EARLY IMPRESSIONS

FASBs' Amendments to Segment Reporting Disclosure Requirements (Topic 280)

December 2023

Foreword

Segment reporting continues to remain an important element of financial reporting for public entities. The fundamental principle of Topic 280, Segment Reporting, is that a company's segment disclosures should be consistent with management's reporting structure. The primary objective is to enable users of financial statements to "see a company's business performance through the eyes of management" i.e., how management assess and evaluates the performance of the business. Segment reporting disclosures enable financial statement users to be better positioned to understand the public entity's performance, to assess its prospects for future cash flows and to make more informed judgments about the entity's current performance and prospects.

FASB in its continuous efforts to improve the disclosure requirements for segment reporting of public entities, has introduced amendments to the Topic 280. The amendment is a result of FASB's extensive outreach with the investors, who indicated that enhanced disclosures about a public company's segment expenses would enable them to develop more decision-useful financial analysis. With this objective in mind, the amendment requires public entities to provide additional details about certain expenses items related to the entity's reportable segment(s).

This publication provides an overview of the requirements, implementation matters, and key considerations of amendments made by FASB to Topic 280 through Accounting Standard Update ASU 2023-07.

We sincerely hope you find the enclosed publication informative. We will be happy to participate in any discussions required to provide clarifications on our views enclosed in the attached publication. We look forward to hearing from you.

Thank you.

Your's faithfully

For Uniqus Consultech Inc.

19 December 2023

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Background

Entity's segment information remains important and critical for Investors, lenders, creditors, and other allocators of capitals (collectively "investors") in understanding entity's different business activities. The segment information enables investors to better understand an entity's overall performance and assists in assessing potential future cash flows. Entities usually split their operations into segments by business line or geography and disclose a measure of their profits or losses by operating segment in financial statements. Topic 280 Segment Reporting requires the information about a segment's revenue and the measure of profit or loss which is most consistent with a GAAP measure to be disclosed in an entity's financial statements, however there is generally limited information disclosed about the composition & significance of segment expenses for reportable segments.

With the objective to improve disclosures about a **public entity's** reportable segments and to addresses requests from investors for more detailed information about each reportable segment's expenses, the Financial Accounting Standards Board ("FASB" or "Board"), issued an **Accounting Standards Update No. 2023-07 (ASU)** on November 27, 2023. Amendments in this Update introduces a new disclosure principle in Topic 280 requiring public entities to report, on an annual and interim basis, incremental information about significant segment expenses and other segment items included in a segment's profit or loss measure. Further, this ASU also permits entities to disclose multiple measures for each reportable segment's performance as reviewed by the CODM. Public entities with a single reportable segment will also have to provide the disclosures required by these amendments, along with all disclosures required by Topic 280.

Highlights of amendments to Topic 280's operating principles?

In the table below we have highlighted amendments introduced by the ASU in the application of Topic 280's operating principles:

	Key changes introduced
01 Identification of CODM 02 Identifying operating segments & aggregation rules 03 Reportable segment identification rules 04 Entity-wide information	No change

05

- Disclosure requirements

Key changes introduced

Topic 280 was previously silent about how entities with a single reportable segment would apply the disclosure & reconciliation requirements. The ASU clarifies that all disclosure & reconciliation requirements in Topic 280, including those introduced in the ASU (see below), would apply to these entities.

- General information

Key changes introduced

CODM's title & position (if an individual) or name of the group/ committee identified as the CODM to be disclosed

- P&L and Assets information

Key changes introduced

Entities which provide more than one (multiple) measures of segment profit (which maybe non-GAAP measures) are now allowed to report one or more of those additional measures as long as one of these measures is consistent with a GAAP measure.

Further, the ASU requires entities to disclose how the CODM uses the reported measure(s) in assessing each reportable segment's performance & in deciding resource allocation.

Furthermore, changes in the method of allocating expenses to segments, including allocation of centrally incurred expenses in the current period vis-a-vis prior periods for each reportable segment is to be disclosed.

ASU introduces a new principle to disclose amounts of 'significant segment expenses' included in segment P&L which are regularly provided to CODM, including expenses which are easily computable from the CODM information package (e.g., amounts of COGS if the information provided to CODM is only the gross profit margin %).

See Section "Key Considerations under new guidance", below.

