

To	David Sidwell, Chairman—Due Process Oversight Committee
From	Alan Teixeira, Senior Director—Technical Activities ateixeira@ifrs.org
Subject	Request for information—IFRS 8 <i>Operating segments</i>
Date	4 July 2012

The IASB is planning to publish a Request for Information (RFI) on 17 July on the application of IFRS 8 *Operating Segments* as part of its post-implementation review (PIR) of that IFRS.

In this memorandum I wish to:

- (a) give the Due Process Oversight Committee (the DPOC) a brief update on progress made on the PIR of IFRS 8 since the members were last briefed in April 2012 and an update on the development of the RFI; and
- (b) explain to the DPOC the steps in the due process that we will take before the publication of the RFI and to confirm that we have complied with the due process requirements.

The document about to be published is an RFI. Accordingly, this memo is primarily for information purposes.

Background to the PIR of IFRS 8

IFRS 8 *Operating Segments* is the first of the IASB's Standards to be subject to a PIR.

The first phase of a PIR consists of an initial assessment of the issues related to the subject of the PIR, and consultation with interested parties about those issues. For the purposes of completing the first phase for the PIR on IFRS 8, we have:

- (a) completed the broad-scope review of publicly available materials from the firms, regulators and investors to establish the scope of this review;
- (b) contacted firms, investors and national standard-setters to inform them about the PIR process and to ask for their help;
- (c) carried out a preliminary review of existing academic research and other literature; and

- (d) collated a preliminary list of issues for investigation, based on information received from investors, the major accounting firms, national standard-setters, regional bodies and others.

All this has been done to identify the main questions that need to be answered before the IASB can assess the effect of applying IFRS 8.

The Request for Information (RFI) is the next step in this process and is used to gather the information from stakeholders that we will need to be able to assess the implementation of the IFRS. This public consultation will permit everyone in the IFRS community to provide information for the review process.

Update on progress made on the PIR of IFRS 8 and the development of the RFI

DPOC meeting April 2012

At its April 2012 meeting, the DPOC endorsed the proposed methodology for conducting post-implementation reviews and encouraged a broad-scope review process, which would not be limited to the initial objectives of the standard.

Board deliberations Q 2 2012

With that support in mind, the Board has continued its work on the PIR of IFRS 8.

At the May 2012 meeting, the Board tentatively decided that the RFI will be structured in accordance with the key decisions that were made when IFRS 8 was developed.

Those decisions were:

- (a) to identify segments on the basis of the management approach;
- (b) to measure disclosed line items on the basis used for internal reporting; and
- (c) to disclose only those line items that are regularly reviewed by the chief operating decision maker.

The RFI will also include a question about the disclosures required by IFRS 8 as well as a question about the implementation of IFRS 8 and the costs associated with implementation.

At the June 2012 meeting, the Board discussed and gave comments on the content and style of the questions proposed in the RFI by the staff. The Board agreed to the staff's request to publish an RFI, structured in accordance with these proposals.

The Board also discussed the preliminary findings of a review of academic literature to May 2012 on the effect of applying IFRS 8. In those discussions the Board identified

some areas in which future academic research would be welcome, such as the effect of the implementation of IFRS 8 on interim reporting.

Continued outreach activities

At the Board discussions in June, the staff made it clear that they would seek input to the PIR process through various other mechanisms while the RFI is out for public comment. These outreach activities will include workshops and structured interviews across a range of preparers, investors, regulators and auditors. The outreach will be facilitated by national standard-setters, regional bodies and other interested parties, where appropriate.

Review by the IFRS Interpretation Committee

The Board has been assisted in developing the RFI by the IFRS Interpretations Committee. The Interpretations Committee discussed the schedule of issues identified for investigation at its May 2012 meeting. This schedule formed the basis of the Board's scoping and development of the questions asked in the RFI.

Due process relating to an RFI for a PIR

The due process relating to the publication of an RFI is included in the draft of the revised *Due Process Handbook*, as is that for conducting a PIR, which was published by the Trustees for public comment on 8 May 2012.

Extracts from the draft of the revised Due Process Handbook

- 4.18 Requests for Information are formal requests by the IASB for information or feedback on a matter related to technical projects or broader consultations. Examples of appropriate topics for a Request for Information include soliciting input on its three-yearly agenda consultation or PIRs or help in assessing the practical implications of a potential financial reporting requirement.

Publication of discussion papers, Requests for Information and research papers

- 4.19 Discussion papers are balloted by the IASB. ...Requests for Information require the support of a simple majority of the IASB, with approval being given in a public meeting.
- 4.20 ... The IASB usually allows a minimum of 60 days for parties to respond to a request for information. If the information request is narrow in scope and urgent the IASB may set a shorter period and need not consult with the DPOC before doing so.
- 4.21 Discussion papers, Requests for Information and research papers are posted on the IFRS Foundation website.
- 4.22 Comment letters received are posted on the website. Once the comment period for any related discussion paper ends the project team analyses and summarises the comment letters.

