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CPA AUSTRALIA

AASB RESEARCH REPORT 24
MASB RESEARCH REPORT 3

Addressing Key Accounting Challenges

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Disclaimer

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The CPA Australia publishes Research Reports to provide insights into issues affecting members, the accounting profession, and the broader business and financial landscape, supporting informed decision-making and advocacy efforts.

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Executive Summary

The International Accounting Standards Board (IASB) conducts its public agenda consultation once every five years to gather stakeholder feedback on topics that it should prioritise and address. This is an important process to inform the IASB's future work plan, and the upcoming agenda consultation is expected to be conducted in Q4 of 2025.

In order to gather preliminary stakeholder views to assist the IASB in developing its approach to determining priority areas and collecting stakeholder feedback, the Australian Accounting Standards Board (AASB), the Malaysian Accounting Standards Board (MASB) and CPA Australia collaborated to conduct a Survey in January 2025, to gather stakeholder views on topics the IASB should consider for its future work plan. The findings of the Survey are present in Part A of this Research Report.

In the meantime, motivated by feedback received during the IASB's Third Agenda Consultation, which led to the operating segments project being added to the reserve list for potential future improvements, Part B of the Research Report examines how and to what extent segment information is currently being presented in the notes to the financial statements of listed entities, by presenting a comparative analysis of segment disclosures by the top 50 listed entities on the Australian Securities Exchange (ASX) and the top 50 listed entities on Bursa Malaysia (BM).

Key Findings

Part A

- Stakeholders are keen for the IASB to revisit its reserve list projects, particularly wanting more detailed operating segment reporting (including non-financials and cash flow) and standardised reporting for pollutant pricing mechanisms (PPMs), starting with mandatory schemes.
- There is significant interest in the IASB re-examining high-priority items identified from the Third Agenda Consultation, specifically the need for clear standards and/or guidance on cryptocurrencies and improved guidance on going concern disclosures.
- Several other areas were flagged for future IASB consideration, including discount rates, variable/contingent consideration and government grants, due to perceived inconsistencies or lack of clarity.
- A key finding was the strong desire for better connectivity between the IASB and the International Sustainability Standards Board (ISSB) to ensure a cohesive view of financial and sustainability performance.

Part B

- Evidence from Australia and Malaysia shows that the core objective of IFRS 8 *Operating Segments* (i.e. aligning external segment disclosures with internal reporting structures) is largely met, with all sampled entities providing segment disclosures aligned with internal reporting practices.

- Segment disclosures typically include key financial performance indicators such as revenue, profit and assets, demonstrating their perceived importance in both external reporting and managerial decision-making processes.
- The cross-country comparison between Australia and Malaysia shows that segment reporting practices are similar, with some differences, indicating a consistent application of IFRS 8 framework across jurisdictions.
- Some differences were observed: Australian entities predominantly identified the Chief Executive Officer (CEO) as Chief Operating Decision Maker (CODM) and reported Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), whereas Malaysian entities more frequently designated the Board as CODM and reported net profit.
- Despite the generally good implementation, some notable shortcomings were identified. Approximately half of the sample did not disclose performance indicators used by the CODM and 29% did not identify the CODM. Additionally, the basis for segmentation was often vague.
- The accounting standard could be improved to enhance the quality of segment reporting by encouraging entities to explicitly disclose the CODM and the key performance indicators they used in assessing segment performance, introducing minimum key financial information, clarifying the basis for segmentation, ensuring appropriate segment aggregation, and encouraging integration of segment information within the narrative reporting.
- The findings of this Research Report suggest that segment reporting merits consideration for the IASB's agenda consultation and future work plan, particularly to address areas requiring enhanced clarity, consistency and comparability in international practices.

Part A: Survey on Influencing the IASB's Priorities

1. Introduction

The IASB plays a crucial role in establishing high-quality, globally accepted accounting standards, and developing and issuing supporting material. To ensure these standards remain relevant and responsive to the evolving needs of users of financial statements, the IASB periodically undertakes agenda consultations to gather feedback on potential future projects.[1] As the IASB prepares for its upcoming Fourth Agenda Consultation, covering the period from 2027–2032, we have undertaken this crucial exercise to understand stakeholder priorities, so that we can inform the IASB in the development of its Fourth Agenda Consultation.

This Research utilises a questionnaire structured around the discussion in the Feedback Statement of the IASB's Third Agenda Consultation (Feedback Statement). Our Report presents findings from the Survey that aimed to capture preliminary views on topics stakeholders deem crucial for the IASB's future work plan. By analysing stakeholder responses, this Report provides preliminary stakeholder perspectives that could help inform the IASB's agenda consultation approach and shape its future outreach activities.

The remainder of Part A of this Report is structured as follows:

- Section 2: Research Method
- Section 3: Findings from Survey
- Section 4: Concluding Remarks

2. Research Method

We developed the Survey Questionnaire based on the Feedback Statement, by including questions about the potential projects described in Appendix B to the Request for Information - *Third Agenda Consultation*. In addition, we also asked a question about stakeholder views on the IASB's priorities regarding potential work on connectivity between the financial statements and sustainability-related disclosures.

Overall, we received 169 responses, of which 64 were incomplete and excluded from our analysis to maintain data integrity and prevent duplication. This decision was based on the possibility that respondents might have submitted another complete survey. To further ensure accuracy, we reviewed responses for duplicates, using respondent names collected during survey completion. Consequently, 105 complete responses were used for analysis: 32 from organisations and 73 from individuals. As shown in Table 1, preparers constituted the majority of respondents, followed by auditors, advisors and users. Table 2 indicates that the financial services, manufacturing and public practice sectors were most represented.

1 The primary users of financial statements, according to the Conceptual Framework for Financial Reporting, are existing and potential investors, lenders and other creditors. These users rely on general-purpose financial statements for the information they need to make decisions about providing resources to the reporting entity.

Geographically, the feedback was primarily informed by respondents' experiences in Malaysia (51.4%) and Australia (35.2%). A smaller number of responses reflected experiences in Brazil, China, Hong Kong, India, Japan, Korea, New Zealand, Singapore, Sri Lanka, the UK and the US.

Table 1: Types of respondents[2]

Types of respondents	Total
Preparers	44.8%
Auditors	25.7%
Advisors	23.8%
Users	20.0%
Academics	6.7%
Regulators	4.8%
Other[3]	12.4%

Table 2: Types of industries[4]

Types of industries	Total
Financial and Insurance Services	29.5%
Manufacturing	20.0%
Accounting and Public Accounting Services	18.1%
Education and Training	11.4%
Agriculture, Forestry and Fishing	11.4%
Electricity, Gas, Water and Waste Services	11.4%
Construction	10.5%
Rental, Hiring and Real Estate Services	10.5%
Retail Trade	9.5%
Government, Public Administration and Safety	8.6%
Professional, Legal, Scientific and Technical Services	8.6%
Health Care and Social Assistance	8.6%
Public Administration and Safety	8.6%
Information Media and Telecommunications	7.6%
Mining	6.7%
Wholesale Trade	5.7%
Transport, Postal and Warehousing	4.8%
Accommodation and Food Services	4.8%
Administrative and Support Services	3.8%
Arts and Recreation Services	2.9%
Other[5]	20.0%

2 The respondent-type percentages exceed 100% because individuals could select multiple roles.
3 Others include standard setters, industry bodies, public sector and other unspecified.
4 The industry-type percentages exceed 100% because individuals could select multiple industries.
5 Others include public sector, accounting standard setters, not for profit and other unspecified.

3. Findings from Survey

3.1 Projects on Reserve List

In its Feedback Statement, the IASB indicated it had limited capacity to add financial reporting issues to its work plan for 2022 to 2026. It was also noted at that time that stakeholder capacity further restricted new projects. To address this, the IASB established a Reserve List of potential projects. Should capacity become available, these projects will be considered for inclusion in the work plan. The Reserve List includes projects related to operating segments and PPMs.[6]

Operating Segments

As discussed on the IASB pipeline projects webpage, the objective of the Operating Segments project, aims to research:

- the underlying causes of users' concerns about the granularity of segment information that entities provide; and
- the feasibility (including costs to preparers) of potential solutions that could be implemented without reconsidering whether to use the management approach to determine an entity's operating segments.

Figure 1 illustrates the distribution of respondents' opinions on whether the IASB should include a project on operating segments (and its priority) in its future work plan (see Question 1 in Appendix 1).

6 During its Third Agenda Consultation, the IASB evaluated a potential project for inclusion on its work plan primarily by assessing whether the project would meet investors' needs, while taking into account the costs that an entity would incur in applying any new or amended requirements that would result from the proposed project. In deciding on the priority of potential projects, the IASB used the list of criteria. After applying the criteria, both segments and PPMs were identified as high priority. However, the IASB concluded that they do not meet the criteria to the same extent as do those added to the project pipeline. If added to the work plan, both projects would need a research phase, in which the IASB would gather further evidence about the problems to be solved and assess feasible solutions, before considering whether to start a standard-setting project.

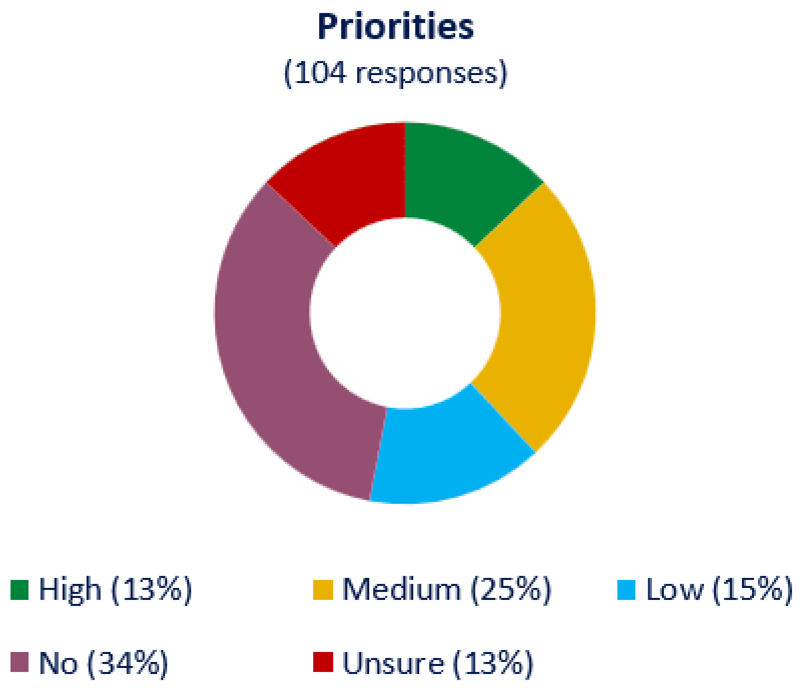

Figure 1 Operating Segments

Key observations

- 104 of the 105 survey respondents provided views on this topic.
- 53% of respondents support inclusion of a project on operating segments.
- Of the 53% who supported the project, 13% indicated this to be a high priority, 25% medium priority and 15% low priority.
- 34% of respondents did not support inclusion of this project, whilst 13% were unsure.

Many respondents noted a greater need for more detailed segment information, including non-financial metrics and cash flow data, to improve analysis and comparability. For instance, one respondent noted that:

"Present presentation on Operating Segment does not provide any insight/useful information to users".

Another also stated that:

"Improve segment reporting by requiring more detailed and relevant disclosures which enhance transparency and provide better information to investors".

