board in the ASU's Basis for Conclusions.[8]

Illustration 1 — Segment expenses that can be easily computed based on other information regularly provided to the CODM

Company Z, a calendar-year public entity, has two operating and reportable segments (RS1 and RS2). The CODM of Company Z is regularly provided with revenue and gross margin for each segment (the respective amounts provided to the CODM for the 2024 annual period are shown below). Assume the CODM uses segment operating income to allocate resources and assess performance.

	RS1	RS2
Revenue	$ 100	$ 200
Less: Gross margin	$ 60	$ 80
Cost of sales (computed)	**$ 40**	**$ 120**

Management concludes that segment cost of sales is easily computed by subtracting segment gross margin from segment revenue. Accordingly, if determined to be significant, a cost of sales category and amount should be disclosed in the footnotes to Company Z's consolidated financial statements for each reportable segment in accordance with the significant expense principle.

The guidance provides examples of other ways in which segment information may be reported to the CODM and how segment expenses can be easily computed from that information. The examples are not meant to be all-inclusive or limit the easily computable concept to specific forms of segment information. The Board acknowledged that the notion of easily computable may introduce subjectivity about a calculation's perceived level of difficulty.[9] Accordingly, public entities need to apply consistent judgment to determine what is easily computable when identifying the segment expense information that is regularly provided to the CODM.

Significance

Once a public entity identifies the segment expenses that are regularly provided to the CODM and included in the reported measure(s) of segment profit or loss, it evaluates their significance to determine which expenses to disclose by considering both quantitative and qualitative factors.

We believe factors that may be helpful in assessing whether expenses are significant include considering whether an item affects the trends reflected in the segment or consolidated information and whether an item is considered by management to be important to the public entity's future profitability. For example, if the CODM is regularly provided with information about a public entity's research and development expenses at the segment level because monitoring the relative trends in those amounts is important for future product development, then those expenses may be considered significant under the principle.

How we see it

While the guidance leverages the existing ASC 280 management approach, judgment is still required to apply the significant expense principle and interpret the terms regularly provided, easily computed and significant. We believe that public entities need to continue to use judgment that is similar to what they use today when determining whether certain segment items and amounts are regularly provided or significant.

SEC staff observations on disclosing significant segment expenses under ASC 280 (added September 2024)

During discussions in August 2024, the SEC staff provided the following observation related to an entity's disclosure of significant segment expenses under ASC 280.

Question: Is it acceptable for an entity to disclose for one or more of its reportable segments an expense that is not determined in accordance with US GAAP but meets all other relevant criteria under the significant segment expense principle in ASC 280?

Answer: ASC 280 does not require the significant segment expenses identified by management to be determined in accordance with US GAAP. Accordingly, entities that disclose this expense information are expected to comply with Rule 4-01(a) of Regulation S-X and provide further information as necessary to make sure the reported information is not misleading to users of financial statements (e.g., by clearly labeling or otherwise explaining in the footnote disclosures how the reported segment expense categories and amounts are determined).

Other significant segment expense considerations

The Board noted that the extent of additional information disclosed by public entities under the principle will vary depending on the level at which expense information is regularly provided to the CODM. As a result, a public entity's significant segment expense categories may vary among its reportable segments, among public entities in the same industry and among public entities across different industries. The Board expects these disclosure variations to inform investors by providing insight into how a public entity manages its segments and how one public entity's approach might differ from that of another public entity operating in the same or similar industries.[10]

The Board decided not to introduce a step in the significant expense principle to combine expenses into groupings or to allow aggregation of expenses to align with a corresponding caption in the consolidated income statement. The Board was concerned that introducing such a step would depart from the management approach, require additional judgment by management and increase costs for public entities.

A public entity is required to disclose the nature of the expense information the CODM uses to manage operations (e.g., whether the CODM uses budgeted or forecasted expense information or consolidated expense information) if it does not disclose any expenses under the significant expense principle for one or more of its reportable segments.