PIRs: Initial assessment and public consultation

- 6.52. The goal of improving financial reporting underlies any new IFRS. A post-implementation review is an opportunity to assess the effect of the new requirements on investors, preparers and auditors. The review must consider the issues that were important or contentious during the development of the publication, (which should be identifiable from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis of the relevant IFRS), as well as issues that have come to the attention of the IASB after the document was published.. The IASB and its staff also consult with the wider IFRS community to help the IASB identify areas where possible unexpected costs or implementation problems were encountered.
- 6.53. This initial review should draw on the broad network of IFRS related bodies and interested parties, such as the Interpretations Committee, the IASB's consultative groups, including the Advisory Council, securities regulators, national and regional standard-setting bodies, preparers, auditors and investors. The purpose of these consultations is to inform the IASB so that it can establish an appropriate scope for the review. How extensive the consultations need to be in this phase will depend on the IFRS being reviewed and on what the IASB already knows about the implementation of that IFRS. The IASB needs to be satisfied that it has sufficient information to establish the scope of the review.
- 6.54. The IASB publishes a Request for Information, setting out the matters for which it is seeking feedback by means of a formal public consultation. In the Request for Information, the IASB should explain why it is seeking feedback on the matters specified and should include any initial assessment by the IASB of the IFRS or major amendment being reviewed. The Request for Information will also set out the process that the IASB followed in establishing the scope of the review.
- 6.55. The IASB normally allows a minimum of 120 days for comment on a post implementation Request for Information. The IASB must inform the DPOC before the Request for Information is published if it intends to have a comment period of less than 120 days.
- 6.56. The IASB may decide, on the basis of its initial assessment, that it would be premature to undertake a review at that time. The IASB must inform the DPOC of its intention to defer a PIR, explaining why it has reached this conclusion and indicating when it expects to resume the review.

Due process protocol

In Appendices A and B we have summarised the due process steps taken in the first phase of the PIR on IFRS 8 *Operating Segments*. The reports demonstrate that the IASB has met all the due process requirements to date. The report reflects the reporting templates 'Post-implementation Reviews' and 'Development and publication of a Request for Information' in 'Appendix 4—Due Process Protocol' of the draft of the revised *Due Process Handbook*.

Due Process Protocol

Post-Implementation Review (PIR) of IFRS 8—Phase 1 (Initial assessment and public consultation)

<i>Step</i>	<i>Required/Optional</i>	<i>Metrics or evidence</i>	<i>Protocol for and evidence provided to DPOC</i>	<i>Actions</i>
Timetable for PIR established	Required In progress.	PIR discussed in a public meeting and included in IASB work programme	IASB reports on progress as part of the quarterly report at Trustee meetings.	<p>Plan for the conduct of the IFRS 8 PIR, including a draft timetable, was considered by the IASB at its March 2012 meeting (Paper 8).</p> <p>Progress report on the IFRS 8 PIR, including a draft timetable, considered by the DPOC at its April 2012 meeting (Paper 3D).</p> <p>Update and planned approach for the investigative phase of the review considered by the IC (Paper 16) and IASB (Paper 12) at their May 2012 meetings, including a project timetable and next steps (Paper 16).</p> <p>Next DP action – report on progress to be included in quarterly report to Trustees at their July 2012 meeting.</p>
Establishment of scope, including identifying the important or contentious issues that came up during development of the publication	Required In progress.	<p>The initial review should draw on the broad network of IFRS-related bodies and interested parties.</p> <p>Contentious issues are identifiable from the BC, Project Summary, Feedback Statement and Effect Analysis.</p> <p>Significant issues that have come to the attention of the IASB after the document was published.</p>	IASB reports on progress as part of the quarterly report at Trustee meetings, including the extent of IASB consultation in establishing the scope of the review.	<p>Plan for the conduct of the IFRS 8 PIR, including the consultations undertaken and the issues identified for the review, was considered by the IASB at its March 2012 meeting (Paper 8).</p> <p>Progress report on the IFRS 8 PIR, including the consultations undertaken, considered by the DPOC at its April 2012 meeting (Paper 3D).</p> <p>Update and planned approach for the investigative phase of the review considered by the IC (Paper 16) and IASB (Paper 12) at their May 2012 meetings, including the consultations undertaken and the issues identified for investigation (Paper 16).</p> <p>Next DP action – report on progress to be included in quarterly report to Trustees at their July 2012 meeting.</p>
After the initial assessment, one of two routes may be taken: <ul style="list-style-type: none"> • <i>Request for Information published to invite public comment, with</i> 	Required RFI to be published – development in progress.	The request for information should explain why the IASB is seeking feedback on the specified matters and should include	DPOC informed before a request for information is to be released, with a summary of the extent of the IASB's deliberations.	<p>Update report considered by the IC at its May 2012 meeting (Paper 16) envisages a RFI to be published in June 2012.</p> <p>Update report considered by the IASB at its May 2012 meeting (Paper 12) outlines a proposed structure for the RFI and tentative questions.</p> <p>A paper to the IASB at its June 2012 meeting</p>