Some respondents acknowledged the challenges preparers face in applying current segment reporting standards, particularly for complex businesses, and suggested the need for clearer guidance. Conversely, respondents who assigned a low priority to the operating segments project advocated for prioritising other projects. For example, one respondent suggested waiting for IFRS 17 *Insurance Contracts* implementation to stabilise before adding further complexity.

To summarise, while there is strong support for improving segment reporting to enhance investor insights, the Survey also reveals concerns about the potential burden on preparers.

Pollutant Pricing Mechanisms (PPMs)

According to the IASB pipeline projects webpage, the initial research work regarding its PPMs project would consider whether the project should aim to address:

- all types of PPMs, or only some; and
- accounting by traders and scheme administrators or limit the project to entities that are required to (or choose to) participate in such schemes.

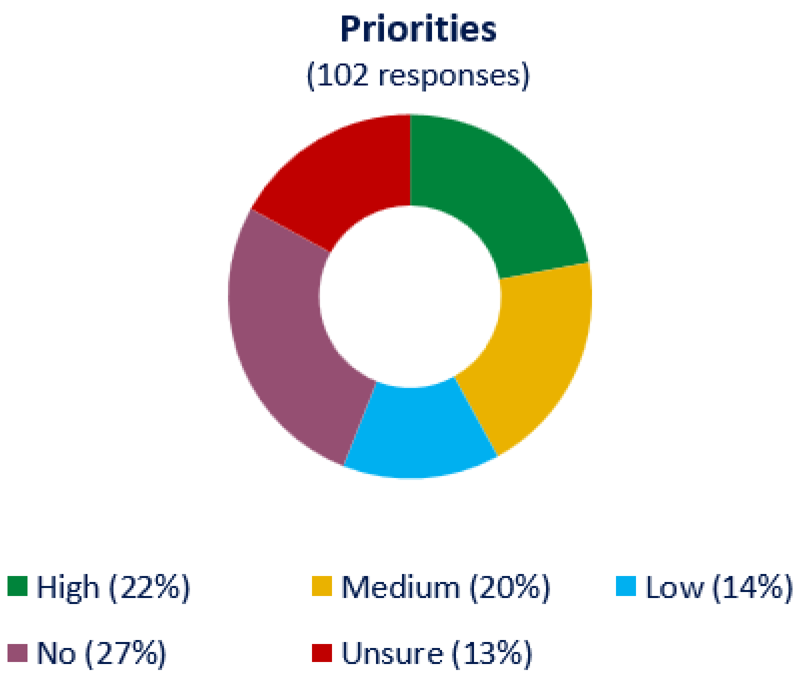

Figure 2 Pollutant Pricing Mechanisms

The figure above illustrates the distribution of respondents' opinions on whether the IASB should include a project on PPM (and its priority) in its future work plan (see Question 2 in Appendix 1).

Key observations

- 102 of the 105 survey respondents provided views on this topic.
- 56% of respondents support inclusion of a project on PPMs.
- Of the 56% who supported the project, 22% indicated this to be a high priority, 20% medium priority and 14% low priority.
- Climate change impacts, emerging regulations (e.g. the European Commission's Carbon Border Adjustment Mechanism) and increasing investor interest were all identified as reasons for adding this project to the IASB workplan.

Some respondents suggested the PPMs project would be an obvious next step following climate and sustainability standards. This is further supported by a respondent stating that:

"*[There is an] increased demand by stakeholders to know about the impact in view of the importance of sustainability and value reporting*".

Some respondents commented that with the expected increase in the use of PPMs, such as carbon taxes and emissions trading schemes, standardised reporting is critical for transparency, comparability and stakeholder understanding of financial impacts.

Respondents also highlighted the need for a clear reporting framework and guidance due to the diversity of existing PPMs and current inconsistent reporting practices. In particular, there are concerns about greenwashing in the context of PPMs. This framework and guidance are seen as crucial to provide users with better information for impact measurement, performance evaluation and informed decision making.

However, some respondents advocated for delaying standard-setting activity until there is clarity around structure and operation of existing PPM schemes. Others cautioned against overburdening preparers with too many new Standards too quickly, emphasising the need to balance costs and benefits. A few believed existing Standards were adequate, while others emphasised the urgency of addressing this emerging area to prevent further diversity in practice. One respondent suggested focusing on broader, coordinated environmental efforts instead of adding more accounting standards.

In conclusion, the Survey results indicate a strong demand for including PPMs in the IASB's future work plan while also acknowledging concerns about the timing of new Standards, the burden on preparers and the adequacy of current regulations.

Pollutant Pricing Mechanisms: Mandatory (compliance) Schemes vs. Voluntary Schemes

Following the question about project inclusion, respondents who recommended the IASB address PPMs were asked to indicate whether the IASB should focus on mandatory (compliance) schemes, voluntary schemes or both types of PPMs (see Question 3 in Appendix 1).

Mandatory schemes refer to ways in which entities use carbon markets to reduce their greenhouse gas emissions and meet their compliance obligation. On the other hand, Voluntary schemes refer to entities that choose to purchase their carbon offsets to reduce greenhouse gas emissions (IFRS, 2024).

Figure 3 illustrates the distribution of respondents' opinions on this question.

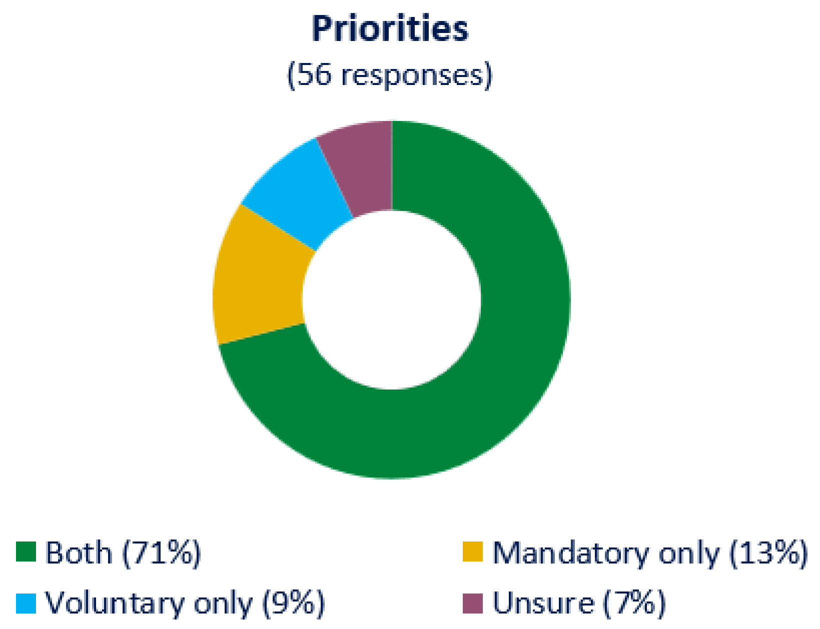

Figure 3 Mandatory Schemes vs. Voluntary Schemes

Key observations

- 56 respondents who supported the inclusion of PPM project answered this question and provided views on this topic.
- 71% of respondents support addressing both mandatory and voluntary schemes, although some suggest prioritising mandatory schemes initially.

As noted above, some respondents recommending prioritising mandatory schemes initially is an important consideration. As one respondent states, mandatory schemes need guidance “to ensure consistency, comparability and compliance across the industry” while voluntary schemes need guidance to “provide flexibility for entities that wish to showcase their commitment to sustainability and environmental responsibility”.

While many respondents called for flexibility in standard development due to the dynamic nature of carbon markets, opinions varied regarding the scope. Some favoured a single Standard for both mandatory and voluntary schemes, while others recommended further research or a comparative analysis of both scheme types to gather data before determining next steps.

3.2 High-priority Projects from the IASB's Third Agenda Consultation

During the IASB's Third Agenda Consultation, a number of topics were identified by respondents as high-priority projects. Among these, cryptocurrencies and related transactions, and going concern disclosures were rated as particularly important. However, when the IASB considered which projects to add to its work plan, project pipeline and Reserve List, these two specific high-priority areas were not included due to existing capacity constraints.

<u>Cryptocurrencies and related transactions</u>

Cryptocurrencies are currently not specifically catered for within IFRS Accounting Standards. However, guidance from the IASB is that whilst cryptocurrencies may generally not meet the definition of financial instruments, depending on the economic circumstances, they could be classified as inventories or intangible assets (IFRS, 2024).

The IASB considered the topic of cryptocurrencies and related transactions as part of its previous agenda consultation but decided not to add a separate project on it due to a lack of sufficient evidence to support an immediate standard-setting project on this subject. Instead, the IASB has indicated it will consider the topic as part of its broader intangible assets research project.

Figure 4 illustrates the distribution of respondents' opinions on whether the IASB should include a project on cryptocurrencies and related transactions (and its priority) in its future work plan (see Question 4 in Appendix 1).

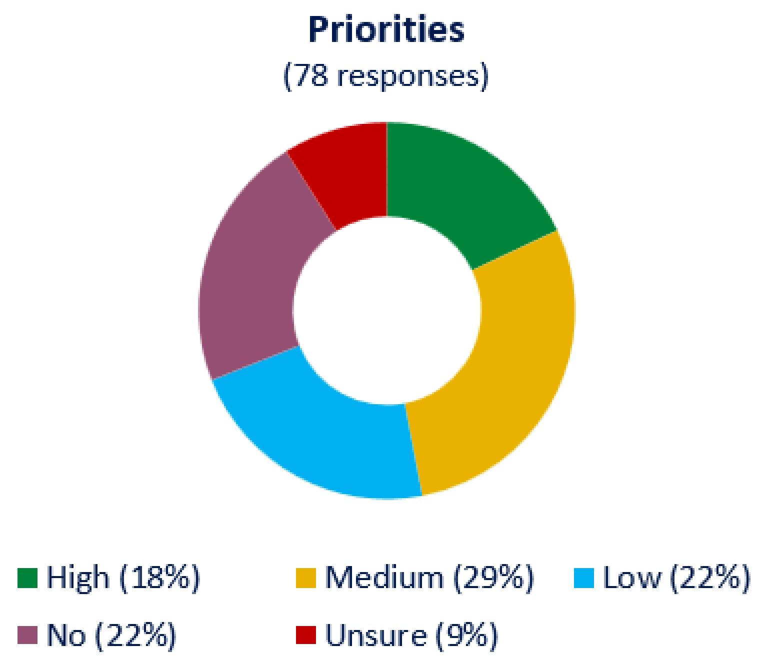

Figure 4 Cryptocurrencies and Related Transactions

Key observations

- 78 of the 105 survey respondents provided views on this topic.
- 69% of respondents support inclusion of a project on cryptocurrencies and related transactions.
- Of the 69% who supported the project, 18% indicated this to be a high priority, 29% medium priority and 22% low priority.

Many respondents recognised the growing use and potential of cryptocurrencies. However, some viewed this trend as temporary, while others believed that regulation should be established before efforts to standardise them. These respondents expressed concerns about the rapid growth of cryptocurrencies, emphasising the need for clear and consistent accounting standards to manage and report these assets. Furthermore, some believed the IASB should act now to provide guidance due to increasing use and volatility, especially given recent accounting changes in some jurisdictions and fraudulent activities. Conversely, some respondents advocated for delaying standard development until the market matures or further regulations are implemented. Others also noted the limited use in some regions or for certain entities. A respondent made clear that "education materials seem to have been adequate to address this issue" and another added that it is "covered adequately in standards."

Overall, the Survey results highlight a strong demand for clear and consistent accounting standards for cryptocurrencies, while acknowledging varying perspectives on the timing and necessity of such standards.