A public entity is not precluded from separately disclosing an expense that is not significant for one reportable segment but is significant for another segment. A segment expense that is not significant and is not separately disclosed is required to be included as part of other segment items (discussed below).[11]

The Board decided not to introduce a step to combine expenses into groupings or to allow aggregation of expenses because doing so would depart from ASC 280's management approach.

The Board decided not to require a reconciliation of the total of the reportable segments' significant segment expenses to a corresponding consolidated amount, nor require that public entities reconcile the significant expense categories to consolidated income statement line items. The Board determined that performing such reconciliations could be challenging because segment expense information regularly provided to the CODM for internal reporting purposes may not be determined using GAAP accounting methods, and the same types of expense items may be included in more than one segment expense category.[12]

The Board concluded that the combination of (1) the existing ASC 280 requirements to reconcile total reportable segment revenues and segment profit or loss to consolidated revenues and consolidated pretax income, respectively, and (2) the new disclosure requirements related to segment expenses and other segment items provide investors with sufficient context to understand how the segment information as a whole relates to the consolidated financial statements.

Corporate overhead expenses

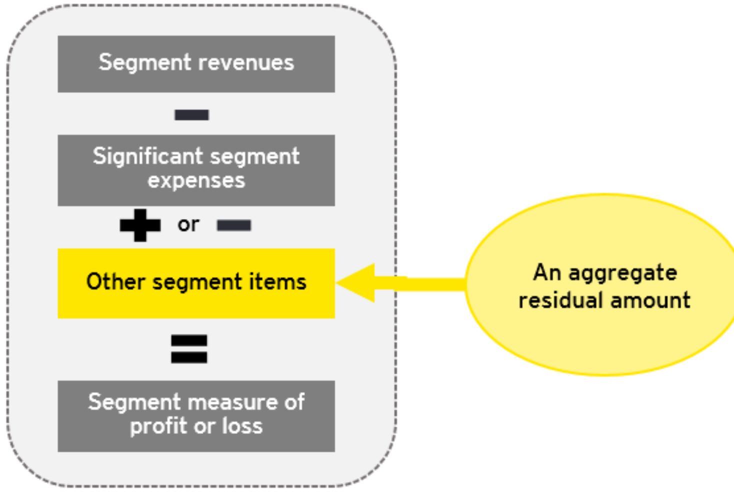
A CODM may be regularly provided with segment-level information that includes an allocation of corporate overhead expenses. The Board clarified that allocated corporate overhead expense that meets the criteria for disclosure under the significant segment expense principle is required to be disclosed. Consider the following example.

Illustration 2 — Corporate overhead expenses

Company A has three reportable segments and uses segment operating income to assess performance and allocate resources to its segments. Segment operating income is determined on the same basis as consolidated operating income presented in Company A's consolidated financial statements. Company A's CODM is provided with quarterly financial information for each reportable segment that includes a category and amount for allocated corporate overhead expenses.

In accordance with ASC 280, Company A determines that allocated corporate overhead expenses are regularly provided to the CODM and included in the reported measure of segment profit or loss (segment operating income). If such expenses are determined to be significant, Company A would be required to disclose allocated corporate overhead for its reportable segments.

Other segment items



ASU 2023-07 requires a public entity to disclose for each reportable segment, on an annual and interim basis, a category and amount for "other segment items" representing the difference between reported segment revenues, the significant segment expenses disclosed under the principle, and the reported measure of segment profit or loss.

The other segment items category represents an aggregate residual amount comprising items included in a public entity's reported measure of segment profit or loss and may include:

- Segment expenses that are not regularly provided to the CODM
- Segment expenses that are not significant
- Certain specified segment expenses required to be separately disclosed under ASC 280 that are not identified as significant segment expenses under the principle (e.g., interest expense, depreciation, depletion and amortization expense)
- Segment gains, losses or other amounts

An aggregate amount for other segment items is required to be disclosed even when a public entity does not separately disclose any expenses under the significant expense principle. In addition, public entities are required to provide a description of the aggregate amount's composition, including the nature and type of the other segment items (this is required even when no significant segment expenses are disclosed).

