



December 19, 2022

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 2022-ED100

Dear Ms. Salo,

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. We commend the FASB for its continuing efforts to improve the financial information available to investors and other financial statement users relating to segment disclosures.

We believe that the proposed amendments will result in more decision-useful information relating to segment reporting. We believe, however, that certain proposed interim and transition disclosures may not achieve the appropriate balance of costs and benefits, as further described in our responses to Questions 10 and 12 in the appendix to this letter.

We have not responded to the questions directed to investors and preparers as we believe those targeted constituents will have more relevant perspectives on those topics. We generally believe, however, that the additional disclosures about a public entity's reportable segments will likely be useful to investors and other financial statement users.

The appendix contains our responses to certain Questions for Respondents and other comments and suggestions for the Board's consideration.

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If you have any questions regarding our comments, please contact Jay Seliber at jay.seliber@pwc.com or Thomas Barbieri at thomas.barbieri@pwc.com.

Sincerely,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP



Question 1: Are the amendments in this proposed Update that would require that a public entity disclose, by reportable segment, the significant segment expense categories and amounts clear and operable? Please explain why or why not. Is the term significant operable? Please explain why or why not.

We agree with the Board's proposed amendments to require a public entity to disclose significant segment expense categories that are reported to the chief operating decision maker (CODM).

We believe the FASB should consider clarifying the requirement in the first sentence of paragraph ASC 280-10-50-26A as it relates to the meaning of "each" in the phrase "... and included in each reported measure of a segment's profit or loss." This phrase could be interpreted as requiring disclosure only for those significant expenses that are disclosed in every reportable segment's measure of profit or loss, or every measure of a segment's profit or loss if multiple measures are used. We recommend changing this phrase to "... included in a reported measure of that segment's profit or loss." Similarly, the second sentence in ASC 280-10-50-26B(b) could be interpreted in the same manner. We suggest editing that sentence as follows:

A public entity is not precluded from separately disclosing ~~any insignificant expenses, that is not significant for one reportable segment but is significant for another of its segments.~~

Furthermore, we suggest that the guidance explicitly state that a significant expense category that is reported to the CODM for one reportable segment does not need to be disclosed for all other reportable segments unless that expense category is also significant to the other reportable segments and reported to the CODM.

We note that the term "significant" is not defined in the proposed amendments. We recognize that preparers and practitioners have historically applied judgment in determining whether an item is significant, as the term "significant" is already used in Topic 280 and other Topics in the Codification. However, the proposed amendments extensively expand its use from information about noncash items and supplemental information a public entity may choose to disclose to core information about segment operating results. We support the Board's conclusions described in paragraphs BC32 to BC34 of the proposed amendments to not provide further specific guidance on what is "significant" and allow for reasonable judgment to be applied in the determination of which expenses are significant. We believe, however, that the proposed amendments should explicitly state that significance is assessed in relation to the respective segment and not in relation to the consolidated financial statements as a whole.

Question 2: The proposed amendments would require that a public entity disclose the significant segment expense categories and amounts that are regularly provided to the CODM and included within each reported measure of segment profit or loss. For preparers, would the proposed amendments likely result in disclosure of additional information about your reportable segments' expenses? Please explain why or why not and, if not, how you would change the proposed amendments to result in more information being disclosed.

This question is best answered by preparers, although based on our experience we expect that the proposed amendments would result in additional disclosures for many preparers.



Question 3: The proposed amendments would require that a public entity disclose an amount and qualitative description of the composition for other segment items even if the public entity does not separately report significant segment expense categories and amounts. For preparers, would the proposed amendments likely result in disclosure of additional information about your other segment items? Please explain why or why not and, if not, how you would change the proposed amendments to result in more information being disclosed.

This question is best addressed by preparers, although based on our experience we expect that the proposed amendments would result in additional disclosures for many preparers.

Question 4: For investors, would the proposed amendments that require that a public entity disclose by reportable segment the significant segment expense categories and other segment items result in an improvement in the decision usefulness of segment disclosures? Please explain why or why not. If so, how would the information be used?

This question is best addressed by investors.

Question 5: The proposed amendments would require that all public entities, whether they have a single reportable segment or multiple reportable segments, apply the significant expense principle and the current segment disclosure requirements by reportable segment. For investors and other financial statement users, would the application of the significant expense principle and the current segment disclosure requirements to single reportable segment entities provide decision-useful information? If so, how would the information for single reportable segment entities be used and for what purpose?

This question is best addressed by investors and financial statement users.

Question 6: The Board decided to clarify that if the CODM uses more than one measure of a segment's profit or loss, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements. For preparers, would the proposed amendments likely result in disclosure of additional measures of a segment's profitability? For investors, would disclosure of additional measures of a segment's profitability that are used by the CODM provide decision-useful information? If so, how would the information be used? For all respondents, should the Board extend this decision to other measures that are used by a CODM, such as multiple measures of a segment's assets? Please explain why or why not.