Going Concern Disclosures:

While not a current IASB project, going concern disclosures have been addressed through past IFRS Interpretations Committee agenda decisions and IFRS Foundation educational material.[7]

The IASB decided not to add a project on Going Concern Disclosures to its agenda due to challenges in maintaining a narrow scope and doubts about the feasibility of developing effective solutions. Prior attempts to clarify disclosure requirements were not pursued. Additionally, the IASB is of the view that other projects, such as the Statement of Cash Flows and Related Matters, may better enhance information about an entity's liquidity and solvency, which are crucial for assessing going concern. (IFRS, 2022).

Figure 5 illustrates the distribution of respondents' opinions on whether the IASB should include a project on going concern disclosures (and its priority) in its future work plan (see Question 5 in Appendix 1).

7 See *IAS 1 Presentation of Financial Statements—Going concern disclosure*, published in July 2010. See also *Disclosure requirements relating to assessment of going concern (IAS 1* Presentation of Financial Statements), published in July 2014. For the educational material 'Going concern—a focus on disclosure', see: https://www.ifrs.org/content/dam/ifrs/news/2021/going-concern-jan2021.pdf.

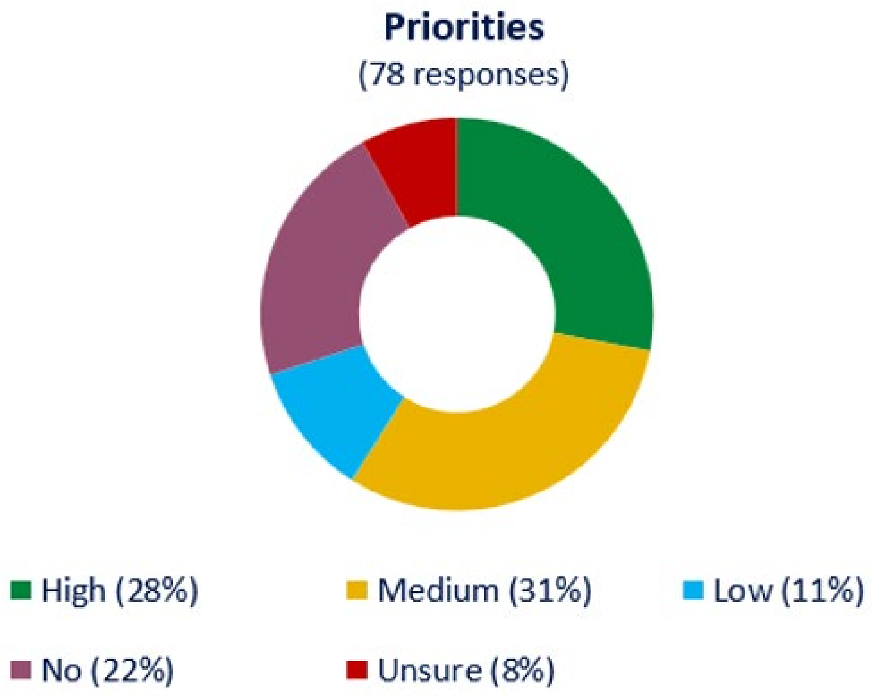

Figure 5 Going Concern Disclosures

Key observations

- 78 of the 105 survey respondents provided views on this topic.
- 70% of respondents support inclusion of a project on going concern disclosures.
- Of the 70% who supported the project, 28% indicated this to be a high priority, 31% medium priority and 11% low priority.

Many respondents highlighted the need for clearer and more comprehensive guidance on going concern disclosures. A respondent supported this claim by stating that “clear and comprehensive going concern disclosures are crucial for maintaining transparency and trust with stakeholders, including investors, creditors and regulators”.

A key concern from the findings is that some respondents outlined the disconnect between auditing standards (ISA 570 *Going Concern*) and IFRS Accounting Standards. They argued that IFRS Accounting Standards should have similar disclosure requirements for preparers, rather than relying solely on auditors to assess an entity’s ability to continue as a going concern.

On the other hand, some believed current IFRS Accounting Standards are adequate, with respondents stating that “none of this is necessary”, “covered adequately in standards” and “the existing disclosure requirement is sufficient”.

The findings highlighted the necessity for clearer going concern disclosures, showing that there is strong support for increased transparency and alignment with auditing standards.

3.3 Other Projects for Considerations

During the IASB's Third Agenda Consultation, the following projects received either mixed feedback or low priority ratings. As a result, the IASB chose not to include them in the work plan, project pipeline, and Reserve List. Figure 6 illustrates the other projects that were suggested by respondents for the IASB to consider in its future work program (see Question 6 in Appendix 1).

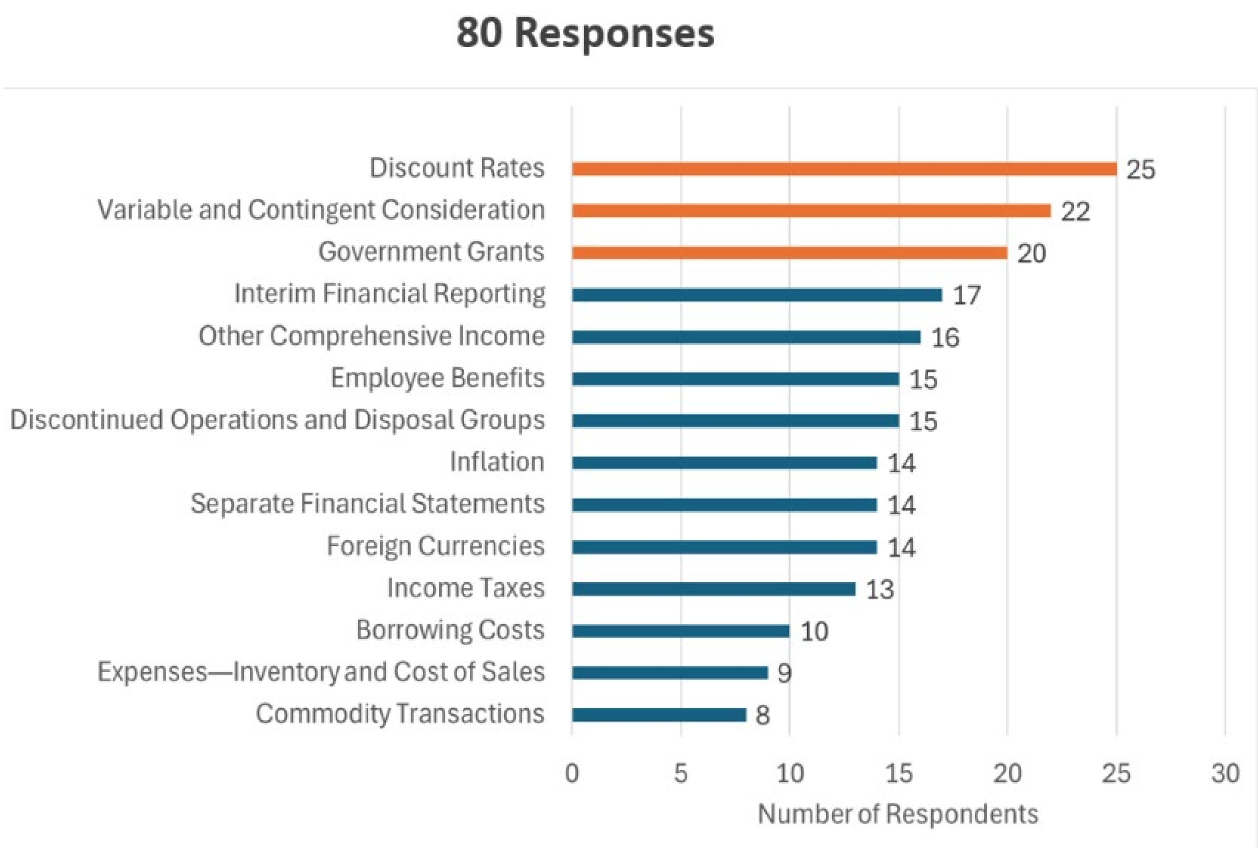

Figure 6 Other Projects for Considerations

Key observations

- 80 of the 105 survey respondents provided views on this topic.
- The top three areas suggested for the IASB's future work plan were Discount Rate, Variable and Contingent Consideration and Government Grants.

Discount rate

- 25 out of 80 respondents (31.3%) identified discount rates as a crucial area for considerations.
- Respondents emphasised the importance of an accurate discount rate since it “ensures that financial statements provide a realistic and reliable representation”.
- Concerns were raised regarding the inconsistent application of discount rates across various accounting standards.

Variable and Contingent Consideration

- 22 out of 80 respondents (27.5%) prioritised variable and contingent consideration.
- The complex nature and limited guidance within existing accounting standards were cited as primary reasons for this prioritisation.

Government Grants

- 20 out of 80 respondents (25%) highlighted government grants as a significant area for future work.
- Inconsistencies in recognition, measurement and disclosure practices within accounting standards were identified as critical issues.

Other projects

- In relation to other projects, 15 out of 80 respondents (18.8%) selected “Employee Benefits” and commented that there are concerns about potential unrecorded liabilities, the complexity of calculations, and the need for clearer guidance.
- Another project identified was “Foreign Currencies”, this is evident since 14 out of 80 (17.5%) outlined this as a priority.
- Overall, the Survey results highlight a diverse range of priorities for the IASB's future work plan, with respondents emphasising the need for clarity and consistency in areas such as discount rates, variable and contingent consideration, and government grants, while also identifying additional important projects like employee benefits and foreign currencies.

3.4 Connectivity and Other Comments

The IFRS Foundation has recently revisited its Due Process Handbook to formalise procedures for the International Sustainability Standards Board (ISSB) and clarify some IASB/ IFRS Interpretations Committee processes. The amendments aim to build connectivity between the IASB and the ISSB into the due process requirements in order to create a cohesive framework and to ensure consistency and clarity for stakeholders. Our Survey also sought feedback from respondents on connectivity between financial and sustainability reporting, and any other comments (see Questions 7-9 in Appendix 1).

Responses strongly emphasised the critical need for connectivity between the IASB and the ISSB. Stakeholders consistently stressed the importance of close collaboration between these two bodies, particularly through formal joint projects, to deliver high-quality, integrated financial information to capital markets. This reflects a clear demand for a holistic approach to disclosures on entity performance, where financial and sustainability data are seamlessly linked.

A key theme was the integration of Environmental, Social and Governance (ESG) factors into financial reporting, with respondents calling for clearer guidance on incorporating ESG impacts, standardising climate risk reporting and accounting for sustainability-linked investments. The need for stronger alignment between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards was a recurring concern, with integrated reporting seen as essential for achieving this goal.

Practical challenges were also highlighted. Despite existing guidance like IFRS Practice Statement 2 *Making Materiality Judgements*, stakeholders are calling for more educational resources, clearer materiality guidance specifically addressing future, large-impact climate risks and opportunities, and simplified reporting requirements due to the increasing financial significance of these disclosures.

4. Concluding Remarks

This Survey aimed to gather preliminary stakeholder perspectives on the IASB's future work plan and revealed several key insights. The findings provide some items for the IASB to consider in developing its upcoming Fourth Agenda Consultation.

1. **Projects on its Reserve List**

   There is notable support for the IASB to revisit projects on its Reserve List. Specifically, a majority of respondents favoured the inclusion of projects on both operating segments and PPMs. For operating segments, stakeholders expressed a strong desire for more granular segment information, encompassing non-financial metrics and cash flow data, to enhance analytical utility and comparability. Regarding PPMs, the Survey highlighted a pressing need for standardised reporting, driven by the increasing relevance of climate-related disclosures and evolving regulatory frameworks. Respondents also indicated a preference for the IASB to address both mandatory and voluntary schemes, with an initial focus on mandatory schemes.

