

Statement of Financial Accounting Standards No. 18

Note: This Statement has been completely superseded

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Financial Reporting for Segments of a Business
Enterprise—Interim Financial Statements

(an amendment of FASB Statement No. 14)

November 1977



Financial Accounting Standards Board
of the Financial Accounting Foundation
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Statement of Financial Accounting Standards No. 18
Financial Reporting for Segments of a Business Enterprise--
Interim Financial Statements
an amendment of FASB Statement No. 14
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FAS 18: Financial Reporting for Segments of a Business Enterprise—Interim Financial Statements

an amendment of FASB Statement No. 14

INTRODUCTION AND BACKGROUND INFORMATION

1. Paragraph 4 of *FASB Statement No. 14*, "Financial Reporting for Segments of a Business Enterprise," issued by the Board in December 1976, provides for the inclusion of segment information in interim financial statements as follows:

If an enterprise issues for an interim period a complete set of financial statements that are expressly described as presenting financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles, this Statement requires that the information referred to in paragraph 3 be included in those interim financial statements. If an enterprise issues for an interim period financial statements that are not a complete set or are otherwise complete but not expressly described as presenting financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles, this Statement does not require that the information referred to in paragraph 3 be included in those interim financial statements.

The alternatives considered by the Board and the basis for its conclusions are set forth in paragraphs 72 and 73 of the Statement.

2. Since the issuance of *FASB Statement No. 14*, the Board has received a number of questions about when the information specified in the Statement is required in financial statements for interim periods. On March 2, 1977, the Board submitted a proposed Interpretation of paragraph 4 of the Statement to the members of the Financial Accounting Standards Advisory Council for comment. That proposed Interpretation included examples of situations in which the "expressly described" test of paragraph 4 was met and segment information was required and other situations in which the "expressly described" test was not met and segment information was not required. A number of the comment letters received from Council members indicated that the proposed Interpretation did not provide adequate clarification and that an amendment of Statement No. 14 was necessary.

3. The Board has the subject of interim financial reporting on its technical agenda. The issues addressed in

that project include consideration of the type of financial information that should be reported for interim periods.

4. The Board has reconsidered the question of whether segment information shall be included in interim financial statements and has decided to eliminate any requirement to report the information specified by *FASB Statement No. 14* in interim period financial statements pending completion of the interim financial reporting project.

5. An Exposure Draft of a proposed Statement on "Financial Reporting for Segments of a Business Enterprise—Interim Financial Statements" was issued on September 20, 1977. Sixty-five letters were received in response to that Exposure Draft, virtually all of which expressed agreement.

6. The Board concluded that on the basis of existing data it can reach an informed decision without a public hearing and that the effective date and transition specified in paragraph 9 are advisable in the circumstances.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Amendment to FASB Statement No. 14

7. The information specified in paragraph 3 of *FASB Statement No. 14* is not required in financial statements for interim periods. Accordingly, Statement No. 14 is amended as follows:

- a. Paragraphs 4 and 73 and footnote 15 to paragraph 41 are deleted.
- b. The words "and for interim periods¹⁵ within those fiscal years" are deleted from the first sentence of paragraph 41 and that sentence is modified to read as follows:

The provisions of this Statement shall be effective for financial statements for fiscal years beginning after December 15, 1976.

8. Although segment information is not required in financial statements for interim periods, any segment information that is presented in interim period financial statements shall be consistent with the requirements of *FASB Statement No. 14*.

Effective Date and Transition

9. This amendment to *FASB Statement No. 14* shall be effective December 1, 1977, retroactive to the effective date of that Statement. Segment information presented in interim period financial statements issued prior to December 1, 1977 need not be included if those interim period financial statements are subsequently presented for comparative purposes after the effective date of this Statement.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was adopted by the affirmative votes of the seven members of the Financial Accounting Standards Board.

Marshall S. Armstrong, *Chairman*

Oscar S. Gellein

Donald J. Kirk

Arthur L. Litke

Robert E. Mays

Robert T. Sprouse

Ralph E. Walters