- Reconciliation requirements

Key changes introduced

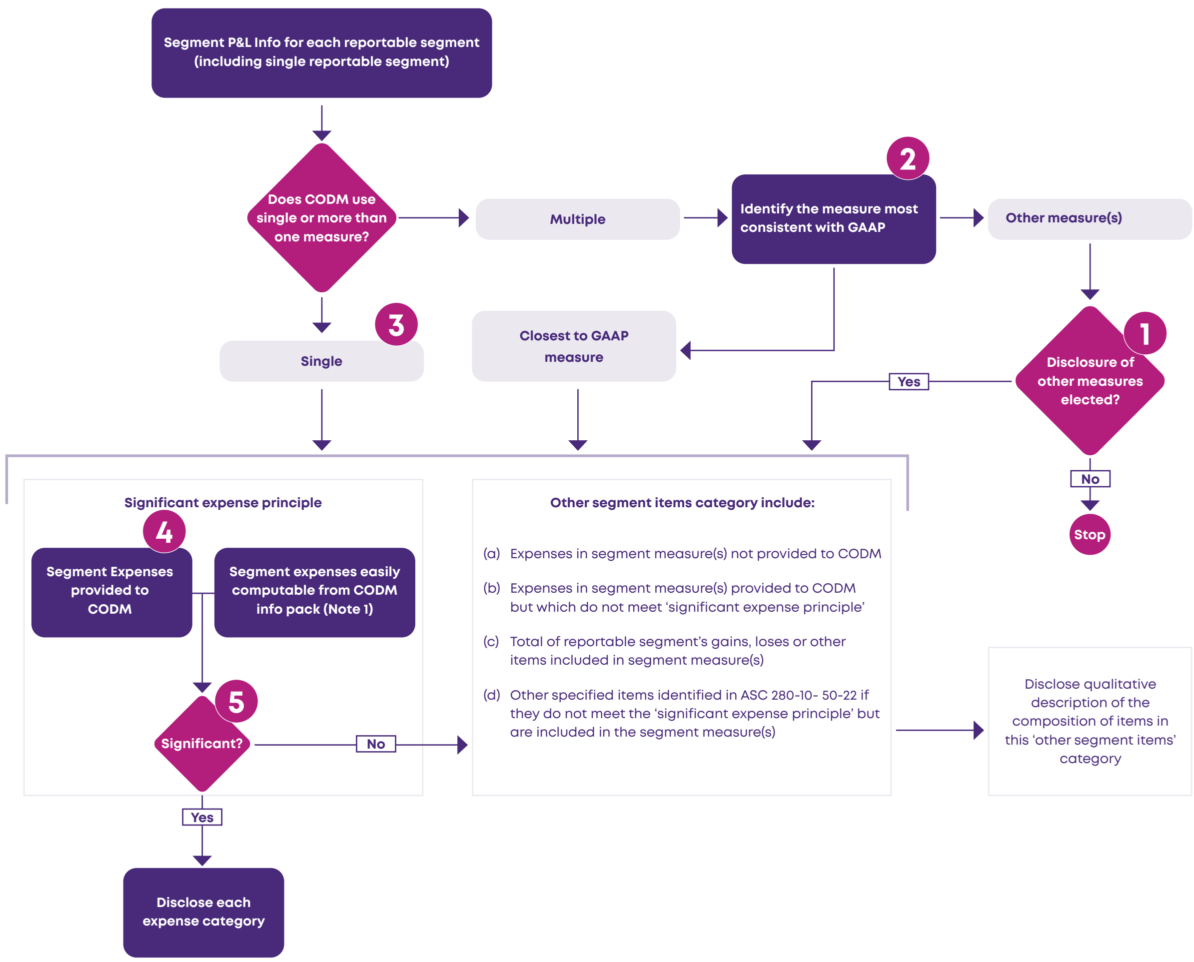
Reconciliation between the segment measure and consolidated income before taxes & discontinued operations is required for **'each'** of the measures elected as reportable by entities (i.e., reconciliation of non-GAAP measure to GAAP measure would be required if an entity elects to disclose the non-GAAP measure in the financial statements).

Additionally, the ASU also requires:

- All annual disclosures about reportable segment's P&L and assets be made in interim periods, except for entity-wide disclosures and reconciliation of segment balance sheet amounts.
- Recasting of comparative information (including interim periods), when practical, if changes are made in current period to the information provided to CODM which causes a change in the identification of 'significant segment expenses'.
- Entities which do not recast comparative information for changes made in the current period to either the method of expense measurement or the method of expense allocation between segments, including centrally incurred expenses, to disclose the nature of change in the measurement method.

The ASU applies to all public entities that are required to report segment information in accordance with Topic 280. All public entities will be required to report segment information in accordance with the new guidance for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.