Consistent with the significant expense principle, the guidance requires a public entity to disclose the other segment items for each reportable segment but does not require reconciliation to consolidated amounts.

Disclosure of segment profit or loss

The new guidance allows, but does not require, public entities, including those with a single reportable segment, to report more than one measure of a segment's profit or loss if the CODM uses more than one measure when assessing performance of the public entity and allocating resources to the segments. In these situations, under the existing guidance in ASC 280, the segment profitability measure that is required to be reported is the one determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the consolidated financial statements (i.e., the segment measure that is most consistent with US GAAP). All other segment measures used by the CODM to assess performance and allocate resources are additional measures of segment profitability.

Consider the following examples.

Illustration 3 — Public entity with multiple reportable segments uses more than one measure of segment profit or loss
Assume a public company (PubCo) is a multiple reportable segment entity, and the CODM uses segment operating income and segment adjusted operating income when allocating resources and assessing performance for PubCo's reportable segments. Segment operating income is determined on the same basis as consolidated operating income presented in PubCo's consolidated financial statements. PubCo excludes restructuring expenses from that measure to arrive at segment adjusted operating income. In accordance with ASC 280, PubCo concludes that segment operating income is the measure of segment profit or loss that is required to be reported because it is the measure determined in accordance with measurement principles most consistent with US GAAP. Segment adjusted operating income is identified by management as an additional measure of segment profit or loss that is used by the CODM to allocate resources and assess performance.

Illustration 4 — Public entity with multiple reportable segments uses more than one measure of segment profit or loss
Assume the same facts as Illustration 3, except the CODM uses segment earnings before interest, income taxes, depreciation and amortization (EBITDA) and segment adjusted EBITDA when allocating resources and assessing performance for all of PubCo's reportable segments. Segment adjusted EBITDA is determined on the same basis as segment EBITDA but excludes restructuring expenses. In accordance with ASC 280, PubCo concludes that segment EBITDA is the measure of segment profit or loss that is required to be reported because it is the measure determined in accordance with measurement principles most consistent with GAAP. Segment adjusted EBITDA is identified by management as an additional measure of segment profit or loss that is used by the CODM to allocate resources and assess performance.

Illustration 5 — Public entity with one reportable segment uses more than one measure of segment profit or loss
Assume PubCo has one reportable segment representing a single operating segment that constitutes all of the consolidated entity. The CODM manages the business on a consolidated basis and uses consolidated net income as reported on its income statement and EBITDA to allocate resources and assess performance. In accordance with ASC 280, PubCo concludes that consolidated net income is the measure of segment profit or loss that is required to be reported because it is the measure determined in accordance with measurement principles most consistent with GAAP. Consolidated EBITDA is identified by management as an additional measure of segment profit or loss that is used by the CODM to allocate resources and assess performance.

Under the guidance, a public entity that chooses to report additional measures of segment profit or loss in the current period is required to report the additional measures for all prior periods presented if the additional measures were provided to the CODM in those periods. However, the guidance does not preclude a public entity from disclosing the additional measures for the prior periods, even if the CODM was not provided with that measure in a prior comparative period. In this situation, we would encourage the public entity to disclose the additional measures of a segment's profit or loss in all periods presented in the public entity's financial statements.

The Board clarified that existing segment disclosure and reconciliation requirements under ASC 280, along with the new disclosure requirements, apply to each reported measure of a segment's profit or loss (i.e., the existing requirements apply to the segment profitability measure that an entity is required to report under ASC 280 and each additional measure that an entity chooses to report).

The guidance also requires a public entity to disclose how the CODM uses each reported measure of a segment's profit or loss in assessing segment performance and determining how to allocate resources.

