

## STAFF PAPER

February 2013

## IASB Meeting

Project	Annual Improvements to IFRSs 2010–2012 Cycle (ED/2012/1) comment letter analysis		
Paper topic	IFRS 8 <i>Operating Segments</i> —reconciliation of the reportable segments' assets to the entity's assets		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

**Introduction**

1. The Exposure Draft (ED) *Annual Improvements to IFRSs 2010–2012 Cycle* (ED/2012/1) published in May 2012 includes the IASB's proposal to amend the requirements in paragraph 28(c) of IFRS 8 *Operating Segments*.
2. This amendment proposes to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed for a particular reportable segment, if the segments' assets are reported in accordance with paragraph 23 of IFRS 8. This is, if the amounts are regularly provided to the chief operating decision maker (CODM).
3. This clarification would make this paragraph consistent with paragraphs 23 and 28(d) in IFRS 8.

**Purpose of this paper**

4. The objective of this paper is:
  - (a) to present to the IASB the IFRS Interpretations Committee's (the Interpretations Committee) recommendations on the proposal to amend paragraph 28(c) of IFRS 8 including:

- (i) a summary of changes that the Interpretations Committee recommends for finalisation in response to the comments received;
  - (ii) the proposed wording for the final amendments as set out in Appendix A of this Agenda Paper; and
- (b) to get a decision from the IASB on this issue to allow it to be included in the final *Improvements to IFRSs* Standard that is planned to be published in 2013.

### **Summary of the proposed amendment and the comments received**

5. A summary of the proposed amendment and the comments received is described in the paragraphs that follow.
6. For a detailed description of the comments received and the source of those comments, the IASB should refer to [Agenda Paper 10B](#), which was presented to the Interpretations Committee at the November 2012 meeting.<sup>1</sup>

### ***Proposed amendment***

7. In March 2011 the Interpretations Committee received a request to clarify paragraph 28(c). The submitter observed that paragraph 28(c) should have been amended to make the disclosure requirements consistent with the amendment to paragraph 23. This amendment should have:
- (a) indicated that the reconciliation of the total of the reportable segment assets to the entity's assets should be provided if segment assets are reported in accordance with paragraph 23; and
  - (b) made paragraph 28(c) consistent with paragraph 28(d), which requires a reconciliation of the total reportable segment liabilities if the segment liabilities are reported in accordance with paragraph 23.
8. During its deliberations<sup>2</sup> the IASB observed that, similarly to paragraph 28(d), paragraph 28(c) should clearly indicate that the reconciliation of the total of the

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<sup>1</sup> For ease of reference, IASB members will receive a copy of each of these papers.

reportable segments' assets to the entity's assets should be reported in accordance with paragraph 23, if such amounts are regularly provided to the CODM.

9. The IASB proposed the following amendment to paragraph 28:

28 An entity shall provide reconciliations of all of the following:

(a) ...

...

(c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.

(d) the total of the reportable segments' liabilities to the entity's liabilities if segment the liabilities are reported in accordance with paragraph 23.

...

10. The IASB noted that not amending paragraph 28(c) when paragraph 23 was amended was merely an unintended oversight.

### **Summary of the comments received**

11. The IASB received 84 comment letters on the ED in total. Only 63 respondents expressed their views on the proposed amendment to paragraph 28(c) of IFRS 8.

12. Respondents **broadly agreed** with the proposed amendment to paragraph 28(c) of IFRS 8.

13. Some respondents raised some further issues in regard to the proposed amendment. Mainly that:

(a) the IASB should consider amending IFRS 8 at the Post-implementation Review stage of IFRS 8; and

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<sup>2</sup> The Interpretations Committee discussed this issue at the May 2011 meeting (refer to [Agenda Paper 5](#)) and made a recommendation to the IASB to propose an improvement through the Annual Improvements project (refer to the [IFRIC Update of May 2011](#)).

- (b) the disclosures involving segments' assets and/or liabilities should be made mandatory.

*Consider amending at the Post-implementation Review stage of IFRS 8*

14. A few respondents noted that, even though they agree with the proposed amendment, they believe that it would be better if this proposed amendment and further amendments to IFRS 8 were to be considered as part of the IASB's Post-implementation Review of this Standard, and that all proposed amendments should be put on hold until this review is completed.<sup>3</sup>
15. The Interpretations Committee disagreed with this view because it observed that the proposed amendment
- (a) would provide increased clarity where diversity currently exists;
  - (b) is not meant to revisit the requirement to reconcile reportable segments' assets to the entity's assets (if the segment assets are reported in accordance with paragraph 23 of IFRS 8).

*Disclosures involving segments' assets and/or liabilities should be made mandatory*

16. Other respondents think that "reconciliations of the various segment assets and liabilities should always occur" and therefore should be considered as a mandatory disclosure within IFRS 8 to provide users with useful information.
17. The Interpretations Committee disagreed with that view because the primary focus of the disclosure requirements in paragraph 23 (and consequently of the reconciliation requirements in paragraph 28(c) and 28(d)) is that a measure of the total assets and liabilities for each reportable segment should be disclosed **only if** such amounts are regularly provided to the CODM. Consequently, the Interpretations Committee observes that this disclosure **should not** become a mandatory requirement if the amounts of the total assets and liabilities **are not** regularly provided to the CODM.