Overview of the new guidance



Note 1: This includes expense items expressed as a ratio or percentage of revenue which are provided to CODM. For e.g., if CODM receives info about segment revenue and segment gross profit %, the segment cost of sales would qualify because it is easily computable

Key considerations under new guidance

Use of multiple measures

CODM's use of multiple measures of segment P&L

Guidance in the ASU

- If the CODM uses multiple measures of a segment's P&L (e.g., operating income and operating income less allocated corporate overheads), entities are now allowed the choice to disclose additional measures in the F-pages as long as one of the disclosed measures is consistent with a GAAP measure.
- Entities electing to disclose multiple measures in the current period will need to disclose such additional measures for the comparative prior periods if it was provided to the CODM.
- Even if the CODM was not provided such additional measure in the prior periods, entities are not precluded from disclosing the additional measures for the comparative periods.
- For each reported measure, disclosure of expenses resulting from application of the Significant Segment Expense principle is required.

Example: Multiple measures of segment profit

PQR Inc.'s CODM uses multiple measures of segment P&L when allocating resources and assessing performance of Company's operating segments. These measures include "Income before income taxes", "Income before income taxes and depreciation expense" and "Income before income taxes, depreciation and Interest expense". Prior to the adoption of the ASU, the Company would select & disclose "Income before income taxes"as the measure of performance for its reportable segments because this measure would be most consistent with the measurement principles used in the consolidated financial statements by it.

The amendment in ASU now allows PQR Inc. to report the other measures used by the CODM, as long as at least one of the reported measures is "Income before income taxes". Further, if PQR Inc., elects to report one or more of these other measures, it would need to disclose comparative period information for each of the elected measure(s) that were provided to the CODM. If the additional measure reported in the current period was not previously provided to the CODM during the comparative periods, PQR, Inc., would not be precluded from reporting these additional measure(s) for the prior periods.

1 Do entities have a free choice to report 'any' additional measure (including non-GAAP) in the F-pages upon adoption of the ASU?

Key considerations

Not necessarily.

At the 2020 AICPA National Conference on Current SEC and PCAOB Developments, SEC Division of Corporation Finance Deputy Chief Accountant Patrick Gilmore remarked that SEC staff views disclosure of additional segment measures other than those required by Topic 280 as a non-GAAP measure. Accordingly, prior to the issuance of the ASU, entities paid close attention in selecting the appropriate segment measure and elected a measure which was most consistent with the GAAP measure.

Upon adoption of the ASU, entities would be permitted to elect additional measures of segment performance to disclose in the F-pages, including non-GAAP measure(s). However, entities are not exempted from other SEC regulations which apply. Therefore, entities will need to evaluate and consider SEC regulations (Reg G) which apply to non-GAAP measures before making a final election on what measures to disclose. Entities should not assume that it has a "free choice" to elect any non-GAAP measure for its segment disclosure note in the F-pages and should exercise caution in interpreting SEC's guidance in C&DI 104.01.

This point was specifically emphasized by SEC at the 2023 AICPA & CIMA Conference were the SEC staff indicated that entities should not assume that the exception in C&DI 104.01 extends to additional non-GAAP measures elected by it upon adoption of the ASU. The SEC staff encouraged entities considering disclosure of additional non-GAAP measures to preclear their considerations with SEC OCA staff around compliance with existing SEC regulations for non-GAAP measures and related disclosures.

2 How should an entity with single reportable segment identify the measure most consistent with GAAP?

Key considerations

At the 2023 AICPA & CIMA Conference, the Associate Chief Accountant Carlton Tartar remarked that the SEC staff considers "net income" as the appropriate measure in interpreting the sentence 'most consistent with GAAP' for entities with a single reportable segment.

Therefore, entities with single reportable segment for which the CODM uses multiple measures to make decisions should elect "net income" as one of the measures when applying the guidance in the ASU.

3 Are all entities required to provide a narrative explanation for how CODM uses the report single or multiple measure(s) in decision making?

Key considerations

Yes. All entities, including entities that disclose only one single measure of segment P&L, are required to include this narrative description because it provides useful & contextual information about each of the reportable segments.

Given the apparent disconnect between the guidance in the ASU and the SEC rules in electing non-GAAP measures as an additional measure of segment P&L, we recommend entities to consult with financial accounting experts and consider initiating SEC pre-clearance. Further, entities with single reportable segments are likely to experience increased scrutiny by the SEC staff in evaluating compliance with Topic 280.

