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Project **IFRS 8 *Operating segments***

Topic **Aggregation criteria and identification of the CODM—review of segment reporting from a US GAAP perspective**

Introduction

1. At its July 2011 meeting, the IFRS Interpretations Committee (the Committee) discussed a request from the European Securities and Market Authority (ESMA) that had been sent to the Board (in April 2011) to make some improvements to IFRS 8 *Operating Segments* regarding the application of the aggregation criteria and the identification of the chief operating decision-maker (CODM). More specifically, the submitter asked us to:

   (a) include an additional disclosure in paragraph 22 of IFRS 8 requiring a brief description of both the operating segments that have been aggregated and the economic indicators that have been assessed to conclude that operating segments have 'similar economic characteristics' in accordance with paragraph 12 of IFRS 8; and

   (b) emphasise in paragraphs 1 and 7 of IFRS 8 the 'operating nature' of the function of the CODM and clarify that there is a presumption that management reviews the information that is reported to it.

2. The full analysis of the issues raised by the submitter is set out in the Committee's Agenda Paper 11 for July 2011, which can be found on the public website.

3. The Committee decided that, rather than attempting to address these issues through an interpretation or an annual improvement, it would be best to recommend that the Board should consider this issue as part of a future post-implementation review of IFRS 8. The July 2011 IFRIC Update reflects this decision and can be found on the public website.

4. At the September 2011 meeting, the Committee discussed a comment letter that had been received from the submitter on the Committee's previous decision (a summary of this letter can be found in the Committee's Agenda Paper 11 for September 2011, available on the public website). That letter encouraged the Committee to address both issues as part of the annual improvements project, before a post-implementation review of IFRS 8 takes place. The Committee members noted that the following aspects of IFRS 8 could be subject of future clarification:

   (a) the meaning of 'similar economic characteristics' in paragraph 12;

   (b) the criteria for identifying similar segments in subparagraphs 12 (a–e); and whether

   (c) the definition of the CODM included in paragraph 7 should explicitly exclude non-executives from the CODM group.

5. At its September 2011 meeting, the Board acknowledged the views of the Interpretations Committee and also the similarities between the requirements in IFRS 8 and the equivalent guidance in US GAAP in Topic 280 *Segment Reporting* in the *FASB Accounting Standards Codification®* (from which IFRS 8 was developed). However, the Board asked the staff to research further how similar concerns had been addressed in US GAAP and to consider whether this might help to identify how these concerns about IFRS 8 might be addressed. The September 2011 IASB Update reflects this decision and can be found on the public website.

Purpose of this paper

6. The purpose of this paper is to explore whether similar concerns about the aggregation of operating segments and the identification of the CODM have been raised in US GAAP and, if so, how those concerns have been addressed.

7. This paper

   (a) describes some areas of focus of the staff of the US Securities and Exchange Commission (SEC) regarding the aggregation of operating segments and the identification of the CODM and

   (b) concludes on how the concerns about IFRS 8 raised by ESMA might be addressed by recommending the Board to amend paragraph 7 of IFRS 8 and by adding paragraph 22(c). These proposed amendments are shown in **Appendix A** and **Appendix B** of this paper.

8. We have based our analysis and conclusions on:

   (a) reports issued by large accounting firms that:

      (i) analyse current reporting issues and issues raised during the course of SEC staff reviews; and

      (ii) give examples of SEC staff comments and registrants' responses on several reporting issues

   (b) public comments made by SEC staff (press releases) regarding segment reporting.

   The sources of information used in this paper are available on internet. When applicable, we have made explicit reference of those public comments and reports.

9. At the September 2011 meeting the Board acknowledged the similarities between the requirements in IFRS 8 and the equivalent guidance in US GAAP in Topic 280 *Segment Reporting* in the *FASB Accounting Standards*

Codification® (from which IFRS 8 was developed). Consequently in this paper we are not contrasting the segment reporting guidance in IFRS 8 and Topic 280 that refer to the aggregation of operating segments and the identification of the CODM. For information purposes, **Appendix C** reproduces some paragraphs from Topic 280-10-50 *Segment Reporting* in the *FASB Accounting Standards Codification®* regarding the aggregation of operating segments and the identification of the CODM.

