

BLUEPRINT: A BDO SERIES
SEGMENT REPORTING
UNDER ASC 280

October 2026



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Introduction

ASC 280, *Segment Reporting*, requires public entities to disclose disaggregated information about their businesses in their financial statements. The objective of segment reporting is to provide information “through management’s eyes” to assist investors in understanding a public entity’s performance and prospects for future cash flows.

Segment disclosures include disaggregated information about a public entity’s revenues, significant expenses, profitability, and other key financial results. ASC 280 also requires entity-wide disclosures about products and services, geographic footprint, and major customers. Although ASC 280 is a disclosure-only standard, its application is complex because of the judgment required to understand an entity’s internal organizational structure and identify its reportable segments.

Since the FASB issued segment reporting guidance in 1997,¹ segment disclosures have consistently been an area of focus for the SEC staff.

SEGMENT REPORTING — IN A NUTSHELL

An entity applies the **management approach** to identify and report its segments, including:

- ▶ Identifying the chief operating decision maker (CODM)
- ▶ Identifying operating segments
- ▶ Considering whether to aggregate operating segments
- ▶ Determining reportable segments
- ▶ Disclosing specific segment information
- ▶ Disclosing entity-wide information

OBJECTIVES AND SCOPE

The objective of ASC 280 is to provide information about the different types of business activities a public entity engages in and the different economic environments in which it operates to assist investors in understanding and evaluating an entity’s performance. All public entities, including those with a single reportable segment, are required to provide segment disclosures in annual and interim financial statements. An entity must use the management approach to apply the segment guidance. That approach presents segments based on the way that management organizes and uses information for allocating resources, making operating decisions, and assessing performance. The terms “entity” and “registrant” as used in this Blueprint refer to a public entity that is subject to the requirements of ASC 280.

See Chapter 1 for more guidance on the objectives and scope of ASC 280.

OPERATING SEGMENTS

An operating segment is a component of an entity that has **all** the following characteristics:

- ▶ It engages in business activities from which it may recognize revenue and incur expenses.
- ▶ Its operating results are regularly reviewed by the CODM to make resource allocation decisions and assess its performance.
- ▶ Its discrete financial information is available.

¹ FASB Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* (FAS 131).

The three characteristics that identify a component as an operating segment are based on the management approach. Identifying the CODM is the first step in determining the operating segments. Once the CODM has been identified, an entity must determine whether each component individually has the characteristics of an operating segment.

See Chapter 2 for guidance on identifying operating segments.

REPORTABLE SEGMENTS

After identifying its operating segments, an entity may consider whether multiple operating segments can be combined and considered a single operating segment. Aggregation is not required. A reportable segment is an operating segment or at least two aggregated operating segments that meets specific quantitative tests. The quantitative tests consider the revenues, profits or losses, and assets of an operating segment compared to the combined revenues, profits or losses, and assets of all operating segments. An operating segment that meets any of the quantitative tests is a reportable segment.

After determining the reportable segments, an entity considers whether the revenues of the reportable segments constitute at least 75% of its total consolidated revenue. An entity may need to disclose additional segments separately so that reportable segments constitute at least 75% of total consolidated revenue.

While there is no explicit limit on the number of reportable segments, an entity may consider a practical limit of 10. Information about other business activities and operating segments that do not constitute reportable segments are combined and disclosed in an “all other” category.

See Chapter 3 for guidance on determining reporting segments.

SEGMENT DISCLOSURES

In accordance with ASC 280, an entity must provide both quantitative and qualitative disclosures for each reportable segment for each period for which an income statement is presented, including disclosures of revenue, significant operating expenses, and measures of profitability. Some disclosures are required on both an annual and interim basis, while others are required only annually. In accordance with the management approach, the information disclosed must be consistent with the information provided to the CODM. The segment reporting disclosures apply to all public entities, including those with a single reportable segment. The table below summarizes the ASC 280 disclosure requirements and their frequency.

DISCLOSURE REQUIREMENT	REQUIREMENT
General information:	Annual
▶ Factors used to identify reportable segments ▶ Whether operating segments have been aggregated ▶ Types of products and services from which the reportable segment derives its revenue ▶ Title and position of the individual or name of the group or committee identified as the CODM	
Segment profit or loss measure(s)	Annual and interim
The following if the specified amounts are included in the measure of segment profit or loss or, if not included in the measure of segment profit or loss, are regularly provided to the CODM:	Annual and interim
▶ Revenue from external customers ▶ Intersegment revenue ▶ Interest revenue and expense ▶ Depreciation, depletion, and amortization expense	

DISCLOSURE REQUIREMENT	REQUIREMENT
▶ Material events or transactions the entity considers to be unusual in nature or infrequent in occurrence ▶ Equity in the net income of equity method investees ▶ Income tax expense or benefit ▶ Significant noncash items other than depreciation, depletion, and amortization expense	
Significant segment expenses if regularly provided to the CODM and included in the reported measure of segment profit or loss	Annual and interim
Other segment items and a description of their composition	Annual and interim
Measure of segment assets if provided to the CODM	Annual and interim
The following if the specified amounts are included in the measure of segment assets or, if not included in the measure of segment assets, are regularly provided to the CODM: ▶ Total investment in equity method investees ▶ Total expenditures for additions to long-lived assets	Annual and interim
Reconciliation of segment profit or loss to income before taxes and discontinued operations. An entity may reconcile segment profit or loss to consolidated net income if it allocates income taxes to segments.	Annual and interim
The following reconciliations: ▶ Segment revenue to consolidated revenue ▶ Segment assets to consolidated assets Other significant items (excluding significant segment expenses and other segment items) to the corresponding consolidated amount	Annual
Qualitative disclosures about segment assets and profit or loss	Annual

See Chapter 4 for guidance on segment disclosures.

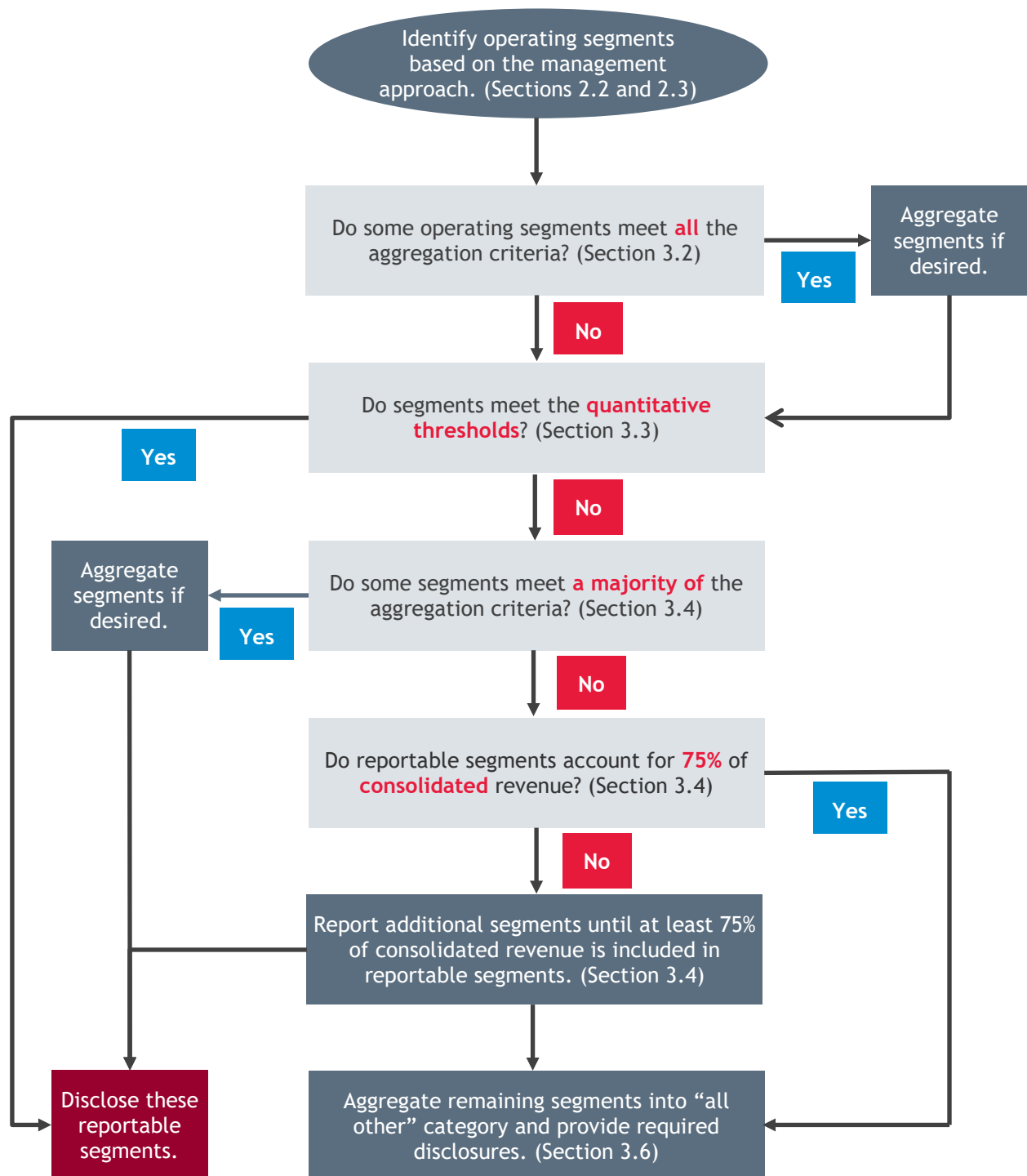
ENTITY-WIDE DISCLOSURES

ASC 280 requires an entity to disclose entity-wide information about its:

- ▶ Products and services
- ▶ Geographic areas
- ▶ Major customers

Entity-wide disclosures are required annually and can be provided either within the segment disclosures or separately. They are intended to provide some comparability between public entities and are based on information used to prepare the entity's consolidated financial statements.

The diagram below, which is adapted from ASC 280-10-55-26, illustrates the application of the guidance for identifying operating and reportable segments.



The flowchart above can also be described in the following steps:

- ▶ Identify the chief operating decision maker (CODM).
- ▶ Identify the entity’s operating segments based on the components whose operating results the CODM regularly reviews to allocate resources and assess performance and for which discrete financial information is available.
- ▶ Determine whether any of operating segments meet all of the aggregation criteria; and if so, aggregate segments if desired.
- ▶ Apply the quantitative thresholds (see Section 3.3) to identify reportable segments.
- ▶ Evaluate the remaining operating segments to determine whether they meet a majority of the aggregation criteria, and if so, aggregate those segments (if desired) to be disclosed as a reportable segment.
- ▶ Apply the 75% external-revenue test (see Section 3.4). Determine whether the reportable segments collectively account for at least 75% of consolidated external revenue.
 - If the 75% threshold is **not** met, add reportable segments until they collectively account for at least 75% of consolidated revenue.
 - If the 75% threshold **is** met, aggregate the remaining segments into an “all other” category.

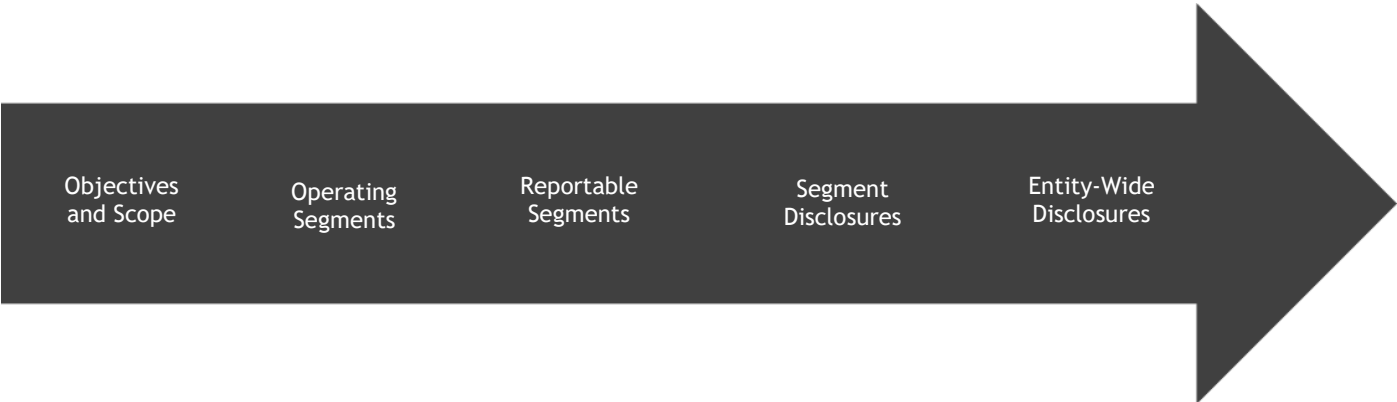
ABOUT THIS BLUEPRINT

This Blueprint includes detailed guidance on segment reporting, including the key aspects of Accounting Standards Update (ASU 2023-07), *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*.

While this Blueprint does not include all requirements of ASC 280, it summarizes key aspects that are commonly considered when determining reportable segments and preparing segment disclosures. It also includes practical examples and interpretive guidance to assist entities and practitioners in applying segment reporting requirements. The segment disclosures for each entity can vary based on the specific facts and circumstances and therefore might differ from the examples and insights in this Blueprint.

References throughout this Blueprint to “net income” and “pretax income” refer to an entity’s net income, net loss, pretax income, or pretax loss for a reporting period.

The Blueprint has been divided into chapters that address key aspects of segment reporting guidance. These chapters are generally organized in the order in which an entity would apply the segment reporting guidance in ASC 280.

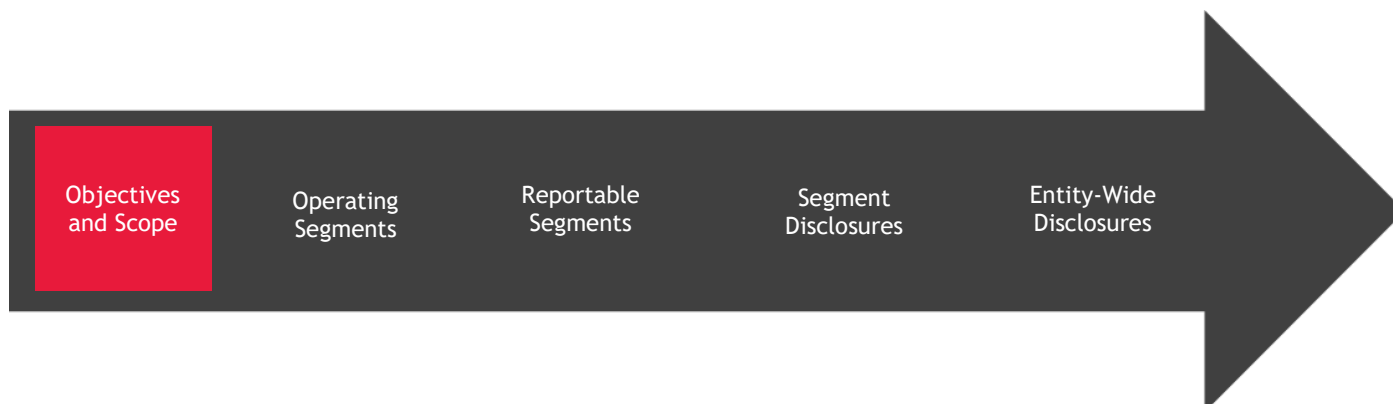


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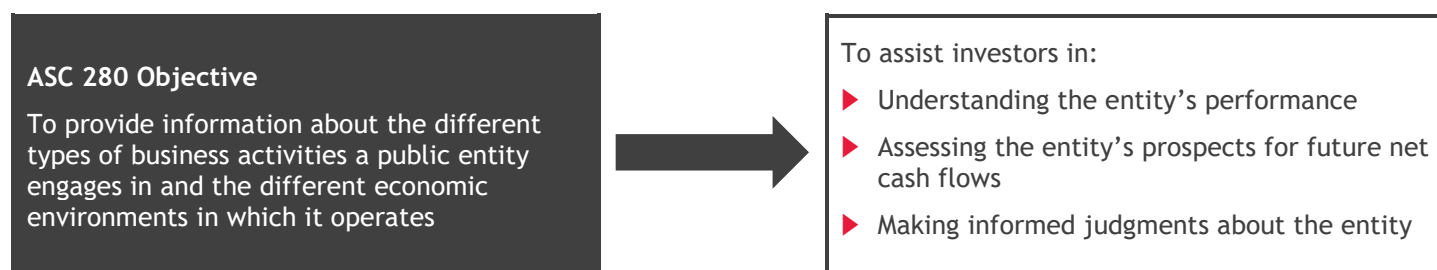
Chapter 1: Objectives and Scope



1.1 OVERVIEW

Public entities are required to provide segment disclosures in their annual and interim financial statements. Segment disclosures include disaggregated information about an entity's products and services, geographic areas of operations, and major customers.

The objective of segment reporting is depicted below.



Entities must use the **management approach** (see Section 1.2) to determine what segment information to report.

The segment reporting guidance in ASC 280 applies to all public entities with limited scope exceptions (see Section 1.3). Nonpublic entities are encouraged, but not required, to provide segment disclosures.

1.2 MANAGEMENT APPROACH



FASB REFERENCES

ASC 280-10-05-3 through 05-5 and ASC 280-10-20: Operating Segment

ASC 280 requires a public entity to present its financial statements using a single basis of segmentation. An entity must use the **management approach** to apply the segment guidance. That approach presents segments based on the way management organizes and uses information for allocating resources, making operating decisions, and assessing performance. Segment information enables investors to see the business from management's perspective. The components that management establishes for that purpose are called "operating segments" (see Chapter 2).

The management approach focuses on the financial information management uses to make decisions. Because that information is typically the basis for the information in other published information such as earnings calls, press releases, and marketing materials, the management approach results in consistent descriptions in an entity's financial statements and that other information.

The management approach could result in similar entities disclosing different segment information for similar operations based on how different management teams organize and operate their businesses. To provide some comparability between entities, ASC 280 requires disclosure of entity-wide information about products and services, geographic areas, and major customers, regardless of how an entity is organized (see Chapter 5).

1.3 SCOPE AND SCOPE EXCEPTIONS



FASB REFERENCES

ASC 280-10-15-2 through 15-3 and ASC 280-10-S50-1

ASC 280-10-20: Public Entity

A business entity or a not-for-profit entity that meets any of the following conditions:

- a. It has issued debt or equity securities or is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).*
- b. It is required to file financial statements with the [SEC].*
- c. It provides financial statements for the purpose of issuing any class of securities in a public market.*

ASC 280 applies to all public entities, including those with a single reportable segment.

The following entities are not required to apply the segment reporting guidance in ASC 280:

- ▶ Not-for-profit entities (NFP), regardless of whether an NFP meets the definition of a public entity
- ▶ Nonpublic entities

Further, segment reporting guidance does **not** apply to the separate company statements of a parent, subsidiary, joint venture, or equity method investment of an entity if the separate company statements are **both**:

- ▶ Included in a complete set of consolidated or combined financial statements
- ▶ Included in the same financial report as the consolidated or combined statements

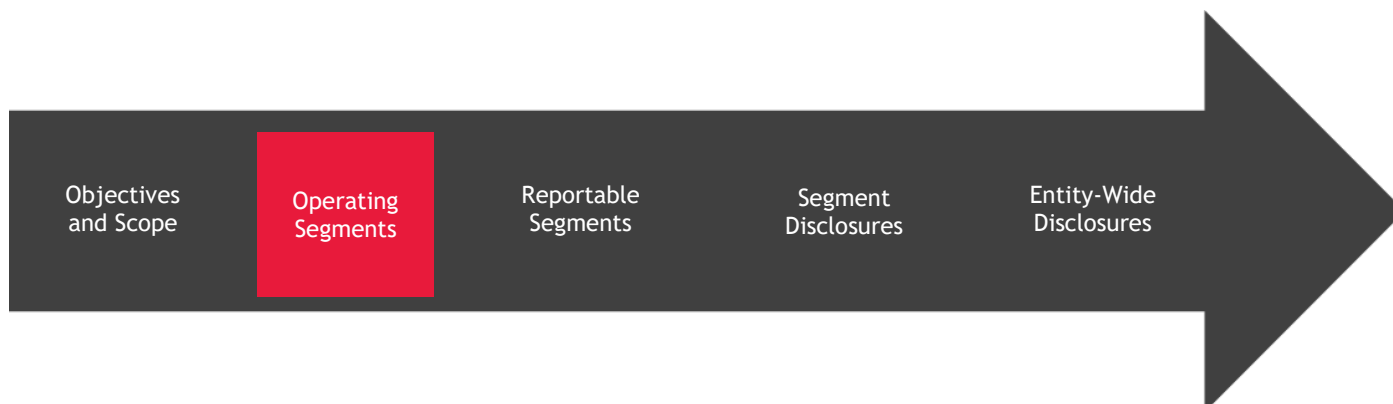
However, segment reporting guidance does apply to the financial statements of a parent, subsidiary, joint venture, or equity method investment that is a public entity that issues its financial statements separately. Also, nonpublic entities must refer to specific guidance in ASC 280 to determine reporting units for goodwill impairment testing in accordance with ASC 350-20, *Intangibles – Goodwill and Other, Goodwill*. See to Chapter 2 of BDO's Blueprint, [Impairments under ASC 350 and ASC 360](#), for more guidance.



DEFINITION OF A PUBLIC ENTITY

The definition of the term “public entity” is complex and encompasses more than just those entities whose shares are listed on an exchange. For instance, an entity whose securities are traded on an over-the-counter market (for example, the OTC Pink Sheet market) is included in the definition of public entity, regardless of its trading volume or whether it issues publicly available financial statements. Also, the definition of a public entity in ASC 280 differs from the definition of the term “public business entity” used elsewhere in U.S. GAAP.

Chapter 2: Operating Segments



2.1 OVERVIEW

The starting point for determining what segment information to provide is to identify an entity's operating segments. An operating segment is a component of an entity that has **all** the following characteristics:

- ▶ It engages in business activities from which it may recognize revenue and incur expenses.
- ▶ Its operating results are regularly reviewed by the CODM to:
 - Make resource allocation decisions **and**
 - Assess its performance.
- ▶ Its discrete financial information is available.

The three characteristics that identify a component as an operating segment are based on the **management approach** (see Section 1.2). Therefore, identifying the CODM is the first step in determining the operating segments (see Section 2.2).

Once the CODM has been identified, an entity must determine whether each component individually has the characteristics of an operating segment (see Section 2.3) and whether multiple operating segments can be combined and considered a single segment (see Section 3.2).