Significant Segment Expenses Principle

The ASU creates a new principle termed 'Significant Expense Principle'. As per this principle, entities will need to disclose significant segment expense categories and amounts that are regularly provided to the CODM and included within each reported measure(s) of segment P&L for each of its reportable segments. In the below table, we have summarized the application guidance for this principle:

Significant expense principle

Guidance in the ASU

- Entities should start with identifying disaggregated segment expense information (emphasis added) that is regularly provided to the CODM and included in each reported measure(s) of segment P&L for each of its reportable segment.
- Next, entities should identify expenses which are not disaggregated but are easily computable based on information regularly provided to the CODM. For e.g., amount of cost of sales can be easily computed when segment revenue and gross margin% information is provided to the CODM.
- After identifying the above described segment expense items, entities should evaluate each expense item's significance (based on relevant quantitative and qualitative factors) to conclude on the need for separate disclosure. If significant, each expense item will need separate disclosure.
- After application of the above steps, if an entity concludes that there are no

categories of expenses which require separate disclosure for one or more of its reportable segments, a narrative description of the nature of expense information used by the CODM to manage operations is required (e.g., whether the CODM uses budgeted or forecasted expense information or consolidated expense information).

Other segment items category (a residual category of segment expense)

Guidance in the ASU

- Entities are required to disclose a residual category of segment expense termed 'other segment items' for each reportable segment along with a qualitative description of its composition.
- Other segment items represent the difference between (a) reported segment revenues less the segment expenses disclosed under the significant expense principle and (b) each reported measure(s) of segment P&L.
- The residual category may include:
  (i) the total amount of a segment's expenses that are included in the reported measure(s) of segment P&L but are not regularly provided to the CODM,
  (ii) the total amount of a segment's expenses that are not significant, or
  (iii) the total of gains, losses, and other amounts that are included in each reported measure of a segment's profit or loss.
- Disclosure for other segment items is required even when a public entity does not separately report expenses under the significant expense principle, stating the nature of the expense information that the CODM uses to manage operations.

Example:Disclosure of Significant Segment Expenses and Other Segment Items

- ABC Inc. has identified the two reportable segments: Metal products and Paper products. The CODM uses segment earnings before interest, taxes, depreciation, and amortization (segment EBITDA) to assess segment performance and allocate resources.
- Cost of sales and warranty expenses for Metal products and Paper products are regularly provided to the CODM.
- Bad-debt expenses and marketing expenses expressed as a percentage of revenue are regularly provided to the CODM for both Metal products and Paper products.
- Bad-debt expenses and marketing expenses are both considered easily computable; however, only marketing expenses are considered significant.

Because marketing expense is determined to be an easily computable significant segment expense regularly provided to the CODM and is included in the segment measure of profit or loss (segment EBITDA), separate disclosure for this item is required. In contrast, Bad-debt expenses despite being easily computable, would be aggregated as part of the "other segment items" caption because ABC Inc. has concluded that it is not significant.

ABC Inc. will have to disclose a qualitative description expense items which make up the "other segment items" category in the segment note, which represent "the difference between reported segment revenues less the [significant] segment expenses disclosed ... and reported segment profit or loss." The table below shows amounts related to the disclosure illustrated in this example.

						Amounts in $ 000's
Segment	Segment Revenue	Cost of sales	Warranty expense	Marketing expense	Other Segment items	Segment EBITDA
Metal products	650	350	50	120	70*	60
Paper products	320	150	30	60	30**	50
	970	500	80	180	100	110

** Includes legal and professional costs, bad debt, and goodwill impairment expense.*

*** Includes selling expenses and bad-debt expenses.*

For another example, illustrating the ASU's disclosure requirements related to significant segment expenses, see Example 3 in the Appendix of this publication.

Example:Disclosure of Easily Computable Segment Expenses

- XYZ Inc. has identified Metal products and Paper products as two reportable segments.
- The CODM uses segment gross profit margin% to assess segment performance and allocate resources. Metal products and Paper products gross margin% are regularly provided to the CODM.
- Cost of sales is easily computable using the gross profit margin% provided to the CODM and is concluded to be significant with regard to the Significant Expense Principle in the ASU.

Because cost of sales is determined to be an easily computable significant segment expense regularly provided to the CODM and is included in the segment measure of profit or loss (segment gross profit), disclosure is required.

The table below shows amounts related to the disclosure illustrated in this example.

Amounts in $ 000's			
Segment	**Segment Revenue**	**Cost of sales**	**Segment Gross Profit**
Metal products	800	560	240
Paper products	600	430	170
	1400	**990**	**410**

For another example, illustrating the ASU's disclosure requirements related to significant segment expenses, see Example 3 in the appendix of this publication.