Staff analysis

Areas of significant focus of the SEC staff

10. We have observed that the SEC staff consider segment reporting to be an area of primary focus and have indicated that they view aggregation of operating segments as a 'high hurdle', because it has been observed that in practice some companies:

    (a) inappropriately aggregate multiple segments or do not adequately explain the basis for aggregating information[1]; and

    (b) ignore packages of discrete financial information provided to and regularly reviewed by the CODM when determining operating segments[2].

11. The following extracts illustrate the facts commented above (emphasis added):

    Extract 1[3]:

    The staff believes aggregation is a high hurdle and is appropriate only in situations where, as stated by the FASB in the basis for conclusions to SFAS 131, “separate reporting of segment information will not add significantly to an investor's understanding of an enterprise [because] its operating segments have characteristics so

[1] Summary by the Division of Corporation Finance of Significant Issues Addressed in the Review of the Periodic Reports of the Fortune 500 Companies (February 27, 2003) www.sec.gov/divisions/corpfin/fortune500rep.htm

[2] 27th Annual National AICPA Conference on Current SEC Developments: Speech by SEC Staff – Current Accounting Projects (Jane B. Adams, December 8, 1999). www.sec.gov/news/speech/speecharchive/1999/spch337.htm

[3] Current Accounting And Disclosure Issues in the Division of Corporation Finance (see section II.L. on pages 50-52) (November 30, 2006); www.sec.gov/divisions/corpfin/cfacctdisclosureissues.pdf

similar that they can be expected to have essentially the same future prospects." **The FASB rejected recommendations that the aggregation criteria be indicators rather than tests. Therefore, after a company identifies their operating segments, aggregation is only allowed if the identified operating segments meet all of the aggregation criteria**, with the resulting segments being reported if they meet the significance test in paragraph 19 of the standard.

Extract 2[4]:

It would appear that this should be a high hurdle to aggregation. The FASB makes clear in the basis for conclusions to Statement 131 that aggregation is acceptable in certain situations because "separate reporting of segment information will not add significantly to an investor's understanding of an enterprise if its operating segments have characteristics so similar that they can be expected to have essentially the same future prospects." **That is, aggregation is OK if presenting the information separately won't provide much useful information to users of financial statements. In all of the discussions I've had with registrants on this issue, where I have asked why the company aggregated segment data, never once have I received an explanation that focused on whether the additional information would be useful to users, or whether aggregation in this instance is consistent with the objectives and principles of Statement 131**. Instead, the discussions have all revolved around whether each of the six objective criteria I mentioned above have been met, and how the evaluation of similar economic characteristics should be performed. In addition, registrants often cite the competitive harm that would befall the company if it disclosed additional information. A better and more honest application of Statement 131 would allow aggregation only when providing the more detailed information wouldn't add anything to a user's understanding of the company's financial results and prospects.

12. Consequently, in our view much of the SEC staff's focus has been on:

    (a) how operating segments are determined;

    (b) how the aggregation criteria has been considered to aggregate operating segments; and

    (c) what information the CODM receives and reviews.

[4] Remarks at the University of Southern California Leventhal School of Accounting SEC and Financial Reporting Conference: Speech by SEC Staff (Scott A. Taub, May 27, 2004). www.sec.gov/news/speech/spch052704sat.htm

13. The following paragraphs summarise our findings of the main areas of focus of the SEC staff based on our reading of some reports on SEC comments issued by Ernst & Young (2011) and Deloitte (2008 and 2009)[5] and from speeches made by SEC staff (we have included specific references when applicable).

Consistency of segment disclosures with the entity's management reporting structure

14. Segment reporting guidance is based on the use of a management approach. One of the reports (Ernst &Young 2011, page 10) observes that registrants "should challenge any conclusions they reach as to operating segment determinations that are not consistent with the basic organisational structure of their operations".

