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

July 12, 2017

Dear Mr Hoogervorst,

On behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on the *Exposure Draft ED/2017/2 Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34*, issued by the IASB on 29 March 2017 (the 'ED').

Principal authors of this comment letter were Max Eibensteiner, Peter Geyer, Christian Gross and Andreas Rauter. In order to assure a balanced Austrian view on the ED, the professional background of these authors is diverse.

GENERAL REMARKS

AFRAC appreciates the opportunity to comment on the ED/2017/2 and welcomes the IASB's efforts to adapt the standard according to the outcome of the post-implementation review (PIR). We still believe that the management's perspective is the correct basis for identifying and providing information about operating segments. Nevertheless, it is appropriate to include several clarifications in an adapted version of the standard. Especially an aligned definition and perception of the entity's *chief operating decision maker (CODM)*, which represents one of the main elements of the ED, is helpful from our point of view.

However, we think that the newly included references to reporting obligations outside of the financial statements are problematic. The introduction of the term "annual reporting package" with reference to (all kind of) "publicly available communication provided at approximately the same time as the entity's annual financial statements" (19B) might go beyond the objective of the standard and maybe even beyond the scope of IFRSs: At the moment, paragraph 14 of IAS 1 (Presentation of Financial

Statements) states that reports and statements outside financial statements are outside the scope of IFRS. In addition, potential conflicts could arise due to the introduction of the term “annual reporting package” in the ED, since specific regulations regarding the timing and the form of financial communication exist (Corporation Acts, Commercial Law, Stock Exchange Acts, Regulatory Rules etc.) that could not be disregarded in order to fulfil the newly introduced requirement in paragraph 19B.

Our detailed comments and responses to the five questions raised in the ED are set out in the appendix.

If you would like to discuss our comments further, please do not hesitate to contact us.

Kind regards,

Romuald Bertl,
Chairman

QUESTION 1— Identifying the chief operating decision maker (CODM)

The IASB 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?

AFRAC principally agrees with the definition given in para 7, 7A and 7B. AFRAC agrees that under IFRS 8 the CODM is a function, rather than a title, and that, therefore, the CODM can be either an individual or a group and, if it is a group, that it can also include members who do not participate in all decisions to be made.

Concerning the second sentence of paragraph 7B, which introduces “operating decisions” (next to “decisions about allocating resources to, and assessing the performance of, the operating segments of an entity”) we would like to propose that the guidance of the new provision should state more clearly that the paragraph only addresses major decisions and not all decisions related to the normal day-to-day conduct of business. This seems appropriate in order to avoid identifying the CODM at low management levels.

QUESTION 2— Consistency and aggregation of reportable segments

In respect of identifying reportable segments, the IASB 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?

AFRAC supports the intention of the IASB to require additional information of segment information according to IFRS 8, if the segment information is inconsistent with other disclosures on segments outside the financial statements. However, AFRAC has reservations as mentioned above concerning the IASB's proposal to introduce the term "annual reporting package" with reference to (all kind of) "publicly available communication provided at approximately the same time as the entity's annual financial statements" (19B), since it might go beyond the objective and maybe even beyond the scope of IFRSs. It might be worth considering, whether the newly introduced paragraph 19B contradicts parts of IAS 1 (Presentation of Financial Statements), since IAS 1.14 states that "reports and statements outside financial statements are outside the scope of IFRS".

AFRAC is also concerned that - in practice - it may prove difficult or even impossible to define an entity's annual reporting package as proposed in IFRS 8. Different local regulations or other legal requirements may be relevant regarding the format and presentation of financial information outside of the financial statements (e.g. Corporation Acts, Commercial Law, Stock Exchange Act, Regulatory Reporting for Financial Institutions and other regulated businesses); these legal requirements could not just be disregarded in order to fulfil the newly introduced requirement in paragraph 19B.

AFRAC recommends aligning the definition and use of „annual reporting package" with the analysis in chapter 4 of the Discussion Paper: Principles of Disclosure, because the amendment of IFRS 8 was made prior to the discussion in this Discussion Paper.

AFRAC agrees with the proposed amendment to paragraph 12 of IFRS 8 to emphasize the criteria that must be satisfied before two or more operating segments may be aggregated.

QUESTION 3— Disclosure of other information

The IASB 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?

AFRAC agrees with the proposed change. AFRAC understands that paragraph 20A of the ED is intended to remind entities that they may disclose additional information about their reportable segments, if that helps to meet the core principle in IFRS 8. However, AFRAC understands this clarification as a granted option, which does not necessarily result in a growing number of line items to be disclosed according to IFRS 8. Additional line items might not lead to more relevant

information for investors and could even trigger disclosure practices that counteract the general idea of the IASB's Disclosure Initiative.

QUESTION 4— Describing the reconciling items in sufficient detail

The IASB 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?

AFRAC agrees with the proposed clarification in paragraph 28A and with the clarification in BC37, outlining that all reconciling items need not be allocated to reportable segments. For us, the new provision seems to have a clarifying objective and limits the information to the most relevant reconciling items from an entity's perspective. We agree to the IASB's approach, which does not standardize the reporting format or the level of detail that should be disclosed. In case that these two concepts lead to contradictory outcomes, we think that understandability should be given priority over the financial statement users' demand for an ever-growing number of detailed disclosures.

QUESTION 5— Restated segment information for all interim periods under IAS 34

The IASB 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?

AFRAC agrees with the proposal to add paragraph 45A to IAS 34 regarding the restatement of previously reported interim periods, when there is a change in the composition of an entity's reportable segments. For the sake of clarity, we would recommend to adapt paragraph 45A in its first sentence so that it states (emphasis added for proposed change of wording) "[...] for each previously reported interim period both of the current financial year and of **the prior financial year** [...]" instead of "prior financial years" (singular rather than plural).

AFRAC has difficulty interpreting the phrase "unless the information is not available and the cost to develop it would be excessive" relative to the term "impracticable" that is used in several other IFRSs. The "excessive cost" phrase is also used in BC10 of the ED. However, the explanation in BC100 of the current IFRS 8 (that BC10 of the ED refers to) actually uses the terminology "impracticable to do so". Does that mean that these two terms have the same meaning? If so, we suggest using "impracticable", otherwise it should be made clear which of the two phrases is stricter.