4 Is an entity required to apply the Significant Expense principle for each reported measure(s) of segment P&L?

Key considerations

Yes. Application of the new Significant Expense principle is required for each elected measure for the respective single or multiple reportable segments of an entity. For e.g., if an entity has 3 reportable segments, where the CODM uses 'net income' and 'EBIDTA' (assuming these comply with related SEC regulations) as segment measures for 2 of these segments, application of the ASU would require the entity to apply the Significant Expense principle for both the 'net income' and 'EBIDTA' measures for the 2 reportable segments.

5 How is significance assessed in the application of the Significant Expense principle?

Key considerations

The ASU neither defines nor provides prescriptive guidance in the applying the significance threshold. It only states that entities should consider relevant quantitative and qualitative factors. This is not a new concept as the underlying principle is still based on an assessment from a financial statement user's standpoint. In Para BC6l of the ASU's Basis of Conclusion, the FASB observed that "if segment expense categories are regularly provided to the CODM on a disaggregated basis and included in the measure of segment profit or loss, investors also would likely find that information useful". This is a good guiding principle in evaluating expense items that qualify for separate disclosure.

Example: Significant Expense principle for each reported measure(s) of segment P&L

- PQR Inc. has identified the three reportable segments: Metal products,Paper products and Wooden products.
- The CODM uses segment earnings before interest, taxes, depreciation, and amortization ("EBITDA") and "Net Income" to assess segment performance and allocate resources for Metal products and Paper products segment.
- Cost of sales and warranty expenses for Metal products and Paper products are regularly provided to the CODM.
- Bad-debt expenses and marketing expenses expressed as a percentage of revenue are regularly provided to the CODM for both Metal products and Paper products.
- Bad-debt expenses and marketing expenses are both considered easily computable; however, only marketing expenses are considered significant.
- Application of the ASU would require the Company to apply the Significant Expense principle for both the 'EBIDTA' and 'net income' measures for each of the two reportable segments Metal products and Paper products.

The table below shows amounts related to the disclosure illustrated in this example.

		Amounts in $ 000's
	Metal Products	Paper Products
Revenue	700	500
Less:		
Cost of Sales	300	150
Warranty expense	60	40
Marketing expense	80	60
Other segment items(a)	40	40
EBITDA	**220**	**210**
Depreciation and amortization expense	30	20
Interest expense	60	50
Income tax expense	40	30
Segment net income	90	110
Reconciliation of profit or loss		
Adjustments and reconciling items	-	-
Consolidated net income	90	110

(a) Includes professional cost, bad debt expense and selling expense.

Application of the new Significant Expense principle can be a challenge when more than one single measure of segment performance is used by the CODM. A thorough and detailed analysis starting with disaggregated expenses (or those which can be easily computed) included in the CODM information package for each of the reportable segment would alleviate reporting challenges when adopting the ASU.

Other application matters

01 Recasting prior periods

Topic 280 requires that an entity should recast (previously referred to as restatement) prior-period segment information that is presented in the current-period financial statements on an annual and interim basis when there is a change in the composition of an entity's reportable segments, unless doing so is impracticable.

Amendment in ASU prescribes that the recasting requirements shall also apply to segment expense categories disclosed under the significant expense principle. In other words, if in the current period, the entity changes its internal reports and the segment expense information that is regularly provided to the CODM, an entity shall recast the significant segment expense categories and amounts reported in prior periods to confirm with the segment expense categories in the current period, unless it is impracticable.

If the prior period segment information is not recast, a public entity should disclose segment information for the current period under both the old and the new significant expense categories.

The recasting of prior-period information will result in improved transparency between segment expenses in current and prior reporting periods and would enable investors to model current-period segment information with comparable prior-period information.

02 Effective date and transition

- The amendments in ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.
- A public entity should apply the amendments in this Update retrospectively to all prior periods presented in the financial statements unless it is impracticable to do so.
- The segment expense categories disclosed in comparative periods would be those that correspond to the segment expense categories disclosed as a result of applying the significant expense principle in the period of adoption, regardless of whether those segment expense categories were significant or regularly provided to the CODM in the comparative periods.

Reporting the segment disclosures for all comparative periods presented (that is, each period for which an income statement is presented) provides users with comparable segment information for evaluating trends upon adoption.

Comparison to IFRS

Majority of the underlying concepts and the primary principles of using "management approach" in the identification of an entity's operating segments and in the application of the quantitative thresholds to determine an entity's reportable segments are substantially converged between Topic 280 and IFRS 8, Operating Segments. However, there exists some minor differences between the two accounting frameworks, for e.g., IFRS 8 requires that an entity disclose a measure of segment liabilities if those amounts are regularly reported to the CODM; Topic 280 does not.