The CODM uses reports to assess performance and allocate resources

15. A primary objective of segment disclosures is to enable investors to view the entity in a similar way to the way in which management views the entity. If the CODM regularly receives reports that present discrete operating results for components of the entity, one report (Ernst &Young 2011, page 10) refers that "the SEC staff presumes that the CODM uses these reports to assess performance and allocate resources. As such, the SEC staff frequently challenges registrant assertions that conclude otherwise". The following extract illustrates this area of focus of the SEC staff (emphasis added):

> If the chief operating decision maker receives reports of a component's operating results on a quarterly or more frequent basis, the staff may challenge a registrant's determination that the component is not an operating segment for purposes of SFAS 131 unless reports of other overlapping sets of components are more clearly representative of the way the business is managed. **On a few occasions, the staff has requested copies of all reports furnished to the chief operating decision maker if the reported segments did not appear realistic for management's assessment of a registrant's performance or**

[5] SEC Comments and Trends: An analysis of current reporting issues January 2011. (Ernst & Young, see pages 10-11).
http://www.ey.com/Global/assets.nsf/United%20Accounting/ATG_SEC_BB2075/$file/ATG_SEC_BB2075.pdf; SEC Comment Letters on Domestic Registrants: A Closer Look 2008 (Deloitte; see pages 45-47) http://www.iasplus.com/dttpubs/0801specialreportsecdomestic.pdf; and SEC Comment Letters on Domestic Registrants: A Closer Look 2009 (Deloitte; see pages 69-71) http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/AERS/us_sec_comment_letters_on_domestic_registrants_third_edition_12082009.pdf

> **conflicted with that officer's public statements describing the registrant.** The staff also has reviewed analyst's reports, interviews by management with the press, and other public information to evaluate consistency with segment disclosures in the financial statements. **Where that information revealed different or additional segments, amendment of the registrant's filings to comply with SFAS 131 was required[6].**

Consistency between registrant's segment disclosures and other information

16. We observed in one of the reports (Deloitte 2008, page 45 and Deloitte 2009 page 69) that the SEC frequently asks registrants to explain in detail how operating segments were determined and what information the CODM receives and reviews. Both reports from Deloitte mention that a way through which the SEC staff evaluate consistency between the registrant's segment disclosures and other corporate information, is by:

    (a) requesting the financial information that is reviewed by the CODM; and

    (b) reviewing information in "the forepart of the Form 10-K, such as the business section and MD&A and information from public sources, such as, the company's website, analysts' reports and press releases".

17. The following extracts illustrate the situation commented above (emphasis added):

    Extract 1[7]:

> As banking agency accounting specialists and examiners, you may find it helpful to know what the staff's approach has been, and will continue to be, in evaluating whether registrants have complied with SFAS No. 131. **Expect the staff to review the company's web site, financial analysts' reports, and other public documents to assess whether the segments included in the footnote appear reasonably disaggregated. In some circumstances, we could assess compliance by requesting a copy of the reports made available to the chief operating decision maker in a particular quarter. Expect the staff to require strict compliance with all parts of the standard, including disclosure of revenues for each group of similar products or services, and meaningful reconciliation of segment items with the financial statements. If segment measurement**

[6] Current Accounting And Disclosure Issues in the Division of Corporation Finance (see section II.L. on pages 50-52) (November 30, 2006); www.sec.gov/divisions/corpfin/cfacctdisclosureissues.pdf

[7] Interagency Accounting Conference: Speech by SEC Staff – SEC Update (Lynn E. Turner, April 3, 2001). www.sec.gov/news/speech/spch476.htm

methods change, expect us to challenge a claim that recasting of prior years is not practicable.

Extract 2[8]:

Let me warn you that our patience with deficient segment disclosure has been exhausted. Expect the staff to request an amendment, rather than suggest compliance in future filings, if components regularly reviewed by the chief operating decision maker are not presented separately. Aggregation of segments must be limited to the strict conditions enumerated in Statement No. 131.

