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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
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United Kingdom
Email: commentletters@ifrs.org

27 July 2017

Re: Exposure Draft ED/2017/2 – Improvements to IFRS 8 *Operating Segments* (Proposed amendments to IFRS 8 and IAS 34)

Dear Mr Hoogervorst

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IASB's Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)* ('the ED').

We welcome the IASB's efforts to address issues identified in the Post-implementation Review of IFRS 8. Overall, we support the amendments proposed in the ED as we believe that they should improve the quality of segment reporting.

Our comments and detailed responses to the questions set out in the Invitation to Comment section of the ED are detailed hereafter.

We would be pleased to respond to any questions the Board or its staff may have about any of our comments.

Please do not hesitate to contact me or Joelle Moughanni at +44 207 601 1080.

Sincerely,



Robert Dohrer
Global Leader - Quality and Risk
RSM International

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Question 1

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

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

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

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

We agree with the proposed amendments to the description of the chief operating decision maker (CODM) as they represent useful clarifications for consistent implementation.

Also, we agree with the proposed additional disclosure of the title and role of the CODM as this is critical to segment reporting under IFRS 8, and thus is useful information about how the business is run and the level at which decisions are made. However, in order to avoid boiler-plate disclosure (eg “The Board of Directors is the CODM; its role is to make operating decisions and decisions about allocating resources...”), we recommend that the IASB provides further guidance on what should be disclosed about the CODM’s role.

Question 2

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

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

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

We agree with the proposed additional disclosure in order to address concerns about any lack of consistency in identifying an entity’s reportable segments across the entity’s annual reporting package (as appropriately described in paragraph 19B of the ED, although the terminology ‘at approximately the same time’ might be open to interpretation in practice).

Also, we agree with the proposed additional examples to help reduce cases of inappropriate aggregation of operating segments.

Question 3

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

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

We do not see any inconsistency or controversy in adding such paragraph as it does not change the existing requirements in IFRS 8, it is consistent with paragraph 17(c) of IAS 1, it clarifies that disclosing additional information that is useful and relevant does not conflict with a management approach, and the proposed additional information would benefit the users of the financial statements.

However we do think it is important that any additional information disclosed but not reviewed by, or regularly provided to, the CODM be labelled as such.

We understand from paragraph BC29 of the ED that this proposal is intended to respond to concerns about lack of information that some users need to make comparisons across entities. We agree with the IASB's decision not to mandate disclosure of further specified items, but we do not believe that paragraph 20A of the ED meets the concerns of comparability between entities and/or across industry sectors as the outcome will depend on each entity's judgement as to the nature and extent of any such additional disclosure.

Question 4

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

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

We agree with the proposed amendment (including the additional examples of reconciling items) as it emphasises the requirement of a fuller explanation of the nature of individual reconciling items, in order to enable users of financial statements to better understand their effect.

Question 5

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

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

We agree with the proposed amendment and for the same rationale as the Board's in paragraph BC8 of the ED.

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