11 October 2012

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007
Email: standard@aasb.gov.au

Dear Kevin

ITC 27 Request for Comment
Request for Information on Post-implementation Review: IFRS 8 Operating Segments

Attached is the CPA Australia and Institute of Chartered Accountants in Australia response to the International Accounting Standards Board's (IASB) Request for information on Post-implementation Review: IFRS 8 Operating Segments.

If you require further information on any of our views, please contact Mark Shying, CPA Australia by email mark.shying@cpaaustralia.com or Kerry Hicks, the Institute of Chartered Accountants by email kerry.hicks@charteredaccountants.com.au.

Yours sincerely

Alex Malley
Chief Executive Officer
CPA Australia Ltd

Lee White
Chief Executive Officer
Institute of Chartered Accountants in Australia

11 October 2012

International Accounting Standards Board
30 Cannon Street
London EC4M6XH
United Kingdom

Email: commentletters@ifrs.org

Dear Sir/Madam

Request for Information Post-implementation Review: IFRS 8 Operating Segments

We are grateful for the opportunity given by the International Accounting Standards Board (IASB) Request for Information Post Implementation Review: IFRS 8 Operating Segments (the Request). CPA Australia and the Institute of Chartered Accountants (the Institute) have considered the Request and our comments follow.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We welcome the IASB's first post-implementation review and the opportunity to comment on the implementation of IFRS 8 *Operating Segments (*IFRS 8*)*. Our overall view is that IFRS 8 is broadly achieving its objective of disclosing information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Some observations of its operation are attached in the Appendix. We look forward to participating in future post-implementation reviews of this nature.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au or Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au.

Yours sincerely

Alex Malley
Chief Executive Officer
CPA Australia Ltd

Lee White
Chief Executive Officer
Institute of Chartered Accountants in Australia

Appendix

Background to adoption of IFRS 8 in Australia

Our observations noted below are comparing IFRS 8 (called AASB 8 in Australia) with IAS 14 (called AASB 114 in Australia). Australia adopted AASB 114 in 2005, along with all the other IFRS standards.

Using the management perspective

We have not noted any significant impact from using the management perspective to identify operating segments on the ability of users to understand the business and predict the results. Member comments on this topic have been mixed with some members finding the reconciliation of segment numbers to total revenue, net profit, assets and liabilities difficult to understand. Others have noted that the improved consistency between segment data and management commentary has enabled more confidence in the analysis provided. Yet other members have stated that the information provided is still not detailed enough to understand the business and predict results.

Our members have noted that the “entity-wide” disclosures required are hard to systematise and are often not included by preparers as a result. We question the validity of including these disclosures, as they are not necessarily consistent with the management perspective principle. We consider that if geographical analysis is important, then it would be included in the management perspective disclosures and hence the entity wide disclosures would be unnecessary.

Impact of use of non-IFRS measures

No change has been noted in the way the use of non-IFRS measures is affecting the reporting of operating segments.

Non-IFRS profit measures are common amongst the listed community in Australia. Common terminology for such measures include reference to ‘underlying profit’, earnings before income tax, depreciation and amortisation (EBITDA), ‘cash earnings’.

Our Australian Securities and Investment Commission (ASIC) issued Regulatory Guide 230 *Disclosing non-IFRS financial information* (RG 230) in December 2011. Its purpose is to promote more meaningful communication of non-IFRS financial information to investors and other users of financial reports. Paragraph 230.57 of this guide states the expectation that most non-IFRS profit information will not differ from that disclosed in the segment reporting disclosures.

Reporting of internal line items

No major change has been noted by our members in the reporting of internal line items. However comments in this area have included the fact that other more useful operational metrics used by the Chief Operating Decision Maker (CODM) are actually incorporated into other documents published by the company. Other specific segment measures mentioned as desirable were debt/leverage ratio, asset base and operating cash flows.

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Effects of disclosure requirements

Again there have been no major changes noted amongst member users and preparers in the way that the disclosures required have affected them. However, some users have noted they would appreciate separate identification of how significant items have affected segment results for example impairments. Also more disclosure of operational metrics are desired by our user members, however it is understood that these metrics are included in other investor information packs and including them in the segment notes may prove problematic as they would then need to be audited.

Implementation experience

Our members did not note any significant improvements or changes in the way they use financial reports as a result of applying IFRS 8. There has been some difficulty noted in the identification of the CODM. One example exists in the funds management sector. In this industry the board will appoint the manager. The manager makes all the day to day investment decisions. Therefore there is some question as to who the CODM is in these circumstances.

Also the CODM may receive reports that contain very granular information which is considered too detailed to disclose. Alternatively, the CODM may not receive information about total assets and liabilities of a segment. As part of implementation, some of our members have told us that some preparers have changed their management reporting systems to avoid reporting of granular information and/or assets and liabilities. Some of our members observe such a change demonstrates that management does not want those external to the company to get an understanding of the actual risks faced by the company except when those risks are filtered sufficiently or otherwise aggregated to make them appear innocuous.