In Para BC87 of the ASU's Basis of Conclusion, the Board indicates that the improvements introduced in the ASU is responsive to the feedback received from stakeholders while maintaining convergence on the management approach to segment reporting which is likely an indication that there will be no change to the IFRS, as issued by IASB, standards.

This is further supported by IFRS Interpretations Committee (IFRIC)'s recent tentative decisions in November 2023 where IFRIC received a request about Disclosure of Revenues and Expenses for Reportable Segments (Agenda Paper 4). The questions raised to IFRIC was specifically related to disclosure requirements for 'specified amounts' included in segment profit or loss reviewed by the CODM for each reportable segment and the meaning of 'material items of income and expense' in the context of applying Para 23(f) of IFRS 8. IFRIC reached a tentative conclusion on this matter that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to apply the disclosure requirements in paragraph 23 of IFRS 8. Consequently, the IFRIC decided not to add a standard-setting project to its work plan.

This decision is open for comment until February 5, 2024.

For more information on amendment in ASU, see the press release on the FASB's Web site.

Appendix

The examples below are reproduced from the ASU.

Example 3: Illustrative Disclosures

280-10-55-46 Following are specific illustrations of the disclosures that are required by this Subtopic. The formats in the examples are not requirements, but the information should be formatted in the most understandable manner in the specific circumstances. The following Cases are for a hypothetical public entity referred to as Diversified Company that has multiple reportable segments and chooses to disclose more than one measure of a segment's profit or loss that are used by the chief operating decision maker in assessing segment performance and deciding how to allocate resources.

Case A: Disclosure of Descriptive Information about Reportable Segment

280-10-55-47 The following is an example of the disclosure of descriptive information about a public entity's reportable segments.

a. Description of the types of products and services from which each reportable segment derives its revenues (see paragraph 280-10-50-21(b)).

Diversified Company has five reportable segments: auto parts, motor vessels, software, electronics, and finance. The auto parts segment produces replacement parts for sale to auto parts retailers. The motor vessels segment produces small motor vessels to serve the offshore oil industry and similar businesses. The software segment produces application software for sale to computer manufacturers and retailers. The electronics segment produces integrated circuits and related products for sale to computer manufacturers. The finance segment is responsible for portions of the company's financial operations including financing customer purchases of products from other segments and real estate lending operations in several states.

b. Measures of segment profit or loss and segment assets (see paragraph 280-10-50-29).

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that pension expense for each segment is recognized and measured on the basis of cash payments to the pension plan. Diversified Company evaluates performance for all of its reportable segments except the finance segment based on both segment gross profit and profit or loss from operations before interest and income taxes. The finance segment's performance is evaluated based on pretax profit or loss.

bb. How the chief operating decision maker uses the reported measure of segment profit or loss (see paragraph 280-10-50-29(f)).

For the auto parts, motor vessels, software, and electronics segments, the chief operating decision maker uses both segment gross profit and segment profit or loss from operations before interest and income taxes to allocate resources (including employees, property, and financial or capital resources) for each segment predominantly in the annual budget and forecasting process. The chief operating decision maker considers budget-to-actual variances on a monthly basis for both profit measures when making decisions about allocating capital and personnel to the segments. The chief operating decision maker also uses segment gross profit for evaluating product pricing and segment profit or loss from operations before interest and income taxes to assess the performance for each segment by comparing the results and return on assets of each segment with one another and in the compensation of certain employees.

For the finance segment, the chief operating decision maker uses segment pretax profit or loss to allocate resources (including employees, financial, or capital resources) to that segment in the annual budget and forecasting process and uses that measure as a basis for evaluating lending terms for customer loans. The chief operating decision maker also uses segment pretax profit or loss to assess the performance of the finance segment by monitoring the margin between interest revenue and interest expense.

c. Diversified Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

d. Factors that management used to identify the public entity's reportable segments (see paragraph 280-10-50-21(a)).

Diversified Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit, and the management at the time of the acquisition was retained.

e. The title and position of the individual or the group identified as the chief operating decision maker (see paragraph 280-10-50-21(c)).

Diversified Company's chief operating decision maker is the chief executive officer.

Case B: Information about Reported Segment Revenue, Measures of a Segment's Profit or Loss, Significant Segment Expenses, Measure of a Segment's Assets, and Required Reconciliations

280-10-55-48 The following tables illustrate a format for presenting information about reported segment revenue, measures of a segment's profit or loss, significant segment expenses, and measure of a segment's assets (see paragraphs 280-10-50-22, 280-10-50-25, and 280-10-50-26A through 50-26C) for the current reporting period. The tables do not illustrate comparative period disclosures. Diversified Company does not allocate income taxes or unusual items to segments. In addition, not all segments have significant noncash items other than depreciation and amortization in reported profit or loss. The amounts in this Example are assumed to be the amounts in management's reports that are regularly provided to the chief operating decision maker, including interest revenue and interest expense. The following tables also illustrate a format for presenting the reconciliations of reportable segment revenues and measures of profit or loss to Diversified Company's consolidated totals (see paragraph 280-10-50-30(a) through (b)).