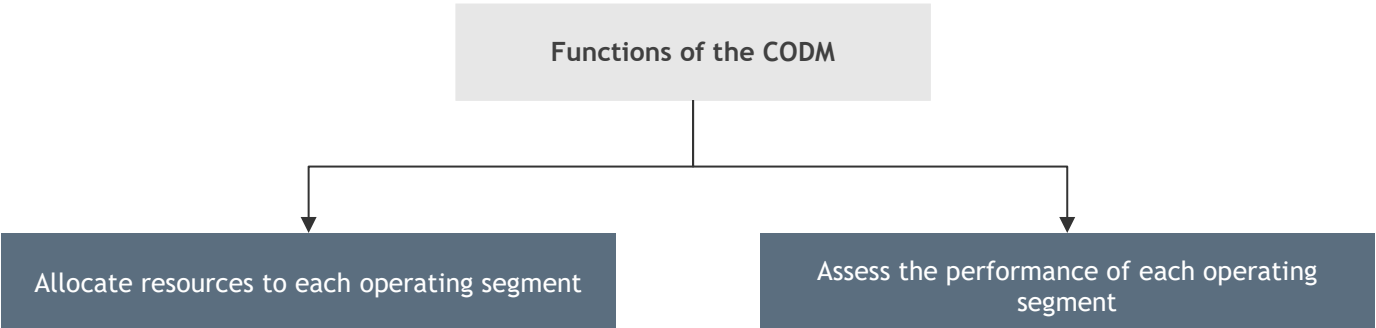
2.2 CHIEF OPERATING DECISION MAKER



FASB REFERENCES

ASC 280-10-50-5 and ASC 280-10-50-7 through 50-8

Identifying the CODM is the first step to determine the operating segments. The CODM is either an individual or a group that functions to allocate resources to and assesses the performance of an entity's operating segments. Often, an entity's chief executive officer or chief operating officer is the CODM. In other cases, the CODM is a group consisting of multiple individuals; for example, an executive committee that includes the entity's president, executive vice presidents, and others.



Generally, an operating segment has a **segment manager** that is directly accountable to and maintains regular contact with the CODM to discuss operating activities, financial results, forecasts, or segment plans. The terms “CODM” and “segment manager” identify functions, not necessarily individuals with a specific title.

The CODM might also serve as the segment manager for one or more operating segments. Also, a single manager can be the segment manager for multiple operating segments.

BDO INSIGHT 2-1: IDENTIFYING THE CODM

An entity identifies the CODM based on its operational and management structure. Therefore, two entities that have similar business models could reach different conclusions when determining whether the CODM is an individual or group.

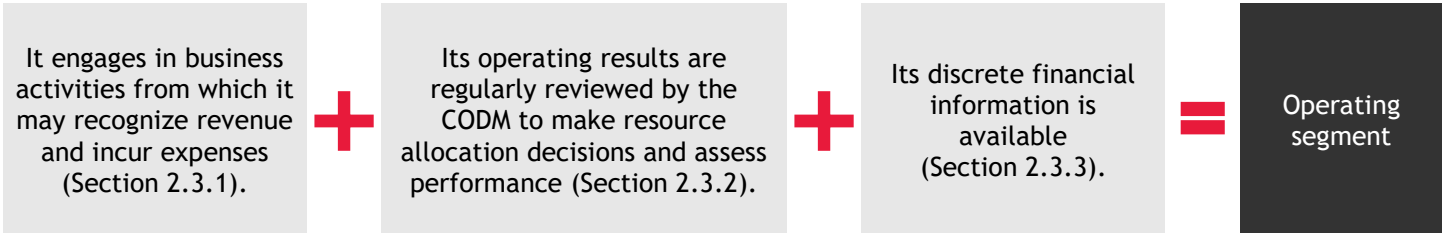
2.3 CHARACTERISTICS OF OPERATING SEGMENTS



FASB REFERENCES

ASC 280-10-20: Operating Segment and ASC 280-10-50-1

Once the CODM has been identified, an entity must determine whether each component is an operating segment. An operating segment is a component of an entity that has **all** the following characteristics:



The three characteristics of an operating segment are based on the management approach (see Section 1.2).

2.3.1 Engages in Business Activities



FASB REFERENCES

ASC 280-10-50-1(a), ASC 280-10-50-3 through 50-4, and ASC 280-10-55-3 through 55-4

An operating segment is a component that engages in business activities, either with third parties or other components of the entity, from which it can recognize revenue and incur expenses. A vertically integrated entity might have operating segments in its internal supply chain that sell primarily or exclusively to its other operating segments (see Section 2.4.3). Also, a component is not required to recognize revenue to meet the first characteristic, but it must have the ability to recognize revenue. For example, a start-up operation that has begun incurring expenses but is not yet generating income could be an operating segment.

Not every part of an entity is necessarily an operating segment or a part thereof. For example, corporate headquarters and some functional departments are not operating segments if they do not have the ability to generate income, or if they generate income that is only incidental to the entity's activities (see Section 2.4.2).

BDO INSIGHT 2-2: BUSINESS ACTIVITIES

A characteristic of an operating segment is that it engages in business activities from which it can recognize revenue and incur expenses. However, ASC 280 does not define the terms “business” or “business activities.”

ASC 805, *Business Combinations*, defines a business as “an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.”

While ASC 280 does not refer to that definition, an entity may find it helpful to consider the guidance in ASC 805 when analyzing whether a component engages in business activities. For more information about the definition of a business, see Chapter 3 of BDO's Blueprint, [Business Combinations Under ASC 805](#).

2.3.2 Operating Results Regularly Reviewed by Chief Operating Decision Maker



FASB REFERENCES

ASC 280-10-50-1(b) and ASC 280-10-50-6

An operating segment is a component for which operating results are regularly reviewed by the CODM to make resource allocation decisions and assess performance.

Examples of how the CODM uses operating results for decision-making and performance assessment include:

- ▶ Approving operating budget and forecasts
- ▶ Entering significant contracts
- ▶ Hiring key management or executive personnel
- ▶ Making major capital investment decisions
- ▶ Designing and implementing key marketing strategies
- ▶ Changing company-wide strategy

BDO INSIGHT 2-3: OPERATING RESULTS INCLUDE A PROFITABILITY MEASURE

The operating results reviewed by the CODM generally should include a measure of profitability. We believe the operating results reviewed by the CODM do not need to include all GAAP-based costs of operating a component. Rather, the CODM might review an operating result that includes only some of the costs of operating a component; for example, gross margin or operating income that excludes corporate allocations (see Example 2-1).

Sometimes the CODM receives only revenue-related data for the components, for example, by product line or geography. Revenue-only information generally is not considered sufficient to assess a component's performance. However, determining whether revenue-only information is sufficient to assess performance and make resource allocation decisions requires judgment based on the facts and circumstances.

**SEC STAFF INSIGHTS**

In remarks before the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments, staff from the Division of Corporation Finance discussed the SEC staff's view on what constitutes "regularly reviewed."

While U.S. GAAP does not explicitly define the terms "regularly provided" or "regularly reviewed," the SEC staff indicated that information provided to the CODM quarterly would qualify. However, the SEC staff also cautioned that information provided less frequently may be considered **regularly** provided or reviewed.

Reaching a conclusion on whether information is regularly provided to or reviewed by the CODM requires professional judgment based on the facts and circumstances.

BDO INSIGHT 2-4: INFORMATION REVIEWED BY THE CODM

To understand how a CODM assesses performance and makes resource allocation decisions, it is important to understand the information the CODM regularly reviews. Often, the information used by the CODM is available in various periodic management reporting packages that can be accessed through an entity's internal information systems. Those reports may indicate the levels at which a CODM is assessing the business to allocate resources and assess performance. However, an entity must consider all the financial information available to the CODM; for example, budgets and forecasts, executive compensation metrics, investor presentations, earnings releases, and website information. Depending on the entity's information systems, a CODM might have access to a large amount of readily available information with various degrees of detail. The CODM also could have access to different reports for different purposes.

In those circumstances, determining what level of financial information the CODM **uses** to assess performance and make resource allocation decisions can be challenging and requires judgment based on the facts and circumstances. In analyzing its specific facts to identify segments, an entity must satisfy the main objective of segment reporting, which is to provide financial statement users with information to understand how management views the business. In making that determination, we believe the following should be considered because they provide insight into the level at which the CODM evaluates the business to allocate resources and assess performance:

- ▶ The entity's organizational structure
- ▶ The level at which budgets and forecasts are prepared
- ▶ The basis for determining compensation or performance bonuses
- ▶ Information presented to the board of directors



SEC STAFF FREQUENTLY COMMENTS ON THE IDENTIFICATION OF OPERATING SEGMENTS

The SEC staff frequently comments on the identification of operating segments, particularly when information shared outside the financial statements (such as during earnings calls or investor presentations) does not align with segment disclosures. Entities should consider all financial information provided to the CODM when determining operating segments and apply judgment.

In 2014, the SEC staff provided insight on the types of information an entity should consider when assessing whether the CODM regularly reviews operating results, as excerpted below.



SEC STAFF INSIGHTS

Remarks before the 2014 AICPA Conference on Current SEC and PCAOB Developments

Dan Murdock, Deputy Chief Accountant, Office of the Chief Accountant

December 8, 2014

Identification of Operating Segments

ASC 280 employs a management approach to the identification of operating segments, which means it is based on the way that management organizes the segments within the entity for the purpose of making operating decisions and assessing performance. Consequently, segments will often be evident from the structure of an entity's internal organization. Some of you may interpret this to mean that simply looking at the entity's organizational chart will be sufficient. While this may be a good data point, let me caution you that the organizational chart is simply a data point - the underlying principle requires consideration of the nature and extent of information that is reported to the CODM by each of the positions you identify on that chart.

Another presumption we have heard from constituents is that the CODM report is somehow the ultimate determinant of operating segments. While we may have placed emphasis on this report in the past, let me be clear there is no presumption to this effect in GAAP; rather, the CODM report, like the organizational chart, is simply one data point in the analysis. Over the years, we have heard registrants propose to "take something out" of the report in order to justify their determination of operating segments. This is particularly unsatisfying and inconsistent with the objectives of segment reporting, which is to provide information about the entity's different types of business activities and different types of economic environments in which it operates in order to help users understand the entity's performance, assess its prospects for future cash flows, and ultimately make more informed judgments about the entity as whole.

So you may be asking what else should be considered besides the CODM report? While certainly not an exhaustive list, a few things you might want to think about are the overall management structure, the basis on which budgets and forecasts are prepared, and the basis on which executive compensation is determined. [Footnotes omitted.]

2.3.3 Discrete Financial Information



FASB REFERENCES

ASC 280-10-50-1(c) and ASC 280-10-55-5

An operating segment is a component for which discrete financial information is available. Discrete financial information is not necessarily a complete set of financial statements in compliance with U.S. GAAP but rather the information the CODM needs to make decisions about resources to allocate to the segment and assess its performance. For example, the CODM might consider only revenue and specific direct expenses to make operating decisions about a segment.

Also, a component that does not have any assets allocated to it for internal reporting purposes could be considered an operating segment if it meets the requisite criteria.

BDO INSIGHT 2-5: OPERATING RESULTS INCLUDE A PROFITABILITY MEASURE

The operating results reviewed by the CODM generally should include a measure of profitability. We believe that the operating results reviewed by the CODM do not need to include all GAAP-based costs of operating a component. Rather, the CODM might review an operating result that includes only some of the costs of operating a component; for example, gross margin or operating income that excludes corporate allocations (see Example 2-1).

Sometimes the CODM receives only revenue-related data for the components, for example, by product line or geography. Revenue-only information generally is not considered sufficient to assess a component's performance. However, determining whether revenue-only information is sufficient to assess performance and make resource allocation decisions requires judgment based on the facts and circumstances.

EXAMPLE 2-1: DISCRETE FINANCIAL INFORMATION

FACTS

- ▶ An entity has two components for which the CODM regularly reviews information about revenue and costs of sales.
- ▶ Both components have business activities from which they can recognize revenue and incur expenses.
- ▶ The entity incurs corporate overhead costs but does not allocate those costs to either component.
- ▶ The CODM assesses performance and makes resource allocation decisions based on the gross margins of each component.

CONCLUSION

Both components are operating segments.

ANALYSIS

Both components have business activities from which they can recognize revenue and incur expenses. The CODM regularly reviews financial results for each component to assess performance and allocate resources. Discrete financial information is available for both components because the CODM can easily compute the gross margins from the information received about revenue and costs of sales. The entity does not have to allocate corporate overhead costs to either component to conclude a component is an operating segment.

2.4 IDENTIFYING OPERATING SEGMENTS: OTHER CONSIDERATIONS

This section includes additional guidance explaining how to consider the following items when identifying operating segments:

- ▶ Overlapping components (matrix form of organization) (see Section 2.4.1)
- ▶ Corporate divisions, such as headquarters and some functional departments (see Section 2.4.2)
- ▶ Vertically integrated entities (see Section 2.4.3)
- ▶ Equity method investments (see Section 2.4.4)
- ▶ Discontinued operations (see Section 2.4.5)
- ▶ Public company subsidiaries (see Section 2.4.6)

2.4.1 Overlapping Components (Matrix Organization)



FASB REFERENCES

ASC 280-10-50-6 and ASC 280-10-50-8 through 50-9

An entity can be structured with two or more overlapping sets of components for which a CODM is provided financial information. That structure is sometimes referred to as a “matrix form of organization.” For example, in a multinational entity, some managers might be responsible for different product lines worldwide, while other managers might be responsible for specific geographic areas. If the CODM uses more than one set of segment information, an entity would identify its operating segments by considering:

- ▶ **Nature of the Business Activities of Each Component:** The nature of the business activities of each component could assist in identifying the operating segment. For example, if an entity’s sales are concentrated in a primary product in multiple countries, component information by geography may be more relevant than by product. Alternatively, if an entity has multiple products that are primarily sold in a single country, component information by product may be more relevant than by geography. However, absent any compelling factors that indicate the segments should be based on geographies, ASC 280-10-50-9 indicates that the components based on products and services would constitute the operating segments.
- ▶ **Existence of Managers Responsible for the Components:** If the three operating segment characteristics in Section 2.3 apply to more than one set of components, but segment managers are held responsible for only some of those components, ASC 280-10-50-8 indicates that the components for which segment managers are responsible would constitute the entity’s operating segments.
- ▶ **Information Presented to the Board of Directors:** The level and manner of disaggregation of information provided to the board of directors might indicate how the CODM evaluates performance and makes operating decisions. Typically, segment information provided to the CODM would not be less disaggregated than the information provided to the board.
- ▶ **Other Information:** Disaggregated information presented to investors in other ways, such as in the annual report, press releases, and analyst presentations, as well as on the website, could indicate how the CODM evaluates performance and makes operating decisions.

BDO INSIGHT 2-6: SIMILAR ENTITIES IN THE SAME INDUSTRY MAY HAVE DIFFERENT SEGMENTS

The operating or reportable segments of similar entities might not be alike because of different organizational structures and different measures of segment financial information used by the CODM to allocate resources and make operating decisions. Appropriately identifying operating and reportable segments requires professional judgment based on the facts and circumstances.

EXAMPLE 2-2: MULTIPLE SETS OF FINANCIAL INFORMATION (ADAPTED FROM ASC 280-10-50-9)**FACTS**

- ▶ A multinational entity has multiple components that sell diverse products and services.
- ▶ One group of segment managers is responsible for the individual product and service lines worldwide, while another group of managers is responsible for specific geographic areas.
- ▶ The entity regularly provides, and the CODM regularly reviews, financial information disaggregated in both ways. In other words, operating results are provided and reviewed for each of the product and service lines and geographic areas.

CONCLUSION

The entity identifies the components based on product and service lines as its operating segments.

ANALYSIS

When the CODM regularly reviews the operating results of both sets of components in a matrix organization, the components based on products and services constitute the operating segments.

EXAMPLE 2-3: MULTIPLE SETS OF FINANCIAL INFORMATION**FACTS**

Assume the same facts as in Example 2-2, except that the entity only assigns segment managers to, and holds them responsible for, specific geographic areas. In other words, the entity does not have segment managers overseeing product and service lines.

CONCLUSION

The entity identifies the components based on geographic areas as its operating segments.

ANALYSIS

When financial information is available and the CODM regularly reviews the operating results of multiple sets of components in a matrix organization, but there is only one set for which segment managers are held responsible, that set of components constitutes the operating segments.

2.4.2 Corporate Divisions



FASB REFERENCES

ASC 280-10-50-4 and ASC 280-10-55-3 through 55-4

Not every part of an entity is necessarily an operating segment or part thereof. For example, corporate headquarters and some functional departments are not operating segments if they do not have the ability to generate income, or if they generate income that is only incidental to the entity's activities.

However, a corporate division that generates income, has available discrete financial information, and has operating results that are reviewed regularly by the CODM is considered an operating segment. Even if the income is incidental, ASC 280 does not preclude the division from being a reportable segment if management believes the additional information may contribute to a better understanding of the entity. For example, a finance department that recognizes interest income and incurs expenses could be considered an operating segment if it meets the three characteristics of an operating segment (see Section 2.3).

An entity's pension and other postretirement benefit plans are not considered operating segments.

BDO INSIGHT 2-7: CORPORATE HEADQUARTERS IS GENERALLY NOT AN OPERATING SEGMENT

An entity's corporate headquarters generally perform legal, accounting, human resources, information technology, financial reporting, and similar functions for all or part of the entity. Corporate headquarters generally do not qualify as operating segments because their activities are not business activities from which the entity has the ability to generate income. That is regardless of whether an entity presents its corporate headquarters as a separate component with discrete financial information for internal reporting purposes.

2.4.3 Vertically Integrated Entities



FASB REFERENCES

ASC 280-10-50-2

An operating segment could include components that sell primarily or exclusively to other operating segments of the entity. As discussed in Section 2.3.1, an operating segment is not required to engage in business activities with third parties to recognize revenue and incur expenses. As a result, a vertically integrated entity may have operating segments in its internal supply chain.

The information about the components engaged in each stage of production might be particularly important for allocating resources and making operating decisions for vertically integrated entities in some businesses, for example, entities in the oil and gas industry. That information is also important because different activities within the entity could have significantly different prospects for future cash flows.

2.4.4 Equity Method Investments



FASB REFERENCES

ASC 280-10-55-2

An investment accounted for using the equity method in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*, could be considered an operating segment if it meets all three characteristics of operating segments in Section 2.3 even though the investor does not control the investee. Rather, the investor’s CODM might regularly review the operating results and performance of an equity method investee to decide whether to retain the investor-investee relationship; for example, by maintaining, increasing, or decreasing its investment. The CODM does not need to be responsible for making decisions about resources to be allocated **within** the investee (see Sections 3.3.5 and 4.6).

2.4.5 Discontinued Operations



FASB REFERENCES

ASC 205-20-45-1A through 45-1 and ASC 280-10-55-7

An entity reports discontinued operations separately on the income statement when a component (or group of components) or a business or nonprofit activity meets specific criteria in ASC 205-20, *Discontinued Operations*. A discontinued operation may have all the characteristics of an operating segment (see section 2.3), in which case an entity must evaluate whether it is a reportable segment (see Chapter 3). Alternately, any components identified as discontinued operations might constitute part of one or more reportable segments (see Example 2-4).

For guidance on segment reporting requirements for discontinued operations, see Section 4.8.1.

EXAMPLE 2-4: DISCONTINUED OPERATIONS

FACTS

An entity identifies its operating segments based on major project and service lines but also reports information to the CODM based on geographical regions. The entity determines that one of its geographical regions meets the criteria to be reported as a discontinued operation in the current period.

CONCLUSION

The discontinued operation does not constitute an operating segment.

ANALYSIS

Because the entity identifies product and service lines as its operating segments, a discontinued operation that includes only a geographical component does not constitute an operating segment (see Section 4.8.1).

2.4.6 Public Company Subsidiaries



FASB REFERENCES

ASC 280-10-55-27 through 55-30

ASC 280 provides guidance on an entity's determination of reportable segments (see Chapter 3) when one of its subsidiaries is also a public entity and includes segment information in its separate financial statements. ASC 280 requires each public entity in such an organizational structure to apply the principles in ASC 280 separately to identify operating segments and determine reportable segments. Example 2-5 demonstrates these concepts.

EXAMPLE 2-5 (ADAPTED FROM EXAMPLE 1, ASC 280-10-55-27 THROUGH 55-30): REPORTABLE SEGMENTS OF A PUBLIC ENTITY THAT HAS A PUBLIC ENTITY SUBSIDIARY

FACTS

Parent Entity A is a public entity with multiple subsidiaries. Subsidiary B is a public entity because it has public debt outstanding. Subsidiary B discloses three reportable segments (Departments 1, 2, and 3) in its separate financial statements.

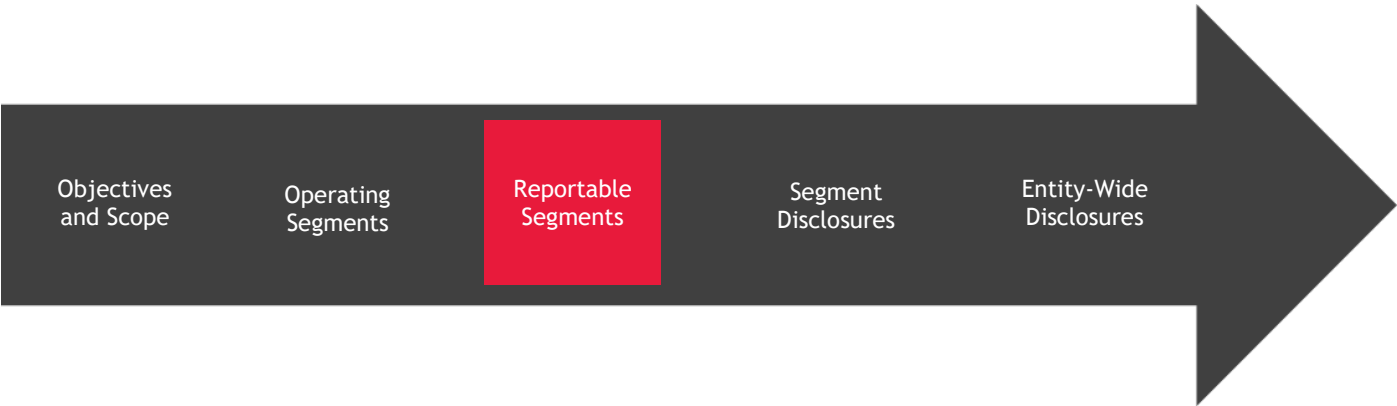
CONCLUSION

The reportable segments of Subsidiary B are not automatically assumed as the reportable segments of Entity A. Rather, Entity A determines its reportable segments based on its specific facts and circumstances.

ANALYSIS

In determining the reportable segments of Entity A, it should not be automatically assumed that the reportable segments of Subsidiary B are also reportable segments within Entity A's consolidated financial statements. Rather, each public entity applies the guidance in ASC 280 to separately determine its reportable segments based on its specific facts and circumstances.

Chapter 3: Reportable Segments



3.1 OVERVIEW

A reportable segment is any operating segment or any two or more aggregated operating segments (see Section 3.2) that meet specific quantitative tests. An entity must provide segment disclosures for each reportable segment.

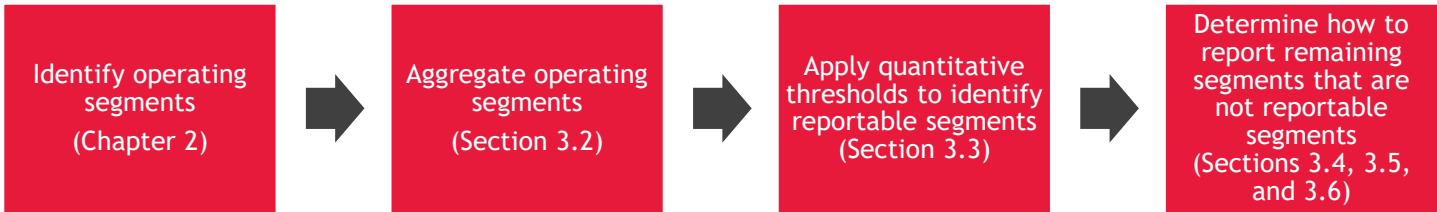
The quantitative tests consider the revenues, profits or losses, and assets of one operating segment compared to the **combined** revenues, profits or losses, and assets of all operating segments. An operating segment that meets **any** of the quantitative tests is a reportable segment (see Section 3.3).