2. **High-priority Projects from the IASB's Third Agenda Consultation**

The Survey highlighted a substantial interest in the IASB revisiting projects previously deemed high priority during the Third Agenda Consultation, namely cryptocurrencies and related transactions, and going concern disclosures. Respondents emphasised the growing prevalence of cryptocurrencies and the corresponding need for clear and consistent accounting standards, despite varying perspectives on the optimal timing for standard development. Similarly, there was a strong consensus regarding the necessity for clearer and more comprehensive guidance on going concern disclosures, with a particular emphasis on aligning IFRS Accounting Standards and International Auditing Standards.

3. Other Projects

The Survey identified other critical areas for the IASB's future consideration, including discount rates, variable and contingent consideration, and government grants. These areas were prioritised due to perceived inconsistencies and a lack of clear guidance within existing standards. Additionally, employee benefits and foreign currencies were identified as areas warranting attention.

4. Connectivity and Other Comments

The Survey highlighted the critical importance of connectivity between the IASB and the ISSB work. Stakeholders strongly advocated for closer collaboration to ensure a holistic view of entity performance, encompassing both financial and sustainability data. Developing educational materials could help with applying ESG factors to financial reporting.

In conclusion, this Survey provides a snapshot of stakeholder priorities for the IASB's future work plan. The findings highlight a strong demand for enhanced clarity, consistency and integration across various accounting standards, particularly in emerging areas like sustainability and cryptocurrencies. These results should serve as a foundation for the IASB to further investigate and address the identified concerns, ultimately contributing to the development of high-quality financial reporting standards that meet the evolving needs of users of financial statements for better information and better decision making.

However, it is crucial to acknowledge the limitations of the Survey. Notably, the respondent pool was relatively small, and geographically concentrated, primarily drawing from Malaysia and Australia. This limited representation restricts the generalisability of the findings and prevents them from being considered conclusive. Consequently, these findings serve as indicative feedback for the IASB, highlighting areas of stakeholder interest and perceived priorities. However, further outreach activities, including broader geographic representation and diverse user input, along with additional evidence gathering, are essential to obtain a more comprehensive and robust understanding of needs of users of financial statements and to inform the IASB's decision-making process.

Part B: Operating Segments

1. Introduction

IFRS 8 *Operating Segments* requires listed entities to disclose information about their various products, services and geographical operations. [8] This disclosure allows financial statement users to assess the performance of different parts of an entity and the entity's exposure to various economic environments, which would be difficult to discern from the aggregated data. In fact, the French Society of Financial Analysts (SFAF) mentioned that segment information is one of the most used types of information by users (IFRS, 2017). To ensure consistency and relevance of segment reporting, the IASB issued IFRS 8 in November 2006 as part of a convergence project with the US Generally Accepted Accounting Principles (US GAAP).[9]

Segment information enables external users to evaluate the entity through management's perspective, since the identification of operating segments is based on the internal reports reviewed by the Chief Operating Decision Maker (CODM).[10] This helps users understand how the CODMs assess segment performance and allocate resources.

Given the stakeholder interest (as discussed in Part A of this report) in revisiting the operating segments project from the IASB's Reserve List and the critical importance of high-quality segment information for investors' decision making, this part of the Research Report aims to examine how and to what extent segment information is being presented in the notes to the financial statements of listed entities and provide an empirical analysis relevant to operating segments. Motivated by the feedback received from the IASB's Third Agenda Consultation[11], the evidence gathered is expected to inform future improvements to IFRS 8, which has been added to the Reserve List for potential projects. The overarching research question is: How and to what extent is segment-related information being presented in the notes to the financial statements of listed entities?

This study focuses on listed entities in Australia and Malaysia, which both apply IFRS 8 through equivalent national Standards (AASB 8 *Operating Segments* in Australia and MFRS 8 *Operating Segments* in Malaysia). By analysing the segment disclosures of the top 50 listed entities on the Australian Securities Exchange (ASX) and the top 50 listed entities on Bursa Malaysia (BM), this Research will gain insight into the application of IFRS 8 in these two countries. Both countries have different economic profiles and corporate governance cultures, which adds an interesting dimension to how IFRS 8 is applied. By examining segment disclosures in both environments, we can identify common practices as well as any jurisdictional differences in compliance or emphasis. Ultimately, the introduction of IFRS 8 was intended to improve the usefulness of segment information to investors, and this Research assesses whether that objective is being met in Australia and Malaysia.

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8 IFRS 8 specifically applies to entities whose debt or equity instruments are publicly traded, or entities that are preparing to list such instruments on public exchanges (para 2).

9 Leung and Verriest (2015).

10 See paragraph 5 of IFRS 8.

11 See: https://www.ifrs.org/content/dam/ifrs/project/third-agenda-consultation/thirdagenda-feedbackstatement-july2022.pdf.

The remainder of this Report is structured as follows:

Section 2: Requirements under IFRS 8

Section 3: Research Method

Section 4: Findings about the Implementation in Australia and Malaysia

Section 5: Best Practice Case Study

Section 6: Concluding Remarks

2. Requirements under IFRS 8

2.1 Definition of an Operating Segment

According to IFRS 8 paragraph 5, operating segments are defined as components of an entity:

- that engage in business activities from which they may earn revenues and incur expenses,
- whose operating results are regularly reviewed by the entity's CODM to make decisions about resource allocation and to assess performance, and
- for which discrete financial information is available.

This definition highlights the management approach, indicating that segments are identified based on how management internally organises and assesses the segments rather than through set external criteria. This method enables users to view the entity's operations from management's perspective, offering a clearer insight into how the entity is structured and managed internally.

2.2 Measurement Requirements

Under IFRS 8, segment information must be measured and reported in alignment with the internal reporting system that is used by the CODM. Specifically, this means that:

- entities must report segment profit or loss based on CODM's review for assessing segment performance and resource allocation [IFRS 8.25];
- segment assets and liabilities should be disclosed only if they are regularly reported to the CODM internally [IFRS 8.25];
- entities should provide an explanation of the measurements for each reportable segment and explain any differences between these internal measures and the consolidated IFRS measures in reconciliations [IFRS 8.27]; and
- entities should reconcile between the total segment revenues, profit or loss, assets and liabilities, and the corresponding amounts reported in the consolidated financial statements [IFRS 8.28].

2.3 Disclosure Requirements

Under IFRS 8, the segment disclosure requirements are designed to give users meaningful insights into an entity's segment performance to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The disclosure requirements for segment disclosure include:

- general information on how operating segments were identified, including the basis of organisation and types of products or services provided [IFRS 8.22];
- specific financial information for each reportable segment, particularly if they are regularly provided and reviewed by the CODM [IFRS 8.23–24]; and
- entity-wide disclosures, including:
  - revenues from external customers for each product and service (or each group of similar products and services) and geographic areas (i.e. particularly revenues and non-current assets) [IFRS 8.32–33]; and
  - information on major customers [IFRS 8.34].

These disclosures aim to ensure transparency and provide users of financial statements with insights that align closely with how management evaluates the business internally.

2.4 Comparison to IAS 14 *Segment Reporting*

IFRS 8, the current international accounting standard for segment reporting, replaced IAS 14 *Segment Reporting*. The following table identifies the key differences between the two accounting Standards:

Table 3 Comparison between requirements of IAS 14 vs IFRS 8

Criteria	IAS 14	IFRS 8
Identification of segments	Defined using criteria provided by the Standard based on risks and returns [IAS 14.9].	Determined by the entity's internal reporting regularly reviewed by the CODM for resource allocation and performance assessment [IFRS 8.5b].
Basis of segments	Required identification of primary and secondary segments [IAS 14.26].	Segments solely reflect internal management structure [IFRS 8.9].
Measure of performance	Defined standardised measures aligned to external financial reporting framework [IAS 14.16].	Require report on measure of profit or loss, but other measures only if they are used internally by CODM [IFRS 8.23].
Reported segment items	There is a list of prescribed items required to be disclosed by the entity [IAS 14.51–67].	Items regularly reviewed by the CODM must be disclosed [IFRS 8.23–24].
Entity-wide disclosure	No explicit requirement for major customers and detailed geographic disclosures.	Extensive disclosure required, including revenues from external customers by products/services, geographical areas and major customers [IFRS 8.31–34].
Consistency and comparability	Higher comparability between entities due to standardised and prescribed approach.	Lower comparability across entities due to internal basis of segment definition and metrics, varying from entity to entity.
Flexibility	Limited flexibility due to prescriptive nature of segment definitions and required disclosures.	Significant flexibility, allowing management discretion in identifying segments and selecting measures reported externally.

Under IAS 14, entities identified segments primarily based on their organisational structure and internal reporting system, with a required identification of “primary” and “secondary” segments [IAS 14.26]. A segment is considered “primary” if it is the main source of risks and rates of return, requiring extensive disclosures, while other segments are deemed “secondary” with fewer details [IAS 14.9; IAS 14.27]. In contrast, IFRS 8 introduces a management approach, where operating segments are determined based on the internal reports that the entity’s CODM regularly reviews for allocating resources and assessing performance [IFRS 8.5]. This means the segments disclosed in financial statements are those used by management, and the financial measures reported for each segment are the same figures utilised by the CODM. The aim is to enable users of financial statements to evaluate the entity’s performance through the same lens as management.

IFRS 8 requires entities to disclose general information regarding how they identified their reportable segments, including the factors used in their determination and the types of products and services each segment offers [IFRS 8.22]. It requires disclosure of certain financial information for each reportable segment if they are regularly reviewed by CODM, including a measure of segment profit or loss, total assets and liabilities [IFRS 8.23]. IFRS 8 also requires the disclosure of other specific items if they are included in the segment profit or loss reviewed by the CODM [IFRS 8.23]. For instance, if the CODM is provided with figures for depreciation and amortisation, those items must be separately disclosed for each segment. To assist users in reconciling segment information with the overall financial statements, IFRS 8 requires reconciliations from the total of all segments’ revenues and profits to the consolidated revenue and profit, as well as for assets and liabilities if those are reported by segment [IFRS 8.28]. Besides segment-by-segment data, IFRS 8 mandates certain “entity-wide disclosures” covering revenues by products and services, revenues by country, and information about major customers, regardless of whether that information is utilised by management internally [IFRS 8.31–34].

Compared to IAS 14, IFRS 8 is less prescriptive about how segments are defined and what exact line items must be disclosed for each segment. IAS 14 required entities to identify segments based on a risk and return analysis (i.e. typically segmentation by business or geographical segment) and to disclose a standardised, detailed list of items for the primary segments [IAS 14.9; IAS 14.51–67]. The IAS 14 approach is more prescriptive while IFRS 8’s approach can lead to reporting of segments that are unique to how each entity is organised internally, which may improve the usefulness of the information (since it aligns with the CODM focus) but can potentially reduce comparability between entities. The trade-off made by IFRS 8 is that relevance to users is enhanced at the possible expense of consistency across entities. In the Basis for Conclusions on IFRS 8, the IASB (2010) acknowledged this trade-off but expected that the benefits from adopting a management approach would outweigh the limitation of comparability [IFRS 8.BC10]. Notably, an Australian study focusing on the post-implementation period has found that the number of reportable segments and the extent of information disclosed generally increased under AASB 8 (Kang and Gray, 2013).

