

Improvements to IFRS 8 *Operating segments* (ED/2017/2)

Exposure draft issued by the International Accounting Standards Board

Comments from ACCA to the International Accounting Standards Board
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Further information about ACCA's comments on the matters discussed here can be requested from:

Yen-pei Chen
Manager, Corporate Reporting and Tax
yen-pei.chen@accaglobal.com
+ 44 (0) 207 059 5580

Richard Martin
Head of Corporate Reporting
richard.martin@accaglobal.com
+44 (0)20 70595748

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom

SUMMARY

ACCA welcomes the opportunity to provide views in response to the IASB's exposure draft Improvements to IFRS 8 *Operating segments*. This has been done with the assistance of members of ACCA's Global Forum for Corporate Reporting. If further information is needed, please get back to us.

AREAS FOR SPECIFIC COMMENT:

Question 1

The Board proposes to amend the description of the chief operating decision maker with amendments in paragraphs 7, 7A and 7B of IFRS 8 to clarify that:

- a) the chief operating decision maker is the function that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity;*
- b) the function of the chief operating decision maker may be carried out by an individual or a group—this will depend on how the entity is managed and may be influenced by corporate governance requirements; and*
- c) a group can be identified as a chief operating decision maker even if it includes members who do not participate in all decisions made by the group (see paragraphs BC4–BC12 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

The Board also proposes in paragraph 22(c) of IFRS 8 that an entity shall disclose the title and description of the role of the individual or the group identified as the chief operating decision maker (see paragraphs BC25–BC26 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

ACCA welcomes the clarifications about the role of the chief operating decision maker. The inclusion of paragraph 7B now illustrates how a group, for example the board of directors, can be identified as a chief operating decision maker, despite including members who do not participate in all decision making.

Given the complex decision-making structures in large conglomerates, more guidance over what the act of making operating decisions entails would be beneficial. It would be helpful for the IASB to provide examples of operating decisions – in particular clarifying what 'resource allocation' means and distinguishing operating decisions from strategic decisions. Such examples should aim to reflect real-life decision-making structures processes.

ACCA agrees that the requirement for entities to disclose the title and description of the role of the chief operating decision maker would provide users with relevant information about how decisions are made. Where the chief operating decision maker is a group,

however, clarification may be needed whether specific disclosure is required for each individual within the group, or whether an overall description of the role of the group would suffice.

Question 2

In respect of identifying reportable segments, the Board proposes the following amendments:

- a) adding a requirement in paragraph 22(d) to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity's annual reporting package (see paragraphs BC13–BC19 of the Basis for Conclusions on the proposed amendments to IFRS 8); and*
- b) adding further examples to the aggregation criteria in paragraph 12A of IFRS 8 to help with assessing whether two segments exhibit similar long-term financial performance across a range of measures (see paragraphs BC20–BC24 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

ACCA believes that consistency between an entity's financial statements and the other corporate reports it produces is of paramount importance. Therefore, we welcome the added requirements in paragraph 19A and paragraph 22 (d).

Given the inconsistencies often observed between the front end of the annual report and the financial statements, we also welcome the added clarity from paragraph 19B.

ACCA welcomes the examples clarifying the aggregation criteria in paragraph 12A. In particular, the references to long-term measures are helpful, aligning as they do segment reporting with longer-term strategic outcomes.

Question 3

The Board proposes a clarifying amendment in paragraph 20A of IFRS 8 to say that an entity may disclose segment information in addition to that reviewed by, or regularly provided to, the chief operating decision maker if that helps the entity to meet the core principle in paragraphs 1 and 20 of IFRS 8 (see paragraphs BC27–BC31 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

ACCA agrees with this clarification, as it addresses the concerns of users of financial statements while not contradicting the management approach.

Question 4

The Board proposes a clarifying amendment in paragraph 28A of IFRS 8 to say that explanations are required to describe the reconciling items in sufficient detail to enable users of the financial statements to understand the nature of these reconciling items (see paragraphs BC32–BC37 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

ACCA agrees with the clarifying amendment.

Question 5

The Board proposes to amend IAS 34 to require that after a change in the composition of an entity's reportable segments, in the first interim report the entity shall present restated segment information for all interim periods both of the current financial year and of prior financial years, unless the information is not available and the cost to develop it would be excessive (see paragraphs BC2–BC10 of the Basis for Conclusions on the proposed amendments to IAS 34).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

ACCA understands that users of financial statements need reliable comparative information about operating segments for a number of periods in order to make informed decisions. However, depending on the extent of any changes to the operating segments, it may be difficult to restate information going back to multiple prior periods. On this basis, we believe the proposed change as described in paragraph BC9 of the Basis for Conclusions is a pragmatic approach.

We would suggest that the approach proposed in paragraph BC9 is made clearer in the amendment to IAS 34 paragraph 45A, by replacing the reference in that paragraph to 'prior year financial years' with 'at least the previous financial year.'