



Australian Government
**Australian Accounting
Standards Board**

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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Hans

Report and Feedback Statement: Post-implementation Review of IFRS 8

The Australian Accounting Standards Board acknowledges the IASB's efforts to publish the Report and Feedback Statement (RFS) addressing comments received in relation to the post-implementation review of IFRS 8 *Operating Segments*.

The AASB is writing to the IASB at this time in response to the IASB's recent decision arising from the RFS to consider some aspects of IFRS 8 for possible improvement. Provided below are further issues that we envisage the IASB to consider as part of a project to undertake any improvements to the Standard.

Identification of CODM

- (a) The RFS notes that the practical difficulties associated with identification of the CODM are primarily a one-time issue that arises when first applying IFRS 8 and consequently is of more concern to first-time adopters (RFS, page 25). In the experience of the AASB members, the process of CODM identification is not a 'once off' event. The identification of the CODM is often required to be reassessed when the structure of the reporting entity and the decision-making responsibilities change.
- (b) In many circumstances, in particular with the availability of modern technology, it is possible for the CODM to access various levels of information, including very detailed matters. Accordingly, the apparent implicit assumption in IFRS 8 that the review and assessment of a component activity is through summarised paper-based information formally made available to the CODM is not realistic in the modern

business environment. As the information reviewed by the CODM impacts the identification of the operating segments, we question how the requirements of IFRS 8 interact with the unnecessary availability of detailed information for CODM decision making.

- (c) As a related issue to the issue raised in (b) above, there is some ambiguity about the type and nature of information that would need to be subject to review and assessment by the CODM. An information pack provided on a group basis for review by a CEO (who is the CODM) but which also contains detailed information about different underlying components raises the question as to whether the disaggregated information contained therein should also be seen as being subject to the review and assessment by the CODM for the purpose of segment identification? A similar situation arises where the board of directors is collectively the CODM but individual members provide information that is shared by all members. It is unclear whether the exposure of the CODM to these separate streams of information constitutes review and assessment by the CODM for the purpose of identifying operating segments.
- (d) The issues noted above are largely the result of the rule-based criteria arising from the application of the notion of the CODM. We reiterate the view expressed in our comment letter that the identification of segments would be more robust if it were based on a principle that focuses on how an entity's business is actually organised and managed segmentally rather than by reference to the review of information by the CODM, which is more of a proxy for how a business is managed.
- (e) Excluding non-executive directors from being the CODM is not compatible with circumstances in which a board of directors is identified to be the CODM and the board members include non-executive directors. Accordingly, the general comment about exclusion of non-executive directors from the CODM might not be appropriate for all jurisdictions (RFS, page 7).

Entity-wide disclosures

- (f) The RFS notes that many respondents think entity-wide disclosures are inconsistently applied across entities and that regulators frequently challenge the entity-wide disclosures. The RFS also notes that such disclosures provide useful information to investors (RFS, page 24). Comments from Australian constituents

received by the AASB in response to the IASB's Request for Information on Post-implementation Review: IFRS 8 indicated that in applying IFRS 8, entity-wide disclosures have been overlooked by preparers. It is our understanding that this is largely because the disclosure of such information is not expected to be required under a standard dealing with segment reporting. For users to benefit from such information, the AASB considers that this issue needs to be addressed to help ensure these disclosures are not inadvertently overlooked by preparers. For example, the IASB may wish to consider including these disclosure requirements in a standard containing general disclosure requirements, such as IAS 1, but with the same scope application as IFRS 8.

If you require further information on the matters raised above, please contact me or Ahmad Hamidi (ahamidi@asb.gov.au).

Yours sincerely,

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive style with a large, sweeping "S" at the end.

Kevin M. Stevenson
Chairman and CEO