Since its issuance, IFRS 8 has undergone a Post-Implementation Review (PIR)[12] and some minor amendments[13]. The PIR, completed in 2013, concluded that IFRS 8 successfully achieved its objectives and improved the overall quality of financial reporting [IFRS 8.PIR]. However, it identified

12 See: https://www.ifrs.org/content/dam/ifrs/project/third-agenda-consultation/thirdagenda-feedbackstatement-july2022.pdf.

13 See: https://www.iasplus.com/en/meeting-notes/iasb/2018/march/ifrs-8-amendments.

certain areas needing improvement. Additionally, the PIR clarified that entities must explain any items used to reconcile segment totals to consolidated financial statement totals, helping users understand measurement differences. In response, the IASB introduced amendments in its Annual Improvements (2010–2012) cycle requiring entities to disclose the judgements made when aggregating operating segments and only provide reconciliation of reportable segments' total assets if the segment assets are reported regularly.[14]

Regardless, IFRS 8 remains a topic of interest. Indeed, feedback from the IASB's Third Agenda Consultation highlighted that many users rated a project on IFRS 8 as high priority due to the concerns related to the granularity of segment information that entities provide and the potential feasible solutions.[15] Consequently, the IASB placed a potential project on operating segments on its Reserve List.[16] Therefore, this Research Project aims to examine the quality level of disclosure practices in two jurisdictions, Australia and Malaysia. Entities in both Australia and Malaysia are required to fully comply with IFRS 8 (through AASB 8 and MFRS 8, respectively). That said, compliance is not only about the presence of the note but also about the quality and completeness of disclosures. One aspect our Study investigates is how entities interpret the somewhat flexible IFRS 8 criteria in practice, including: how many segments they report, how they define those segments and what items they choose to report. While detailed results will be provided in the later section, an overview of results indicates that entities in both jurisdictions are meeting the IFRS 8 requirements, but the breadth and depth of information provided can vary. This variation underscores the user concerns raised during the IASB's Third Agenda Consultation regarding the granularity and consistency of segment disclosures.

3. Research Method

This Research examines the segment disclosures of the top 50 listed entities on the ASX and BM, resulting in a total of 100 annual reports. The "Top 50" entities, selected based on market capitalisation, serve as a proxy for the largest and most significant entities in each market. Focusing on these entities is useful because they are more likely to have diverse operations, leading to more meaningful segment reporting, and they set benchmarks for best practices in their respective markets. The latest available annual reports (i.e. financial year 2024) were used for each entity. All these entities report under IFRS-compliant standards (AASB and MFRS), and their financial statements include a note on operating segments in accordance with IFRS 8.

We conducted a manual content analysis of the operating segments notes to the financial statements of the sample entities.[17] This involved reading and coding the disclosures to capture various attributes of segment reporting. Key data points extracted from each entity's segment note include:

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14 See: https://www.iasplus.com/en/projects/completed/aip/annual-improvements-2010-2012.

15 See: https://www.ifrs.org/content/dam/ifrs/project/third-agenda-consultation/thirdagenda-feedbackstatement-july2022.pdf.

16 Despite many users rating the IFRS 8 project as a high priority, many respondents, other than users, rated this project as a low priority. Thus, this project is listed in the Reserve List.

17 It should be noted that this study is primarily descriptive in nature – it does not seek to establish causality but rather to document the current state of segment disclosures. Given the relatively manageable sample size (100 entities), the analysis was done manually by reading annual reports and the data is compiled using a spreadsheet.

- the number of reportable segments;
- the type of each segment;
- the basis of segmentation (e.g. product line, geography, customer type);
- the financial items disclosed for each segment;
- explanations of how segment profit is measured (if available); and
- identification of the CODM and how the CODM role is defined in the entity (if available).

Some information is then categorised into broader groups to simplify the interpretation of results. For example, we categorised the basis of segmentation into three broad groups: (1) product/service-based, (2) geographical-based or (3) customer-based. This categorisation helps us understand common patterns for segmentation. We also recorded whether entities provided additional information, including geographic segmentation beyond their primary segments and major customer disclosures. Another aspect was classifying the industry sector to see if segment reporting practices differ by industry. For this purpose, we used the Global Industry Classification Standard (GICS) to label each entity’s primary industry. Lastly, we grouped the CODM into four main categories: (1) Chief Executive Officer (CEO) -related roles, (2) board-related roles, (3) executive-related roles (i.e. other than CEO) or (4) a combination of different roles.

We also looked at the specific line items reported in segment disclosures. Given the flexibility offered in IFRS 8, entities must report a segment profit measure, but they can choose to disclose other items if they deem them relevant or if reviewed by CODM. To observe common practice, we tabulated the occurrence of various financial measures in the segment notes of our sample entities. We identified the “top five” most frequently reported items for segments overall and by country. Additionally, we noted the performance metrics or economic indicators that entities say their CODM uses to assess segment performance. This is important because it tells us which metrics are considered key internally and whether entities are transparent about it. Finally, to illustrate best practices, we selected a few case study examples of entities that provide particularly comprehensive and clear segment disclosures. These case studies were drawn from the sample and highlight how some entities go above the minimum requirements to enhance users’ understanding.

4. Findings about the Implementation of IFRS 8 in Australia and Malaysia

In this section, we present the key findings from our analysis of segment disclosures under IFRS 8 by the top 50 ASX-listed and top 50 BM-listed entities. The findings cover:

- the distribution of industries in our sample;
- how entities structure their operating segments;
- the common items disclosed in segment reports;
- the identification of the CODM;
- the economic performance measures used for evaluating segments; and
- illustrative case studies of exemplary disclosures.

All comparisons between Australian and Malaysian subsamples are based on equal sample sizes (50 each), which allows us to observe any notable differences in practice between the two jurisdictions.

4.1 Industry Distribution of Sample Entities

To ensure that our analysis of segment reporting practices is robust and generalisable across different jurisdictions, it is important to first examine whether the sample is representative across different industry sectors – for which a diversified industry distribution can mitigate the risk of bias and allow for a more meaningful comparison across countries. Accordingly, we analysed the industry sectors represented in the sample and compared their distribution between Australia and Malaysia. The top 100 entities span a range of industries as classified by GICS. Figure 7 below compares the five most common industry sectors by entity count in the overall sample, as well as in the Australian and Malaysian subsets.

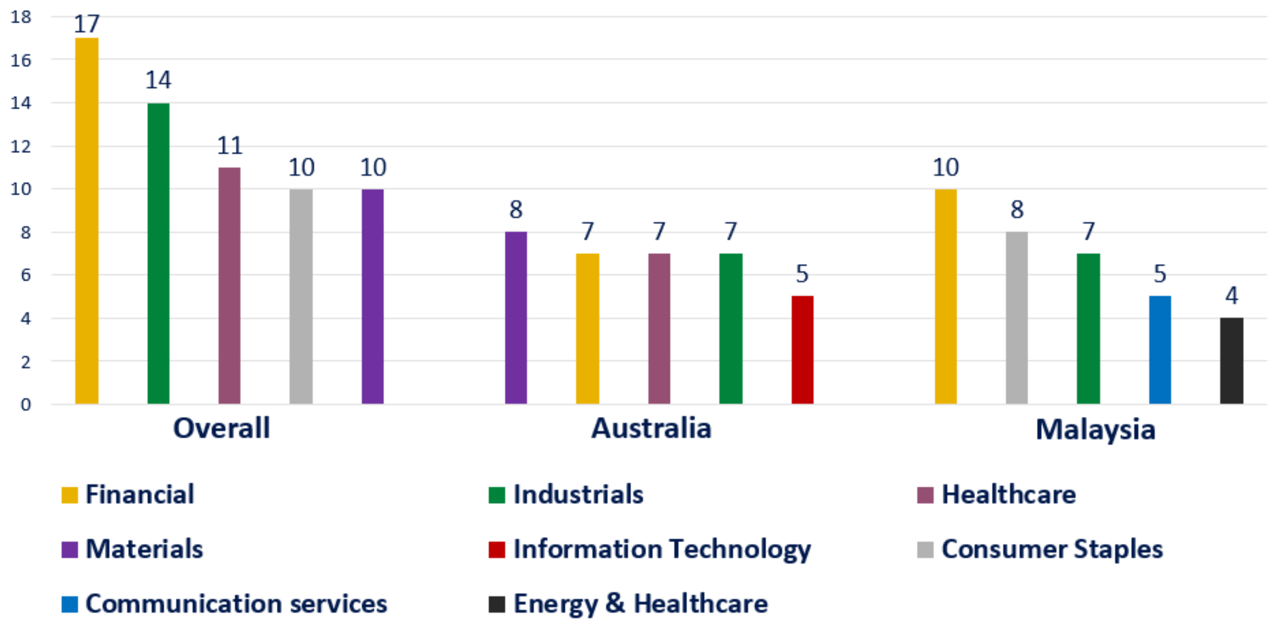

Figure 7: Industry Distribution

The financial sector emerged as the most common sector in the overall sample, and this was heavily driven by Malaysian entities. Out of 100 entities, 17 were in the financial sector, with 10 originating from Malaysia. This reflects the significant presence of financial institutions, such as major banks, in BM market capitalisation. In contrast, only 7 of the ASX top 50 fell into the financials category, indicating Australia's top entities are more diversified. This makes Australia's distribution more balanced across sectors. Other prominent industries in our sample include the industrial and healthcare sectors. For instance, the industrial sector (which can include transportation, construction, machinery entities, etc.) account for a notable share of entities in both Australia and Malaysia (7 entities each). This sector appears in the top five for both groups. Australia's sample also featured significant representation from materials (owing to large mining entities) and information technology sectors, whereas Malaysia's sample included some large consumer staples entities and communication services entities.

Overall, the industry distribution indicates that while there is overlap, Malaysia's top entities tilt more towards the financial entities, and Australia's include more resources and retail entities. This diversity in industries is relevant because segment reporting practices can vary by industry. For example, a bank might segment by customer category (retail, corporate banking), whereas a mining entity might segment by commodity or geography. The data confirms that our sample is not skewed to only one industry sector, which allows us to draw a better picture from the segment reporting practices.

4.2 Segment Identification and Structure

Next, we examined how entities define their operating segments under IFRS 8, including the number of segments reported and the segmentation basis used. Overall, 91 out of 100 entities disclosed multiple operating segments, while 9 entities reported as single-segment entities. The single-segment entities tend to be those with a very unified line of business or limited diversification, such as a pure-play utility entity or a single-commodity entity. For the multi-segment entities, the number of reported segments ranged from 2 up to 12, with an average of 4.57. Australian entities, on average, had slightly fewer segments reported (average= 4.45) than Malaysian entities (average= 4.70), potentially due to aggregation of segments based on similarities in economic characteristics or materiality considerations.

Table 4 Statistics for Reported Segments

Sample	Mean	Min	Median	Max	Standard Deviation
Overall	4.57	2	4	12	2.04
Australia	4.45	2	4	12	2.12
Malaysia	4.70	2	4	12	1.97

We examined the segmentation basis employed by each entity and classified them into three categories: product/service, geographical or customer-based segmentation. As illustrated in Figure 8, the most common approach was product or service-based segmentation (N= 63), where each segment represents a distinct product line or business division of the entity. This method was utilised by the majority of entities across both countries (27 in Australia and 36 in Malaysia).

Geographical segmentation (N= 24) was also prevalent, particularly among entities whose operations are spread across distinct regions with separate management, such as a multinational retail chain segmenting by country/region, or a manufacturing entity with Americas, Europe, Asia-Pacific segments. Geographical segments were more common in the Australian subsample (N= 18) than the Malaysian, perhaps reflecting that some Australian entities have distinct international operations segmented by region.