We agree with the Board's proposed clarification to allow disclosure of more than one reported measure of segment profit or loss, if that measure is used by the CODM.



We believe the requirement in paragraph ASC 280-10-50-28A as to which measure needs to be disclosed when the CODM uses more than one measure of segment profit or loss could be rephrased to provide greater clarity and better reflect what we believe is the Board's intent. For example, the second sentence in paragraph ASC 280-10-50-28A could be rephrased as follows:

If the chief operating decision maker uses more than one measure of a segment's profit or loss, multiple measures may be disclosed, as long as at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) shall be is that which management believes is determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the public entity's consolidated financial statements.

We do not believe this clarification should be extended to other measures used by the CODM (e.g., segment assets). In practice, we are not aware of CODMs using multiple other measures outside of segment profit or loss.

Question 7: The proposed amendments would require that a public entity disclose the title and position of its CODM. For investors, would this disclosure provide decision-useful information? If so, how would the information be used?

This question is best addressed by investors.

Question 8: The proposed amendments would require that a public entity disclose the nature of the expense information that the CODM uses to manage operations if the entity does not disclose expenses under the significant expense principle for one or more of its reportable segments. For investors, would that disclosure provide decision-useful information? If so, how would the information be used?

This question is best addressed by investors.

Question 9: The Board decided that a reconciliation of the total of the reportable segments' amount for each significant segment expense category to its corresponding consolidated expense amount was not operable. For preparers, do you agree with that decision? Please explain why or why not. For investors, would the absence of a reconciliation reduce the usefulness of the significant segment expense information? Please explain why or why not.

This question is best addressed by preparers and investors, although we agree with the Board's analysis and conclusions described in paragraph BC48.

Interim Reporting

Question 10: The proposed amendments would require that a public entity disclose significant segment expenses and existing segment disclosures on an interim and annual basis. Do you agree with that proposal? Please explain why or why not.

We agree with the proposed amendment requiring significant segment expenses and other segment items that would be added by the proposed Update to be reported on an interim basis. We do not believe,



however, that the potential benefits of providing certain existing annual segment disclosures on an interim basis exceed their potential cost. Certain existing disclosures required in ASC 280-10-50-22 through 25 may not be included in the CODM package and may not be readily available for interim reporting, or may not significantly affect trends in segment performance to warrant interim reporting. We believe the following segment disclosures should only be required on an annual basis:

- ASC 280-10-50-22(e), Depreciation, depletion, and amortization expense (to the extent it is not a “significant expense” reported to the CODM that would be disclosed under the significant expense principle),
- ASC 280-10-50-22(j), Significant noncash items other than depreciation, depletion, and amortization expense,
- ASC 280-10-50-22(g), Equity in the net income of investees accounted for by the equity method,
- ASC 280-10-50-25(a), The amount of investment in equity method investees, and
- ASC 280-10-50-25(b), Total expenditures for additions to long-lived assets).

Transition and Effective Date

Question 11: The proposed Update would require that the amendments be applied on a retrospective basis. Is that transition method operable? If not, why not and what basis would be more appropriate and why? Would the information disclosed by that transition method be decision useful? Please explain why or why not.

We support the proposed transition guidance. We recommend that the FASB include a practicability exception in the event a public entity is unable to obtain the necessary information to recast prior periods, similar to the exception in paragraph 280-10-50-34 when recasting prior periods for changes in reportable segments.

Question 12: Upon transition, the segment expense categories and amounts that an entity would disclose in comparative prior periods would be based on the significant segment expense categories identified in the period of adoption. An entity also would be required to provide a qualitative transition disclosure that explains what the differences in the segment expense categories would have been if the significant expense principle had been applied in the most recent comparative period. Is this transition disclosure clear and operable? Please explain why or why not. For investors, would such a transition disclosure provide decision useful information? If so, how would the information be used?

We do not believe the proposed qualitative transition disclosure would provide significant benefit other than to indicate that upon the date of adoption the significant expense categories may have been different for prior periods. New accounting standards, however, typically do not require disclosure of changes a reporting entity may have made to its operations or contractual arrangements prior to adopting the new standard. Furthermore, many accounting standards include provisions that the new guidance does not apply to transactions that are completed prior to the date of adoption, such as ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, and ASU 2014-09, *Revenue from Contracts with Customers*. Accordingly, we recommend that the Board remove this disclosure requirement.



Question 13: In evaluating the effective date, how much time would be needed to implement the proposed amendments? Should early adoption be permitted? Please explain your reasoning.

We believe the Board should consider the views of preparers regarding the time needed to implement the proposed amendments. We believe, however, that early adoption should be permitted.