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Via email to director@fasb.org

Ms. Hillary H. Salo, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures (File Reference No. 2022-ED100)

Dear Ms. Salo:

We are pleased to provide comments on the Board's exposure draft on Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures.

Overall, we support the Board's efforts to improve the disclosures about a public entity's reportable segments and address requests from investors for additional information about reportable segments' expenses. However, we note the following:

1. The term significant, absent further clarification, can be subject to varying interpretations, which may result in greater diversity of application. The Board may wish to provide additional guidance on how the significant expense principle should be applied.
2. The option to report multiple measures of a segment's profit or loss may have unintended consequences, such as entities reporting measures computed using tailored accounting principles with "undue prominence," an area which continues to be scrutinized by the SEC staff.
3. The requirement for public entities with a single reportable segment to provide all disclosures in the proposed Update and all existing disclosures in Topic 280 may result in duplicative information reported in the notes to the financial statements. The Board may wish to consider an exemption from certain disclosure requirements in the proposed Update to the extent complying with the disclosure requirements will duplicate information in the primary financial statements.

In addition, we would encourage the Board to consider the interaction of this proposed standard with the current project on disaggregation of income statement expenses, as we believe they are inherently linked due to similar objectives.

Our detailed responses to the Questions for All Respondents are contained in the attached Appendix. We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 and Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Appendix

Note: We have not responded to questions addressed specifically to investors or preparers.

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.

While the requirement to disclose significant segment expense categories and amounts by reportable segment is clear, we are concerned about the operability of the term "significant." We agree with the sentiment expressed in paragraph BC68(a) in the Basis of Conclusions that the significant expense principle, as proposed, allows for too much discretion by a public entity, resulting in a diminished quantity, quality and comparability of segment information.

To avoid diversity in application, preparers and practitioners would benefit from clarifying whether significance is intended to be a materiality or management-approach assessment. Said differently, should entities use primarily a quantitative or qualitative assessment, or a combination of both? We note significance in Topic 280 and in other areas of GAAP is primarily interpreted as a quantitative threshold. However, we also note that the general principle underlying Topic 280 is a management approach, which may or may not be consistent with a materiality analysis. Without further guidance, some preparers may default to the quantitative thresholds for determining reportable operating segments noted in ASC 280-10-50-12. Others may apply internally-developed quantitative thresholds. This diversity in application may not result in the outcome the Board is seeking to achieve – an increase in decision-useful information about reportable segments' expenses. Depending on responses from preparers, the Board may wish to conduct additional outreach with them to assess how they would interpret and implement the concept of significance.

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?

While we defer to investors and other financial statement users to provide feedback on this question, we recommend one amendment to the proposed requirements. We believe the proposed amendments may result in duplicative information reported in the notes to the financial statements for single reportable segment entities. Chief operating decision makers (CODMs) for such entities sometimes use measures presented on the consolidated income statement to allocate resources and assess performance, e.g., operating profit or loss. We propose that the Board include an exemption from certain disclosure requirements under this proposed Update for single reportable segment entities if complying with the requirements would duplicate information reported in the primary financial statements.

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 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 do not believe the Board should include an option to report more than one measure of segment's assets as stakeholders have not expressed the need for additional measures of segment assets. In addition, we are not aware of companies regularly reporting multiple measures of a segment's assets to its CODM in practice.

Additionally, we believe that the Board's decision to allow multiple measures of segment's profit or loss to be reported will result in more non-GAAP measures being reported in the financial statements. We believe that the expanded disclosure of non-GAAP measures could have unintended consequences. For example, such measures could be computed using tailored accounting principles. We note that Regulation S-K has specific requirements prohibiting the use of tailored accounting principles in reported non-GAAP measures, a theme recently highlighted by members of the SEC staff.[1] However, there are no such requirements in Topic 280 or other Accounting Standards Codification topics. If the Board finalizes this change as proposed, we recommend including an example of how multiple measures could be reported and reconciled to the consolidated financial statements.

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 proposal as it would result in more timely information for users of the financial statements. However, we propose revising ASC 280-10-50-32 to require all annual segment reporting disclosures in interim periods. As currently drafted, the language in ASC 280-10-50-32 does not require the disclosures required by ASC 280-10-50-21.

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.

The proposed transition method is operable. Further, the transition method is consistent with the requirements in ASC 280-10-50-17 and ASC 280-10-50-34. However, we propose that the Board provide a practicability exception, consistent with the exception for newly identified reportable segments in ASC 280-10-50-17.

[1] See remarks of Lindsay McCord at the 2022 AICPA & CIMA Conference on Current SEC and PCAOB Developments.

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.

We believe that the requirement 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 unnecessary. Public entities would not have previously provided any contradictory or non-comparable disclosures that would necessitate such a disclosure. Otherwise, we agree with the proposed transition requirements.

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 note that in some cases, segment expenses would not have previously been subjected to audit procedures at the segment level. Auditing the expense categories and amounts required by the proposed Update will likely result in incremental costs and time for preparers to comply with additional audit requests. Additionally, we note that auditors may request a reconciliation of disclosed segment expenses to the corresponding consolidated expense amounts to audit such expenses. If preparing a reconciliation requires significant effort as contemplated in paragraph BC48, a longer period to comply with the additional disclosure requirements would be needed.

We believe early adoption should be permitted as the proposed amendments are intended to provide investors with additional information.