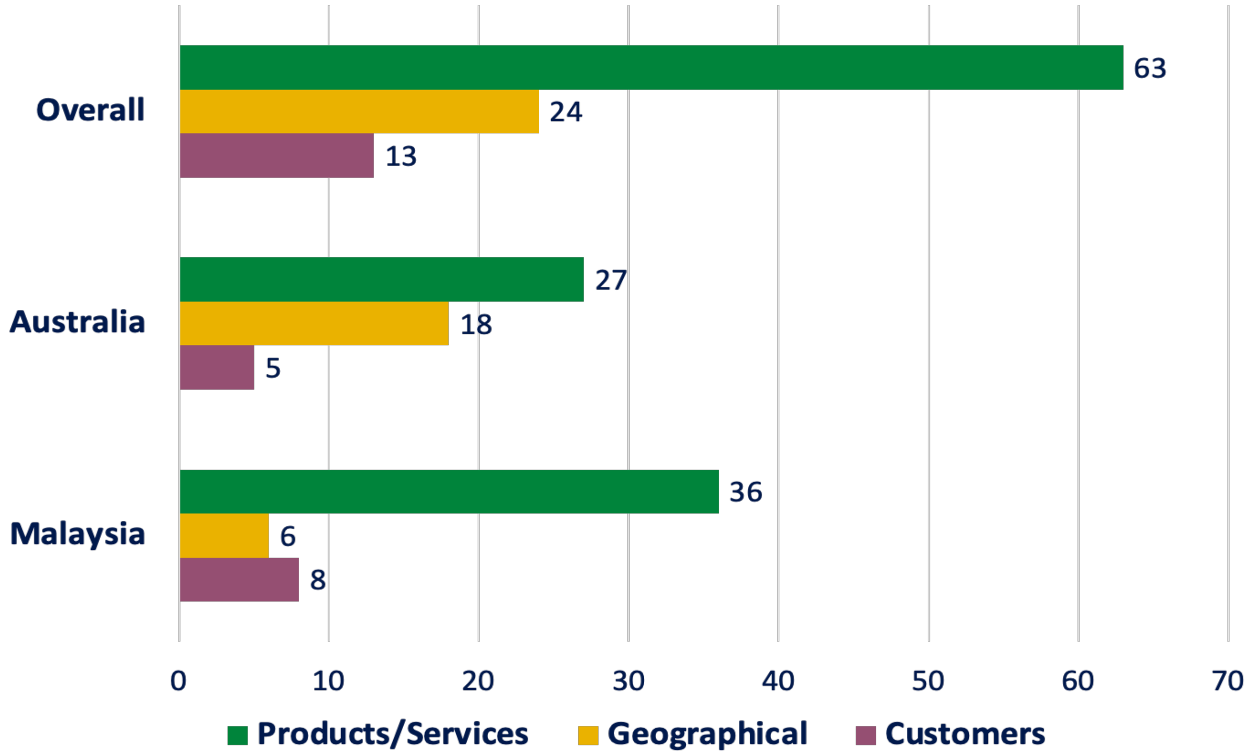

Figure 8: Basis for Segmentation

The least common basis was customer-based segmentation, where segments are defined by types of customers or distribution channels. A minority of entities (N= 13) used this as the basis of segmentation – one example would be a financial institution that segments its business into “Retail Customers” and “Corporate Customers”, or a telecommunications provider splitting between “Individual (Consumer) Market” and “Enterprise Market” segments. While customer-based segmentation is allowed under IFRS 8, given that is how the CODM reviews the business, it is not commonly used because most entities find it more intuitive to segment by product or geography and then analyse customer groups within that. In our sample, only a few entities (especially in the financial sector) fell into this category.

Geographic Segmentation

It is worth noting that IFRS 8 paragraph 33 requires entities to report geographical information unless it is unavailable or too costly to develop the required information. We observed that even when entities segment by product or service and customer-based segmentation, they often provided some geographic data as well. In fact, the majority of entities (74 out of 100) disclosed additional geographical information alongside their operating segments – many entities report revenues by region and non-current assets by region in a separate table, in alignment with the requirement of IFRS 8 paragraph 33.[18] This practice meets the IFRS 8 requirement for entity-wide disclosures of geographic information and shows that entities recognise the usefulness of

18 This includes all 24 entities that had geographical segmentation (they obviously give geographic information by definition), plus about 50 others who, despite segmenting by product/services or customers, provide additional breakdown of geographical performance.

geographic context. We interpret this as a best practice trend because entities not only comply with the main requirement of IFRS 8 but also aim to provide a comprehensive picture of their segments by including additional details on their geographic perspectives.

4.3 Common Segment Disclosure Items (Line Items Reported)

IFRS 8 does not prescribe a fixed list of financial items to disclose for each segment – aside from the segment profit or loss (which is mandatory) and certain items if they are regularly reviewed by CODM. This gives entities flexibility to decide what details to include. Our analysis of the segment notes found a considerable degree of consistency across the sample: most entities disclosed a set of core financial measures for each segment, with some variations. Figure 9 highlights the top five most frequently disclosed line items in segment reporting among the sample, as well as notes differences between Australian and Malaysian practices.

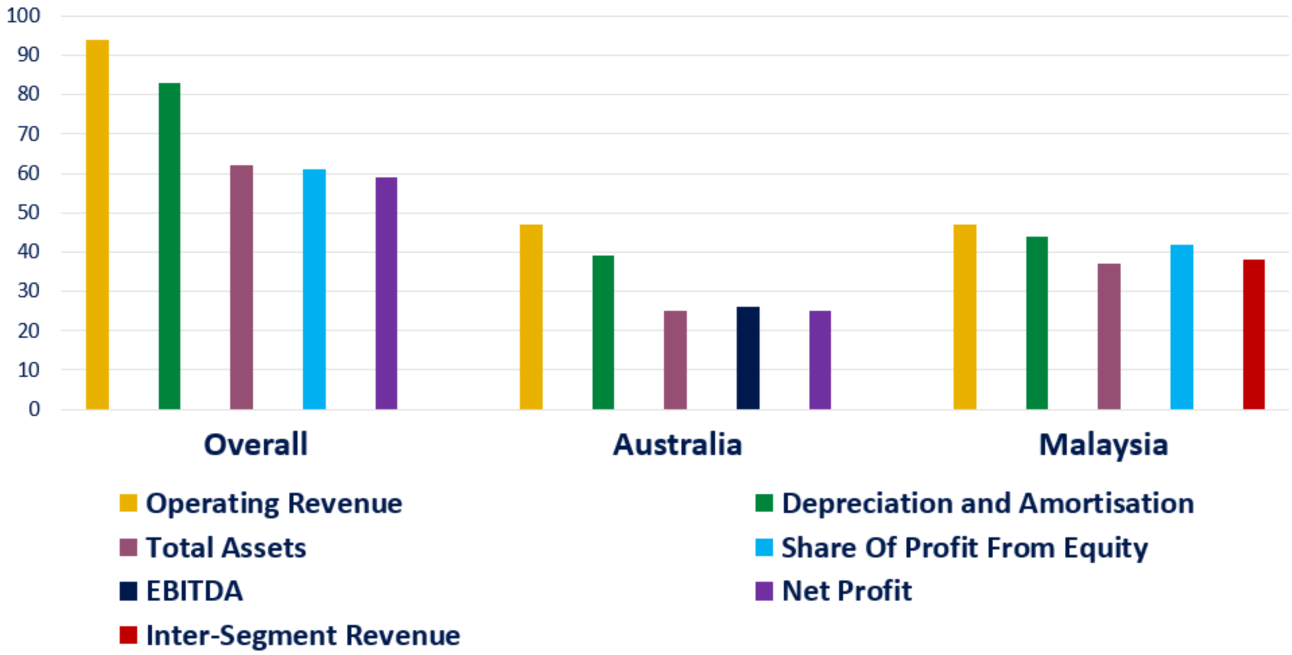

Figure 9: Top 5 Disclosure Items

Across the entire sample, the most commonly reported item at the segment level is operating revenue (specifically, external revenue of each segment). Overall, 94 out of 100 entities reported segment revenue for each segment, which is unsurprising since revenue by segment is fundamental information for users. Many entities also reported inter-segment revenue (sales between segments), but usually consolidated revenue by segment was emphasised. The second most common item was depreciation and amortisation expense – 83 entities (83%) provided depreciation and amortisation amounts for each segment. This indicates that a large majority of entities gave an expense breakdown beyond just the bottom-line profit, highlighting non-cash expense attributable to each segment. Depreciation and amortisation, often included in the CODM's review, can be important in asset-heavy industries like manufacturing, utilities and telecoms, which might explain its high occurrence.

Other widely reported items included total segment assets (62 entities) and segment net profit (59 entities). The frequency of segment assets disclosure is notable because IFRS 8 only requires segment assets if the CODM uses that information. This suggests many CODMs do, or entities choose to disclose it for completeness. Similarly, 61 entities disclosed the share of profit from associates or joint ventures at the segment level. This item appeared in the top five overall, reflecting that quite a few entities have equity-accounted investees that are attributable to specific segments. The presence of both income statement and balance sheet measures in the top items suggests that entities aim to give a balanced picture of segment performance and size.

While the overall patterns are similar, we observed some differences between Australia and Malaysia in emphasis on certain items. In Australia, EBITDA was among the top five items for Australian entities, with 26 of the 50 Australian entities reporting an EBITDA or similar measure for each segment. EBITDA is a non-IFRS measure but is common for internal evaluation, and many Australian entities disclose it to show segment operating profitability before non-cash charges. Additionally, Australian entities commonly reported segment net profit and segment assets (25 entities each), placing them in the top five list.

In contrast, Malaysian entities showed a different mix in their top five disclosures. Besides revenue and depreciation, which were common in both countries, Malaysian entities placed greater emphasis on share of profit from equity-accounted entities (42 out of 50) and inter-segment revenue (38 out of 50). The high incidence of disclosing inter-segment revenue in Malaysia may indicate significant transactions between segments. The prominence of equity-accounted profits in Malaysia's segment disclosures may reflect that group structures often include strategic associates that are integral to those segments' performance.

4.4 Role of the CODM in Disclosures

IFRS 8 revolves around the concept of the CODM – the person or group of persons who is charged with allocating resources to and assessing the performance of the operating segments. The Standard does not require entities to name the CODM in their financial statements, but it does require that the segmentation and the reported measures correspond to what the CODM uses. In practice, we found an interesting variety in whether and how entities disclose information about the CODM. While not a mandated disclosure, many entities choose to include a brief statement in their segment note. Overall, about 71 out of 100 entities (71%) explicitly mentioned or alluded to their CODM in the segment note or accounting policy.