After determining the reportable segments, an entity considers whether the revenues of the reportable segments constitute at least 75 percent of its **total consolidated revenue**. An entity might need to disclose additional segments separately so that reportable segments constitute at least 75 percent of total consolidated revenue (see Section 3.4).

While ASC 280 does not limit the number of reportable segments, an entity might consider a practical limit as its number of reportable segments increase above 10 (see Section 3.5).

Information about other business activities and operating segments that do not constitute reportable segments are combined and disclosed in an “all other” category (see Section 3.6).

The diagram below summarizes how to determine whether an operating segment is a reportable segment and how to report remaining segments that are not reportable segments.



3.2 AGGREGATE OPERATING SEGMENTS



FASB REFERENCES

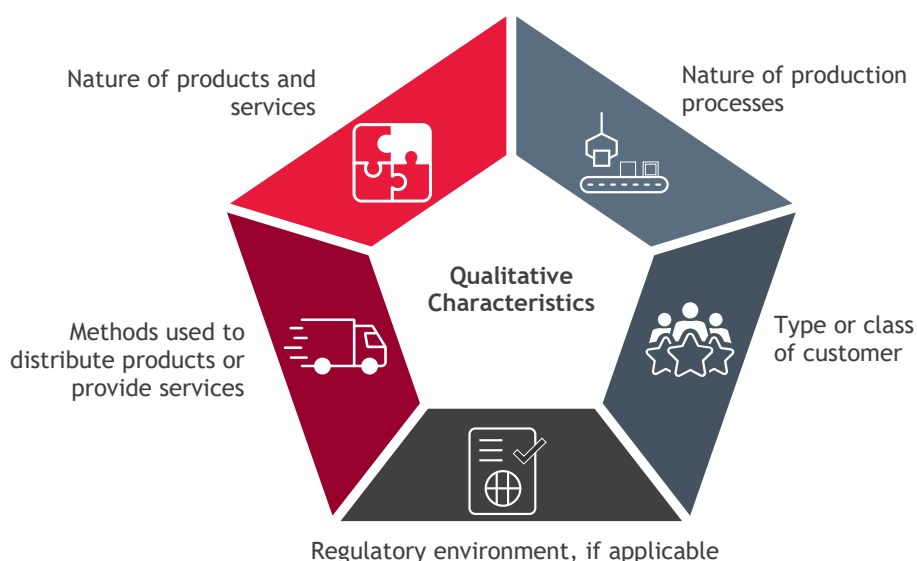
ASC 280-10-50-11

After identifying its operating segments, an entity may elect to aggregate operating segments that meet specific criteria. Aggregating operating segments is not required.

ASC 280 allows aggregation of operating segments with characteristics so similar they are expected to have essentially the same prospects and providing disaggregated information for those segments would not add significantly to an investor's understanding of an entity. ASC 280 provides criteria that two or more operating segments must meet to be aggregated into a single operating segment, and operating segments that do not meet the specified criteria cannot be aggregated.

Two or more operating segments can be aggregated into a single operating segment if **all** the following are met:

- ▶ Aggregation is consistent with the objective and basic principles of ASC 280 (see Section 3.2.1)
- ▶ The segments have similar economic characteristics (see Section 3.2.2)
- ▶ The segments are similar in **all** the areas in the graphic below (see Section 3.2.3)



BDO INSIGHT 3-1: ALL AGGREGATION CRITERIA MUST BE MET

The aggregation criteria are tests, not indicators, which must **all** be met for an entity to aggregate operating segments into a single operating segment. Determining whether the aggregation criteria are met requires judgment based on the facts and circumstances.



AGGREGATION IS A HIGH HURDLE

Entities should exercise caution when assessing aggregation of operating segments. The aggregation criteria are intended to create a high hurdle. In BC74 of FAS 131, the FASB stated that it “recognizes that determining when two segments are sufficiently similar to justify aggregating them is difficult and subjective.” Also, the SEC staff regularly questions entities’ aggregation conclusions and has objected to some of those conclusions primarily because the operating segments are not economically similar (see Section 3.2.2). Concluding that two or more operating segments can be aggregated requires significant judgment.

BDO INSIGHT 3-2: REASSESS AGGREGATION WHEN FACTS AND CIRCUMSTANCES CHANGE

While ASC 280 does not explicitly require reassessment of the aggregation criteria, we believe an entity should do so annually or when changes in facts and circumstances indicate that at least one aggregation criterion might no longer be met. For example, an internal reorganization could lead to changes in operating segments, and changes to business strategies could result in the economics of an entity’s operating segments diverging. If an entity previously aggregated two or more operating segments, it must evaluate whether all aggregation criteria continue to be met. If they do not, and the entity identifies different reportable segments, it must recast prior segment information (see Section 4.8).

3.2.1 Consistency With Objective and Principles of ASC 280



FASB REFERENCES

ASC 280-10-10-1, ASC 280-10-50-11, and ASC 280-10-55-7C

To aggregate two or more operating segments into a single operating segment, aggregation must be consistent with the objective and basic principles of ASC 280 (see Section 1.1).

The objective of segment reporting is to provide information about the different types of business activities a public entity engages in and the different economic environments in which it operates to assist investors in:

- ▶ Understanding the entity’s performance
- ▶ Assessing the entity’s prospects for future net cash flows
- ▶ Making more informed judgments about the entity as a whole

BDO INSIGHT 3-3: DETERMINING WHETHER AGGREGATION IS CONSISTENT WITH ASC 280

When determining whether aggregation is consistent with the objective and basic principles of ASC 280, we believe an entity must consider whether information at the individual operating segment level would add significantly to a financial statement user’s understanding of the entity. Aggregating multiple operating segments is not appropriate if it obscures information that is important to a financial statement user’s understanding of the entity.

3.2.2 Similar Economic Characteristics



FASB REFERENCES

ASC 280-10-50-11 and ASC 280-10-55-7A through 55-7C

To aggregate two or more operating segments into a single reportable segment, the operating segments must have similar economic characteristics. Operating segments have similar economic characteristics if they can be expected to have essentially the same long-term financial performance. ASC 280 includes gross margin and sales trends as examples of economic characteristics that must be similar to aggregate operating segments. An entity evaluates the similarity of economic characteristics based on historical and current results, as well as on future expectations.

BDO INSIGHT 3-4: SELECTING ECONOMIC CHARACTERISTICS TO ASSESS

ASC 280 does not specify which economic characteristics to evaluate but cites gross margins and sales trends as examples. An entity must identify all relevant economic attributes based on how the CODM makes operating decisions. If the CODM uses more than one measure of profit or loss to assess performance and allocate resources, we believe the entity should consider each of those measures to evaluate whether aggregation is appropriate.

We believe an entity also could consider:

	Other economic metrics provided to the CODM; for example, sales growth trends, inventory turnover, return on assets, operating cash flows, or industry-specific metrics.
	Movement of key metrics in response to current events, such as changes in market trends, industry trends, or currency trends.

That list is not exhaustive; an entity must evaluate the economic characteristics relevant to each segment. Determining whether two or more segments have similar economic characteristics requires the application of judgment based on the facts and circumstances.

BDO INSIGHT 3-5: THRESHOLD FOR ‘SIMILAR’

ASC 280 does not provide a threshold or definition of the word “similar.” We believe an entity should focus its evaluation on relative percentage differences rather than absolute value differences. For example, segment gross margins of 40% and 44% have an absolute value difference of only 4 percentage points but a relative difference of 10%. While no bright lines exist, we believe that relative differences above 10% would generally not be considered similar. Determining whether two or more segments have similar economic characteristics requires the application of judgment based on the facts and circumstances.

BDO INSIGHT 3-6: TIME FRAME FOR SIMILARITY

An entity must consider historical, current, and forecasted data when evaluating economic characteristics of its operating segments. For instance:

- ▶ Two or more operating segments that do not currently have similar gross margins and sales trends can be aggregated if they have similar qualitative characteristics (see Section 3.2.3), have historically had similar economic trends, and are expected to have similar long-term economic trends again in the near future. In other words, a **temporary** dissimilarity in economic characteristics does not automatically result in the economic similarity criterion not being met.
- ▶ Conversely, two or more operating segments that currently have similar gross margins or sales trends should not be aggregated if they are not expected to have similar gross margins or sales trends in the future.

Further, we believe future expectations of similarity do not outweigh historic dissimilarity. In other words, management's assertion that the profitability measures of two or more segments will align closely in the future generally does not overcome current and past differences.

Determining whether two or more segments have similar economic characteristics requires the application of judgment based on the facts and circumstances.

The SEC staff has indicated that the aggregation criteria are intended to create a high hurdle, as discussed below.

**SEC STAFF INSIGHTS****Remarks before the 2014 AICPA Conference on Current SEC and PCAOB Developments**

Dan Murdock, Deputy Chief Accountant, Office of the Chief Accountant

December 8, 2014

Aggregation of operating segments

This continues to be one of the more judgmental areas of the operating segment literature so I wanted to share with you some recent thinking as well as some areas that we continue to explore.

Two or more operating segments may be aggregated into a single operating segment if a) aggregation is consistent with the objective and basic principles of the standard; b) segments have similar economic characteristics; and c) the segments are similar in each of five areas specified in the standard.

The underlying principle is that separate reporting of segment information will not add significantly to an investor's understanding of an entity if its operating segments have characteristics that are so similar they can be expected to have essentially the same future prospects. That said, the aggregation criteria are intended to be a high hurdle, and you need to meet all of the criteria in order to aggregate operating segments. The FASB specifically rejected recommendations that the criteria be indicators rather than tests and that an expectation of similar long-term performance alone would be sufficient to justify aggregation, noting that such relaxed criteria might result in a level of aggregation that would cause a loss of potentially valuable information. There are also no bright lines when assessing whether two or more operating segments have similar economic characteristics. Rather, entities should use reasoned judgment that is consistent with the objectives of the standard in determining whether the aggregation criteria have been met. [Footnotes omitted.]

BDO INSIGHT 3-7: EQUITY METHOD INVESTMENTS

We believe an entity generally would be unable to conclude that an equity-method investment that is an operating segment and another operating segment are economically similar. Also, it is unlikely an entity would be able to conclude that two equity-method investments would be economically similar because we generally do not expect them to have similar economic characteristics. Determining whether two or more equity-method investments have similar economic characteristics requires the application of professional judgment based on the facts and circumstances.

It may be appropriate in limited circumstances to aggregate two or more operating segments that exhibit temporary economic differences. For example, a significant or unusual event or a recent acquisition could result in temporary differences. Examples 3-1 and 3-2 illustrate the application of the aggregation criteria when select economic performance measures differ.

EXAMPLE 3-1 (ADAPTED FROM EXAMPLE 2, CASE B, ASC 280-10-55-35 THROUGH 55-36): AGGREGATING OPERATING SEGMENTS — ECONOMIC PERFORMANCE MEASURES DIFFER FROM THE PRIOR YEAR**FACTS**

Operating segments A and B meet all five qualitative criteria for aggregation discussed in Section 3.2.3 and have similar economic characteristics. In prior years, both segments' sales trends and gross margins were similar.

However, in the current year, the operating segments' sales and gross margins differed because of inventory issues caused by a major supplier of Operating Segment B. The entity expects the segments' gross margins and sales trends to again be similar next year because it has resolved the supplier issues.

CONCLUSION

Operating Segment A may be aggregated with Operating Segment B in the current year.

ANALYSIS

Even though some economic performance measures differ in the current year, Operating Segment A can be aggregated with Operating Segment B for current-year segment disclosures. Operating segments are considered economically similar if they are expected to have essentially the same future prospects when considering future expectations and historical and current results.

EXAMPLE 3-2: SEGMENT AGGREGATION CRITERIA FOR A RECENT ACQUISITION**FACTS**

- ▶ Entities A and B both design, manufacture, and install solar panel systems.
- ▶ In the current year, Entity A acquires Entity B.
- ▶ Both entities concluded they had one operating segment before the acquisition. After acquisition, Entity A identifies two operating segments: A and B.
- ▶ Entity A's gross margin historically has been, and currently is, 26%. Entity B's gross margin historically has been, and currently is, 22%.
- ▶ After acquisition, Entity A expects the long-term gross margins of Segment B to be similar to those of Segment A and has demonstrated an ability to improve the gross margins of all prior acquisitions through changes to the cost structure of those businesses.

► Entity A’s CODM uses gross margins to assess profitability and allocate resources. Entities A and B satisfy all other criteria to aggregate the operating segments.

CONCLUSION

Entity A can aggregate its historical Operating Segment A with the newly acquired Operating Segment B in the current year.

ANALYSIS

Even though the economic performance measures of Segments A and B differed historically, Operating Segment A can be aggregated with Operating Segment B for current-year segment disclosures. Operating segments are considered economically similar if they are expected to have essentially the same long-term financial performance when considering future expectations and historical and current results. Although Segments A and B do not have similar gross margins before and immediately following acquisition, Entity A expects the long-term gross margins to be similar and has demonstrated through prior acquisitions its ability to integrate operations and achieve consistent gross margins.

3.2.3 Similar Qualitative Characteristics

 FASB REFERENCES

ASC 280-10-50-11

To aggregate two or more operating segments into a single operating segment, the segments must be similar in **all** the qualitative respects listed below.

	The nature of products and services sold by the operating segments (see Section 3.2.3.1)
	The nature of the production processes of the operating segments (see Section 3.2.3.2)
	The type or class of customer for the operating segments’ products and services (see Section 3.2.3.3)
	The methods used by the operating segments to distribute their products or provide their services (see Section 3.2.3.4)
	The nature of the applicable regulatory environment (see Section 3.2.3.5)

3.2.3.1 Products and Services

Products and services are generally considered similar when they provide customers similar utility. In BC68 of FAS 131, the FASB indicated that an entity's various activities can affect conclusions about similarity. An entity with relatively narrow product offerings might not consider two products to be similar, while an entity with broad product offerings might consider those same two products to be similar. For example, a highly diversified entity may consider all consumer products similar if it has other businesses such as financial services and construction. However, an entity that sells only consumer products might consider clothing to be different from kitchen supplies.

BDO INSIGHT 3-8: SIMILAR PRODUCTS AND SERVICES IN VERTICALLY INTEGRATED ENTITIES

A vertically integrated entity (see Section 2.4.3) with multiple segments that sell exclusively to other segments should not automatically assume those segments can be aggregated because they all contribute to a single end product. The entity should separately evaluate the operations that produce each component of the end product, considering whether there is a separate market for each component and all other aggregation criteria.

3.2.3.2 Production Processes

To determine if two or more segments that manufacture or assemble products have similar production processes, an entity considers similarity of:

- ▶ Facilities, equipment, or production lines
- ▶ Types of labor; for example, skilled versus unskilled
- ▶ Inputs, such as raw materials

To determine if two or more segments that provide services have similar production processes, an entity considers similarity of:

- ▶ Manner of service delivery
- ▶ Level of education and skills of the employees delivering the services

3.2.3.3 Customer Types

An entity must consider the industry, geographic area, use of the product or service, and method of sales and marketing to determine if customer classes are similar across segments. The SEC staff has provided insights on the customer classes of a registrant, excerpted below.



SEC STAFF INSIGHTS

Remarks before the 2014 AICPA Conference on Current SEC and PCAOB Developments

Dan Murdock, Deputy Chief Accountant, Office of the Chief Accountant

December 8, 2014

Aggregation of Operating Segments

The staff recently considered the similarity of “type or class of customers” criterion in the standard. In the fact pattern we considered, two segments had similar products, production processes, and methods of distribution, and shared one similar customer base. However, one of the segments had a second, incremental customer base which resulted in a material revenue stream. In that instance, we ultimately concluded that the similarity of “type or class of customers” criterion had not been met, and, as a result, the two operating segments should not be aggregated.

3.2.3.4 Distribution Methods

An entity with product sales must evaluate if segments use similar or different methods of distribution. Factors to consider include whether a segment sells products directly to end users, to retailers, or to wholesalers or distributors. Methods of marketing to end users should also be considered, such as sales via the internet, sales representatives, or other advertising media.

3.2.3.5 Regulatory Environment

The regulatory environment may be more relevant in some industries or for some segments than others, and this criterion applies to segments subject to unique regulatory environments. For example, segments in the banking and the oil and gas industries operate in different regulatory environments.

BDO INSIGHT 3-9: REGULATORY ENVIRONMENT

Different regulatory environments in different geographies for the same product could affect the determination of whether operating segments with that product can be aggregated. For example, China and the U.S. might have different regulations for a pharmaceutical product that has similar production processes, classes of customer, and distribution channels, resulting in different economics for the product in those jurisdictions. Evaluating the nature of the applicable regulatory environment to determine whether multiple operating segments can be aggregated requires the use of professional judgment based on the facts and circumstances.

3.3 QUANTITATIVE THRESHOLDS



FASB REFERENCES

ASC 280-10-50-12

ASC 280 requires entities to separately report any operating segments that meet specific thresholds based on the segments’ revenues, profits or losses, and assets. An operating segment that meets **any** of the quantitative tests below is a reportable segment.

TEST	DESCRIPTION	GUIDANCE
 Revenue Test	Segment revenues, including both sales to external customers and intersegment sales or transfers, are at least 10% of the combined revenues, both internal and external, of all operating segments.	Section 3.3.1
 Profit or Loss Test	The absolute amount of a segment’s profit or loss is at least 10% of the greater, in absolute amount, of either: ▶ The combined reported profits of all operating segments that did not report a loss ▶ The combined reported losses of all operating segments that reported a loss	Section 3.3.2
 Asset Test	Segment assets are at least 10% of the combined assets of all operating segments.	Section 3.3.3

An entity may elect to separately disclose an operating segment that does not meet any of the quantitative thresholds if management believes that information would be useful to financial statement users (see Section 3.4.2).

ASC 280 also provides implementation guidance on evaluating quantitative thresholds in interim periods (see Section 3.3.4).

BDO INSIGHT 3-10: USE OF THE TERM ‘COMBINED’ IN THE QUANTITATIVE TESTS

The three quantitative tests use the term “combined” when referring to the revenues, profits or losses, or assets of all operating segments. The term “**combined**,” which is different from the term “**consolidated**,” refers to the sum of the revenues, profits or losses, or assets of the individual operating segments without considering intersegment eliminations. In other words, the quantitative tests are not based on the consolidated revenues, profits or losses, or assets.

3.3.1 Revenue Test



FASB REFERENCES

ASC 280-10-50-12(a)

An operating segment meets the revenue test if its reported revenue, including both sales to external customers and intersegment sales or transfers, is at least 10% of the combined revenues, both internal and external, of all operating segments reported to the CODM. See Example 3-5.

The combined revenue of all operating segments might not equal the consolidated revenue of an entity because of intersegment revenues.

3.3.2 Profit or Loss Test



FASB REFERENCES

ASC 280-10-50-12(b) and ASC 280-10-55-39 through 55-40

An operating segment meets the profit or loss test if the absolute amount of its reported profit or loss is at least 10% of the greater, in absolute amount, of **either**:

- ▶ The combined reported profits of all operating segments that did not report a loss
- ▶ The combined reported losses of all operating segments that reported a loss

The profit or loss test is intended to evaluate the magnitude of each operating segment’s profit or loss compared with a combined reported profit and loss of all operating segments, assuming profit or loss is determined consistently. If the CODM evaluates operating segments based on different measures of profit or loss, an entity must apply the profit or loss test to a consistent measure of segment profit or loss determined for internal reporting purposes for each segment, regardless of whether the CODM consistently uses that measure to evaluate segment performance. However, once an operating segment is determined to be a reportable segment, the entity must present the actual profit or loss measure the CODM uses for decisions about that segment. Examples 3-3 and 3-5 demonstrate this concept.

BDO INSIGHT 3-11: PROFIT OR LOSS TEST WHEN CODM USES MULTIPLE MEASURES

We believe an entity generally should perform the profit or loss test using the measure of profit or loss the CODM uses to assess the performance of and allocate resources to operating segments. However, if the CODM uses multiple profitability measures, an entity must apply judgment to determine which measure is appropriate, even if it is not the measure most closely aligned with GAAP. An entity also must apply those measures consistently across periods; in other words, it would be inappropriate to select different profitability measures in different years to reach a desired outcome when identifying reportable segments.

EXAMPLE 3-3 (ADAPTED FROM EXAMPLE 2, CASE C, ASC 280-10-55-31 THROUGH 32 AND 55-39 THROUGH 55-40): CODM USES DIFFERENT MEASURES OF PROFIT OR LOSS**FACTS**

An entity has five operating segments. The CODM uses net income to evaluate the performance of Operating Segments 1 and 4 and operating income to evaluate the performance of Operating Segments 2, 3, and 5.

CONCLUSION

The profit or loss test is based on either the segments' operating income or net income.

ANALYSIS

The profit or loss test must be performed using a consistent measure of segment profit or loss determined for internal reporting purposes for each segment, regardless of whether the CODM consistently uses that measure to evaluate segment performance. Therefore, the test for all segments is based on **either**:

- ▶ Operating income
- ▶ Net income

However, once an operating segment is determined to be a reportable segment, the entity must present the actual profit or loss measure the CODM uses for decisions regarding that segment. Therefore, if Segments 1 and 4 are reportable segments, the entity would present segment net income as their measures of profit and loss. If Segments 2, 3, and 5 are reportable segments, the entity would present segment operating income as their measures of profit and loss.

3.3.3 Asset Test**FASB REFERENCES**

ASC 280-10-50-12(c)

An operating segment meets the asset test if its assets are at least 10% of the combined assets reported to the CODM for all operating segments.

BDO INSIGHT 3-12: ASSETS INCLUDED IN THE ASSET TEST

We believe an entity should include only those assets of an operating segment that are regularly reviewed by the CODM to assess performance and make resource allocation decisions. As such, the asset test is not required if the CODM does not regularly review asset information by operating segments.

3.3.4 Interim Period Information**FASB REFERENCES**

ASC 280-10-55-16

An entity is generally not required to apply the quantitative tests in each interim period unless there is a change in the structure of the entity's internal organization during an interim period that would cause the composition of its reportable segments to change. However, if, during an interim period, the facts and circumstances suggest that application of the quantitative tests in that interim period would reveal a reportable segment that was previously not reportable, and management expects the segment will continue to be significant, that segment should be disclosed as a new reportable segment.

**MONITOR AND ASSESS CHANGES DURING INTERIM PERIODS**

Although an entity does not have to apply the quantitative tests in an interim period, it must monitor changes in the organizational structure that could trigger a change in segment reporting. For example, an entity that completes a significant acquisition or disposal in an interim period should apply the quantitative tests to determine if the transaction affects the entity's segments or disclosures. Determining whether to change segment reporting in an interim period requires the application of professional judgment based on the facts and circumstances. See Sections 3.4.3, 4.8, and 4.8.1 on reporting comparative periods when changes occur.

3.3.5 Equity Method Investments**FASB REFERENCES**

ASC 280-10-55-2 and ASC 280-10-55-8

An equity method investee that meets all the characteristics described in Section 2.3 could be considered an operating segment (see Section 2.4.4). ASC 280 does not specify how to apply the quantitative threshold tests to determine if an equity method investee is a reportable segment.