<p>appropriate comment period</p> <ul style="list-style-type: none"> On the basis of its initial assessment, the IASB may decide that it would be premature to undertake a review at the time 		<p>any initial assessment by the IASB of the standard under review.</p> <p>The request for information will also describe the process that the IASB followed to establish the scope of the review.</p> <p>IASB sets comment period for response. Any period outside the normal comment period requires explanation from IASB to DPOC, and subsequent approval.</p> <p>If the second option is appropriate, the IASB must inform the DPOC of its intention to defer the PIR and explain both why this conclusion was reached and when it expects to resume the review.</p>	<p>DPOC consulted on any unusually short comment period.</p> <p>DPOC receives notice of the IASB's intention to defer a PIR, along with the reasons why the conclusion was reached and when the review is expected to resume. The DPOC must approve any such delay.</p>	<p>(Paper 12A) seeks permission to publish a RFI and asks for comments about the content, structure and style of the questions proposed for inclusion. IASB Update (June 2012) reports that the IASB agreed to the staff's request to publish an RFI, structured in accordance with the staff's proposals.</p> <p>Next DP action – report to the DPOC before release of the RFI in June 2012.</p>
<p>The IASB considers whether it is necessary to supplement the request for information with other evidence by undertaking analysis of financial information, a review of academic or other research related to the implementation of the IFRS being reviewed or consultations with relevant parties.</p>	<p>Optional In progress.</p>	<p>Staff paper provided to the IASB analysing its assessment of academic and other research.</p>	<p>IASB reports on progress as part of the quarterly report at Trustee meetings.</p>	<p>Update report considered by the IC at its May 2012 meeting (Paper 16) notes that an IASB Academic Fellow has begun a review of existing academic and other literature. Review referred to in the update report considered by the IASB at its May 2012 meeting (Paper 12).</p> <p>Papers to IASB at its June 2012 meeting include a Review of academic literature to May 2012 – preliminary findings (Paper 12B) and a Summary of the findings of academic research and other reports about the impact of IFRS 8 to May 2012 (Paper 12C).</p> <p>The project plan also includes interviews with users and preparers to supplement the RFI.</p> <p>Next DP action – report on progress to be included in quarterly report to Trustees at their July 2012 meeting.</p>

Confirmation of due process steps followed in the publication of a Request for Information on IFRS 8 *Operating Segments*

The following table sets out the due process steps followed by the Board in the publication of a request for Information:

Step	Required/ Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Actions
Request for Information				
Request for Information issued to solicit information on a specific matter	Optional	Request for Information issued and posted on IASB website.	DPOC informed when the IASB plans to issue a Request for Information. DPOC given the opportunity to consider the comment period and any other factors that might be perceived as limiting the effectiveness of a Request for Information.	By this memo.
		Permission to publish the RFI granted by the IASB in a public meeting.	Agenda paper posted on web site for discussion at board meeting.	Paper 12A discussed at the June 2012 Board meeting.
		Final document approved by the IASB.	No formal balloting required. Final document circulated to Board members prior to publication.	RFI has been circulated to IASB members for comment.
		Press release and web announcement issued.	DPOC informed when the Request for Information has been issued.	Will be issued mid-July 2012.
Request for Information has appropriate comment period.	Required	IASB sets comment period for response. Any period outside the normal comment period requires an explanation from IASB to DPOC, and subsequent approval.	DPOC receives notice of any change in comment period length and approval if required.	120 days in accordance with 6.55 of the draft Handbook
IASB posts all comment letters received in relation to a Request for Information on the project pages.	Required if request issued	Letters posted on project pages	IASB reports on progress as part of the quarterly report at Trustee meetings, including summary statistics of respondents.	Will be complied with
IASB determines whether focused investor consultation is required to supplement the comment letters.	Required if request issued	Staff paper	IASB reports on progress as part of the quarterly report at Trustee meetings, making specific reference to investor related activities.	Additional investor outreach planned

Step	Required/ Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Actions
Request for Information				
IASB considers comment letters and any related investor-focused outreach in a public meeting.	Required if request issued	Staff papers discussed in public meetings	IASB reports on progress as part of the quarterly report at Trustee meetings.	Targeted for January 2013 Board meeting
Project teams analyse and summarise RFI comment letters for the IASB's consideration. Summary of the comments is posted on the IASB's website.	Required	<p>Comment analysis presented to IASB in public meeting.</p> <p>Letters received posted on IASB website.</p> <p>IASB considers comments, in a public meeting, and weighs them in approach to project.</p>	IASB reports on progress as part of the quarterly report at Trustee meetings.	<p>Targeted for January 2013 Board meeting</p> <p>The Board's report on the PIR will be considered in a subsequent public meeting.</p>