Interaction between ASC 280 and the SEC's rules and regulations and SEC staff interpretations on non-GAAP financial measures (updated September 2024)

The SEC staff said in response to the FASB's issuance of the guidance that additional segment profitability measures a public entity chooses to disclose that are not determined in accordance with US GAAP would be considered non-GAAP financial measures because ASC 280 does not (1) require disclosure of additional measures of segment profit or loss or (2) expressly permit their disclosure by prescribing or otherwise specifying the additional measures that may be disclosed.[13]

Based on discussions with the SEC staff in August 2024, we understand that, although Item 10(e) of Regulation S-K prohibits the inclusion of non-GAAP measures on the face of the financial statements and accompanying footnotes, the staff will not object to the disclosure of additional segment profitability measures that are not determined in accordance with US GAAP in the footnotes to the financial statements, provided that these measures otherwise comply with all other aspects of Item 10(e) of Regulation S-K, Regulation G and the related SEC staff's compliance and disclosure interpretations (C&DIs), including that the presentation of the non-GAAP measure not be misleading.

The SEC staff also said that when additional non-GAAP segment profitability measures are disclosed, the related disclosures required under Item 10(e) and the C&DIs on non-GAAP financial measures may be included in the segment footnote or elsewhere in the entity's public filing, such as management's discussion and analysis (MD&A). If these disclosures are presented outside of the financial statements (e.g., in MD&A), the SEC staff does not expect a cross-reference from the segment footnote to other sections of the filing where the non-GAAP disclosures are located, because doing so is prohibited under SEC regulations.[14]

How we see it

Entities that choose to disclose additional non-GAAP segment measures in their financial statement footnotes will still need to apply judgment to make sure the measures are not misleading. The SEC staff's C&DIs on non-GAAP financial measures note that whether an adjustment results in a misleading non-GAAP measure depends on the registrant's facts and circumstances. The C&DIs include several examples of actions that could cause an adjustment to be misleading, or presentation and disclosure to be inappropriate.

We encourage entities to carefully consider this staff guidance, and engage with their legal counsel and independent auditors, when considering disclosure of additional non-GAAP segment measures of profit or loss in the financial statements.

Single reportable segment entities

Public entities that have one reportable segment (hereafter referred to as single reportable segment entities) are currently required to provide the entity-wide disclosures under ASC 280. However, it wasn't clear whether a single reportable segment entity was required to provide the segment-level disclosures. The Board clarified that a public entity with a single reportable segment is required to provide all currently required segment disclosures in ASC 280 and the required disclosures under the new guidance. This aligns the segment information that such public entities report with that of public entities comprising multiple reportable segments.

The Board observed that this requirement provides investors with additional information in a manner consistent with the management approach.[15]

Consider the following example.

A public entity with a single reportable segment is required to provide all currently required segment disclosures in ASC 280 and the new disclosures required under ASU 2023-07.

Illustration 6 — Single reportable segment entity that has identified significant segment expenses

Company X is a single operating, single reportable segment entity. Its CODM is regularly provided with more detailed expense information than what is included on Company X's consolidated income statement. The CODM uses consolidated net income as reported on the income statement when allocating resources and assessing Company X's performance.

Company X is required to apply the guidance in ASC 280 and identify significant segment expenses and other segment items for its single reportable segment. Because the CODM receives segment expense information at a lower level than what is included on Company X's consolidated income statement, Company X identifies which of those expenses qualify as significant segment expenses.

After determining the significant segment expenses in accordance with ASC 280-10-50-26A, Company X includes details on the significant segment expense information in its segment footnote and provides a description and amount for other segment items (ASC 280-10-55-55 includes an example of a format showing how single reportable segment entities could present this information).

How we see it

Given that the FASB clarified that single reportable segment entities are required to comply with all ASC 280 disclosure requirements, we believe the SEC staff may increase its focus on registrants with one reportable segment and their compliance with all the disclosure requirements in ASC 280.