	Auto Parts	Motor Vessels	Software	Electronics	Finance	Total
Revenues from external customers	$3,000	$5,000	$9,500	$12,000	$5,000[a]	$34,500
Intersegment revenues	-	-	3,000	1,500	-	4,500
	3,000	5,000	12,500	13,500	5,000	39,000
Reconciliation of revenues						
Other revenues						1,000[b]
Elimination of intersegment revenues						(4,500)
Total consolidated revenues						$35,500
Less:[c]						
Cost of revenue	1,700	3,100	2,000	6,800	-	
Segment gross profit	1,300	1,900	10,500	6,700	-[d]	$20,400
Less:[c]						
Research and development expense	-	-	3,300	-	-	
Nonmanufacturing payroll expense[e]	500	900	2,600	2,700	750	
Professional service expense	-	-	1,700	500	800	
Interest expense (finance segment)	-	-	-	-	3,000	
Other segment items[f]	700	1,130	2,300	1,600	(50)	
Segment profits/(loss)	100	(130)	600	1,900	500	$2,970
Reconciliation of profit or loss (segment profit/(loss))						
Other profit or loss						100[b]
Interest income/(expense), net (excluding finance segment)						1,125[g]
Elimination of intersegment profits						(500)
Unallocated amounts:						
Litigation settlement received						500
Other corporate expenses						(750)
Adjustment to pension expense in consolidation						(250)
Income before income taxes						$3,195
Reconciliation of profit or loss (segment gross profit)						
Total segment gross profit						$20,400
Segment operating expenses, net (excluding finance segment)						(17,930)[h]
Segment profit (finance segment)						500
Other profit or loss						100 [b]
Interest income / (expense), net (excluding finance segment)						1,125 [g]
Elimination of intersegment profits						(500)
Unallocated amounts:						
Litigation settlement received						500
Other corporate expenses						(750)
Adjustment to pension expense in consolidation						(250)
Income before income taxes						$3,195

a. The revenue from external customers for the finance segment relates to interest and noninterest income.

b. Revenue and profit or loss from segments below the quantitative thresholds are attributable to four operating segments of Diversified Company. Those segments include a small real estate business, an electronics equipment rental business, a software consulting practice, and a warehouse leasing operation. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

c. The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker. Intersegment expenses are included within the amounts shown.

d. For the finance segment, the chief operating decision maker uses only pretax profit or loss as the measure to allocate resources and assess segment performance. As a result, segment gross profit is not reported for the finance segment.

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

f. Other segment items for each reportable segment includes:

Auto parts - maintenance, professional services expense, and repairs expense and certain overhead expenses.

Motor vessels - marketing expense, professional services expense, occupancy expense, and certain overhead expenses.

Software - depreciation and amortization expense, travel expense, office supplies expense, and certain overhead expenses.

Electronics - depreciation and amortization expense, marketing expense, occupancy expense, and certain overhead expenses.

Finance - depreciation and amortization expense, property tax expense, certain overhead expenses, and other gains or losses.

g. Interest income/(expense), net (excluding finance segment) of $1,125 comprises
(i) consolidated total interest revenue (excluding finance segment) of $3,825 and
(ii) consolidated total interest expense (excluding finance segment) of $2,700.

h. Segment operating expenses, net (excluding finance segment) of $17,930 includes research and development expense, nonmanufacturing payroll expense, professional services expense, and other segment items for the auto parts, motor vessels, software, and electronics segments.

Other segment disclosures (see paragraphs 280-10-50-22 and 280-10-50-25)	Auto Parts	Motor Vessels	Software	Electronics	Finance	Total
Interest revenue	$450	$800	$1,000	$1,500	$4,000	$7,750
Interest expense	350	600	700	1,100	3,000	5,750
Depreciation and amortization [a]	200	100	50	1,500	150	2,000
Other significant noncash items:						
Cost in excess of billings on long-term contracts	-	200	-	-	-	200
Segment assets	2,000	5,000	3,000	12,000	57,000	79,000
Expenditures for segment assets	300	700	500	800	600	2,900

{a} The amounts of depreciation and amortization disclosed by reportable segment are included within the other segment expense captions, such as cost of revenue or other segment items.