BDO INSIGHT 3-13: APPLYING THE QUANTITATIVE THRESHOLD TESTS TO AN EQUITY METHOD INVESTMENT

We believe an investor entity should apply the 10% tests to an equity method investment as follows:

- ▶ The revenue test generally does not apply because an equity method investee's revenue is not included in the investor's revenue. However, if the CODM uses the investee's revenue information to make resource allocation decisions and assess performance, it may be appropriate to include the investee's revenue in the revenue test. ASC 280 provides an example in which a CODM assesses its investee's performance using proportionate consolidation (see Section 4.6), concluding it may be appropriate to include the entity's proportionate amount of the investee's revenue in the revenue test. However, we have observed in practice that most CODMs generally do not review equity method investments using the proportionate consolidation method. Rather, CODMs often assess total revenue of equity method investees to make investment decisions.
- ▶ The profit or loss test should be performed based on the investor entity's share of the investee's profit or loss, using a measure consistent with that of other operating segments, compared to the total of all operating segments. For example, if the entity uses net income as its measure of profit or loss, the amount of net income from the equity method investee would be included in the test.
- ▶ The asset test should be performed based on the investor entity's total investment in the investee if the CODM uses that information.

3.4 OTHER REPORTING CONSIDERATIONS



FASB REFERENCES

ASC 280-10-50-13

Once an entity has identified segments that meet the quantitative thresholds (see Section 3.3), it must determine its approach for reporting the remaining segments that do not meet the quantitative thresholds.

An entity is allowed to combine information about multiple operating segments that do not individually meet the quantitative thresholds to produce a reportable segment only if **all** the following conditions are met:

- ▶ Aggregation is consistent with the objective and basic principles of ASC 280 (see Section 3.2.1)
- ▶ The operating segments have similar economic characteristics (see Section 3.2.2)
- ▶ The operating segments share a **majority** of the five qualitative aggregation criteria in Section 3.2.3

However, ASC 280 requires that total external revenue reported by individual operating segments constitute at least 75% of total consolidated revenue (see Section 3.4.1).

ASC 280 also includes guidance on disclosing information about:

- ▶ Segments that do not constitute reportable segments (see Sections 3.4.1 through 3.4.2)
- ▶ Comparative periods (see Section 3.4.3)
- ▶ Other business activities and operating segments that do not constitute reportable segments; for example, corporate headquarters (see Section 3.6)
- ▶ Discontinued operations (see Section 4.8.1)

3.4.1 75% of Revenue Test



FASB REFERENCES

ASC 280-10-50-14

If the total external revenue reported by operating segments constitutes less than 75% of total **consolidated** revenue, an entity must identify at least one additional operating segment as a reportable segment, even if the segments do not individually meet any of the three quantitative tests discussed in Section 3.3 until at least 75% of total consolidated revenue is included in reportable segments. Example 3-4 demonstrates this concept.

EXAMPLE 3-4 (ADAPTED FROM EXAMPLE 2, CASE D, ASC 280-10-55-31 THROUGH 55-32 AND 55-41 THROUGH 55-42): REPORTABLE SEGMENTS CONSTITUTE LESS THAN 75% OF CONSOLIDATED REVENUE

FACTS

An entity has identified six operating segments based on the factors in Chapter 2. All operating segments have external revenue only and their combined revenue equals the entity’s consolidated revenue. The revenue for each of the six segments is:

	REVENUE	% OF CONSOLIDATED REVENUE
Operating Segment A	\$ 60	6%
Operating Segment B	380	38%
Operating Segment C	40	4%
Operating Segment D	350	35%
Operating Segment E	90	9%
Operating Segment F	80	8%
Consolidated	\$ 1,000	100%

None of Operating Segments A, C, E, and F meet the revenue test, profit and loss test, or the asset test.

Reportable Segments B and D meet the revenue test, and their total revenue constitutes 73% of consolidated revenue (38% + 35%).

CONCLUSION

In addition to Segments B and D, the entity must identify at least one of Operating Segments A, C, E, and F as a reportable segment.

ANALYSIS

Because the total revenue of Reportable Segments B and D constitute only 73% of consolidated revenue (38% + 35%), an additional segment must be identified for separate reporting. While Segment E is the next largest segment by percentage of revenues, it does not necessarily have to be identified as a reportable segment to meet the 75% of revenue test.

Therefore, the entity may identify Operating Segment A, C, E, or F as a reportable segment. Determining which additional operating segment to report requires professional judgment based on the facts and circumstances.

BDO INSIGHT 3-14: DETERMINING WHICH ADDITIONAL OPERATING SEGMENT TO REPORT TO MEET THE 75% OF REVENUE TEST

ASC 280 does not provide guidance on determining which additional operating segment(s) should be reported to satisfy the 75% of revenue test, so an entity applies judgment to determine which additional segment(s) to report based on the facts and circumstances. In determining which additional operating segment(s) to report, an entity must consider which additional segment information will be most useful to financial statement users, consistent with the objective of ASC 280.

Also, an entity should consider the guidance on material operating segments (see Section 3.4.2), which requires an entity to report information about segments that do not meet the quantitative thresholds if management considers it material. Multiple approaches may be acceptable based on the facts and circumstances.

Consider Example 3-4, in which the entity can meet the 75% of revenue test by following one of two alternative approaches:

- ▶ Identifying Operating Segment C (with the lowest percentage of consolidated revenue) as a reportable segment if it expects that segment to have the most growth and be most likely to meet the quantitative thresholds in future periods.
- ▶ Combining some of Operating Segments A, C, E, and F as a reportable segment if they have similar economic characteristics, meet a majority of the aggregation criteria, and the combination is consistent with the objective and basic principles of ASC 280.

3.4.2 Material Operating Segments**FASB REFERENCES**

ASC 280-10-50-12 and ASC 280-10-50-18A through 50-19

ASC 280 allows an entity to present a reportable segment that falls below the quantitative thresholds in Section 3.3 if management believes such information would be useful to readers. Determining whether information about a segment that falls below the quantitative thresholds is material requires judgment based on the facts and circumstances. For example, an entity might consider qualitative factors such as whether a reportable segment that falls below the quantitative thresholds is expected to grow significantly or whether disaggregated information about that reportable segment is important to investors.

3.4.3 Comparative Periods**FASB REFERENCES**

ASC 280-10-50-16 through 50-17

Changes in reportable segments are initially reported in the period the change occurs. An entity generally must recast prior period disclosures to reflect the new segment structure. See Section 4.8.

If an operating segment no longer meets the definition of a reportable segment but management considers it to be of continuing significance, the entity must continue to separately report information about that segment in the current period even if it no longer meets the quantitative tests (see Section 3.3). For example, an entity must continue to report segment information about an operating segment that experiences a temporary reduction in revenue in the current period if management expects the trend to reverse in the future.

If an entity identifies a new reportable segment in the current period based on the quantitative thresholds, unless it is impracticable to do so, the entity must recast prior-period segment data presented for comparative purposes even if that segment did not previously meet the quantitative tests (see Section 3.3) to be a reportable segment. Under ASC 280, it is impracticable to present if the necessary information is not available and the cost to develop it would be excessive. If comparative information is not recast because it is impracticable to do so, ASC 280 requires additional disclosures (see Section 4.8). If an entity classifies any components in discontinued operations or disposes of any components during a reporting period, specific reporting requirements apply (see section 4.8.1).



MONITOR AND ASSESS ORGANIZATIONAL CHANGES

An entity must monitor organizational changes such as acquisitions, disposals, and other restructuring events and assess whether such changes affect segment identification and reporting. Determining whether segments have changed requires the application of professional judgment based on the facts and circumstances. See Sections 3.3.4, 4.8, and 4.8.1.

BDO INSIGHT 3-15: REPORTABLE SEGMENT CHANGES MAY AFFECT GOODWILL IMPAIRMENT

Changes in an entity's organizational structure may affect its reportable segments and reporting units. Because an entity tests goodwill for impairment at the reporting unit level, we believe changes in reporting units require an entity to test goodwill for impairment immediately before and after the change. See Section 4.2.1.3 in BDO's Blueprint, [Impairments Under ASC 350 and ASC 360](#), for more guidance.

BDO INSIGHT 3-16: APPLYING THE IMPRACTICABILITY EXCEPTION IS UNUSUAL IN PRACTICE

While ASC 280 provides an impracticability exception to recasting prior-period segment information, using the fundamental reorganization of an entity as an example in which the exception may apply, we believe applying the impracticability exception will be unusual in practice. In most cases, an entity can recast all or part of the segment information in accordance with ASC 280-10-50-17. An entity that concludes it is unable to recast prior-period segment information should be prepared to support its conclusion with adequate documentation.

3.5 PRACTICAL LIMIT ON THE NUMBER OF REPORTABLE SEGMENTS



FASB REFERENCES

ASC 280-10-50-18

While ASC 280 does not explicitly limit the number of reportable segments an entity may present, an entity can consider a practical limit to the number of reportable segments it separately discloses beyond which segment information might become overly detailed. As the number of segments that are reportable in accordance with Sections 3.3 through 3.4 increases above 10, an entity should consider whether a practical limit has been reached.

3.6 ‘ALL OTHER’ CATEGORY



FASB REFERENCES

ASC 280-10-50-15

Information about other business activities and operating segments that do not constitute reportable segments are combined and disclosed in an “all other” category separate from other reconciling items in the reconciliations required by ASC 280 (see Section 4.5). An entity must disclose the sources of revenue included in the “all other” category. The assets and activities associated with corporate headquarters or other functional departments of an entity – for example, information technology – are generally included in the “all other” category.

Example 3-5 illustrates how an entity would apply the guidance in Sections 3.2 through 3.6 to determine reportable segments.

EXAMPLE 3-5 (ADAPTED FROM EXAMPLE 2, CASE E, ASC 280-10-55-31 THROUGH 55-34 AND 55-43 THROUGH 55-45): PROFIT OR LOSS TEST – AFTER FIRST LEVEL OF AGGREGATION

FACTS

An entity has identified six operating segments based on the factors in Chapter 2. All operating segments have external revenue only and their combined revenue equals the entity’s consolidated revenue. The revenue and operating income (loss) for each of the six segments is:

	REVENUE	% OF CONSOLIDATED REVENUE	OPERATING INCOME (LOSS)
Operating Segment A	\$ 60	6%	\$ 10
Operating Segment B	380	38%	(50)
Operating Segment C	40	4%	20
Operating Segment D	350	35%	90
Operating Segment E	90	9%	90
Operating Segment F	80	8%	(10)
Consolidated	\$ 1,000	100%	\$ 150

- ▶ The entity elects to apply the aggregation criteria in Section 3.2. Operating Segments B and E meet all aggregation criteria, so the entity combines them into single Operating Segment BE.
- ▶ No operating segments meet the 10% asset test in Section 3.3.3.

CONCLUSION

After applying the aggregation criteria:

- ▶ Operating Segments C, D, and BE all meet at least one of the quantitative thresholds and are reportable segments.
- ▶ The entity can combine Operating Segments A and F if the criteria specified in Section 3.4 are met.
- ▶ The entity cannot combine any operating segment with Operating Segment C, D, or BE, which have been identified as reportable segments.

ANALYSIS

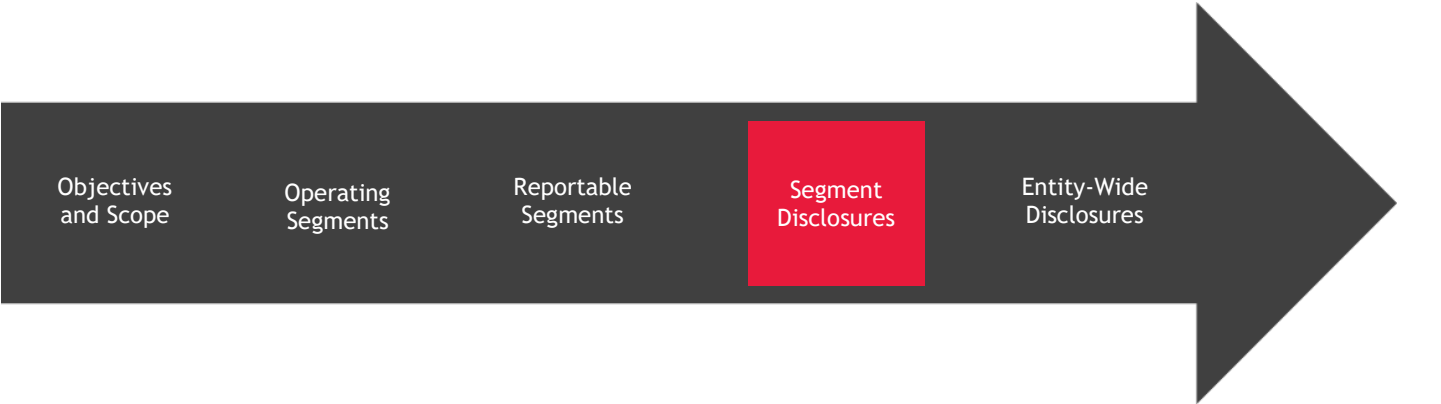
ASC 280 requires an entity to perform the steps below to identify reportable segments.

- ▶ First, the entity identifies its operating segments and elects to apply the aggregation criteria in Section 3.2. Operating Segments B and E meet all aggregation criteria, so the entity combines them into single Operating Segment BE.
- ▶ The entity then measures the operating segments, as revised for aggregation, against the quantitative thresholds in Section 3.3 to determine if they are reportable segments, as follows:

	BEFORE AGGREGATION	AFTER AGGREGATION
Combined profits	\$ 210	\$ 160
Combined losses	(60)	(10)
Greater absolute amount	\$ 210	\$ 160
10% threshold	21	16

- Operating Segment BE meets the revenue and profit or loss tests because its total revenue is 47% $((\$380 + \$90) / \$1,000)$ of consolidated revenue and its total profit is 25% $((\$90 - \$50) / \$160)$ of the profits of the combined segments that were profitable. Therefore, Segment BE is a reportable segment.
- Operating Segment D meets the revenue and profit or loss tests because its total revenue is 35% $(\$350 / \$1,000)$ of consolidated revenue and its profit is 56% $(\$90 / \$160)$ of the profits of the combined segments that were profitable. Therefore, Segment D is a reportable segment.
- Operating Segment C meets the profit or loss test because its operating income of \$20 exceeds the post-aggregation threshold of \$16. That Operating Segment C would not have met the quantitative thresholds before Segments B and E were aggregated is not relevant. ASC 280 requires an entity to perform the quantitative tests after aggregating segments, if applicable. Therefore, Segment C is a reportable segment.
- ▶ Last, the entity determines how to report remaining segments that are not reportable segments.
 - The entity concludes that its reportable segments constitute at least 75% of the consolidated revenue, so no additional segments must be reported.
 - The entity can choose to combine Segments A and F if aggregation is consistent with the objective and basic principles of ASC 280, the operating segments have similar economic characteristics, and a majority of the five qualitative aggregation criteria are met (see Section 3.3).
 - The entity cannot combine any operating segment with Operating Segment C, D, or BE, which have been identified as reportable segments.

Chapter 4: Segment Disclosures



4.1 OVERVIEW

ASC 280 requires an entity to provide both quantitative and qualitative disclosures for each reportable segment for each period for which an income statement is presented. Some disclosures are required on both an annual and interim basis, while others are required only annually. In accordance with the management approach, the information disclosed must be consistent with the information provided to the CODM (see Sections 4.2, 4.3, and 4.4). The segment reporting disclosures apply to all public entities, including those with a **single** reportable segment (see Section 4.3.2). ASC 280 also requires disclosure of entity-wide information (see Chapter 5). The table below summarizes the ASC 280 disclosure requirements, their frequency, and relevant Blueprint sections for more information. For illustrative segment disclosures, see Section 4.10.

DISCLOSURE REQUIREMENT	REQUIREMENT	REFERENCE
General information: ▶ Factors used to identify reportable segments ▶ Whether operating segments have been aggregated ▶ Types of products and services from which the reportable segment derives its revenue ▶ Title and position of the individual or name of the group or committee identified as the CODM	Annual	Section 4.2
Segment profit or loss measure(s)	Annual and interim	Sections 4.3 and 4.7
The following if the specified amounts are included in the measure of segment profit or loss or , if not included in the measure of segment profit or loss, are regularly provided to the CODM: ▶ Revenue from external customers ▶ Intersegment revenue ▶ Interest revenue and expense ▶ Depreciation, depletion, and amortization expense	Annual and interim	Sections 4.3, 4.6, and 4.7

DISCLOSURE REQUIREMENT	REQUIREMENT	REFERENCE
▶ Material events or transactions the entity considers to be unusual in nature or infrequent in occurrence ▶ Equity in the net income of equity method investees ▶ Income tax expense or benefit Significant noncash items other than depreciation, depletion, and amortization expense		
Significant segment expenses if regularly provided to the CODM and included in the reported measure of segment profit or loss	Annual and interim	Section 4.3.4 and 4.7
Other segment items and a description of their composition	Annual and interim	Section 4.3.5 and 4.7
Measure of segment assets if provided to the CODM	Annual and interim	Section 4.4 and 4.7
The following if the specified amounts are included in the measure of segment assets or, if not included in the measure of segment assets, are regularly provided to the CODM: ▶ Total investment in equity method investees ▶ Total expenditures for additions to long-lived assets	Annual and interim	Section 4.4 and 4.7
Reconciliation of segment profit or loss to income before taxes and discontinued operations. An entity may reconcile segment profit or loss to consolidated net income if it allocates income taxes to segments.	Annual and interim	Section 4.5 and 4.7
The following reconciliations: ▶ Segment revenue to consolidated revenue ▶ Segment assets to consolidated assets Other significant items (excluding significant segment expenses and other segment items) to the corresponding consolidated amount	Annual	Section 4.5
Qualitative disclosures about segment assets and profit or loss	Annual	Section 4.3 and 4.4
Entity-wide information about the following: ▶ Products and services ▶ Geographic areas ▶ Major customers	Annual	Chapter 5

This chapter also discusses:

- ▶ Recasting prior period segment information (Section 4.8)
- ▶ Interaction of segment disclosure guidance with other guidance (Section 4.9)
- ▶ Illustrative disclosure examples (Section 4.10)

4.2 GENERAL INFORMATION



FASB REFERENCES

ASC 280-10-50-21, ASC 280-10-55-47, and ASC 280-10-55-54

An entity must disclose the following qualitative information annually:

- ▶ Factors used to identify reportable segments, including basis of organization; for example, by products and services, geographic areas, regulatory environments, or a combination of factors
- ▶ Whether operating segments have been aggregated
- ▶ Types of products and services from which each reportable segment derives its revenue
- ▶ Title and position of the individual or name of the group or committee identified as the CODM

BDO INSIGHT 4-1: COMMITTEE IDENTIFIED AS THE CODM

As discussed in Section 2.2, the CODM is a function, not necessarily an individual, so the CODM may be a group consisting of multiple individuals. We believe an entity should also disclose the titles and positions of the individuals making up a committee identified as the CODM. This is consistent with the example disclosure in ASC 280-10-55-54(f) (see Example 4-2).

Examples 4-1 and 4-2 illustrate how an entity might satisfy the general information disclosure requirements.

EXAMPLE 4-1 (ADAPTED FROM ASC 280-10-55-47): GENERAL INFORMATION DISCLOSURES – MULTI-SEGMENT ENTITY

An entity with multiple reportable segments discloses the below information in its annual financial statements.

DISCLOSURE REQUIREMENT	EXAMPLE DISCLOSURE
Factors used to identify reportable segments, including basis of organization and whether segments have been aggregated (ASC 280-10-50-21(a))	The 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.
Types of products and services from which each reportable segment derives its revenue (ASC 280-10-50-21(b))	The 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.

DISCLOSURE REQUIREMENT	EXAMPLE DISCLOSURE
The title and position of the individual or name of the group or committee identified as the CODM (ASC 280-10-50-21(c))	The company's CODM is the chief executive officer.

EXAMPLE 4-2 (ADAPTED FROM ASC 280-10-55-54): GENERAL INFORMATION DISCLOSURES — SINGLE REPORTABLE SEGMENT ENTITY

An entity with a single reportable segment consisting of a single operating segment discloses the below segment-level general information in its annual financial statements.

DISCLOSURE REQUIREMENT	EXAMPLE DISCLOSURE
Factors used to identify reportable segments, including basis of organization and whether segments have been aggregated (ASC 280-10-50-21(a))	The company has one reportable segment: software. The software segment provides cloud computing services to customers under software-as-a-service (SaaS) arrangements. The 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.
Types of products and services from which each reportable segment derives its revenue (ASC 280-10-50-21(b))	The software segment derives revenue from customers by providing access to cloud computing applications under SaaS 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.
The title and position of the individual or name of the group or committee identified as the CODM (ASC 280-10-50-21(c))	The company's CODM is the senior executive committee that includes the chief operating officer, chief financial officer, and chief executive officer.

4.3 INFORMATION ABOUT SEGMENT PROFIT OR LOSS



FASB REFERENCES

ASC 220-20-45-1, ASC 280-10-45-1, ASC 280-10-50-22, and ASC 280-10-50-27 through 50-29

An entity must disclose at least one measure of segment profit or loss for each reportable segment on both an annual and interim basis. Any measures must comply with **both** the following requirements:



Measure is used by the CODM to assess performance of and allocate resources to a segment



At least one disclosed measure or the single disclosed measure must be the measure most consistent with U.S. GAAP measurement principles

The entity must disclose the segment profit or loss measure reported to the CODM for internal reporting purposes. For example, if the CODM uses gross profit including cost of sales determined on a first-in, first-out (FIFO) basis but the entity reports consolidated cost of sales on a last-in, last-out basis, the entity must disclose the segment profit or loss amount reflecting cost of sales on a FIFO basis.

Further, a segment profit or loss measure must not reflect adjustments or eliminations made when preparing the consolidated financial statements unless such adjustments are included in the segment's profit or loss measure used by the CODM. An entity can include allocated revenue, expenses, gains, and losses in the segment profit or loss measure only if they are part of the amount reported to the CODM. For example, if an entity does not allocate pension expense to its reportable segments, it does not allocate such expense for reporting segment profit or loss.

ASC 280 does not require an entity to report segment cash flow. However, the disclosures about segment profit or loss may provide information to assess the cash-generating ability or cash requirements of an entity's reportable segments.

In addition to disclosing an amount for segment profit or loss, an entity must disclose the below quantitative and qualitative information about **each** measure of segment profit or loss for **each** reportable segment.