In some instances, the segment-level financial information that a single reportable segment entity discloses in its segment reporting footnote may be the same or similar to the financial information presented in the public entity's consolidated income statement (e.g., this may be the case when a single reportable segment entity has a single operating segment). The Board noted that, in such cases, duplication of consolidated income statement information in the segment reporting footnote is neither prohibited nor required by ASC 280. The Board noted that when deciding whether to repeat certain financial information, a public entity may choose to reference the primary financial statements in the segment reporting footnote.[16]

SEC developments (updated September 2024)

The SEC staff said that when a registrant has a single reportable segment that is managed on a consolidated basis (i.e., a single reportable segment entity that has a single operating segment) it would expect the registrant to conclude that the segment measure of profit or loss required to be disclosed is consolidated net income because that is the measure most consistent with US GAAP. The SEC staff said this view is consistent with ASC 280-10-55-15D after adoption of the guidance and with long-standing staff views before the issuance of ASU 2023-07.[17]

The SEC staff said in recent discussions that one of the data points it considered in expressing that view is whether the composition of the CODM includes an executive responsible for certifying the Form 10-K and 10-Q. Regardless, the SEC staff said it would still expect a registrant to conclude that the required ASC 280 measure of segment profit or loss is consolidated net income.

If a registrant determines that the required ASC 280 measure of segment profit or loss is other than a consolidated US GAAP measure, the staff continues to encourage entities to consult with the SEC's Office of the Chief Accountant (OCA) about their specific facts and circumstances.

The staff also observed that an entity with a single reportable segment is not precluded from disclosing additional segment profitability measures used by the CODM to allocate resources and assess performance in the financial statement footnotes because doing so would be consistent with the guidance in ASC 280-10-50-28B and 50-28C. In these instances, the SEC staff expects the entity to comply with all other aspects of the SEC's rules and regulations, and related SEC staff guidance, on the use of non-GAAP financial measures (as discussed in the *Disclosure of segment profit or loss* section above).

Recasting prior-period information

Under ASU 2023-07, a public entity that changes the segment information regularly provided to the CODM in a manner that causes the identification of significant segment expenses to change is required to recast prior-period segment expense categories and amounts to conform to the current-period expense categories, unless it is impracticable to do so. The public entity also is required to disclose, as a statement of fact, whether it has recast the corresponding items of segment information for prior periods.

If it is impracticable to recast prior-period segment information, the public entity should disclose, in the current period, significant expense categories and amounts under both the old and the new basis, unless that is impracticable. If a company determines that it is impracticable to recast, it has to disclose that fact.

For example, if the information regularly provided to the CODM is changed to include an amount for marketing expenses by reportable segment and the company concludes those marketing expenses should be disclosed in the current period under the principle, the public entity is required to recast the prior-period segment information to disclose marketing expenses (unless it is impracticable to do so).

ASU 2023-07 also requires public entities to disclose significant changes from prior periods in the measurement methods of expenses and the method of allocating expenses to a segment, or changes in the method for allocating centrally incurred expenses. The effect, if any, of those changes on the measure of segment profit or loss should also be disclosed.

For example, if a public entity allocated pension expense to its operating segments based on the number of employees in each segment in the prior year, but in the current year allocated pension expense based on the segments' total salary expense in relation to the consolidated amounts, the change in allocation method from the prior year and the effect of the change on segment profitability needs to be disclosed. While a public entity is not required to recast segment information in these instances, recasting is preferable to show all segment information on a comparable basis if it is practicable to do so.

ASU 2023-07 also replaced the term "restatement" with the term "recast" throughout ASC 280.

How we see it

Under ASC 280, information is impracticable to present if the necessary information is not available and the cost to develop it would be excessive. We view "impracticable" as a very high standard to meet, and we understand that the SEC staff shares this view.

Similar to how public entities consider whether it is impracticable to provide disclosure for a change in the composition of reportable segments, they need to carefully consider their facts and circumstances before concluding that it is impracticable to recast their disclosures for any changes in significant segment expenses.

Other considerations

ASU 2023-07 creates additional segment disclosure differences between US GAAP and IFRS.

Internal control over financial reporting (ICFR)

Public entities may need to update their accounting policies, processes and controls on how their segment-level disclosures are prepared to comply with the new requirements. They should evaluate the design and operation of these processes and controls, including determining whether sufficient evidence is available to support the segment information disclosed in the notes to the consolidated financial statements. The impact of adoption may be more significant for single reportable segment entities that are providing all the segment-level disclosures required under ASC 280 for the first time.