Case C: Reconciliations of Reportable Segment Assets and Other Significant Items to the Consolidated Totals

280-10-55-49 The following is an example of reconciliations of reportable segment assets and other significant items to the public entity's consolidated totals (see paragraph 280-10-50-30(c) through (d). The public entity's financial statements are assumed not to include discontinued operations.

Assets	
Total assets for reportable segments	$79,000
Other assets	2,000 [a]
Elimination of receivables from corporate headquarters	(1,000)
Goodwill not allocated to segments	4,000
Other unallocated amounts	1,000
Consolidated total	**$85,000**

(a) Assets from segments below the quantitative thresholds are attributable to four operating segments of Diversified Company.

Other Significant Items	Segment Total	Adjustments	Consolidated Totals
Interest revenue	$7,750	$75	$7,825
Interest expense	5,750	(50)	5,700
Expenditures for assets	2,900	1,000	3,900
Depreciation and amortization	2,000	-	2,000
Cost in excess of billing on long-term contracts	200	-	200

280-10-55-50 The reconciling item to adjust expenditures for assets is the amount of expenses incurred for the corporate headquarters building, which is not included in segment information. None of the other adjustments are significant.

Example 4: Illustrative Disclosures- Single Reportable Segment Entity

280-10-55-53 The folllowing is an illustration of certain disclosures that are required by this Subtopic for a public entity that has a single reportable segment. The following Cases are for a hypothetical public entity referred to as ABC Company, which has one operating segment. The illustration for ABC Company does not include the entity-wide disclosures required by paragraphs 280-10-50-39 through 50-42.

Case A: Disclosure of Descriptive Information about the Reportable Segment

280-10-55-54 The following is an example of the required disclosures about a public entity's reportable segment.

a. Description of the types of products and services from which the reportable segment derives its revenues (see paragraph 280-10-50- 21(b)).

   The software segment derives revenues from customers by providing access to cloud computing applications under software-as-a- service arrangements. The most popular cloud computing application is an enterprise resource planning application used primarily by customers to manage functions such as accounting, financial management, project management, and procurement. The service term for the software arrangements is variable, with the median term being approximately five years.

b. Measure of segment profit or loss and assets (see paragraph 280-10-50-29).

   The accounting policies of the software segment are the same as those described in the summary of significant accounting policies.

   The chief operating decision maker assesses performance for the software segment and decides how to allocate resources based on net income that also is reported on the income statement as consolidated net income.

   The measure of segment assets is reported on the balance sheet as total consolidated assets.

c. How the chief operating decision maker uses the reported measure of segment profit or loss (see paragraph 280-10-50-29(f)).

   The chief operating decision maker uses net income to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into the software segment or into other parts of the entity, such as for acquisitions or to pay dividends.

   Net income is used to monitor budget versus actual results. The chief operating decision maker also uses net income in competitive analysis by benchmarking to ABC Company's competitors. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing management's compensation.

d. ABC Company does not have intra-entity sales or transfers.

e. Factors that management used to identify the public entity's reportable segments (see paragraph 280-10-50-21(a)).

ABC Company has one reportable segment: software. The software segment provides cloud computing services to customers under software-as-a-service arrangements. ABC Company derives revenue primarily in North America and manages the business activities on a consolidated basis. The technology used in the customer arrangements is based on a single software platform that is deployed to and implemented by customers in a similar manner.

f. The title and position of the individual or the group identified as the chief operating decision maker (see paragraph 280-10-50-21(c)).

ABC Company's chief operating decision maker is the senior executive committee that includes the chief operating officer, chief financial officer, and the chief executive officer.

Case B: Information about Reported Segment Revenue, Segment Profit or Loss, and Significant Segment Expenses

280-10-55-55 The following table illustrates a format for presenting information about reported segment revenue, segment profit or loss, and significant segment expenses. The Example does not separately illustrate all of the information required by paragraphs 280-10-50-22 and 280-10-50-25.

	Software Segment
Revenue	$81,800
Less:	
Employee expense	41,000
Contractor expense	15,000
Occupancy and equipment expense	8,400
Hosting and data center expense	1,500
Other professional services expense	750
Customer acquisition expense	800
Other segment items(a)	2,500
Depreciation and amortization expense	3,200
Interest expense	600
Income tax expense	2,000
Segment net income	6,050
Reconciliation of profit or loss	
Adjustments and reconciling items	-
Consolidated net income	**$6,050**

a) Other segment items included in Segment net income includes marketing expense, restructuring expense, foreign currency exchange gains and losses, and other overhead expense.

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