	DISCLOSURE REQUIREMENT	FREQUENCY
Quantitative	The following if the specified amounts are included in the measure of segment profit or loss or, if not included in the measure of segment profit or loss, are regularly provided to the CODM: ▶ Revenue from external customers (see Section 4.3.3.1) ▶ Intersegment revenue ▶ Interest revenue and interest expense (see Section 4.3.3.2) ▶ Depreciation, depletion, and amortization expense (see Section 4.3.6) ▶ Material events or transactions the entity considers unusual in nature or infrequent in occurrence (see Section 4.3.6) ▶ Equity in the net income of equity method investees (see Section 4.3.6) ▶ Income tax expense or benefit (see Section 4.3.6) ▶ Significant noncash items other than depreciation, depletion, and amortization expense (see Section 4.3.6)	Annual and interim
	Significant segment expenses if provided to the CODM and included in the reported measure of segment profit or loss (see Section 4.3.4)	Annual and interim
	Other segment items and a description of their composition (see Section 4.3.5)	Annual and interim
Qualitative	All the following qualitative disclosures about segment profit or loss: ▶ Basis of accounting for intersegment transactions ▶ Nature of differences between measurements of the reportable segments' profits or losses and the consolidated income before income taxes and discontinued operations if not apparent from the required reconciliations ▶ The nature of any changes from prior periods in the measurement methods used to determine segment profit or loss, including significant changes in segment expense measurement, and their effect on segment profit or loss ▶ Changes in expense allocation methods and their effect on the measure of segment profit or loss ▶ Changes in the method for allocating centrally incurred expenses such as corporate overhead and their effect on the measure of segment profit or loss ▶ Nature and effect of any asymmetrical allocations to a segment; for example, allocating depreciation expense but not allocating depreciable assets to a segment ▶ Explanation of how the CODM uses any reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources	Annual



SEC STAFF INSIGHTS

In remarks before the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments, staff from the Division of Corporation Finance discussed the SEC staff's view on what constitutes "regularly reviewed."

While U.S. GAAP does not explicitly define the terms "regularly provided" or "regularly reviewed," the SEC staff indicated that information provided to the CODM quarterly would qualify. However, the SEC staff also cautioned that information provided less frequently may be considered **regularly** provided or reviewed.

Reaching a conclusion on whether information is regularly provided to or reviewed by the CODM requires professional judgment based on the facts and circumstances.

Examples 4-3 and 4-4 illustrate how an entity determines the measure of segment profit or loss and other required segment disclosures.

EXAMPLE 4-3: ONE MEASURE OF SEGMENT PROFIT OR LOSS**FACTS**

- ▶ An entity has multiple reportable segments.
- ▶ The CODM uses earnings before interest, taxes, depreciation, and amortization (EBITDA) to allocate resources to and assess performance of each reportable segment.

CONCLUSION

The entity reports EBITDA as the measure of profit or loss for each reportable segment.

ANALYSIS

The CODM uses EBITDA to allocate resources to and assess performance of each segment. Therefore, the entity discloses EBITDA as the measure of profit or loss for each segment. While this is a non-GAAP measure, ASC 280 requires the entity to report the measure of segment profit or loss used by the CODM.

EXAMPLE 4-4: SPECIFIED SEGMENT DISCLOSURES**FACTS**

- ▶ An entity has multiple reportable segments and no equity method investments.
- ▶ The reportable segments record intersegment revenues.
- ▶ The CODM uses pretax income to allocate resources to and assess performance of each reportable segment.
- ▶ None of the reportable segments has interest revenue.
- ▶ Interest expense is not a significant segment expense and is not provided to the CODM.
- ▶ The CODM does not receive information about depreciation and amortization expense.
- ▶ The CODM regularly receives income tax expense allocated to each reportable segment.

CONCLUSION

For each reportable segment, in addition to disclosing pretax income as the measure of profit or loss, the entity discloses revenue from external customers, intersegment revenue, depreciation and amortization expense, interest expense, and income tax expense.

ANALYSIS

The entity considers the disclosure requirements in ASC 280-10-50-22 as follows:

- ▶ Revenue from external customers is included in the measure of segment profit or loss reviewed by the CODM and therefore must be disclosed.
- ▶ Intersegment revenue is included in the measure of segment profit or loss reviewed by the CODM and therefore must be disclosed.
- ▶ Interest expense is included in the measure of segment profit or loss reviewed by the CODM and therefore must be disclosed even though the CODM does not receive interest expense information.
- ▶ Depreciation and amortization expense are included in the measure of segment profit or loss reviewed by the CODM. Therefore, they must be disclosed even though the CODM does not receive depreciation and amortization expense information.
- ▶ Income tax expense is not included in the measure of segment profit or loss reviewed by the CODM. However, the information is regularly provided to the CODM and therefore must be disclosed.

4.3.1 Multiple Measures of Segment Profit or Loss



FASB REFERENCES

ASC 280-10-50-22, ASC 280-10-50-28A through 50-28C, ASC 280-10-50-30(b), ASC 280-10-50-32(f), and ASC 280-10-55-40

ASC 280 allows, but does not require, an entity to disclose multiple measures of a segment's profit or loss **if** the CODM uses those measures to allocate resources and assess segment performance. However, at least one of the disclosed measures (or the single measure if only one is disclosed) must be the measure most consistent with U.S. GAAP measurement principles.

An entity must also report different measures of segment profit or loss for different segments if the CODM evaluates those segments based on different measures of profit or loss. The guidance in this section applies to entities that choose to disclose more than one measure of segment profit or loss for a reportable segment. It does not apply when the single measure of segment profit or loss differs between segments because the CODM uses different measures of segment profit or loss for each segment. In that scenario, if an entity discloses only one measure for each segment (even though those measures differ), it is not considered disclosure of multiple measures of segment profit or loss because only one measure is disclosed for each segment.

An entity that discloses more than one measure of segment profit or loss in the current period must report those additional measures for the prior periods in which those measures were provided to the CODM. For example, if an entity presents gross profit as an additional measure of segment profit or loss for a reportable segment in the current period, it must disclose gross profit for that segment in prior periods if the CODM was provided with gross profit for that segment in those periods. The entity is not precluded from reporting the additional measure if the CODM was not provided that measure in prior periods. However, the entity must comply with the quantitative and qualitative disclosure requirements (see Section 4.3) for the voluntarily disclosed prior-period measure of segment profit or loss.

The total of the segments' profit or loss measures must be reconciled to consolidated pretax income (or an entity can choose to reconcile the total of the segments' profit or loss measures to net income if the entity allocates income tax expense to its reportable segments) and disclosed annually and in interim periods.



SEC STAFF INSIGHTS

As discussed above, ASC 280 allows, but does not require, disclosure of additional measures of segment profit or loss in the financial statements if the CODM uses multiple measures of profit or loss to manage a segment. Because ASC 280 uses a management approach, the additional measures do not have to be consistent with the recognition and measurement principles of U.S. GAAP.

At the 2024 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff reiterated its view that additional measures of segment profit or loss not calculated in accordance with U.S. GAAP are not considered **expressly permitted** by U.S. GAAP (that is, ASC 280 does not specify what measures to present). As a result, such measures are subject to the SEC's rules on non-GAAP measures, which prohibit the inclusion of additional non-GAAP measures of segment profit or loss in the financial statements. Despite that prohibition, the SEC staff offered the guidance below for an entity that elects to disclose additional measures of segment profit or loss that do not comply with U.S. GAAP.

- ▶ The entity must continue to disclose the measure of segment profit or loss that is most consistent with U.S. GAAP.
- ▶ Any measure of segment profit or loss disclosed must be regularly reviewed by the CODM and used by the CODM to allocate resources and assess performance.
- ▶ Any additional measure of segment profit or loss that is a non-GAAP financial measure must not be misleading and must comply with Regulation G, Item 10(e), of Regulation S-K and the SEC staff's Corporation Finance Interpretations (CFIs), which include requirements to disclose:
 - A statement about why the non-GAAP measure is useful to investors
 - A reconciliation to the nearest U.S. GAAP measure.

The incremental disclosures required to comply with the SEC's rules on non-GAAP measures are not required in the financial statements but must be included in the filing; for example, in Management's Discussion and Analysis (MD&A). If an entity elects to present the incremental disclosures in MD&A, the financial statements cannot include cross-references to MD&A. If an entity elects to include the incremental disclosures in the financial statements, the SEC staff has stated that those disclosures can be labeled "unaudited" because the audit opinion does not cover compliance with the SEC's rules on non-GAAP measures. The unaudited labeling does not extend to any additional measures of segment profit or loss because each measure must be disclosed and audited in accordance with ASC 280.

Further, the SEC staff expressed its views on whether an entity's removal of an additional measure of segment profit or loss from its financial statements constitutes an error correction in accordance with ASC 250, *Accounting Changes and Error Corrections*. If the removal relates to compliance with the SEC's rules on non-GAAP measures, it is not considered an error correction. The SEC staff provided the two examples below.

- ▶ Removing an additional measure because the measure is not used by the CODM is an error correction because the additional measure is not presented in accordance with ASC 280.
- ▶ Removing an additional measure because the measure is considered misleading in accordance with the SEC's rules on non-GAAP measures is not an error correction. However, the entity must consider the impact of such a removal on its assessment of disclosure controls and procedures.

When an entity elects to disclose additional measures of segment profit or loss (whether GAAP or non-GAAP) that are regularly reviewed by the CODM and used to allocate resources and assess performance, it must disclose the following for **each** reported measure of a segment's profit or loss:

- ▶ Significant segment expenses and other segment items included in the measure of profit or loss provided to the CODM (see Sections 4.3.4 and 4.3.5)
- ▶ How the CODM uses the measure to assess performance and allocate resources (see Section 4.3)
- ▶ A reconciliation of the total reportable segments' profit or loss measures to the entity's pretax income from continuing operations (see Section 4.5)

BDO INSIGHT 4-2: ADDITIONAL MEASURES OF PROFIT OR LOSS THAT ARE NOT CONSISTENT WITH U.S. GAAP

The disclosure of additional non-GAAP measures of segment profit or loss in the financial statements is rare in practice. The SEC staff frequently comments on non-GAAP financial measures in SEC filings and might question the appropriateness of adjustments and ultimately object to the disclosure of such measures. Given the SEC's heightened focus on non-GAAP measures and the incremental compliance and disclosure considerations that apply, entities could consider disclosing additional non-GAAP measures of segment profit or loss outside the financial statements in their SEC filings.

Example 4-5 illustrates disclosure of multiple measures of profit or loss, all of which are consistent with U.S. GAAP.

EXAMPLE 4-5: MULTIPLE MEASURES OF SEGMENT PROFIT OR LOSS – ALL ARE CONSISTENT WITH U.S. GAAP

FACTS

- ▶ An entity has multiple reportable segments.
- ▶ The CODM uses gross profit and pretax income, which both comply with U.S. GAAP, to allocate resources to and assess performance of each reportable segment.
- ▶ Gross profit is fully burdened (that is, costs of sales are allocated to each segment in accordance with U.S. GAAP).

CONCLUSION

The entity determines pretax income for each reportable segment is the measure most consistent with U.S. GAAP measurement principles and must report that measure as the measure of segment profit or loss. The entity is not required to report gross profit as an additional measure of segment profit or loss.

ANALYSIS

Pretax income is one of the measures the CODM uses to allocate resources to and assess performance of each segment. It is determined to be the measure most consistent with U.S. GAAP measurement principles, so the entity must report it as the primary measure of segment profit or loss for each of its segments. Gross profit is an additional measure of segment profit or loss, so the entity is not required to report gross profit as a measure of segment profit or loss. If the entity elects to present gross profit as an additional measure of segment profit or loss, it must comply with the quantitative and qualitative disclosure requirements (see Section 4.3). The SEC's rules on non-GAAP measures do not apply to the additional measure because gross profit is measured in accordance with U.S. GAAP.



SEC STAFF INSIGHTS

When a CODM uses multiple measures of profit or loss to manage a segment, the entity must determine which of those measures is most consistent with U.S. GAAP and disclose it. When only one of the measures used by the CODM complies with U.S. GAAP, that analysis is straightforward. However, in some instances, a CODM could use multiple measures of profit or loss that are all consistent with U.S. GAAP. For example, as illustrated in Example 4-5, a CODM might use gross profit and pretax income, both of which are calculated in accordance with U.S. GAAP, to assess performance and allocate resources to the operating segments.

At the 2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff discussed its views about how an entity should assess such circumstances. If a CODM uses multiple measures of segment profit or loss that are all calculated in accordance with U.S. GAAP and the entity discloses only one measure of segment profit or loss, the SEC staff indicated that the entity should report the measure that includes the most items of revenue and expense and thus is closest to net income calculated in accordance with U.S. GAAP. In Example 4-5, the entity would disclose pretax income.

The SEC staff further discussed other instances in which a CODM uses multiple measures of profit or loss, all of which are non-GAAP measures. When determining which of those measures is most consistent with U.S. GAAP and must be disclosed, the SEC staff indicated that the entity should consider the following indicators:

- ▶ Which measure has the fewest number of adjustments
- ▶ Which measure includes more items of revenue and expense and thus is closest to segment net income calculated in accordance with U.S. GAAP

Other factors may also be relevant, and an entity must holistically consider all available information. Determining which measure of segment profit or loss is most consistent with U.S. GAAP when all measures used are non-GAAP requires the application of professional judgment based on the facts and circumstances.

Finally, the SEC staff stated that an entity should describe how a measure of segment profit or loss is calculated when it differs from U.S. GAAP and to use naming conventions that clearly distinguish that measure from other measures.

4.3.2 Single Reportable Segment Entities



FASB REFERENCES

ASC 280-10-50-4, ASC 280-10-50-20, and ASC 280-10-55-15D through 55-15F

The segment reporting disclosures in ASC 280 apply to all public entities, including those with a single reportable segment. Entities with a single reportable segment must make judgments when determining the measure of segment profit or loss to report. Also, they must evaluate whether the business activities of the single reportable segment differ from those of the consolidated entity. Specifically, ASC 280 states that not every part of an entity is an operating segment or part of an operating segment. For example, some corporate divisions or headquarters might not be part of an operating segment (see Section 2.4.2). As a result, those parts of the entity would not be included in a reportable segment. The graphic below illustrates this concept.



The CODM might regularly assess the operating results and performance of the single reportable segment differently from how management assesses consolidated performance. In that case, the single reportable segment might not include all the consolidated results. However, if the CODM reviews only the entity-wide consolidated operating results and performance, those results would constitute the single reportable segment's results.

BDO INSIGHT 4-3: DISCLOSURES ABOUT THE BASIS ON WHICH THE CODM ASSESSES PERFORMANCE OR ALLOCATES RESOURCES FOR A SINGLE REPORTABLE SEGMENT

While not explicitly required by ASC 280, we believe the best practice for a single reportable segment entity is to disclose whether its single operating segment is managed on a consolidated basis or other than a consolidated basis. This is consistent with the requirements in ASC 280-10-50-21(a) to disclose basis of organization and the example disclosure in ASC 280-10-55-54(e).

After a single reportable segment entity has determined the basis on which the CODM assesses segment performance and allocates resources, the entity must identify the segment's measure(s) of profit or loss.

Step 1: Determine how the CODM allocates resources and assesses segment performance

Step 2: Determine any measures of segment profit or loss

The CODM of a single reportable segment entity could use measures not reported in the consolidated income statement to assess segment performance and allocate resources. For example, a CODM might regularly review both consolidated net income and EBITDA, which is not presented in the consolidated income statement. Consistent with the requirements for an entity with multiple reportable segments, when the CODM of a single reportable segment entity uses multiple measures of segment profit or loss, at least one of the reported measures of segment profit or loss must be the measure most consistent with U.S. GAAP measurement principles.



SEC STAFF INSIGHTS

At the 2023 and 2024 AICPA & CIMA Conferences on Current SEC and PCAOB Developments and in other interactions, the SEC staff said it expects the measure of segment profit or loss for an entity with a single reportable segment that is managed on a consolidated basis to be consolidated net income. That is because ASC 280 requires disclosure of the segment measure of profit or loss that is most consistent with U.S. GAAP. Additional measures of segment profit or loss may be reported but are subject to the requirements in Section 4.3.

In those interactions, the SEC staff also shared its views on other questions about single reportable segment entities:

“Question: Would the SEC staff's views about the measure of segment profit or loss for an entity managed on a consolidated basis differ if the CODM was not the chief executive officer (CEO) or chief financial officer (CFO) that certify the Form 10-K and Form 10-Q filings?

Answer: The CEO and CFO certifications represent only one data point that indicates the certifying officers receive and review consolidated results. The SEC staff is unaware of circumstances in which a single segment entity is managed on a consolidated basis and the CODM is not regularly reviewing a consolidated U.S. GAAP measure of profit or loss, such as consolidated net income.

Question: Could there be circumstances in which the CODM manages a single operating segment entity on something other than a consolidated basis?

Answer: It depends. The SEC staff encourages entities to consider the guidance in ASC 280-10-55-15D, which explicitly addresses this question. Careful consideration of the facts and circumstances (including how budgets are prepared and resources are allocated) is required to determine what business activities constitute part of an operating segment and whether the entity is managed on a consolidated basis. For example, corporate headquarters or certain functional departments may not be part of the operating segment in certain cases. However, the SEC staff believes the mere exclusion of a corporate headquarters or certain functional department from the measure of segment performance would not be determinative as to whether the entity is managed on a consolidated basis.”

BDO INSIGHT 4-4: MEASURE OF SEGMENT PROFIT OR LOSS FOR A SINGLE REPORTABLE SEGMENT ENTITY WITH AGGREGATED OPERATING SEGMENTS

The SEC staff said (as discussed above) that for an entity with a single reportable segment that is managed on a consolidated basis, it expects that its measure of segment profit or loss to be consolidated net income. However, an entity could have multiple operating segments that it elects to aggregate into a single reportable segment when they meet the ASC 280 aggregation criteria (see Section 3.2). We believe the existence of multiple operating segments demonstrates that the entity is **not** managed on a consolidated basis. Therefore, the CODM might use a measure of segment profit or loss other than consolidated net income to assess performance and allocate resources. Determining the appropriate measure of segment profit or loss requires the application of professional judgment based on the facts and circumstances.

BDO INSIGHT 4-5: ADDITIONAL MEASURES OF PROFIT OR LOSS THAT ARE NOT CONSISTENT WITH U.S. GAAP

If an entity has a single reportable segment that is managed on a consolidated basis, we believe the measure of segment profit or loss should be consolidated net income or loss, consistent with the SEC staff’s guidance discussed in this section. If the entity chooses to disclose additional measures of segment profit or loss, it must comply with the requirements in Section 4.3.1, and for non-GAAP measures, it must consider the SEC staff guidance in that section.

However, the disclosure of additional non-GAAP measures of segment profit or loss in the financial statements is rare in practice. The SEC staff often comments on non-GAAP financial measures in SEC filings and might question the appropriateness of adjustments and ultimately object to the disclosure of such measures. Given the SEC’s heightened focus on non-GAAP measures and the incremental compliance and disclosure considerations that apply, entities could consider disclosing additional non-GAAP measures of segment profit or loss outside the financial statements in their SEC filings.



SEC STAFF INSIGHTS

When the CODM of a single reportable segment entity uses a consolidated profit or loss measure presented in the income statement to allocate resources and assess performance, some required segment disclosures, for example, segment revenue (see Section 4.3.3), could include information already presented in the primary financial statements. In such cases, an entity may choose to reference the primary financial statements in the segment footnote rather than duplicating information in the segment footnote. While not prohibited, duplicating the consolidated income statement in the segment footnote is not required.²

However, at the 2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff stated that for an entity managed as a single reportable segment on a consolidated basis, referencing the financial statements does not satisfy all segment disclosure requirements. For example, an entity must provide the following qualitative disclosures in the notes to the financial statements:

- ▶ Factors used to identify reportable segments (see Section 4.2)
- ▶ Title and position of the individual or name of the group or committee identified as the CODM (see Section 4.2)
- ▶ Explanation of how the CODM uses the measure of segment profit or loss in assessing segment performance and deciding how to allocate resources (see Section 4.3.1)

Additionally, the SEC staff stated that if applying the significant segment expense principle (see Section 4.3.4) results in disclosing segment expense information that is already presented in the consolidated income statement, an entity should disclose that the CODM does not receive expense information different from the expenses presented on the consolidated income statement.

4.3.3 Segment Revenue and Interest



FASB REFERENCES

ASC 280-10-50-22(a) through 50-22(d) and ASC 280-10-55-15

As discussed in Section 4.3, an entity must disclose revenue from external customers (see Section 4.3.3.1), interest revenue and expense (see Section 4.3.3.2) and intersegment revenue for each reportable segment when **either**:



It is included in the measure of segment profit or loss reviewed by the CODM, even if not regularly provided to the CODM



It is regularly provided to the CODM, even if not included in the segment's measure of profit or loss

Example 4-4 illustrates the application of those requirements.

² BC32 of ASU 2023-07



SEC STAFF INSIGHTS

In remarks before the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments, staff from the Division of Corporation Finance discussed the SEC staff's view on what constitutes "regularly reviewed."

While U.S. GAAP does not explicitly define the terms "regularly provided" or "regularly reviewed," the SEC staff indicated that information provided to the CODM quarterly would qualify. However, the SEC staff also cautioned that information provided less frequently may be considered **regularly** provided or reviewed.

Reaching a conclusion on whether information is regularly provided to or reviewed by the CODM requires professional judgment based on the facts and circumstances.

4.3.3.1 Revenue from External Customers



FASB REFERENCES

ASC 280-10-50-22(a) and ASC 606-10-50-6

As discussed in Section 4.3, ASC 280 requires an entity to disclose revenue from external customers if that amount is included in the measure of segment profit or loss reviewed by the CODM **or** regularly provided to the CODM. For a revenue-generating entity, revenue from external customers is included in all measures of segment profit or loss, so such a disclosure is always required. Segment revenue from external customers must reflect revenue computed in accordance with the accounting principles used in the entity's consolidated financial statements. For an entity that applies U.S. GAAP, segment revenue must be consistent with revenue recognized in accordance with ASC 606, *Revenue From Contracts With Customers*.



SEC STAFF INSIGHTS

At the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff shared that it has objected to segment revenues from external customers presented on an adjusted or alternative basis.

In addition to disclosing revenue from external customers, entities must disclose revenue by geographic area and for each product or service (see Chapter 5).

BDO INSIGHT 4-6: REVENUE RECOGNITION DISCLOSURES MAY SATISFY SEGMENT REVENUE DISCLOSURES

If an entity's disaggregated revenue disclosed in accordance with ASC 606 also complies with the segment disclosure requirements, the entity is not required to duplicate those disclosures and can instead refer to them in the segment footnote. For more information about disaggregated revenue disclosures, see BDO's Blueprint, [Revenue Recognition Under ASC 606](#).

4.3.3.2 Interest



FASB REFERENCES

ASC 280-10-50-22(c) through 50-22(d), ASC 280-10-50-23 through 50-24, and ASC 280-10-55-11

As discussed in Section 4.3, ASC 280 requires entity to disclose interest revenue and expense if they are included in the measure of segment profit or loss reviewed by the CODM **or** regularly provided to the CODM. Those disclosures are intended to provide information about a segment's financing activities. However, if the segment has no or immaterial financial operations, interest disclosures are required only if interest expense is a significant segment expense (see Section 4.3.4).

For a segment with primarily financial operations, interest revenue likely constitutes most of segment revenue and interest expense likely constitutes most of the difference between the segment's reported revenue and measure of profit or loss.

An entity can present net interest revenue when **all** the following conditions are met:

- ▶ Most of the segment's revenue is from interest.
- ▶ The CODM relies primarily on net interest revenue to assess the performance of and allocate resources to the segment.
- ▶ Interest expense is not a significant segment expense (see Section 4.3.4).

An entity must also disclose interest expense charged by one reportable segment to another if the amount is included in the measure of segment profit or loss reviewed by the CODM.

4.3.4 Significant Segment Expenses



FASB REFERENCES

ASC 280-10-50-20, ASC 280-10-50-22, ASC 280-10-50-26A, ASC 280-10-50-28C, and ASC 280-10-50-30(d)

ASC 280 requires an entity to disclose significant expenses for each segment (the significant expense principle). The principle is based on the management approach, which allows financial statement users to see disaggregated information about entities through management's eyes and assess segment performance the same way management does (see section 1.2).