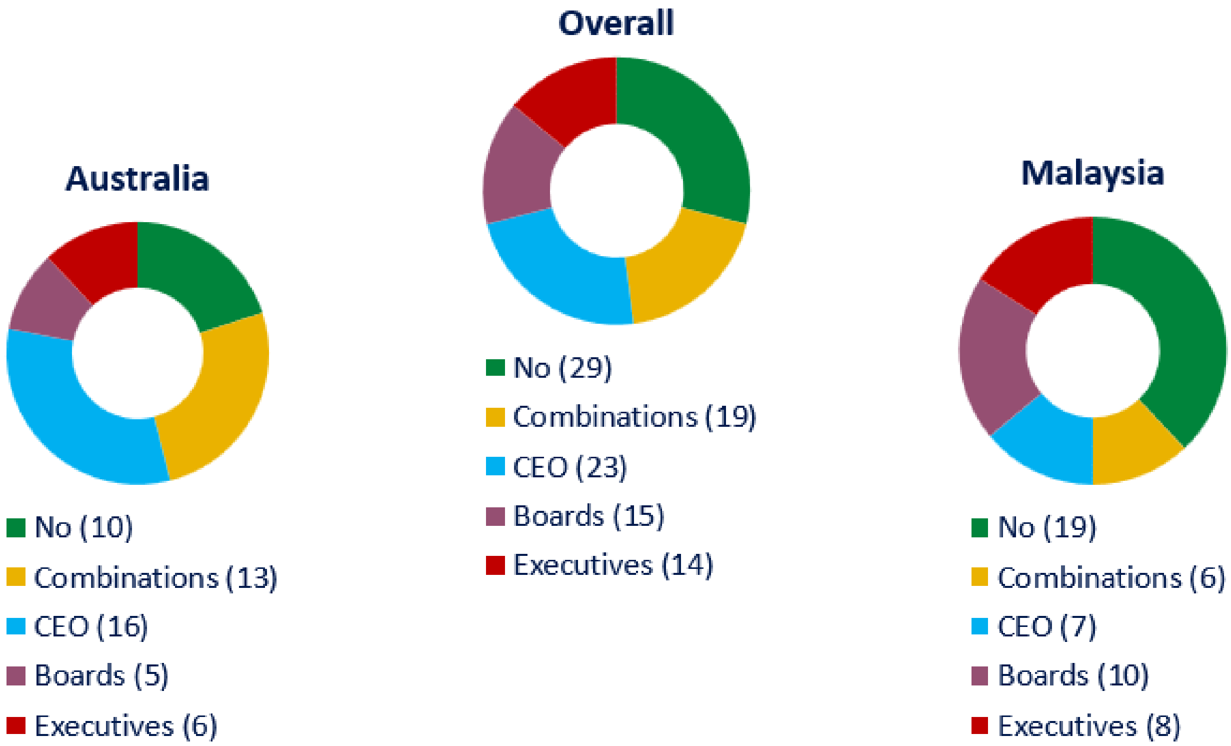

Figure 10: Listed Chief Operating Decision Maker

Among those that disclosed CODM information, we found clear differences in the CODM role. In Australia, the CEO is the predominant CODM. Specifically, 16 of the 50 Australian entities explicitly stated that their CEO is the person acting as CODM. In several other Australian cases, the CODM was identified as a combination of different roles (N= 13), such as, “CEO, Group Leadership Team and the Board of Directors”. This aligns with the notion that many Australian entities have a centralised decision-making structure where the CEO personally reviews segment performance closely. Only a handful of Australian entities cited the Board or a committee (N= 5) as the CODM.

In Malaysia, the pattern was different. The Board of Directors or a Board-level committee (N= 10) is frequently cited as the CODM. This suggests a more collective or oversight-oriented approach to resource allocation in those entities, which could be influenced by the governance norms in Malaysia. Following Boards, the next most common CODM in Malaysia was a group of executive management, with 8 entities disclosing a management committee or multiple executives as the CODM. Only 7 Malaysian entities explicitly said the CEO alone was the CODM. This shows that in Malaysia, the top decision making for segments often resides at a higher level or group.

These findings highlight how corporate governance can impact IFRS 8 implementation: IFRS 8’s segmentation hinges on internal reporting, and internal reporting lines depend on who is in charge. For instance, if the Board is the CODM, the segmentation might be broader or aligned with board committees; if a CEO is CODM, segments might correspond directly to that CEO’s direct reports. From a best practice perspective, even though not required, disclosing the identity of the CODM is helpful information for users. It gives context and helps users understand how seriously segment information is taken at the top level. Regulators might note that 29% of the sample did not disclose

CODM; encouraging entities to be transparent about their CODM could enhance the usefulness of segment reports.

4.5 Economic Performance Indicators Used by CODM

An important aspect of segment reporting is understanding how performance is measured for each segment. IFRS 8 requires entities to report the profit or loss measure for each segment as reviewed by the CODM and also to explain if that measure is not a standard IFRS measure. We gathered this information to determine which economic indicators (financial metrics) are most commonly used by CODMs to assess segment performance.

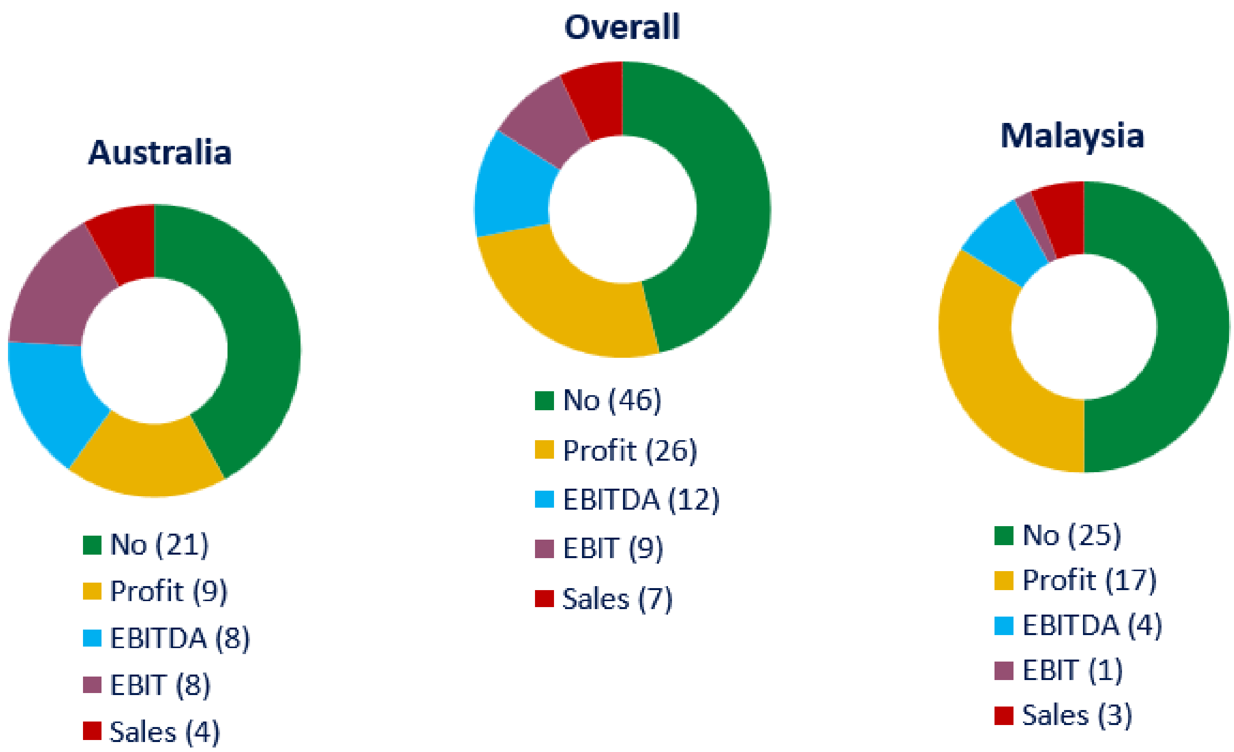

Figure 11: Segment Performance Indicators

Among the entities that provided insights on this matter (N=54), we observed that profit-based measures were the most frequently cited. Net Profit before Tax (or simply "Profit before Tax") was the most commonly referenced specific metric. 26 entities stated that the CODM uses a profit measure as the key indicator. Metrics like EBITDA and Earnings Before Interest and Tax (EBIT) were also frequently mentioned: 12 entities said their CODM looked at segment EBITDA, and 9 said EBIT was used. These metrics are essentially variations of profit. Therefore, if we consider "profit" in a broad sense (net profit/ EBIT/ EBITDA), a majority of entities use a profit-based measure as the key segment performance metric. This is intriguing as it could suggest that most CODMs concentrate on bottom-line segment profit, implying that net profit remains the primary focus.

When comparing Australia and Malaysia, Australian entities seemed to take a balanced approach – among those who disclosed metrics, 9 Australian entities cited profit, 8 cited EBITDA, and 8 cited EBIT as the CODM's focus. Malaysian entities, on the other hand, primarily cited Profit (17 out of

50) as the performance measure, with far fewer referencing EBITDA or EBIT. In fact, in Malaysia. it appears the term "segment profit" often directly meant net profit of the segment.

One striking finding is that a significant portion of entities did not explicitly state which indicator is used by the CODM. Almost half the sample (46 entities) did not clearly define the segment performance metric in their notes to financial statements. This lack of explicitness is an area that could be improved. The fact that nearly half did not state it suggests either it was deemed obvious or it was overlooked. From regulatory and user perspectives, stating the basis is useful, because without it, users might not know what constitutes the segment's key performance indicator.

5. Best Practice Case Study

To illustrate what high-quality segment reporting looks like under IFRS 8, we highlight two examples (one from Australia and one from Malaysia) among those entities that demonstrate best practices observed in our review. These examples encapsulate how some entities go beyond minimum compliance to provide clarity and decision-useful information in their segment disclosures

5.1 Goodman Group (Australia) [19]

One of the Australian entities in our sample is the Goodman Group, a large real estate entity operating across multiple geographic regions. In its annual report, this Goodman Group's segment note is particularly comprehensive. It identifies five operating segments, each corresponding to a location of operation (Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas), and outlines the activities and services performed by the operating segments. The note clearly states that "the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them", thereby providing context that the Group CEO is primarily responsible for segment decisions. For each segment, Goodman Group discloses a comprehensive set of financial information: external revenue and an analysis of the external revenues, share of net results of equity-accounted investments, net profit, and data on segment assets, segment liabilities and capital expenditures. The detailed financial information is also compared to the previous year, enabling users to assess the segment performance over the years. The entity also clarifies the accounting policies for segment reporting, stating that the segment results are measured on profit before net finance costs and income tax expenses and also exclude non-cash items (such as fair value adjustments, impairments, corporate expenses and share-based remuneration). Additionally, the entity has discussed the allocation of assets and liabilities to the segment.

This case stands out as best practice because it exemplifies transparency: the CODM is clearly identified (demonstrating its CEO-centric focus), the performance metric (profit) is explicitly stated and additional breakdowns (of external revenue) are provided. Furthermore, the statement that the reported segment information aligns with the policies used in preparing the consolidated financial statement enhances the usefulness of the segment disclosure. Essentially, the segment note resembles a mini financial statement for each division, which is highly beneficial to users. It is also noteworthy that Goodman Group's practice of disclosing the CODM and employing a well-defined metric aligns with the objectives of IFRS 8, indicating that they have internalised the

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19 See Appendix 1 for the disclosure note to financial statements on segment report by Goodman Group.

"through the eyes of management" approach and are willing to share that perspective with external users.

5.2 Genting Berhad (Malaysia)[20]

A Malaysian entity example from our sample is Genting Berhad, a leading consumer discretionary entity that operates in multiple countries around the world. Genting Berhad's segment reporting is notable for its clarity in a different way – it segments the business by geographic and industry: specifically, it reports segments such as Leisure and Hospitality, Plantation, Power, Property and Oil and Gas. Among these segments, there is a further breakdown based on the geographic locations. For example, the Leisure and Hospitality segment is further broken down into Malaysia, Singapore, UK and Egypt, and US and Bahamas. This segmentation reflects how Genting Berhad is internally organised by a combination of lines of service and geographic locations. In the notes, Genting Berhad explicitly states "The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chairman and Chief Executive and the President and Chief Operating Officer and Executive Director of the Entity". This is a clear communication of its governance structure behind segment information where there is a collaboration among those charged with governance. The segment disclosures include for each segment: external revenue, inter- and intra-segment transfers, EBITDA, net fair value from financial instruments, impairment losses, depreciation and amortisation, finance costs, share of equity, segment assets and liabilities.