Extract 3[9]:

When segment disclosures in the financial statements do not reflect a consistent identification of the company's segments as evidenced in the internal and external reports and materials used by the chief operating decision maker, we have requested registrants to amend their financial statement filings. That practice is not likely to change. Save yourself time by disclosing the segments as you see them.

Dissimilar information should be disaggregated

18. Where economic characteristics are dissimilar, one of the reports (Ernst &Young 2011, page 10) observes that:

    (a) the SEC staff presumes that an investor could be interested in separate information about the operating segments; and

    (b) the SEC staff may look closely at the gross margins, operating margins or other measures of operating performance provided to the CODM when challenging the determination and the aggregation of operating segments.

Identification of the CODM

19. In our research, we did not find evidence that the identification of the CODM had been objected to by the SEC staff, and as we have noted in paragraphs above, the

[8] "The SEC Speaks in 2001" Sponsored by the Practicing Law Institute: Speech by SEC Staff – Financial Reporting Issues in 2001 (Robert A. Bayless, March 2, 2001); www.sec.gov/news/speech/spch464.htm

[9] AICPA National Conference on Banks and Savings Institutions: Speech by SEC Staff – Call Them As You See Them (Jackson M. Day, November 2, 2000); www.sec.gov/news/speech/spch416.htm

focus seems more on whether the segments identified are consistent with the way in which financial information is reported to the CODM.

20. In addition, from our conversation with some interested parties regarding the issue on the identification of the CODM, in their experience practitioners in the US do not observe the inclusion of non-executives as part of the CODM. They told us that companies commonly identify the Chief Executive Officer (CEO) as the CODM, or in other cases a group including the CEO and the Chief Operating Officer (COO) is considered to be the CODM[10].

Our view

21. On the basis of our research, we can conclude that the SEC has had similar concerns to ESMA in ensuring that segment information, and in particular the identification and aggregation of operating segments, is transparent enough to provide investors with useful information. However it is ESMA who has specifically asked the Board to consider some improvements in IFRS 8 to ensure that investors receive this information.

22. We also observe that the SEC staff have commonly asked companies to supply the staff with information about the basis for aggregating segments and for identifying the CODM. This allows the SEC staff to evaluate whether the aggregation and identification of operating segments has been adequate or not and to make sure that these requirements are met. We envision that regulators in some other countries with the same mandate of providing transparent and useful information might not have the same power to compel a reporting entity to explain the basis for the aggregation or identification of the segments or might find it difficult to exercise similar powers.

23. On the basis of the above, we think that the Board might decide to agree with ESMA about the need of making clearer the disclosure requirements regarding the

[10] We have been told that the CEO is almost invariably on the Board of Directors, but for purposes of identifying the CODM, this CEO is considered (generally) in its role as a CEO, and is not considered in its role as part of the Board of Directors. The other members of the Board are (generally) not part of the CODM group.

aggregation of operating segments and in clarifying that non-executives are not included as part of the CODM as they do not make operating decisions (as recommend by the Committee).

24. Consequently, we suggest to take on the submitter's original proposal of supplementing the current disclosure requirements in paragraph 22(a) for disclosing the factors used to identify the entity's reportable segments as we think that:

(a) the disclosure of how operating segments have been aggregated and the basis for such aggregation is not explicit enough in paragraph 22(a); and

(b) the proposed additional disclosure requirement is not a completely new disclosure in IFRS 8; instead, it is specifying the type of information that should be included when operating segments have been aggregated, as part of the information already required by paragraph 22(a).

25. The submitter had suggested adding a disclosure to paragraph 22 (ie 22c), with which we agree, as follows: (proposed new text is underlined):

> 22 An entity shall disclose the following general information:
>
> (a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated), and
>
> (b) types of products and services from which each reportable segment derives its revenues
>
> (c) <u>where operating segments have been aggregated, the judgements made by management in the application of the aggregation criteria in paragraph 12. In particular, a brief description of both the operating segments that have been aggregated and the economic indicators assessed, including the measurement range considered to be similar (for example: profit margin spreads, sales growth rates etc.), in determining that they share similar economic characteristics.</u>

26. We also support the Committee's proposal of considering amending paragraph 7 of IFRS 8 with regards to the identification of the CODM, to explicitly indicate

that non-executives are not part of the CODM because non-executives do not make operating decisions.