Under the significant expense principle, an entity must disclose expenses for a reportable segment that meet **all** the following criteria:

Regularly provided to the CODM
(see Section 4.3.4.1)



Included in reported segment profit or loss
(see Section 4.3.4.2)



Significant quantitatively and qualitatively
(see Section 4.3.4.3)



Significant segment expenses

An entity must disclose significant expenses on an annual and interim basis. Further, if an expense is significant for one reportable segment but not another, an entity may **either**:

- ▶ Separately report the nonsignificant expense for the reportable segment for which the expense is not significant
- ▶ Include the nonsignificant expense as part of other segment items for that reportable segment (see Section 4.3.5)

ASC 280 does not require an entity to reconcile significant segment expenses to the corresponding expense captions in its consolidated income statement (see Section 4.5).

Because of inherent differences in how entities manage their businesses and determine their reportable segments, significant expenses can vary between reportable segments within an entity, between entities in the same industry, or across different industries. However, that variation in disclosures could inform investors about how an entity manages its segments and how approaches differ between entities operating in the same or similar industries.

4.3.4.1 Regularly Provided to the CODM



FASB REFERENCES

ASC 280-10-50-26A and ASC 280-10-55-15A through 55-15B

An entity must identify significant segment expenses from the information regularly provided to the CODM. When determining whether expense information is regularly provided to the CODM, an entity should apply the same concepts it uses to determine whether financial information is regularly provided to the CODM for other segment disclosures (see Section 4.3).³ For example, an entity must determine segment expenses that are regularly provided to the CODM in the same manner as when determining whether some segment information (such as revenue from external customers) is regularly provided to the CODM and thus must be disclosed under ASC 280 disclosure requirements.



INFORMATION REGULARLY PROVIDED IS BROADER THAN INFORMATION REGULARLY REVIEWED

One of the characteristics of an operating segment as defined in ASC 280 is that the CODM **regularly reviews** the segment's results to assess performance and make decisions about allocating resources (see Section 2.3.2). Conversely, an entity identifies significant expenses based on information **regularly provided** to the CODM, which is a broader term than **regularly reviewed**. Said differently, when identifying significant expenses, an entity ignores whether the information regularly provided to its CODM is regularly reviewed. Also, an entity must consider all information regularly provided to the CODM in hardcopy and electronic format or via regular meetings. Such regular provision of information could result in additional segment expense disclosures.

For example, a CODM typically receives copies of the Forms 10-K and 10-Q as part of the public filing certification process. Those forms may contain disaggregated expenses in MD&A that are included in the measure of segment profit or loss. Investor presentations regularly provided to the CODM might also contain disaggregated expense information. Further, the CODM might have access to electronic dashboards that allow it to drill down to expenses included in the measure of segment profit or loss. In those cases, an entity must determine whether the expense information regularly provided to the CODM and included in the measure of segment profit or loss is significant and therefore requires disclosure (see Section 4.3.4.3).

Management also might regularly provide to the CODM expense information in forms other than dollar amounts, such as in ratios or percentages. For that reason, ASC 280 requires an entity to disclose segment expenses that are easily computable from the information regularly provided to the CODM if they are **both**:

- ▶ Included in segment profit or loss
- ▶ Significant quantitatively and qualitatively

³ See also BC18 of ASU 2023-07.

The examples in the table below illustrate the easily computable concept. However, the examples do not contemplate all possible forms of segment information regularly provided to the CODM. An entity must consider the substance of the specific information it regularly provides to the CODM to determine whether any expenses are easily computable and thus subject to disclosure.

SEGMENT INFORMATION REGULARLY PROVIDED TO THE CODM	EASILY COMPUTABLE SEGMENT EXPENSES
▶ Revenue ▶ Gross margin	Cost of sales can be computed by subtracting gross margin from revenue.
▶ Revenue ▶ Advertising expenses as a percentage of revenue	Advertising expenses are easily computable by multiplying the percentage provided by revenue.
▶ Revenue ▶ Warranty expenses as a percentage of revenue	Warranty expenses are easily computable by multiplying the percentage provided by revenue.

4.3.4.2 Included in Reported Segment Profit or Loss

 FASB REFERENCES

ASC 280-10-50-4, ASC 280-10-50-26A, and ASC 280-10-55-15C

Once an entity has identified segment expenses that are regularly provided to the CODM or that can be easily computed from the information regularly provided to the CODM, it must consider whether those expenses are included in the segment’s profit or loss measure(s). For example, an entity that discloses gross margin as the measure of a segment’s profit or loss would consider cost of sales as a potential significant segment expense if cost of sales is regularly provided to the CODM or easily computable from the information regularly provided to the CODM.

 CORPORATE OVERHEAD ALLOCATIONS ARE NOT EXEMPT FROM THE SIGNIFICANT EXPENSE PRINCIPLE

Some entities allocate corporate overhead functions, such as information technology, human resources, and finance, to their segments. A CODM might be regularly provided with segment expense information, such as allocated corporate overhead, that also is included in the segment’s measure of profit or loss. Corporate overhead is not exempt from evaluation under the significant expense principle.⁴ Although a CODM might not use allocated corporate overhead when assessing segment performance and allocating resources to segments, the entity must still determine whether allocated corporate overhead that is regularly provided to the CODM and included in a segment’s profit or loss is quantitatively and qualitatively significant.

⁴ BC46 of ASU 2023-07.



SEC STAFF INSIGHTS

ASC 280 does not require an entity to calculate significant segment expenses in accordance with U.S. GAAP. However, the SEC staff has said that if significant segment expenses are not calculated in accordance with U.S. GAAP, entities should consider additional SEC disclosure requirements that may apply in such circumstances. For example, Regulation S-X 4-01(a) states, “The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further **material** information as is necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.” [Emphasis added.] Depending on the facts and circumstances, additional disclosures may be appropriate.

Not every part of a public entity is necessarily part of a segment. For example, some corporate overhead departments might not be part of a reportable segment and the entity might not allocate corporate overhead costs (for example, headquarters costs) to its segment(s). At the 2024 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff said a segment expense item is not considered a non-GAAP item solely because corporate costs are not allocated to it.

Lastly, at the 2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff stated that when an entity discloses significant segment expenses measured using principles that differ from U.S. GAAP, the entity should use naming conventions that distinguish these expenses from expenses determined in accordance with U.S. GAAP and also disclose composition of significant segment expenses and nature of adjustments made.

4.3.4.3 Significant Quantitatively and Qualitatively



FASB REFERENCES

ASC 280-10-50-26A

After an entity has identified segment expenses that are regularly provided to the CODM or that can be easily computed from the information regularly provided to the CODM and included in the segment profit or loss, it must determine which expenses are significant quantitatively and qualitatively. ASC 280 does not provide quantitative thresholds or example qualitative factors to consider when identifying significant segment expenses.

ASC 280 uses the term “significant” in various respects, such as by requiring that entities disclose significant noncash items (see Section 4.3.6). Because ASC 280 has historically used the term, and the FASB was not aware of application issues before issuing ASU 2023-07, the FASB did not provide any additional guidance other than to state that entities must consider both quantitative and qualitative factors. The FASB observed in BC59 of ASU 2023-07:

Several stakeholders recommended clarifying whether the significance threshold is applied at the segment level or the consolidated level. Other stakeholders suggested clarifying whether significance is based on (a) what management considers to be significant when deciding to allocate resources to the segment and assess its performance or (b) whether it is probable that the judgment of a reasonable person relying upon the financial report would have changed or been influenced by including the information that was omitted. During redeliberations, the Board discussed those two aspects. The Board observed that segment information that if omitted would change a user’s understanding about a segment to such a degree that it would change the user’s capital allocation decisions about an entity as a whole is significant even though an item of a similar magnitude might not be considered significant if it were omitted from the consolidated financial statements.

BDO INSIGHT 4-7: JUDGMENT IS REQUIRED TO IDENTIFY SIGNIFICANT SEGMENT EXPENSES

While ASC 280 does not explicitly define the term “significant,” the FASB has said⁵ that omitted segment information is significant if it would change financial statement users’ capital allocation decisions about an entity as a whole, even though an expense of a similar magnitude might not be significant if it were omitted from the consolidated financial statements. We believe entities also can consider several factors when identifying significant segment expenses for disclosure, including:

	Size relative to other expenses of the same segment or other segments
	Importance of the expenses relative to the segment’s operating results and industry
	Events that may have caused or will cause specific expenses to grow significantly; for example, increase in maintenance and repairs expenses caused by unforeseen events such as fires
	Economic changes that may affect the expenses’ perceived importance by investors; for example, foreign currency devaluation in countries where an entity has significant operations
	Footnote disclosures, MD&A disclosures, annual reports, press releases, or articles highlighting specific expenses incurred by the entity; for example, commitments and contingencies disclosures in the Form 10-K

That list is not exhaustive, and no bright lines exist in determining which segment expenses require disclosure. Accordingly, an entity must holistically evaluate the information regularly provided to the CODM or that is easily computable from information regularly provided to the CODM and evaluate both quantitative and qualitative factors. Identifying significant segment expenses requires the application of professional judgment based on the facts and circumstances.

BDO INSIGHT 4-8: SIGNIFICANCE OF EXPENSES VARIES FROM PERIOD TO PERIOD

If an entity determines that a specific segment expense is not significant in the current period, it should consider whether the expense will be significant in future periods. If a previously significant segment expense is not significant in the current period but is expected to be of continuing significance, the entity generally should continue separately reporting that segment expense in the current period.⁶

⁵ ASU 2023-07, BC59.

⁶ BC82 of ASU 2023-07.

BDO INSIGHT 4-9: DETERMINING SIGNIFICANT SEGMENT EXPENSES WHEN THE CODM RECEIVES DISAGGREGATED INFORMATION

In practice, some entities provide their CODMs with reporting packages that include significantly disaggregated expense information (for example, separate line items for salaries, health insurance, and fringe benefits costs rather than a single compensation cost line item). Also, expense information can be disaggregated in multiple ways (for example, by product line and by natural expense category). Determining which expenses to disclose as significant segment expenses in these situations can require considerable judgment.

ASC 280 does not require entities to disclose every disaggregated expense line item provided to the CODM. We believe an entity may aggregate some expenses for disclosure purposes when **all** the following conditions are met for the aggregated expenses:

- ▶ Similar in nature
- ▶ Not individually significant to financial statement users
- ▶ Tend to move together
- ▶ Consistent with other financial statement disclosures — in other words, the entity does not disclose disaggregated compensation costs elsewhere in the financial statements or MD&A

For example, if salaries, fringe benefits, and health insurance costs generally increase or decrease at the same time and are not individually material to financial statement users, and the entity does not disaggregate compensation costs elsewhere in the financial statements or MD&A, it may be appropriate to disclose a single compensation cost line item. Determining the appropriate level of aggregation requires professional judgment based on the facts and circumstances.



SEC STAFF INSIGHTS

At the June 2025 meeting of the CAQ SEC Regulations Committee, the SEC staff shared the following observations regarding significant segment segments:

- ▶ Entities should focus on the substance, rather than the form, of segment expense information regularly provided to the CODM (which is consistent with BC43 of ASU 2023-07).
- ▶ Concluding what segment expenses are significant will require the most judgment. The SEC staff will respect judgments that are reasonable and grounded in authoritative literature.

4.3.5 Other Segment Items



FASB REFERENCES

ASC 280-10-50-26B through 50-26C, ASC 280-10-50-28C, ASC 280-10-50-30(d), and ASC 280-10-55-15G

After an entity applies the significant expense principle detailed in Section 4.3.4, it must calculate other segment items as follows:



Other segment items may include:

- ▶ Total expenses included in the segment's profit or loss but not regularly provided to the CODM
- ▶ Total expenses included in the segment's profit or loss but not disclosed as significant segment expenses
- ▶ Total gains, losses, or other amounts included in the segment's profit or loss
- ▶ Other expenses that an entity must disclose in accordance with ASC 280-10-50-22 and that are included in the segment's profit or loss but are not disclosed as significant segment expenses

An entity must disclose the following on an annual and interim basis for **each** reportable segment and for **each** measure of profit and loss:

- ▶ An amount and qualitative description of other segment items, regardless of whether significant segment expenses are disclosed.
- ▶ Expense information used by the CODM to manage operations if the entity does not disclose significant segment expenses; for example, when the CODM:
 - Is not regularly provided with expense information for at least one segment
 - Is regularly provided with only budgeted or forecasted expense information for a reportable segment
 - Uses consolidated expense information to manage operations

ASC 280 does not require an entity to reconcile other segment items to its consolidated income statement (see Section 4.5).

ASC 280 does not provide specific guidance on the level of granularity required when describing other segment items. The FASB observed that a public entity should use judgment when describing the composition of other segment items and referred to its examples illustrating how an entity might address that requirement.⁷



OTHER SEGMENT ITEMS DISCLOSURE IS INCREMENTAL TO OTHER SEGMENT REPORTING DISCLOSURES

The requirement to disclose other segment items detailed in this section is incremental to the requirements in Section 4.3.6 to disclose information about specific elements of segment profit or loss. In other words, an entity must disclose an amount and qualitative description for other segment items even though that amount might include expenses that must otherwise be disclosed.

For example, an entity may disclose net income as the segment's measure of profit or loss. Depreciation and amortization expense is included in the segment's measure of profit or loss but might not be regularly provided to the CODM and therefore would not be a significant expense. Thus, the entity must include depreciation and amortization expense in the other segment items amount and disclose that other segment items includes depreciation and amortization expense. Also, in accordance with ASC 280-10-50-22, the entity must separately present depreciation and amortization expense because the expense is included in the segment's measure of profit or loss.

⁷ ASU 2023-07, BC74.

4.3.6 Other Quantitative Information About Segment Profit or Loss



FASB REFERENCES

ASC 280-10-50-22, ASC 280-10-55-12 through 55-15, and ASC Master Glossary Definitions: Unusual Nature and Infrequent of Occurrence

In addition to the disclosures discussed in Sections 4.3.3 through 4.3.5, an entity must disclose, annually and at interim, **all** the segment information in the table below if the specified amounts are included in the measure of segment profit or loss **or**, if not included in the measure of segment profit or loss, are regularly provided to the CODM.

DISCLOSURE REQUIREMENT	ADDITIONAL CONSIDERATIONS
Depreciation, depletion, and amortization expense	The CODM might evaluate segment performance based on EBITDA. If the information the CODM reviews also includes summaries of depreciation and amortization expense for each segment, it is considered regularly provided to the CODM. Accordingly, the entity must disclose those amounts for each reportable segment.
Material events or transactions the entity considers to be unusual in nature or infrequent in occurrence	The ASC Master Glossary defines unusual nature as “ <i>the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.</i> ” It defines infrequent of occurrence as “ <i>not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates.</i> ”
Equity in the net income of equity method investees	A segment’s measure of profit or loss (for example, net income) might include income from investees. Therefore, an entity must disclose the equity in the net income of equity method investees because it is included in the measure of profit or loss regardless of whether that information is regularly provided to the CODM (see Section 4.6). For a complete discussion of disclosures applicable to equity method investments, see BDO’s Blueprint, Equity Method Investments Under ASC 323 .
Income tax expense or benefit	As an example, if a segment’s measure of profit or loss is net income, the measure includes income tax expense or benefit. Therefore, an entity must disclose the segment’s income tax expense or benefit regardless of whether that information is regularly provided to the CODM.
Significant noncash items other than depreciation, depletion, and amortization expense	Significant noncash items allow financial statement users to estimate a reportable segment’s cash-generating potential and cash requirements. Examples include share-based payments, impairments, and changes in fair value of liability instruments.

EXAMPLE 4-6 (ADAPTED FROM ASC 280-10-55-12 THROUGH 55-15): DISCLOSURES ABOUT THE MEASURE OF SEGMENT PROFIT OR LOSS**FACTS**

- ▶ An entity has multiple reportable segments.
- ▶ The CODM uses EBITDA to allocate resources to and assess performance of each reportable segment.
- ▶ The CODM regularly receives depreciation and amortization expense information for each segment.

CONCLUSION

The entity must disclose depreciation and amortization expense for each reportable segment, in addition to reporting EBITDA as the measure of profit or loss for each segment.

ANALYSIS

While depreciation and amortization expense amounts are not included in the EBITDA measures regularly reviewed by the CODM for each segment, the expense information is regularly provided to the CODM. Therefore, the information must be disclosed in accordance with ASC 280-10-50-22.

EXAMPLE 4-6A: DISCLOSURES ABOUT DEPRECIATION AND AMORTIZATION – CODM USES GROSS PROFIT**FACTS**

- ▶ An entity has two reportable Segments: A and B.
- ▶ The CODM uses segment **gross profit** as the measure of segment profit or loss to assess performance and allocate resources to each segment.
- ▶ Cost of revenue includes depreciation and amortization attributable to assets used by each segment. Depreciation and amortization included in cost of revenue is \$2 million for Segment A and \$1 million for Segment B.
- ▶ The entity also presents depreciation and amortization within selling, general, and administrative expenses (SG&A). SG&A includes depreciation and amortization attributable to:
 - Segment A - \$0.8 million
 - Segment B - \$0.5 million
 - Corporate assets - \$0.1 million.
- ▶ The entity does not allocate corporate depreciation and amortization to the reportable segments and does not regularly provide corporate depreciation and amortization to the CODM.

CONCLUSION

The entity must disclose depreciation and amortization of \$2 million and \$1 million for Segments A and B, respectively. The entity does not need to allocate corporate depreciation and amortization to the reportable segments, nor does it need to disclose that amount to comply with ASC 280-10-50-22.

ANALYSIS

- ▶ ASC 280-10-50-22 requires disclosure of depreciation and amortization for each reportable segment when the amount is included in the measure of segment profit or loss or is otherwise regularly provided to the CODM.

- ▶ Cost of revenue for Segments A and B includes depreciation and amortization of \$2 million and \$1 million, respectively. Therefore, these amounts are included in segment gross profit. The entity must disclose the depreciation and amortization included in segment gross profit for each reportable segment, even if depreciation and amortization is not presented as a separate line item in the reports provided to the CODM.
- ▶ The entity does not include corporate depreciation and amortization in segment gross profit and does not regularly provide such information to the CODM. Therefore, the entity does not need to disclose or allocate corporate depreciation and amortization to the reportable segments to comply with ASC 280-10-50-22. However, the entity must consider whether unallocated corporate expenses are a significant reconciling item (see Section 4.5) and apply the requirement to disclose other segment items (see Section 4.3.5).
 - Upon adoption of ASU 2024-03, *Disaggregation of Income Statement Expenses*, the entity must apply the guidance in that ASU to identify relevant expense captions and provide required disclosures. See BDO's bulletin, [FASB Finalizes ASU to Disaggregate Income Statement Expenses \(DISE\)](#).

EXAMPLE 4-6B: DISCLOSURES ABOUT DEPRECIATION AND AMORTIZATION – CODM USES OPERATING PROFIT FACTS

Assume same facts as example 4-6A, except that the CODM uses segment **operating profit** as the measure of segment profit or loss to assess performance and allocate resources to each segment. Segment operating profit excludes corporate costs.

CONCLUSION

The entity must disclose depreciation and amortization included in cost of revenue of \$2 million and \$1 million for Segments A and B, respectively. Additionally, the entity must disclose depreciation and amortization included in SG&A of \$0.8 million for Segment A and \$0.5 million for Segment B. The entity does not need to allocate corporate depreciation and amortization to the reportable segments, nor does it need to disclose that amount to comply with ASC 280-10-50-22.

ANALYSIS

- ▶ ASC 280-10-50-22 requires disclosure of depreciation and amortization for each reportable segment when the amount is included in the measure of segment profit or loss or is otherwise regularly provided to the CODM.
- ▶ Cost of revenue and SG&A for Segments A and B include depreciation and amortization. Therefore, these amounts are included in segment operating profit. The entity must disclose the depreciation and amortization included in segment operating profit for each reportable segment, even if depreciation and amortization is not presented as a separate line item in the reports provided to the CODM. Accordingly, the entity must disclose the following depreciation and amortization:
 - Segment A: \$2.8 million, consisting of \$2 million included in cost of revenue and \$0.8 million included in SG&A
 - Segment B: \$1.5 million, consisting of \$1 million included in cost of revenue and \$0.5 million included in SG&A
- ▶ The entity does not include corporate depreciation and amortization in segment operating profit and does not regularly provide such information to the CODM. Therefore, the entity does not need to disclose or allocate corporate depreciation and amortization to the reportable segments to comply with ASC 280-10-50-22. However, the entity must consider whether unallocated corporate expenses are a significant reconciling item (see Section 4.5) and apply the requirement to disclose other segment items (see Section 4.3.5).
 - Upon adoption of ASU 2024-03, *Disaggregation of Income Statement Expenses*, the entity must apply the guidance in that ASU to identify relevant expense captions and provide required disclosures. See BDO's bulletin, [FASB Finalizes ASU to Disaggregate Income Statement Expenses \(DISE\)](#).

4.4 SEGMENT ASSETS



FASB REFERENCES

ASC 280-10-50-22, ASC 280-10-50-25 through 50-26, ASC 280-10-50-27 through 50-28, ASC 280-10-50-29, and ASC 280-10-55-6

An entity must disclose a measure of total assets for each reportable segment on both an annual and interim basis if asset information is provided to the CODM.

If the CODM uses only one measure of a segment's assets in assessing segment performance and allocating resources, an entity discloses that measure. However, unlike measures of segment profit or loss (see Section 4.3), if the CODM uses multiple asset measures, the entity can report only the measure that is most consistent with U.S. GAAP measurement principles.

If the CODM is not provided with segment asset information, an entity must disclose that and explain the reason for not providing such information.

Once an entity has determined any applicable asset measure for each segment, the entity must also disclose on an annual and interim basis **all** the items below if the specified amounts are included in the measure of segment assets **or**, if not included in the measure of segment assets, are regularly provided to the CODM.

- ▶ Total investment in equity method investees
- ▶ Total expenditures for additions to long-lived assets other than:
 - Financial instruments
 - Long-term customer relationships of a financial institution
 - Mortgage and other servicing rights
 - Deferred policy acquisition costs
 - Deferred tax assets

Lastly, an entity must provide **all** the following qualitative disclosures about segment assets:

- ▶ Basis of accounting for intersegment transactions
- ▶ Nature of differences between the measurements of the reportable segment's assets and the consolidated assets (if not apparent from the reconciliation discussed in Section 4.5)
- ▶ Nature and effect of any asymmetrical allocations to segments (for example, allocating depreciation expense but not allocating depreciable assets to a segment)

4.5 RECONCILIATIONS



FASB REFERENCES

ASC 280-10-50-20, ASC 280-10-50-28C, ASC 280-10-50-30 through 50-31, ASC 280-10-50-32(f), and ASC 280-10-55-49 through 55-50

Some measures reported in segment disclosures might not be consistent with U.S. GAAP because ASC 280 requires that an entity report the amounts provided to the CODM (see Sections 4.3 and 4.4). Therefore, ASC 280 requires an entity to provide specific reconciliations for each reportable segment. While segment disclosures are required for each period

for which an income statement is presented, an entity must provide reconciliations of balance sheet amounts for reportable segments to consolidated balance sheet amounts only for each year for which a balance sheet is presented. The table below summarizes the required reconciliations.