What makes it best practice is the level of detail: Genting Berhad provides a breakdown of revenue for each segment and sub-segment, which, while not required by IFRS 8, is extremely useful for understanding each segment's efficiency and returns. They also report geographical information as entity-wide disclosure, showing for instance, how much of the total revenue and assets are in Malaysia, Singapore, other Asia Pacific countries and Others. Another best practice element in Genting Berhad's segment note includes a narrative explaining the performance measure for the operating segment and the measurement basis for the performance measure, segment assets and segment liabilities. This transparency in disclosure allows users to understand the management's perspective in assessing segment performance.

5.3 Common Trait of Best Practice Examples

From the above (and other exemplary cases we noted), a few common elements emerge:

a) Explicit CODM identification and measurement basis – the exemplar reports clearly state who the CODM is and which measures they use to assess segments;

b) A clear description of the basis for segmentation and details on each segment;

c) Reconciliations and explanations – the entities not only provide numbers, but also reconcile them to the consolidated financials and clarify any discrepancies in measurement (such as the exclusion of certain expenses from segment profit);

d) Comprehensive scope – they disclose a wide range of items (revenues, profits, assets, liabilities or other relevant metrics) to provide a well-rounded picture; and

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20 See Appendix 2 for the disclosure note to financial statements on segment report by Genting Berhad.

e) Entity-wide disclosures to complement segment information, such as offering geographic breakdowns or major customers.

Entities that adopt these practices are effectively using IFRS 8 to convey their story to investors, rather than viewing it as just a compliance task.

6. Concluding Remarks

This Research on segment reporting under IFRS 8 in Australia and Malaysia shows that the Standard's core objective is largely being achieved, with all sample entities providing segment disclosures and aligning those disclosures with internal reporting. We noted that a significant majority of entities have multiple operating segments, indicating that IFRS 8's flexibility is utilised to reflect actual business structures. Segment reports typically include key financial data such as revenue, profit and assets for each segment, demonstrating that entities recognise the importance of these details to users. The overall comparative analysis revealed more similarities than differences between Australian and Malaysian entities in segment reporting, confirming that IFRS 8 offers a consistent framework across jurisdictions. However, some specific differences did arise. For instance, Australian entities more frequently identified the CEO as CODM and disclosed EBITDA, while Malaysian entities involved the Board as CODM and concentrated on net profit. This showcases how corporate governance and internal management preferences can influence the nature of disclosures. Nevertheless, the overall findings indicate that segment reporting is a well-established practice for large listed entities in both countries, providing segment-level insights that complement the consolidated financial statements.

For national standard-setters like the AASB and MASB, the findings reassure that IFRS 8 has been effectively implemented – particularly among large listed entities. That said, certain aspects of the Standard could be further improved to enhance the disclosure quality. For instance, nearly half of the entities did not explicitly disclose which performance measure the CODM uses. Additionally, 29% of the sample failed to mention who their CODM is. While not explicitly mandated by the Standard, identifying the CODM or at least describing the management structure should be advocated as a best practice, as it provides valuable context for users regarding segmentation decisions.

Based on the Research, five potential recommendations emerge:

1. **Explicit disclosure of CODM and performance metrics**

   Many entities currently do not specify who the CODM is or what key performance metrics they use. Entities should be encouraged to include clear disclosures in the segment note, such as "The CODM (identified as [role]) uses [XYZ metric] to assess segment performance." This aligns directly with IFRS 8's intent and ensures users clearly understand the critical metrics behind reported financial information. The IASB could consider making this an explicit requirement in a future improvement to IFRS 8.

2. **Minimum key performance metrics to enhance comparability**

   Currently, entities employ a variety of metrics for segment performance, which reduce comparability. The IASB could consider recommending or requiring certain minimum performance metrics to be included in segment disclosures in a future improvement to IFRS 8.

Metrics like revenue, profit, assets and liabilities can be considered minimum standards, while still allowing flexibility. Furthermore, entities should be encouraged to disclose the basis for measurement, enabling users to see segment performance from management's perspective. This approach maintains flexibility but significantly enhances comparability among entities.

3. Disclosure of the basis for segmentation

Only a minority of sample entities (N= 38) explicitly disclosed their basis for segmentation, while others remained vague. Although users might infer the segmentation basis from context, explicit disclosure substantially enhances understanding. Therefore, compliance with IFRS 8 paragraph 22 should be reinforced, explicitly requiring entities to disclose clearly how segments are determined and what criteria are used.

4. Ensure segment information is appropriately aggregated

Regulators may need to remain vigilant to ensure entities do not combine different businesses into one segment inappropriately. While the current study did not find widespread aggregation issues (with only 9 single-segment cases), limited disclosure from these entities could obscure important information. Entities, particularly those presenting as single-segment, should explicitly disclose if operating segments have been aggregated and explain why they are considered similar in economic characteristics. This practice would enhance transparency and allow users to assess the appropriateness of such aggregations.

5. Incorporate segment information in management commentary

Entities could integrate segment information into the other sections of annual reports, such as management commentary, to enhance connected information.

Overall, segment reporting in Australia and Malaysia is progressing well and, with continued attention to best practices, it could become an exemplary illustration of how principles-based standards like IFRS 8 enhance transparency in financial reporting. Ongoing monitoring by regulators and standard-setters, coupled with consistent enforcement and education efforts, will ensure segment reporting remains relevant, robust and beneficial to all financial statement users in the evolving corporate landscape.

Going forward, gathering further feedback from various stakeholders during the IASB's upcoming agenda consultation will be beneficial in understanding users' evolving needs and how these needs can be fulfilled through segment disclosures. Additionally, further research, particularly on investor perspectives, will be essential to determine how current segment disclosures meet investors' needs and the perceived usefulness of the information. Understanding investors' perspectives will also help in identifying areas of improvement and enhancing the decision-usefulness of segment information.

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Appendix 1: Survey Questions

Question 1 (projects on the reserve list - operating segments)
Do you recommend the IASB to add a project on operating segments (and its priority) to the future work plan? a) Yes - high priority b) Yes - medium priority c) Yes - low priority d) No e) Unsure If yes, please explain why:

Question 2 (projects on the reserve list - pollutant pricing mechanisms)
Do you recommend the IASB to add a project on pollutant pricing mechanisms (and its priority) to the future work plan? a) Yes - high priority b) Yes - medium priority c) Yes - low priority d) No e) Unsure If yes, please explain why:

Question 3 (pollutant pricing: mandatory (compliance) schemes & voluntary schemes)
Do you think the IASB should focus on mandatory (compliance) schemes, voluntary schemes or both types of pollutant pricing mechanisms? a) Mandatory (compliance) schemes only b) Voluntary schemes only c) Both mandatory (compliance) and voluntary schemes d) Unsure Please explain why:

Question 4 (cryptocurrencies and related transactions)
Do you recommend that the IASB revisit these projects for inclusion in its future work plan? Cryptocurrencies and related transactions: a) Yes – high priority b) Yes – medium priority c) Yes – low priority d) No e) Unsure Please explain why:

Question 5 (going concern disclosures)
Do you recommend that the IASB revisit these projects for inclusion in its future work plan? Going Concern Disclosures: a) Yes – high priority b) Yes – medium priority c) Yes – low priority d) No e) Unsure Please explain why:

Question 6 (other projects for future consideration)
For the upcoming consultation, select three projects that you believe the IASB should reconsider for inclusion in its future work plan. - Discontinued Operations and Disposal Groups - Discount Rates - Income Taxes - Other Comprehensive Income - Variable and Contingent Consideration - Borrowing Costs - Commodity Transactions - Employee Benefits - Expenses—Inventory and Cost of Sales - Foreign Currencies - Government Grants - Negative Interest Rates - Separate Financial Statements - Inflation - Interim Financial Reporting Please explain your reasoning?

Question 7 (other significant problems)
Are there any other significant problems you believe that the IASB should consider adding to its work plan? a) Yes b) No If yes please explain the problem, how prevalent it is and possible solutions:

Question 8 (connectivity)
The IASB and the International Sustainability Standards Board (ISSB) recognise the critical role of connectivity between their respective requirements in delivering high-quality financial information to capital markets. Are there any specific projects or activities you believe the IASB and ISSB should collaborate extensively (i.e. formal joint project)?

Question 9 (other comments)
Do you have any other comments?

Appendix 2: Disclosed Note to Financial Statements on Segment Report by Goodman Group

An operating segment is a component of Goodman that engages in business activities from which it may earn revenues and incur expenses. Goodman reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and Goodman has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia (Greater China (including the Hong Kong SAR) and Japan), Continental Europe (with the majority of assets located in Germany, France, Spain and Netherlands), the United Kingdom and the Americas (principally North America and including Brazil).

The activities and services undertaken by the operating segments include:

+ Property investment, through both direct ownership and cornerstone investments in Partnerships
+ Management activities, both investment and property management
+ Development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for Partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and share-based remuneration. The assets allocated to each operating segment are the property assets, including the investments in Partnerships and trade and other receivables associated with the operating activities, but exclude inter-entity funding, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude interest bearing liabilities, derivative financial instruments, provisions for distributions and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements of Goodman and GIT.

For the purpose of operating segment reporting, there are no material intersegment revenues and costs.

Information regarding the operations of each reportable segment is included on the following pages.

Source: Goodman Group's Annual Report (2024)

Appendix 3: Disclosed Note to Financial Statements on Segment Report by Genting Berhad

4. SEGMENT ANALYSIS

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chairman and Chief Executive and the President and Chief Operating Officer and Executive Director of the Company.

Management has determined the operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The chief operating decision-makers consider the business from both a geographic and industry perspective and has the following reportable segments:

Leisure & Hospitality	-	This segment includes gaming, hotels, food and beverages, theme parks, retail, entertainment and attractions, tours and travel related services, development and operation of integrated resorts and other support services.
Plantation	-	This segment is involved mainly in oil palm plantations in Malaysia and Indonesia, palm oil milling and related activities.
Power	-	This segment is involved in generation and supply of electric power.
Property	-	This segment is involved in property development activities and property investment.
Oil & Gas	-	This segment is involved in oil & gas exploration, development and production activities.

All other immaterial segments including investments in equities are aggregated and disclosed under "Investments & Others" as they are not of a sufficient size to be reported separately.

The performance of the operating segments is based on a measure of adjusted earnings/(losses) before interest, tax, depreciation and amortisation ("EBITDA/(LBITDA)"). This measurement basis also excludes the effects of non-recurring items from the operating segments, such as net fair value gain or loss on financial assets, gain or loss on derecognition and change in shareholding of associates and joint ventures, project costs written off, reversal of previously recognised impairment losses, impairment losses, pre-opening and development expenses, assets written off, gain or loss on disposal of assets and share-based payment expenses.

Segment assets consist primarily of PPE, investment properties, intangible assets, ROU of oil and gas assets, ROU of lease assets, inventories, trade and other receivables, financial assets at FVOCI, financial assets at FVTPL and cash and cash equivalents. Segment assets exclude interest bearing instruments, joint ventures, associates, deferred tax assets, tax recoverable and assets classified as held for sale as these assets are managed on a group basis.

Segment liabilities comprise operating liabilities. Segment liabilities exclude interest bearing instruments, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Source: Genting Berhad Annual Report (2024)