

26 April 2006

Professor David Boymal FPNA  
Chairman  
Australian Accounting Standards Board  
Level 4  
530 Collins Street  
Melbourne VIC 3000

Dear David

**Re: Segment reporting exposure draft**

The National Institute of Accountants supports the approach taken in the exposure draft on segment reporting. It is appropriate to ensure that entities report segments of the business in accordance with the way the enterprise is managed.

We fail to see how presenting information to users of financial statements in a manner that does not reflect the way in which an enterprise is managed adds value in the first instance to owners of the business that are remote from the day to day operations.

Those charged with governance should report to outsiders in a manner that reflects the way in which they manage businesses on behalf of shareholders. To publish disclosures that seek to aggregate segments at their highest level, for example, would not be in the spirit of fair and reasonable disclosure to fellow owners of a business. It would hide from other shareholders the detail to which they as owners are entitled. This standard will advance the reporting in the area of segment disclosure without doubt.

We believe the additional disclosures that are proposed for companies regarding the reason for the selection of segments are appropriate. The NIA is aware that there has been concern about the failure of companies be more specific about the reporting segments. Any disclosure requirements that force companies to be honest about the various components of their business are to be welcomed.

**Application of the notion to the AASB's public sector projects**

We see no reason why the philosophy underlying the segment reporting exposure draft cannot be transposed into the public sector financial reporting area.

The Australian Accounting Standards Board's (AASB) approach to public sector financial reporting as outlined at the last meeting of the AASB appears to be in line with this approach on segment reporting. Our present intention is to support the AASB's direction on budget outcome reporting

provided it maintains the key indicators outlined in the *Action Alert* for the April meeting.

### **US-IASB convergence**

While we are generally supportive of the exposure draft and agree wholeheartedly with the concept of improving financial reporting we wish to express a concern about the prominence of the convergence agenda in setting priorities for the International Accounting Standards Board (IASB).

The proposals would improve the quality of segment reporting and are consistent with the general push for entities to provide greater disclosure in notes to the financial statements. What we are questioning, however, is whether the segment reporting project was as urgent as it appears to have been treated by the IASB when there are issues such as the simplification of the financial instruments material that do require attention.

We would be pleased to discuss our views with you further. Please feel free to contact me on either 03 8665 3143 or [tom.ravlic@nia.org.au](mailto:tom.ravlic@nia.org.au) .

Kindest regards

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