RECONCILIATION	REQUIREMENT	ADDITIONAL CONSIDERATIONS
The total of reportable segments' revenues to consolidated revenues	Annual	Segment revenue disclosed might include intersegment revenue, which must be eliminated in consolidation. Therefore, segment revenue might differ from consolidated revenue.
The total of the reportable segments' amount for each measure of profit or loss to consolidated income before income taxes and discontinued operations	Annual and interim	A reconciling item between the total amount for segments' profit or loss might be intersegment profit, which would be eliminated in consolidation. If the entity allocates items such as income taxes to its segments, it can choose to reconcile the total of segments' measure of profit or loss to consolidated income after those items rather than consolidated income before income taxes and discontinued operations.
The total of the reportable segments' assets to consolidated assets	Annual	An entity might not allocate centrally used assets such as corporate headquarters, which therefore would be a reconciling item.
The total of the reportable segments' amounts for each other significant item to the corresponding consolidated amount	Annual	ASC 280 does not require an entity to reconcile significant segment expenses and other segment items (see Sections 4.3.4 and 4.3.5) to the corresponding consolidated amount in the financial statements.
The total of the reportable segments' liabilities, if disclosed, to consolidated liabilities	Annual	An entity is not required to disclose total liabilities; however, it might do so if it considers liabilities significant. If total liabilities are disclosed for a reportable segment, they must be reconciled to the consolidated balance sheet.

Lastly, all significant reconciling items must be separately identified and described (for example, significant adjustments to reconcile accounting methods in determining segment profit or loss to the consolidated income statement).



SEC STAFF INSIGHTS

Disclosure of non-GAAP measures, unless expressly permitted by U.S. GAAP, is prohibited by Item 10(e) of Regulation S-K. Question 104.04 of the SEC staff's CFI on non-GAAP measures indicates that the presentation of segment EBITDA in any context other than the required ASC 280 reconciliation is a non-GAAP measure and therefore is not permitted in the financial statements. That means an entity must not reconcile the total of the reportable segments' amount for each measure of profit or loss to consolidated EBITDA and further reconcile consolidated EBITDA to pretax income because doing so will introduce an EBITDA measure that is not required by ASC 280. For more guidance, see questions 104.01 – 104.06 of the SEC staff's CFIs on non-GAAP measures.

Additionally, at the 2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff observed that including the following information in the required reconciliations can result in disclosures that are not required by ASC 280 and therefore, result in disclosing non-GAAP information in the financial statements:

- ▶ A consolidated measure of segment profit or loss that adds amounts for reportable and nonreportable segments to corporate and other amounts
- ▶ Total or consolidated significant segment expenses and other segment items
- ▶ Subtotals that introduce additional measures of segment profit or loss without providing the required segment disclosures (see Section 4.3)
- ▶ Groupings for some, but not all, reportable segments when these segments have not been aggregated (see Section 3.2)
- ▶ Subtotals that include some but not all reportable segments that also include some corporate costs and eliminations

Example 4-7 illustrates the segment assets and other significant items reconciliation requirements.

EXAMPLE 4-7 (ADAPTED FROM ASC 280-10-55-49 THROUGH 55-50): SEGMENT ASSETS AND OTHER SIGNIFICANT ITEMS RECONCILIATIONS

An entity that does not have discontinued operations discloses the following reconciliations in its annual financial statements in accordance with ASC 280-10-50-30(c) through 30(d):

ASSETS	CONSOLIDATED TOTALS
Total assets for reportable segments	\$ 79,000
Other assets	2,000
Elimination of receivables from corporate headquarters	(1,000)
Goodwill not allocated to segments	4,000
Other unallocated amounts	1,000
Consolidated total	<u>\$ 85,000</u>

OTHER SIGNIFICANT ITEMS	SEGMENT TOTALS	ADJUSTMENTS ^[a]	CONSOLIDATED TOTALS
Interest revenue	\$ 7,750	\$ 75	\$ 7,825
Interest expense	5,750	(50)	5,700
Expenditure 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

[a] 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 4-7A demonstrates an entity's reconciliation of its measures of segment profitability to consolidated income.

EXAMPLE 4-7A: RECONCILIATION OF SEGMENT PROFIT OR LOSS TO CONSOLIDATED PRETAX INCOME

An entity that uses EBITDA (a non-GAAP measure) as its only measure of segment profitability may include the following reconciliation in its financial statements:

DESCRIPTION	AMOUNT
Segment 1 EBITDA	\$ 400
Segment 2 EBITDA	100
Total Segment EBITDA	500
Unallocated corporate expenses	(80)
Depreciation and amortization	(40)
Interest expense	(20)
Consolidated pretax income	\$ 360

The entity cannot present a consolidated EBITDA subtotal in the reconciliation because that measure is not required to be disclosed by U.S. GAAP. However, an entity may present a subtotal of the same non-GAAP measures (for example, EBITDA) for all segments when reconciling the segment measures of profit or loss to consolidated pretax income.

4.6 DISCLOSURES ABOUT EQUITY METHOD INVESTMENTS



FASB REFERENCES

ASC 280-10-50-22(g), ASC 280-10-50-25(a), and ASC 280-10-55-8

ASC 280 requires an entity to disclose its investment in and equity in the net income of investees accounted for by the equity method. An entity can have a reportable segment that is an equity method investment (see Sections 2.4.4 and 3.3.5).

An entity must disclose information about the equity method investment based on the way the information is provided to the CODM. For example, if the CODM reviews total revenue of the equity method investee, the entity must provide the segment disclosures using that information **and** must:

- ▶ Disclose the investee's accounting policy for segment reporting
- ▶ Eliminate the investee's revenue and expenses in reconciling to consolidated results
- ▶ Disclose the investment and equity in the investee's net income

For a complete discussion of disclosures applicable to equity method investments, see BDO's Blueprint, [Equity Method Investments Under ASC 323](#).

BDO INSIGHT 4-10: DISCLOSURES ABOUT EQUITY METHOD INVESTMENTS

An entity generally must provide all segment disclosures for an equity method investment that is a reportable segment. The segment information disclosed is based on the information the CODM uses to assess performance and allocate resources. In many instances, that information could be limited to items such as the investor's share of the investee's net income and the cumulative investment. However, if the CODM uses other financial information for the investee (such as revenue, total profit or loss, or total assets), it might be appropriate to provide segment disclosures based on that information. Determining segment disclosures for an equity method investment requires the application of professional judgment based on the facts and circumstances.

4.7 INTERIM REPORTING



FASB REFERENCES

ASC 220-20-45-1 and ASC 280-10-50-32 through 50-33

An entity must disclose current-quarter, year-to-date, and comparable prior-year amounts for the items in the table below for each reportable segment.

DISCLOSURE REQUIREMENT	REFERENCE
Segment profit or loss measures(s)	Section 4.3
The following if the specified amounts are included in the measure of segment profit or loss or, if not included in the measure of segment profit or loss, are regularly provided to the CODM: ▶ Revenue from external customers ▶ Intersegment revenue ▶ Interest revenue and expense ▶ Depreciation, depletion, and amortization expense ▶ Material events or transactions the entity considers unusual in nature or infrequent in occurrence ▶ Equity in the net income of equity method investees ▶ Income tax expense or benefit ▶ Significant noncash items other than depreciation, depletion, and amortization expense	Section 4.3
Significant segment expenses if regularly provided to the CODM and included in the reported measure of segment profit or loss	Section 4.3.4
Other segment items and a description of their composition	Section 4.3.5
Measure of segment assets if provided to the CODM	Section 4.4
The following if the specified amounts are included in the measure of segment assets or, if not included in the measure of segment assets, are regularly provided to the CODM: ▶ Total investment in equity method investees ▶ Total expenditures for additions to long-lived assets	Section 4.4
Reconciliation of segment profit or loss to consolidated income before income taxes and discontinued operations. An entity can reconcile segment profit or loss to consolidated net income if it allocates income taxes to segments.	Section 4.5
A description of differences from the most recent annual financial statements in the basis of segmentation or in measurement of profit or loss	Section 4.3



FASB PROJECT: INTERIM REPORTING

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270) – Narrow-Scope Improvements*, to improve the navigability of the required interim disclosures and clarify when that guidance applies. The amendments updated some cross-references between ASC 270 and ASC 280 but did not change the interim disclosure requirements about segments. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, for public business entities. Early adoption is allowed. For more information, see BDO's Bulletin: [FASB Clarifies Interim Reporting Guidance](#).

4.8 RECASTING PRIOR-PERIOD INFORMATION



FASB REFERENCES

ASC 280-10-50-29(d), ASC 280-10-50-34 through 50-36, and ASC 280-10-55-17 through 55-18

Changes in reportable segments are initially reported in the period the change occurs. For example, an entity that identifies a change in its reportable segments in the first quarter of the year before the release of the most recent year-end annual financial statements does not recast segment disclosures in those annual financial statements. Instead, it reflects the change in its first quarter financial statements and generally must recast prior-period disclosures to reflect the new segment structure. Specific considerations apply to discontinued operations and disposals (see Section 4.8.1) and SEC filings (see Section 4.8.2). See Section 3.4.3 for guidance on identifying segment changes.

Unless it is impracticable to do so, ASC 280 requires an entity to recast prior-period segment information, including interim-period information, when the entity changes **either**:

- ▶ Its internal organization structure affecting the composition of reportable segments
- ▶ Segment information regularly provided to the CODM affecting the significant segment expense categories

An entity must disclose that it has recast prior-period segment information to conform to the current-year presentation. If recasting prior-period information is impracticable, an entity must disclose segment information, including significant expense amounts and categories, under both the new and old bases of segmentation in the year when the change occurs. Under ASC 280, recasting is impracticable if the necessary information is not available and the cost to develop it would be excessive.

An entity is **not** required to recast prior-period segment information for a change in measurement methods used to determine reported segment profit or loss. However, it is preferable to provide all segment information on a comparable basis to the extent practicable. If prior-period information is not recast, ASC 280 still requires disclosure of the nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss, including:

- ▶ Significant changes from prior periods to the measurement methods of expenses
- ▶ The method for allocating expenses to a segment or changes in the methods for allocating centrally incurred expenses
- ▶ Any effect of those changes on the measure of segment profit or loss



MONITOR AND ASSESS ORGANIZATIONAL CHANGES

An entity must monitor organizational changes such as acquisitions, disposals, and other restructuring events and assess whether such changes affect segment identification and reporting. Determining whether segments have changed requires the application of professional judgment based on the facts and circumstances. See Sections 3.3.4, 3.4.3 and 4.8.1.

BDO INSIGHT 4-11: APPLYING THE IMPRACTICABILITY EXCEPTION IS UNUSUAL IN PRACTICE

ASC 280 provides an impracticability exception to recasting prior period segment information, using the fundamental reorganization of an entity as an example. However, we believe applying the exception will be unusual in practice. In most cases, an entity can recast all or part of the segment information in accordance with ASC 280-10-50-34. An entity that concludes it is unable to recast prior-period segment information should be prepared to support its conclusion with adequate documentation.

EXAMPLE 4-8 (ADAPTED FROM ASC 280-10-55-17A): DISCLOSURE OF CHANGE IN THE SEGMENT INFORMATION REGULARLY PROVIDED TO THE CODM**FACTS**

An entity with multiple segments includes the following when reporting segment results to its CODM:

- ▶ In the current period, the entity specifies an amount for research and development (R&D) expense by segment that is included in reported segment profit or loss.
- ▶ In the prior period, that information was not regularly provided to the CODM.

CONCLUSION

The entity must disclose R&D expense by segment if significant and recast the prior-period segment expense information to conform to current-period presentation.

ANALYSIS

ASC 280 requires an entity to recast prior-period segment information, including interim-period information, when the entity changes segment information regularly provided to the CODM affecting the significant segment expense categories. Thus, the entity must:

- ▶ Disclose R&D expense by segment in the current period if it is a significant segment expense (see Section 4.3.4).
- ▶ Recast the prior-period segment expense information to conform to current-period presentation unless it is impracticable to do so. If it is impracticable to do so, the entity must disclose the information described in ASC 280-10-50-35.

EXAMPLE 4-9: (ADAPTED FROM BC85 OF ASU 2023-07): DISCLOSURE OF CHANGE IN EXPENSE ALLOCATION METHOD**FACTS**

An entity with multiple segments manages its pension obligation at the corporate level. For reporting segment results to its CODM:

- ▶ In the current period, the entity allocates pension expense to its segments based on each segment's salary expense relative to consolidated salary expense.
- ▶ In prior periods, the entity allocated pension expense to its segments based on cash payments made to the pension plan.

CONCLUSION

The entity must disclose the change in pension expense allocation method.

ANALYSIS

ASC 280 requires an entity to disclose the nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss. Thus:

- ▶ The entity must disclose that it changed the method it uses to allocate pension expense from allocating expense based on cash payments made to the pension plan to allocating expense based on each segment's salary expense relative to consolidated salary expense.
- ▶ Further, it is preferable to show all segment information on a comparable basis to the extent practicable. Although recasting is not required to reflect a change in measurement of segment profit or loss, the entity may elect to recast the allocations of pension expense in prior periods.

4.8.1 Discontinued Operations and Disposals**FASB REFERENCES**

ASC 205-20-50-1 through 50-7, ASC 280-10-55-7, and ASC 280-10-55-19

As discussed in Section 2.4.5, an entity generally should evaluate whether a discontinued operation meets the criteria to be an operating segment and, if applicable, a reportable segment (see Chapter 3). However, when an entire reportable segment is reported as a discontinued operation, an entity is exempt from providing the segment disclosures for the discontinued operation. Instead, the entity must provide the disclosures required by ASC 205-20-50-1 through 50-7.

Further, an entity does not have to recast prior-period segment information for disposal of a component that was previously disclosed as a reportable segment but that does not meet the criteria to be reported in discontinued operations. In other words, an entity can continue to disclose the historical segment information for the disposed segment up through the date of disposition.

BDO INSIGHT 4-12: DISCONTINUED OPERATIONS AFFECTING PART OF A SEGMENT OR MULTIPLE SEGMENTS

A discontinued operation might be a reportable segment, an operating segment, or a component of an operating segment. Some discontinued operations include components of several reportable segments. In those situations, we believe an entity should not include any discontinued operations in the disclosure of segment information for the period in which the component is classified as a discontinued operation. The entity should also recast segment information for periods before the measurement date of a discontinued operation that is part of a reportable segment to reflect the discontinued operation reclassification.

4.8.2 SEC Reporting Considerations**SEC STAFF GUIDANCE**

Topic 13 of the Financial Reporting Manual



FASB REFERENCES

ASC 855-10-25-4

As discussed in Section 4.8, ASC 280 requires an entity to recast prior-period segment information when it changes its internal organizational structure in a way that affects the composition of its reportable segments unless doing so is impracticable. An SEC registrant reflects a change in segments and recasts prior-period segment information in the quarterly or annual report (for example, Form 10-Q or 10-K) for the period in which the change occurs, and in each quarterly and annual report thereafter. Typically, financial statements issued for periods before the change in reportable segments (pre-event financial statements) are not affected until the next quarterly or annual report is filed.

However, when pre-event financial statements are reissued after a change in segments is reflected in a quarterly report but before the change in segments is reflected in an annual report, a registrant might need to retrospectively revise the segment information in the pre-event annual financial statements to reflect the new reportable segments. That might occur when pre-event financial statements are included in, or incorporated by reference into, a registration statement or proxy statement.⁸ Although the discussion and examples below focus on domestic forms, foreign private issuers preparing segment disclosures under ASC 280 in financial statements filed on foreign forms (for example, Form 20-F) should apply the same concepts.

EXAMPLE 4-10: CHANGE IN SEGMENTS AFTER BALANCE SHEET DATE**FACTS**

- ▶ A registrant filed its Form 10-K for the year ended December 31, 20X4 in February 20X5.
- ▶ In January 20X5, before filing its Form 10-K, the registrant changed its internal organization structure, which resulted in a change to its reportable segments.
- ▶ The registrant will not file a registration statement or proxy statement.

CONCLUSION

The registrant must present the new reportable segments and recast prior-period segment information beginning with its quarterly report on Form 10-Q for the quarter ended March 31, 20X5.

ANALYSIS

Although the change in reportable segments occurred before the Form 10-K was filed, the registrant does not present information reflecting the new reportable segments until the period in which the change occurred. Accordingly, the registrant will present the new reportable segments and recast the prior-period segment information in its 2025 Forms 10-Q and its 2025 Form 10-K.

4.8.2.1 Registration Statements and Proxy Statements

If reportable segments change after the most recent audited balance sheet date and the change is reflected in interim financial statements included in, or incorporated by reference into, a registration statement (other than Form S-8) or a proxy statement, a registrant must recast the segment information in the annual financial statements included or incorporated by reference. A registrant should also update other affected information, such as the business description and MD&A. However, if the change in segments has not yet been reflected in the interim financial statements included or incorporated by reference, a registrant is not required to recast the annual financial statements.

If a registrant must recast its annual financial statements for a change in segments and those statements are incorporated by reference in a registration statement (other than Form S-8) or a proxy statement, the registrant

⁸ ASC 855-10-25-4 addresses the reissuance of financial statements. Also, Form S-3, Item 11(b)(ii), addresses the requirement to retrospectively revised financial statements and, consistent with SEC staff practice, includes a change in reportable segments.

typically files the retrospectively adjusted financial statements (and other affected information, such as the business description and MD&A) on Form 8-K. The Form 8-K is then incorporated by reference into the registration statement. A registrant is not required to revise previously filed interim financial statements included in Forms 10-Q that are incorporated by reference because the most recent Form 10-Q presents the new reportable segments and recasts the prior periods.

A registrant generally should not amend its Form 10-K (by filing a Form 10-K/A) solely to recast annual financial statements for a change in reportable segments. However, if a registrant files a Form 10-K/A to correct a material error, the SEC staff will not object if the registrant also presents the change in segments in the Form 10-K/A, provided the change has already been reflected in a subsequently filed Form 10-Q. In that case, the registrant must clearly distinguish between the correction of the error and the change in segments in the Form 10-K/A.

When a registration statement (other than Form S-8) or a proxy statement includes financial statements that reflect a change in segments, the registrant must recast the included financial statements and update related information, such as the business description and MD&A, to reflect the change in segments.

EXAMPLE 4-11: FILING A REGISTRATION STATEMENT AFTER A CHANGE IN SEGMENTS IS PRESENTED

FACTS

Assume the same facts as Example 4-10 except:

- ▶ The registrant plans to file a registration statement in July 20X5.
- ▶ The registration statement will incorporate by reference the registrant's Form 10-K for the year ended December 31, 20X4, and Form 10-Q for the quarter ended March 31, 20X5.

CONCLUSION AND ANALYSIS

Because the change in segments occurred during the quarter ended March 31, 20X5, the segment information included in the registrant's Form 10-Q presents the new reportable segments and recasts the prior-period segment information. The registration statement incorporates by reference the registrant's Form 10-Q reflecting the change in segments. As such, the registrant must retrospectively revise its financial statements included in the Form 10-K for the change in segments. To do so, the registrant will file the revised annual financial statements reflecting the change in segments on Form 8-K, which will be incorporated by reference into the registration statement. The registrant does not amend its previously filed Form 10-K to retrospectively revise the segment information.

EXAMPLE 4-12: FILING A REGISTRATION STATEMENT BEFORE A CHANGE IN SEGMENTS IS PRESENTED

FACTS

Assume the same facts as Example 4-10 except:

- ▶ The registrant plans to file a registration statement in March 20X5 before filing its Form 10-Q for the quarter ended March 31, 20X5.
- ▶ The registration statement will incorporate by reference the registrant's Form 10-K for the year ended December 31, 20X4.

CONCLUSION AND ANALYSIS

The registration statement does not incorporate by reference the registrant's financial statements reflecting the change in segments because the registration statement is filed before the registrant's Form 10-Q for the quarter ended March 31, 20X5. Therefore, the registrant is not required to retrospectively revise the segment information in its financial statements included in the Form 10-K and incorporated by reference into the registration statement.

4.8.2.1.1 Form S-8



SEC STAFF GUIDANCE

SEC Staff CFI, Securities Act Forms Question 126.40

Unlike Form S-3, Form S-8 does not require a registrant to retrospectively revise financial statements incorporated by reference to reflect a change in reportable segments. Instead, Form S-8 requires disclosure of “material changes in the registrant’s affairs.” Accordingly, a registrant generally does not have to retrospectively revise previously issued financial statements in Form S-8. However, the registrant and its legal counsel must determine whether a material change has occurred that requires disclosure in Form S-8. If a change in reportable segments is not considered a material change, the financial statements incorporated by reference into the registration statement or proxy statement are not retrospectively revised.

4.8.2.2 Already Effective Registration Statements



SEC RULES AND REGULATIONS

Rule 415 of the Securities Act of 1933 and Rule 512 of Regulation S-K

Under Rule 415 of the Securities Act of 1933, an eligible registrant can file a shelf registration statement to register securities for future offerings rather than filing a new registration statement for each offering. Those delayed or continuous offerings allow registrants to take securities “off the shelf” when market conditions are favorable (they are also referred to as “shelf takedowns”). Typically filed on Form S-3, a shelf registration statement incorporates by reference the registrant’s periodic reports (for example, Forms 10-K, 10-Q, and 8-K).

Before taking securities off the shelf, a registrant must assess whether a fundamental change has occurred since the registration statement became effective (or since the latest post-effective amendment). If a fundamental change has occurred, Item 512 of Regulation S-K requires the registrant to amend the registration statement. Determining whether an event constitutes a fundamental change is a legal judgment, so a registrant should consult its legal advisors when making that assessment.

When a registrant determines that a change in reportable segments is not a fundamental change, it does not recast financial statements incorporated by reference into the registration statement.

A post-effective amendment to a registration statement is considered a new filing.⁹ See Section 4.8.2.1 for requirements regarding the retrospective revision of segment information in financial statements included in, or incorporated by reference into, a post-effective amendment.

4.8.2.3 Private Placement Offerings

An exempt offering by an SEC registrant refers to the sale of securities that does not require registration with the SEC under the Securities Act.

⁹ Financial Reporting Manual 1220.10.

BDO INSIGHT 4-13: PRIVATE PLACEMENT OFFERINGS

If reportable segments change after the most recent audited balance sheet date and that change is reflected in interim financial statements included in, or incorporated by reference into, a private placement offering, we believe a registrant should consider whether the financial statements are included (see Section 4.8.2.1) or incorporated by reference (see Section 4.8.2.2).

4.9 INTERACTION WITH OTHER GUIDANCE**FASB REFERENCES**

ASC 205-20-50-1(d), ASC 280-10-60-1 through 60-5, ASC 350-20-50-1 through 50-1A, ASC 350-30-50-3(d), ASC 360-10-50-2(d), ASC 360-10-50-3(f), ASC 420-10-50-1(d), ASC 606-10-50-5 through 50-6, ASC 606-10-55-90, and ASC 805-30-50-1(e)

Other accounting topics also require disclosures by segment. The table below summarizes key requirements. Entities in the scope of specific industry topics should also refer to those topics for industry segment disclosure requirements.