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<sup>3</sup> We noted a similar comment on the proposed amendment to paragraph 22 of IFRS 8 as discussed in agenda paper 8B of February 2013.

**Transition and effective date**

18. Respondents **broadly agreed** with the transition and effective date of the proposed amendment to paragraph 28 of IFRS 8. It is proposed to be applied in annual periods beginning on or after 1 January 2014 with earlier application permitted.

**Interpretations Committee recommendation**

19. On the basis of the analysis in the previous section, the Interpretations Committee recommends the IASB to:
- (a) proceed with the proposed amendment to paragraph 28(c) of IFRS 8; and
  - (b) include minor edits to the Basis for Conclusions to further clarify the focus of the proposed disclosure.
20. The recommended changes are included as appendices:
- (a) **Appendix A** shows the proposed amendment, highlighting differences from the currently effective Standard; and
  - (b) **Appendix B** shows revisions to the wording in the previously published Exposure Draft, following the recommendations in this paper.

**Question to the IASB**

1. Does the IASB agree with the Interpretations Committee's recommendations on finalising the amendment to IFRS 8 on the reconciliation of the reportable segments' assets to the entity's assets, including the proposed wording changes, as described in Appendix A and Appendix B?

## Appendix A—Changes for finalising the amendment

A1. The proposed amendment to paragraph 28 is presented below:

### Amendment to IFRS 8 *Operating Segments*

Paragraph 28 is amended and paragraph 36C is added. New text is underlined and deleted text is struck through.

#### Reconciliations

28 An entity shall provide reconciliations of all of the following:

(a) ...

... the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to the entity's profit or loss after those items.

(c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.

...

#### Transition and effective date

36C *Annual Improvements to IFRSs 2010–2012 Cycle* issued in [date] amended paragraphs 22<sup>4</sup> and 28. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

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<sup>4</sup> This paragraph was added as a consequence of the proposed amendment to IFRS 8 on the aggregation of operating segments. This issue is discussed in Agenda Paper 8B of January 2013.

## Basis for Conclusions on amendments to IFRS 8 *Operating Segments*

*This Basis for Conclusions accompanies, but is not part of, the proposed amendments.*

A title and paragraphs BC42A–BC42C are added.

### Reconciliation of segment assets

- BC42A The IASB received a request to clarify the requirement in paragraph 28(c) that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed only if that amount is regularly provided to the chief operating decision maker. This clarification would make this paragraph consistent with paragraphs 23 and 28(d).
- BC42B The IASB noted that in April 2009, as part of *Improvements to IFRS* (issued in April 2009), paragraph 23 was amended to clarify that a measure of the total assets for each reportable segment needs to be disclosed only if that amount is regularly provided to the chief operating decision maker. The IASB's decision to make this change was to avoid an unintended difference from practice in the United States under SFAS 131 *Disclosures about Segments of an Enterprise and Related Information* (now Topic 280 *Segment Reporting* in the *FASB Accounting Standards Codification*®).
- BC42C The IASB observed that paragraph 28(d) clearly indicates that the reconciliation of the total of the reportable segments' liabilities to the entity's liabilities should be provided if the segment liabilities are reported in accordance with paragraph 23; that is, if a measurement of the total assets and the total liabilities for each reportable segment is regularly provided to the chief operating decision maker. The IASB noted that it was merely an unintended oversight that paragraph 28(c) was not amended at the time and in the same way as paragraph 28(d). Consequently, the IASB decided that paragraph 28(c) should also clearly indicate that the reconciliation of the total of the reportable segments' assets to the entity's assets should be provided if the segments' assets are reported in accordance with paragraph 23.

## Appendix B—Changes from the Exposure Draft published in May 2012 following our recommendations in this paper

B1 The amendment to paragraph 28(c) is presented below. New text that is proposed to be added on the basis of the comment letter analysis, which arises from the proposed amendment included in the ED (May 2012), is shown with a double-underline. Text that is proposed to be deleted with respect to the proposed amendment included in the ED (May 2012), is shown with a double-strike-through.

### Amendment to IFRS 8 *Operating Segments*

Paragraph 28 is amended and paragraph 36C is added. New text is underlined and deleted text is struck through.

#### Reconciliations

- 28 An entity shall provide reconciliations of all of the following:
- (a) ...
  - ...
  - (c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.
  - ...

**Transition and effective date**

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36C *Annual Improvements to IFRSs 2010–2012 Cycle* issued in [date] amended paragraphs 22<sup>5</sup> and 28. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

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<sup>5</sup> See footnote 4.

## Basis for Conclusions on amendments to IFRS 8 *Operating Segments*

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- ~~BC42C~~ The IASB observed that paragraph 28(d) clearly indicates that the reconciliation of the total of the reportable segments' liabilities to the entity's liabilities should be provided if segment liabilities are reported in accordance with paragraph 23; that is, if a measurement of total assets and total liabilities for each reportable segment is regularly provided to the chief operating decision maker. The IASB noted that it was merely an unintended oversight that paragraph 28(c) was not amended at the time and in the same way as paragraph 28(d). Consequently, the IASB ~~proposes~~ decided that paragraph 28(c) should also clearly indicate that the reconciliation of the total of the reportable segments' assets to the entity's assets should be provided if segments' assets are reported in accordance with paragraph 23.