When performing this evaluation, public entities should ask themselves the following questions:

- Do the segment disclosures comply with the disclosure requirements of ASC 280?
- What is the process for gathering the relevant information necessary to prepare the segment disclosures, and what is the process for making sure the information is complete and accurate?
- Do optional disclosures about additional measures of segment profitability the CODM uses to allocate resources to and assess the performance of the public entity's segments comply with the SEC's rules and regulations and SEC staff interpretations on non-GAAP financial measures?
- Are controls designed to address the implementation of the newly issued ASU?

Any affected public entities that are SEC registrants should also consider whether there are any changes in their ICFR from adopting ASU 2023-07 that have materially affected, or are reasonably likely to materially affect, their ICFR that would require disclosure in Item 4 of the Form 10-Q or Item 9A of the Form 10-K.

IFRS considerations

Both ASC 280 and IFRS 8[18] apply to entities with public reporting requirements and are based on a management approach in identifying and reporting on an entity's segments. While the two standards are largely converged, there are some differences in the segment information that entities are required to disclose (e.g., the disclosure of segment liabilities required under IFRS 8 is not required under US GAAP). ASU 2023-07 creates additional disclosure differences between US GAAP and IFRS, because IFRS 8 has not been similarly amended.

Effective date and transition

The guidance is effective for public entities for fiscal years beginning after 15 December 2023 and interim periods within fiscal years beginning after 15 December 2024. Early adoption is permitted.

The guidance should be applied retrospectively to all periods presented in the financial statements unless impracticable. The segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption.

Endnotes:

[1] ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*.
[2] BC paragraph 2 from ASU 2023-07.
[3] Remarks from Erik Gerding, Director of the SEC's Division of Corporation Finance, at The SEC Speaks in 2024 conference.
[4] ASC 280-10-50-26A.
[5] BC paragraph 38 from ASU 2023-07.
[6] Remarks from Melissa Rocha, Deputy Chief Accountant in the SEC's Division of Corporation Finance, at the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments.
[7] BC paragraph 43 from ASU 2023-07.
[8] BC paragraph 42 from ASU 2023-07.
[9] BC paragraph 44 from ASU 2023-07.
[10] BC paragraph 35 from ASU 2023-07.
[11] ASC 280-10-50-26B.
[12] BC paragraph 78 from ASU 2023-07.
[13] Remarks from Lindsay McCord, Chief Accountant in the SEC's Division of Corporation Finance, at the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments.
[14] Rule 12b-23(b) of the Securities Exchange Act of 1934
[15] BC paragraph 25 from ASU 2023-07.
[16] BC paragraph 32 from ASU 2023-07.
[17] Remarks from Carlton Tartar, Associate Chief Accountant in the SEC's Office of the Chief Accountant, at the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments.
[18] IFRS 8 *Operating Segments*.

Appendix A: Illustrative example of the new disclosure requirements

The following example is adapted from the implementation guidance in ASC 280-10-55-48 (after adoption of ASU 2023-07) and illustrates how a company may comply with the new requirements to disclose information about significant segment expenses and other segment items for each reportable segment in its annual financial statements. While not shown below, public entities are required to provide the disclosures for each period for which an income statement is presented.

To provide appropriate context, the example depicts certain other segment disclosures currently required under ASC 280. It is not intended to be comprehensive and, therefore, does not include all the disclosures required under the segment reporting standard after adoption of ASU 2023-07.

Year ended 31 December 20X4

	Auto parts	**Motor vessels**	**Software**	**Totals**
Revenues from external customers	$ 3,000	$ 5,000	$ 9,500	$ 17,500
Intersegment revenues	-	-	3,000	3,000
	3,000	5,000	12,500	20,500
Reconciliation of revenue				
Other revenues[1]				1,000
Elimination of intersegment revenues				(3,000)
Total consolidated revenues				**$ 18,500**