TOPIC	DISCLOSURE REQUIREMENT	FREQUENCY
ASC 205-20, <i>Discontinued Operations</i>	Any segments in which the discontinued operation is reported	The period in which a discontinued operation either has been disposed of or is classified as held for sale
ASC 350-20, <i>Goodwill</i>	An entity must disclose changes in the carrying amount of goodwill for each reportable segment (and in total), showing separately: ▶ The gross amount and accumulated impairment losses at the beginning of the period ▶ Additional goodwill recognized during the period (except goodwill included in a disposal group) that on acquisition meets the criteria to be classified as held for sale ▶ Adjustments resulting from the subsequent recognition of deferred tax assets during the period ▶ Goodwill included in a disposal group classified as held for sale and goodwill derecognized during the period without having previously been reported in a disposal group classified as held for sale ▶ Impairment losses recognized during the period ▶ Net foreign currency exchange differences arising during the period ▶ Any other changes in the carrying amounts during the period	Each period for which a balance sheet is presented

TOPIC	DISCLOSURE REQUIREMENT	FREQUENCY
	▶ The gross amount and accumulated impairment losses at the end of the period An entity must also disclose any changes in the allocation of goodwill by reportable segment, as well as any portion of goodwill not yet allocated to a reporting unit and the reasons for not allocating that amount. An entity must disclose the amount of goodwill allocated to a reporting unit with zero or negative carrying amounts of net assets and the reportable segment that includes the reporting unit. See Section 6.2.3 in BDO's Blueprint, Impairments Under ASC 350 and ASC 360, for more guidance.	
ASC 350-30, <i>General Intangibles Other Than Goodwill</i>	For each impairment loss, the segment in which the impaired intangible asset is reported. See Section 6.2.4.1 in BDO's Blueprint, Impairments Under ASC 350 and ASC 360 , for more guidance.	The period in which the impairment loss is recognized
ASC 360, <i>Property, Plant and Equipment Other Than Goodwill</i>	▶ For each impairment loss, the segment in which the impaired long-lived asset is reported. ▶ Any segments in which a long-lived asset (disposal group) is reported. See Section 6.2.5.1 in BDO's Blueprint, Impairments Under ASC 350 and ASC 360, for more guidance.	▶ The period in which the impairment loss is recognized ▶ Any period in which a long-lived asset (disposal group) has been disposed of or is classified as held for sale
ASC 420, <i>Exit or Disposal Cost Obligations</i>	For each reportable segment, all the following: ▶ The total amount of costs expected to be incurred in connection with the exit or disposal activity ▶ The amount incurred in the period ▶ The cumulative amount incurred to date, net of any adjustments to the liability, with an explanation of any reasons	The period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed
ASC 606, <i>Revenue From Contracts With Customers</i>	▶ An entity must disclose sufficient information to enable financial statement users to understand the relationship between the disaggregated revenue disclosures in accordance with ASC 606 (see BDO's Blueprint, Revenue Recognition Under ASC 606) and segment revenue disclosures in accordance with ASC 280. ▶ When selecting the categories to use to disaggregate revenue in accordance with ASC 606, an entity should consider how information about its revenue has been presented for other purposes, including:	Each period for which an income statement is presented

TOPIC	DISCLOSURE REQUIREMENT	FREQUENCY
	• Disclosures presented outside the financial statements, such as earnings releases, annual reports, or investor presentations • Information regularly reviewed by the CODM for evaluating the financial performance of operating segments • Other information used by the entity or the financial statement users to evaluate financial performance or allocate resources.	
ASC 805, <i>Business Combinations</i>	Disclose the amount of goodwill by reportable segment. If the assignment of goodwill to reporting units has not been completed as of the date the financial statements are issued or are available to be issued, the acquirer must disclose that. See Section 8.6.5.6 in BDO's Blueprint, Business Combinations Under ASC 805 for more guidance.	For each business combination that occurs during the period

4.10 ILLUSTRATIVE EXAMPLES

Examples 4-13 and 4-14 illustrate the segment disclosure requirements in ASC 280.



EXAMPLE 4-13: ILLUSTRATION OF DISCLOSURE REQUIREMENTS (QUOTED FROM ASC 280-10-55-46 THROUGH 55-48)

Example 3: Illustrative Disclosures

ASC 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 Segments

ASC 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 measures of the segment's 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

ASC 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 (a)	\$ 3,000	\$ 5,000	\$ 9,500	\$ 12,000	\$ 5,000	\$ 34,500
Intersegment revenues	—	—	3,000	1,500	—	4,500
	3,000	5,000	12,500	13,500	5,000	39,000
Reconciliation of revenue						
Other revenues (b)						1,000
Elimination of intersegment revenues						(4,500)
Total consolidated revenues						\$ 35,500
Less: Cost of revenue (c)	1,700	3,100	2,000	6,800	—	
Less: Segment gross profit (d)	1,300	1,900	10,500	6,700	—	\$ 20,400
Less: (c)						
R&D	—	—	3,300	—	—	
Nonmanufacturing payroll (e)	500	900	2,600	2,700	750	
Professional services	—	—	1,700	500	800	
Interest expense (finance segment)	—	—	—	—	3,000	
Other segment items (f)	700	1,130	2,300	1,600	(50)	
Segment profit (loss)	100	(130)	600	1,900	500	\$ 2,970
Reconciliation of segment profit (loss)						
Other profit or loss (b)						100
Interest income, net (excluding finance segment) (g)						1,125
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 segment gross profit						
Total segment gross profit						\$ 20,400
Segment operating expenses, net (excluding finance segment) (h)						(17,930)
Segment profit (finance segment)						500
Other profit or loss (b)						100
Interest income (expense), net (excluding finance segment) (g)						1,125
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) External revenues for the finance segment relate to interest and noninterest income.
- (b) Revenue from segments below the quantitative thresholds are attributable to four operating segments of the entity. Those segments include a small real estate business, electronics equipment rental business, software consulting practice, and 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 CODM. Intersegment expenses are included in the amounts shown.
- (d) For the finance segment, the CODM 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) Nonmanufacturing payroll expense does not include amounts capitalized on the balance sheet or included in other expense categories.
- (f) Other segment items for each reportable segment include:
- ▶ Auto parts: maintenance and repairs, professional services, and some overhead expenses
 - ▶ Motor vessels: marketing, professional services, occupancy, and some overhead expenses
 - ▶ Software: depreciation and amortization, travel, office supplies, and some overhead expenses
 - ▶ Electronics: depreciation and amortization, marketing, occupancy, and some overhead expenses
 - ▶ Finance: depreciation and amortization, property tax, and some overhead expenses and other gains or losses.
- (g) Interest income (expense), net (excluding finance segment) of \$1,125 consists of (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 R&D, nonmanufacturing payroll, and professional services expenses and other segment items for the auto parts, motor vessels, software, and electronics segments.

Other Significant Disclosures (See ASC 280-10-50-22 and ASC 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 billing 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.

EXAMPLE 4-14 (ADAPTED FROM ASC 280-10-55-53 THROUGH 55-55): SINGLE REPORTABLE SEGMENT ENTITY

A single reportable segment entity discloses the information in the table below to comply with ASC 280 qualitative segment disclosures. This example does not illustrate the entity-wide disclosures (see Chapter 5) or segment assets disclosures (see Section 4.4) required by ASC 280.

DISCLOSURE REQUIREMENT	EXAMPLE DISCLOSURE
Description of the types of products and services from which the reportable segment derives its revenue (ASC 280-10-50-21(b))	The software segment derives revenue from customers by providing access to cloud computing applications under SaaS 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.

DISCLOSURE REQUIREMENT	EXAMPLE DISCLOSURE
Measure of segment profit or loss and assets (ASC 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 CODM assesses performance for the software segment and decides how to allocate resources based on consolidated net income as reported on the income statement. The measure of segment assets is reported on the balance sheet as total consolidated assets.
Explanation of how the CODM uses the reported measure of segment profit or loss (ASC 280-10-50-29(f))	The CODM 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 CODM also uses net income in competitive analysis by benchmarking to our competitors. The competitive analysis and the monitoring of budgeted versus actual results are used in assessing the segment's performance and in establishing management's compensation.
Intersegment revenue if included in the measure of segment profit or loss or if regularly provided to the CODM (ASC 280-10-50-22(b))	The company does not have intra-entity sales or transfers.
Factors that management used to identify the reportable segments (ASC 280-10-50-21(a))	The company has one reportable segment: software, which provides cloud computing services to customers under SaaS arrangements. The company derives revenue primarily in North America and manages the business activities on a consolidated basis. The technology used in customer arrangements is based on a single software platform that is deployed to and implemented by customers in a similar manner.
Title and position of the individual or name of the group or committee identified as the CODM (ASC 280-10-50 21(c))	The CODM is the senior executive committee that includes the chief executive officer, chief financial officer, and chief operating officer.

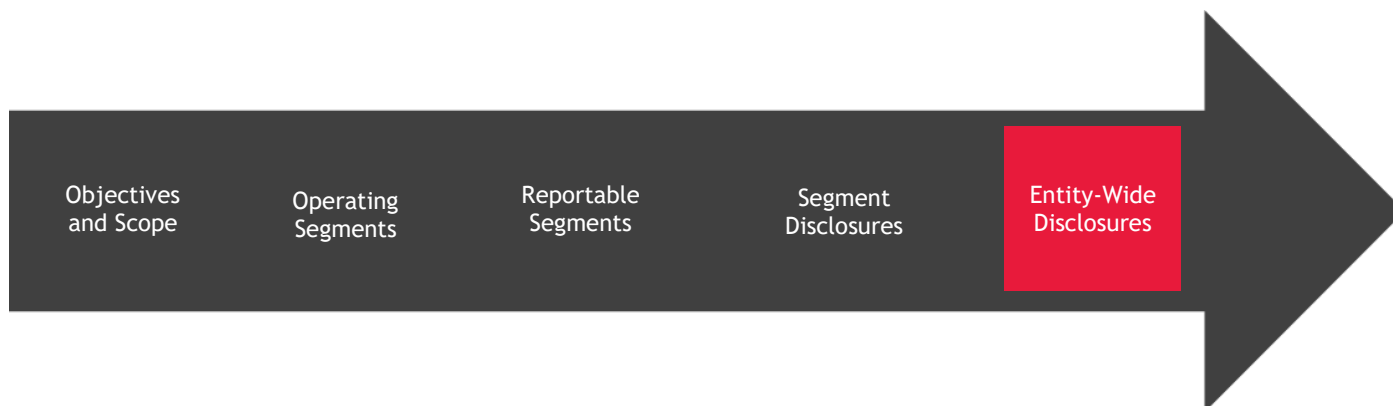
The entity discloses the information in the table below to comply with the disclosure requirements about segment revenue, segment profit or loss, significant segment expenses, and other segment items. It does not illustrate comparative disclosures. The amounts are actual amounts from management's reports regularly provided to the CODM.

		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	<u>\$ 6,050</u>

SOFTWARE SEGMENT	
Reconciliation of profit or loss	
Segment net income	\$ 6,050
Adjustments and reconciling items	—
Consolidated net income	<u>\$ 6,050</u>

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

Chapter 5: Entity-Wide Disclosures



5.1 OVERVIEW



FASB REFERENCES

ASC 280-10-50-38 through 50-39

ASC 280 requires an entity to disclose entity-wide information about its:

- ▶ Products and services (see Section 5.2)
- ▶ Geographic areas (see Section 5.3)
- ▶ Major customers (see Section 5.4)

The entity-wide disclosures are required annually; apply to all public entities, including those with a single reportable segment; and can be provided either within the required segment disclosures (see Chapter 4) or separately. The entity-wide disclosures are intended to provide some comparability among public entities. The FASB has acknowledged that not all entities organize their segments by products and services or geographic areas. For example, an entity may have revenue from a variety of products or services, or several of the entity's reportable segments may have revenue from the same products or services. Similarly, an entity's segments may hold assets in different geographic areas and report revenue from customers in different geographic areas, or more than one of its segments may operate in the same geographic area.

The entity-wide disclosures are based on information used to prepare the entity's consolidated financial statements. Therefore, those disclosures are not determined based on the management approach used to prepare the segment disclosures discussed in Chapter 4. In other words, an entity must disclose entity-wide information even if the CODM does not use that information to assess performance and allocate resources to the entity's reportable segments.

5.2 INFORMATION ABOUT PRODUCTS AND SERVICES



FASB REFERENCES

ASC 280-10-05-5 and ASC 280-10-50-40

An entity must report revenue from external customers for each product and service or each group of similar products and services unless impracticable. If providing the information is impracticable, an entity must disclose that. Also, the revenue amounts reported must be based on the financial information used to prepare the entity's consolidated financial statements.



SEC STAFF INSIGHTS

At the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff stated that it has objected to segment revenues from external customers presented on an adjusted or alternative basis.

BDO INSIGHT 5-1: APPLYING THE IMPRACTICABILITY EXCEPTION IS UNUSUAL IN PRACTICE

While ASC 280 provides an impracticability exception to disaggregating customer revenue by product or service, we believe applying that exception will be unusual in practice. In most cases, an entity can disaggregate product and service revenue in accordance with ASC 280-10-50-40. An entity that concludes it is unable to disaggregate the information should be prepared to support its conclusion with adequate documentation.

BDO INSIGHT 5-2: SIMILAR PRODUCTS AND SERVICES

ASC 280 does not provide specific guidance on how to determine groups of similar products, so an entity must use judgment. An entity with a narrow product line might not consider two products to be similar, whereas an entity with a broader product line might consider the same two products to be similar. For example, a highly diversified entity may consider all consumer products similar if it has other businesses such as financial services and construction. However, an entity that sells only consumer products might consider clothing to be different from kitchen supplies.¹⁰

Further, entities that organize their reportable segments by products and services should consider whether the segment disclosures comply with the entity-wide information requirements. For example, entities should consider whether the products and services in a reportable segment are similar such that the segment disclosures also satisfy the entity-wide information disclosure requirements.

¹⁰ FAS 131, BC68

BDO INSIGHT 5-3: QUANTITATIVE THRESHOLDS FOR PRODUCTS AND SERVICES DISAGGREGATION

ASC 280 does not provide quantitative thresholds to determine the level of disaggregation of revenue by products and services. We believe product and service revenue greater than 10% of the entity’s consolidated revenue should be disclosed, consistent with the threshold for major customers (see Section 5.4). However, qualitative factors could indicate that revenue from a specific product or service is material even though it is below 10%; for example, when the revenue is expected to grow as a result of the entity’s stated strategies. Therefore, entities should use professional judgment based on the facts and circumstances.

Example 5-1 illustrates an entity’s disclosure about its products and services.

EXAMPLE 5-1: INFORMATION ABOUT PRODUCTS AND SERVICES

FACTS

A single reportable segment entity is managed on a consolidated basis. The entity has one primary product, accounting system software, and one primary service, accounting system implementation services.

CONCLUSION AND ANALYSIS

In addition to providing segment disclosures (see Chapter 4) and other entity-wide disclosures, the entity discloses the following information about its product and service:

PRODUCT OR SERVICE	REVENUES
Accounting system software	\$ 200,000
Accounting system implementation services	50,000
Total	<u>\$ 250,000</u>

5.3 INFORMATION ABOUT GEOGRAPHIC AREAS



FASB REFERENCES

ASC 280-10-50-41, ASC 280-10-55-20 through 55-25, and ASC 280-10-55-51

ASC 280 requires that an entity disclose the geographic information below unless it is impracticable to do so.

DISCLOSURE REQUIREMENT	DISCLOSURE CONSIDERATIONS
Revenue from external customers attributed to each : ▶ The entity’s country of domicile ▶ All foreign countries in total ▶ Any individual foreign country with material external revenue	An entity may disclose revenue from external customers by geographic area based on the customer’s location, selling location, location of initial delivery, or another reasonable allocation method. An entity must consistently apply and disclose the selected method.

DISCLOSURE REQUIREMENT	DISCLOSURE CONSIDERATIONS
Long-lived assets attributed to: ▶ The entity's country of domicile ▶ All foreign countries in total ▶ Any individual foreign country with material assets Assets subject to this disclosure exclude: ▶ Financial instruments ▶ A financial institution's long-term customer relationships of ▶ Mortgage and other servicing rights ▶ Deferred policy acquisition costs ▶ Deferred tax assets	ASC 280 does not specify which long-lived assets must be disclosed in the geographic information. An entity must apply judgment to determine how to satisfy the objective of the entity-wide disclosures (to provide information about risks and uncertainties in specific geographic areas). The guidance requires disclosure of long-lived assets in geographic areas as opposed to total assets because long-lived assets are difficult to move and are relatively illiquid, thereby increasing risk. The long-lived asset disclosure requirement generally applies to tangible assets that cannot be readily moved, and it generally does not apply to intangible assets. For example, long-lived assets could include property, plant, and equipment; right-of-use assets; and long-term prepaid assets.

The entity's country of domicile is the country where the entity is incorporated and maintains its headquarters. Entities domiciled in the U.S. that have Puerto Rican operations or operations in non-self-governing U.S. territories such as the Virgin Islands and American Samoa must present revenue derived in those geographical areas as revenues from the U.S. However, ASC 280 does not prohibit additional disclosures about Puerto Rican or U.S. territory operations that might be useful in analyzing and understanding an entity's financial statements.

If material, the entity-wide geographic disclosures are required by country. However, entities are not precluded from also presenting subtotals for a group of countries such as Europe or North America. The geographic information must be based on the entity's consolidated financial statements. In other words, entities must disclose the information even if it is not reviewed by or provided to the CODM. Lastly, an entity must disclose if it has not provided the required geographic information because of impracticability.

BDO INSIGHT 5-4: APPLYING THE IMPRACTICABILITY EXCEPTION IS UNUSUAL IN PRACTICE

While ASC 280 provides an impracticability exception to disaggregating geographic information, we believe applying that exception will be unusual in practice. In most cases, an entity can disaggregate geographic information in accordance with ASC 280-10-50-41. An entity that concludes it is unable to disaggregate that information should be prepared to support its conclusion with adequate documentation.

BDO INSIGHT 5-5: MATERIALITY THRESHOLD

ASC 280 does not provide quantitative thresholds to determine the level of disaggregation of revenue and long-lived assets by geographic area. We believe revenue greater than 10% of the entity's consolidated revenue and long-lived assets greater than 10% of the entity's consolidated assets should be disclosed, consistent with the threshold for major customers (see Section 5.4). However, qualitative factors might indicate that revenue and long-lived assets in a specific geographic area are material even though they are below 10%. ASC 280-10-55-51 provides an example in which an entity separately presents revenue for a country with revenues less than 10%. Therefore, entities should use professional judgment based on the facts and circumstances.

Example 5-2 illustrates an entity's disclosure of geographic information.

EXAMPLE 5-2 (ADAPTED FROM ASC 280-10-55-51): GEOGRAPHIC INFORMATION**FACTS**

An entity presents multiple reportable segments based on its products and services, including revenue amounts in accordance with U.S. GAAP. Therefore, the entity does not need to separately disclose entity-wide information about its products and services.

CONCLUSION AND ANALYSIS

In addition to providing segment disclosures (see Chapter 4) and other entity-wide disclosures, the entity discloses the following geographic information:

GEOGRAPHY	REVENUES (a)	LONG-LIVED ASSETS
U.S.	\$ 19,000	\$ 11,000
Canada	4,200	—
Taiwan	3,400	6,500
Japan	2,900	3,500
Other foreign countries	6,000	3,000
Total	\$ 31,000	\$ 24,000

(a) Revenues are attributed to countries based on customer location.

5.4 INFORMATION ABOUT MAJOR CUSTOMERS

**FASB REFERENCES**

ASC 280-10-50-42 and ASC 280-10-55-52

ASC 280 requires disclosures about an entity's reliance on major customers. An entity must disclose if an individual customer's revenue exceeds 10% of the entity's consolidated revenue. The entity must disclose the total revenue from such customers and identify any segments reporting such revenue (see Example 5-3). However, the entity need not disclose the identity of a major customer or the amount of revenue each segment reports from that customer.

A group of entities known to be under common control must be considered a single customer. For example, when an entity sells to at least two of a customer's subsidiaries, the entity must combine the sales to the subsidiaries and then apply the 10% threshold. Different government entities (for example, federal, state, or local) are considered separate customers. However, separate branches or agencies of the same government (for example, the U.S. federal government) are considered a single customer.

**NO IMPRACTICABILITY EXCEPTION FOR MAJOR CUSTOMERS INFORMATION**

Unlike disclosures about products, services, and geographic information, ASC 280 does not provide an impracticability exception for major customers' information. An entity must disclose such information regardless of any challenges in doing so.

Example 5-3 illustrates an entity's disclosure about major customers.

EXAMPLE 5-3 (ADAPTED FROM ASC 280-10-55-52): INFORMATION ABOUT MAJOR CUSTOMERS

A public entity with multiple reportable segments discloses the following information about its major customer:

Revenue from one customer of the company's software and electronics segment represents approximately \$5,000 of the company's consolidated revenue.

5.5 RECASTING ENTITY-WIDE DISCLOSURES

BDO INSIGHT 5-6: RECASTING ENTITY-WIDE DISCLOSURES

ASC 280 does not require entities to update their entity-wide disclosures if there are changes in the current year. However, consistent with the ASC 280 principle for providing comparative segment disclosures, we believe entities should recast entity-wide disclosures to reflect changes. For example, if revenue for a particular product or service become material in the current year, an entity should present the comparative information for that product or service in the prior year.

Appendix A: Other BDO Publications



BDO's Professional Practice — Accounting Group has issued the following Blueprints, which provide detailed accounting guidance, interpretive insights, and practical examples on complex areas of U.S. GAAP:

- ▶ [Accounting for Software Costs](#)
- ▶ [Statement of Cash Flows Under ASC 230](#)
- ▶ [Equity Method Investments Under ASC 323](#)
- ▶ [Revenue Recognition Under ASC 606](#)
- ▶ [Impairments under ASC 350 and ASC 360](#)
- ▶ [Share-based Payments Under ASC 718](#)
- ▶ [Business Combinations Under ASC 805](#)
- ▶ [Control and Consolidation Under ASC 810](#)
- ▶ [Accounting for Leases Under ASC 842](#)
- ▶ [Issuer's Accounting for Complex Financial Instruments](#)

BDO's Professional Practice — SEC Services Group has issued the following Blueprints to help SEC registrants apply the SEC's rules and regulations related to financial reporting:

- ▶ [Guide to Going Public](#)

In addition to Blueprints, BDO's Professional Practice has issued a suite of publications related to U.S. GAAP and SEC rules and regulations:

- ▶ [Bulletins](#): short, timely communications delivering essential news, alerts, and developments in accounting and SEC reporting
- ▶ [Snapshots](#): summaries of SEC rules and regulations
- ▶ [SEC Reporting Insights](#), updated annually
- ▶ [Conference Highlights: Current SEC & PCAOB Developments](#), updated annually
- ▶ [Effective Date Reminders](#), updated annually
- ▶ [Industry Supplements](#)

For more on IFRS, visit BDO's [IFRS and Corporate Reporting](#) website for more information.



Appendix B: Summary of Significant Changes

The following table lists the significant changes in this October 2026 edition of the Blueprint as compared to the December 2025 edition:

SECTION	DESCRIPTION OF CHANGE
3.3.4	Added alert box on segment changes
3.4.3	Added BDO Insight 3-15 on goodwill impairment and alert box on segment changes
4.3.2	Added BDO Insight 4-4 on single reportable segment entities
4.3.6	Added Examples 4-6A and 4-6B
4.5	Added Example 4-7A
4.8	Added alert box on segment changes

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