

Technical Line

FASB – final guidance

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

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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.
- ▶ However, entities that wish to disclose additional measures of segment profitability not determined in accordance with US GAAP should consult with the SEC staff, since the SEC's rules and regulations and staff guidance prohibit the use of non-GAAP financial measures in the financial statements. 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 and 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.

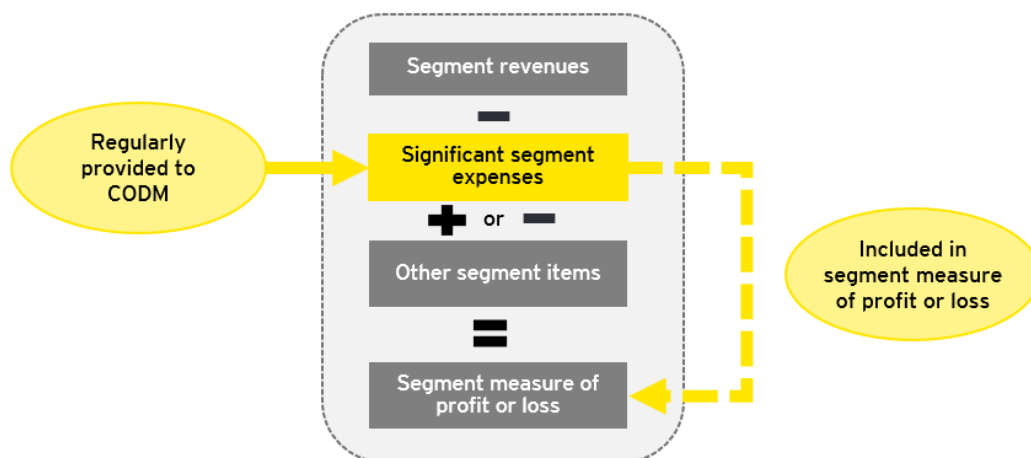
The FASB issued Accounting Standards Update (ASU) 2023-07¹ in response to investor requests for public entities to disclose more information about segment-level financial performance. Users of financial statements observed that segment information is critically important because it helps them better 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 Securities and Exchange Commission (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 chief operating decision maker (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.

The guidance requires entities to consider both quantitative and qualitative factors when evaluating significance.

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.

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 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

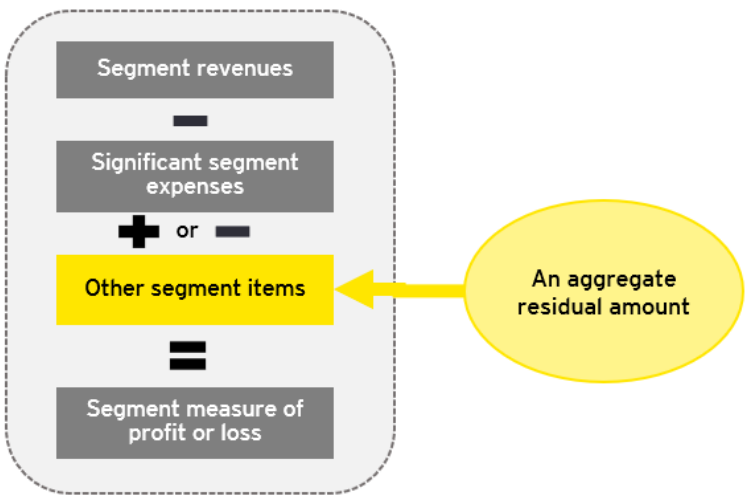
A CODM may be regularly provided with segment-level information that includes an allocation of corporate overhead expenses. The Board clarified that allocated corporate overhead expense that meets the criteria for disclosure under the significant segment expense principle is required to be disclosed.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

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

Therefore, additional segment profitability measures that are not calculated in accordance with US GAAP would be subject to the relevant SEC rules and regulations on the use of non-GAAP measures, including the prohibition of presenting non-GAAP financial measures on the face of the financial statements or in the notes to the financial statements.

The SEC staff encourages public entities planning to disclose additional measures of segment profit or loss that would be considered non-GAAP financial measures to consult with the Office of the Chief Accountant of the SEC's Division of Corporation Finance about their fact pattern.

The SEC staff has said that additional segment profitability measures that a public entity chooses to disclose that are not determined in accordance with US GAAP would be considered non-GAAP financial measures.

How we see it

The guidance allows public entities to disclose more than one measure of segment profit or loss, provided that the segment measures disclosed are used by the CODM to allocate resources and assess performance. However, the SEC staff's remarks highlighted the challenges that public entities will face in disclosing more than one measure of segment profit or loss under the new guidance and the SEC rules and staff guidance on non-GAAP financial measures.

Registrants that are considering disclosing additional measures of segment profit or loss that are not calculated in accordance with GAAP upon adoption of ASU 2023-07 should proceed with caution and consult with the SEC staff before disclosing such measures.

We also encourage registrants to monitor developments, which may include further guidance from the SEC staff before the ASU's effective date.

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.¹⁴

Consider the following example.

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).

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.

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.¹⁵

SEC developments

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. 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 2023-07.¹⁶

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

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?

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

- ▶ 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 8¹⁷ 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 BC paragraph 25 from ASU 2023-07.
- ¹⁵ BC paragraph 32 from ASU 2023-07.
- ¹⁶ 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.
- ¹⁷ IFRS 8 *Operating Segments*.

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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	Existing disclosures about segment revenues
Intersegment revenues	-	-	3,000	3,000	
	3,000	5,000	12,500	20,500	
<i>Reconciliation of revenue</i>					Existing disclosures about segment revenues
Other revenues ¹				1,000	
Elimination of intersegment revenues				(3,000)	
Total consolidated revenues				\$ 18,500	
<i>Less ²:</i>					New disclosures about significant segment expenses and other segment items
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	
<i>Reconciliation of segment profit or loss</i>					Existing disclosures to reconcile the total of segment profit or loss to consolidated income before taxes
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	
Footnotes:					Existing disclosure about the sources of the “all other” category
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.					
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.					New disclosures about the composition of significant segment expenses and other segment items
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					

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 taxes¹ ▶ 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 taxes² ▶ 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 loss³

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.