Existing disclosures about segment revenues

	Auto parts	**Motor vessels**	**Software**	**Totals**
Less[2]:				
Cost of revenue	1,200	3,100	2,000	
Research and development expense	-	-	2,300	
Nonmanufacturing payroll expense[3]	500	900	2,600	
Professional services expense	-	-	1,700	
Other segment items[4]	300	1,130	2,300	
Segment profit (loss)	**1,000**	**(130)**	**1,600**	**2,470**

New disclosures about significant segment expenses and other segment items

	Auto parts	**Motor vessels**	**Software**	**Totals**
Reconciliation of segment profit or loss				
Other profit (loss)[1]				120
Interest income (expense), net				(1,050)
Adjustment to pension expense in consolidation				(300)
Elimination of intersegment profits				(400)
Unallocated corporate overhead expenses				(250)
Income before income taxes				**$ 590**

Existing disclosures to reconcile the total of segment profit or loss to consolidated income before taxes

Footnotes:

1 Revenue and profit or loss from segments below the quantitative thresholds when determining the entity's reportable segments are attributable to two operating segments: an equipment rental business and a software consulting practice.

Existing disclosure about the sources of the "all other" category

2 The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM. Intersegment expenses are included within the amounts shown.

3 The nonmanufacturing payroll expense does not include amounts capitalized on the balance sheet or included within other expense categories.

4 Other segment items for each reportable segment include:

a Auto parts — maintenance and repairs expense, professional services expense, and certain overhead expenses

b Motor vessels — marketing expense, professional services expense, occupancy expense, and certain overhead expenses

c Software — depreciation and amortization expense, travel expense, office supplies expense, and certain overhead expenses

New disclosures about the composition of significant segment expenses and other segment items

Appendix B: Frequency of disclosures required for each reportable segment

The table below summarizes the disclosures that are required in interim and annual periods for each reportable segment, both before and after adoption of ASU 2023-07. It excludes other ASC 280 disclosure requirements that are not segment-level disclosures (e.g., the entity's basis of segmentation, whether operating segments have been aggregated, certain entity-wide information, information about an entity's products and services):

	Pre-ASU disclosure requirements	Post-ASU disclosure requirements
Interim disclosure requirements	▸ Segment revenue and profit or loss ▸ Total assets if there has been a material change from the last annual report ▸ Reconciliation of segment profit or loss to consolidated income before taxes ▸ Description of differences from the last annual report in the segmentation or measurement basis for segment profit or loss	▸ Segment revenue, profit or loss, and assets ▸ Significant segment expenses and "other segment items" ▸ A description of the composition of "other segment items" ▸ Reconciliation of segment profit or loss to consolidated income before taxes[1] ▸ Certain other specified line items (e.g., depreciation, interest expense) ▸ Description of differences from the last annual report in the segmentation or measurement basis for segment profit or loss

Annual disclosure requirements	▸ Segment revenue, profit or loss, and assets
	▸ Reconciliations of segment revenue and assets to their corresponding consolidated amounts
	▸ Reconciliation of segment profit or loss to consolidated income before taxes
	▸ Certain other specified line items (e.g., depreciation, interest expense)
	▸ Measurement basis for segment profit or loss and segment assets, including:
	  ▸ The nature of any changes in the measurement methods used to determine reported segment profit or loss
		▸ Segment revenue, profit or loss, and assets
		▸ Significant segment expenses and "other segment items"
		▸ A description of the composition of "other segment items"
		▸ Reconciliations of segment revenue and assets to their corresponding consolidated amounts
		▸ Reconciliation of segment profit or loss to consolidated income before taxes[2]
		▸ Certain other specified line items (e.g., depreciation, interest expense)
		▸ Measurement basis for segment profit or loss and segment assets, including:
		  ▸ The nature of any changes in the measurement methods used to determine reported segment profit or loss
		  ▸ Significant changes in the measurement methods of expenses, method for allocating expenses to a segment or changes in the policies for allocating centrally incurred expenses
		  ▸ An explanation of how the CODM uses segment profit or loss[3]

1 A public entity may disclose additional measures of segment profit or loss if the CODM uses more than one measure when assessing segment performance and deciding how to allocate resources.

2 Ibid.

3 Ibid.