
When do prices move?

IFRS Research Forum
Discussant

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Operating Segments: a high priority for investors

3rd agenda consultation: dichotomy of interests

- Users gave high priority to overhaul of IFRS 8 Operating Segments
- Preparers rated this project as low priority



Issues raised by users

- Aggregation of reportable segments
- Disaggregation and standardization of line items
- Changes in composition of reportable segments



Problem addressed
by paper

Paper analyses investors' worst case

Reshuffling is economically significant

- No change in presentation -> same segments and same line items
- Change in numbers presented (chg vs prior yr numbers) > 0.5% of assets
- But median ROA = 3.0%

Reshuffling is frequent

- 4.8% of all firm years or 16% of firms during sample
- Of those, 58% did not provide any additional disclosures

Reshuffling when more difficult to analyze

- More frequent for difficult to analyze firms
 - declining revenues,
 - volatile earnings and ROA
- More frequent for less obvious line items
 - expenses instead of revenues
 - operating segments than geographic



Supports investors' concerns

Even qualitative explanations provides information for investors

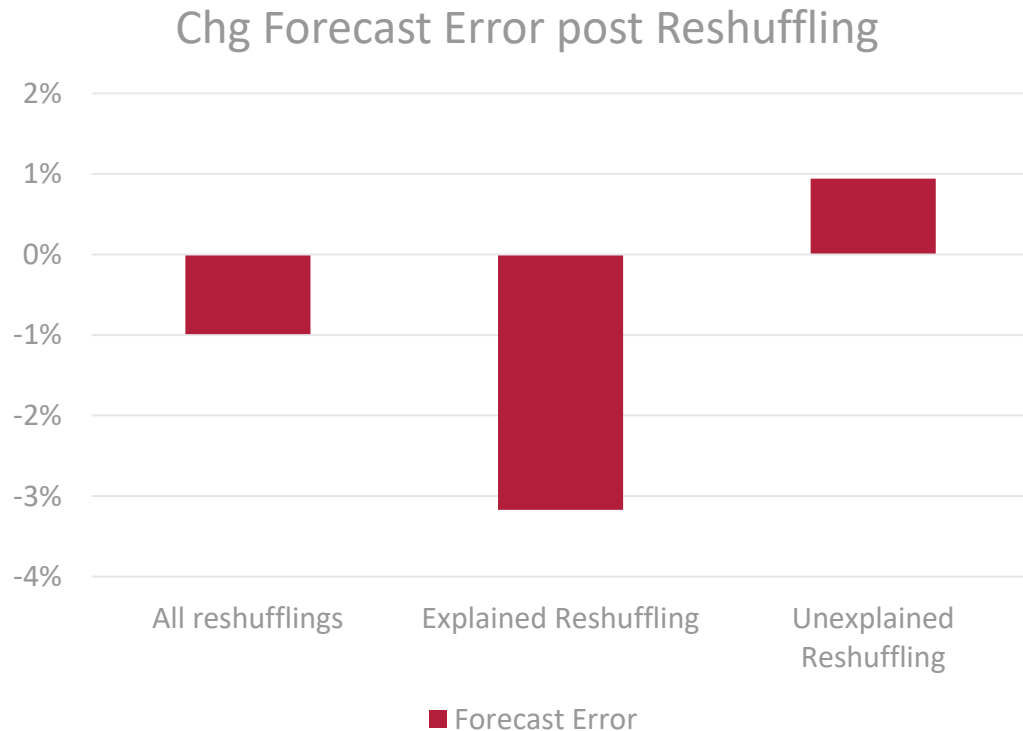


Table 5

- Reshuffling does not impact forecast error or forecast dispersion of analysts...
- Unless it is explained (qualitatively)

Table 6

- Same results for forecast errors or dispersion
- Same results for operating or geographic segments
- Same results for revenue or expense reshuffling
- Same results for large or small reshufflings

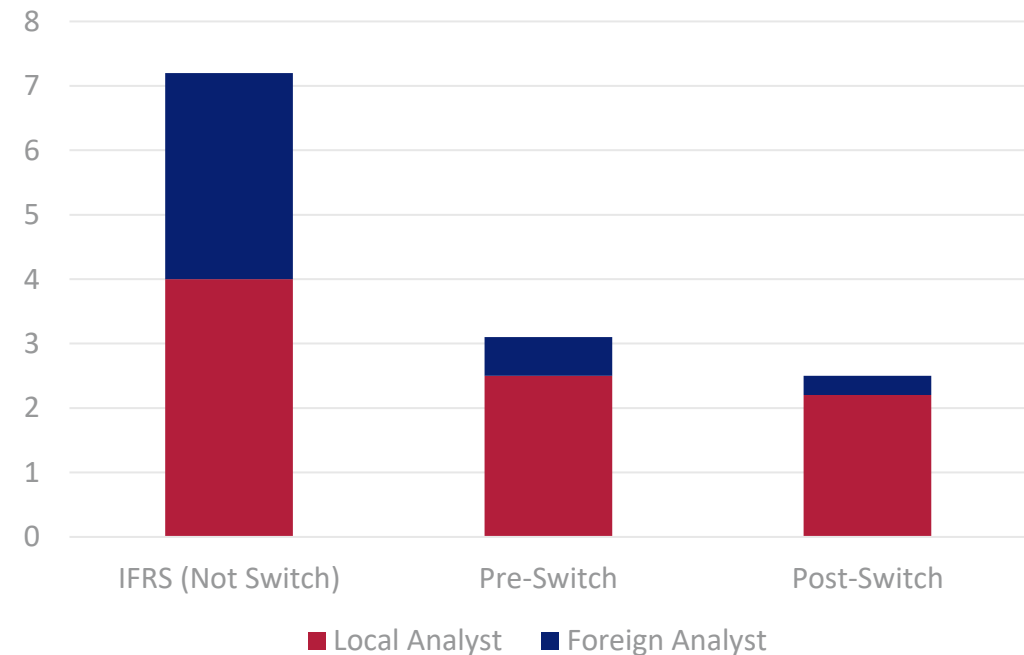
Swiss case study: moving to Swiss GAAP reverses effects

- Analysis of 23 listed firms switching from IFRS to Swiss GAAP FER
- Period covered 2008 – 2015
- Difference-in-difference design
- Controlling for size, profitability, valuation and year



- Smaller companies are switching
- Loss in analysts (-20%), esp inexperienced with FER
- Loss in analyst accuracy (-40%)

Average analyst coverage



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