27. Consequently we propose the following amendment to paragraph 7 of IFRS 8: (proposed new text is underlined and proposed deleted text is struck through):

> 7 The term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the chief operating decision maker of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors ~~or others~~. Non-executive directors are not considered part of the CODM if they do not make operating decisions.

28. We have assessed our proposed changes against the annual improvements criteria. This assessment is shown below.

Assessment against the new annual improvements criteria

29. We have assessed the proposed amendment to paragraphs 7 and 22 of IFRS 8 against the enhanced annual improvements criteria, which are reproduced in full below:

> In planning whether an issue should be addressed by amending IFRSs within the annual improvements project, the IASB assesses the issue against the following criteria. All criteria (a)–(d) must be met to qualify for inclusion in annual improvements.
>
> (a) The proposed amendment has one or both of the following characteristics:
>
> (i) clarifying–the proposed amendment would improve IFRSs by:
>
> - clarifying unclear wording in existing IFRSs, or
> - providing guidance where an absence of guidance is causing concern.
>
> A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.
>
> (ii) correcting–the proposed amendment would improve IFRSs by:

- resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or.

- addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs.

A correcting amendment does not propose a new principle or a change to an existing principle.

[Staff analysis—this criterion is satisfied. There is a need for clarification of the requirements in paragraph 7 regarding the identification of the CODM and in paragraph 22 regarding the application of the aggregation criteria.

Currently paragraphs 5, 7and 9 provide a description of the CODM and its functions, however paragraph 7 is not clear on whether the CODM function might include non-executive directors.

Paragraph 22 requires the disclosure of the factors used to identify the entity's reportable segments and suggests as an example, the disclosure of whether operating segments have been aggregated. However it does not specifically include a requirement to state the basis for the aggregation of operating segments.]

(b) The proposed amendment is well-defined and sufficiently narrow in scope such that the consequences of the proposed change have been considered.

[Staff analysis—this criterion is satisfied. The two issues identified are sufficiently narrow to ensure that the proposed change has been considered sufficiently and identified.]

(c) It is probable that the IASB will reach conclusion on the issue on a timely basis. Inability to reach a conclusion on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.

[Staff analysis—this criterion is satisfied. We think that the Committee will be able to address these issues on a timely basis and think that the Board should also be in a position to reach a conclusion on a timely basis. The issue can be sufficiently tackled by:

- *explicitly excluding non-executives from the CODM function in paragraph 7*

- *adding a disclosure requirement in paragraph 22(c)*

We think that the proposed amendments will provide increased clarity where diversity currently exists, while not significantly affecting the primary accounting treatment that exists in practice for this issue. Also, in our view the proposed amendments are not new requirements because:

- *paragraph 7 is already specifying that the CODM group may be a group of executive directors. Our proposed addition to paragraph 7 is clarifying that non-executive directors are not included within this group.*
- *the additional disclosure in paragraph 22 of IFRS 8 is specifying the type of information that should be included where operating segments have been aggregated, and this as part of the information already required by paragraph 22(a)].*

(d) If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a need to make the amendment sooner than the project would.

[Staff analysis—this criterion is satisfied. There is no current IASB project on IFRS 8 even though a post-implementation review is planned for the near future.]

30. We think that if the Board agrees with the above amendments, then these amendments could be included as part of the 2010-2012 improvements cycle to avoid any delay in proposing these changes.

Staff conclusion

31. On the basis of the assessment under the existing annual improvements criteria, we think that the Board should:

(a) add a disclosure to paragraph 22 of IFRS 8 (ie 22c) as suggested by ESMA; and

(b) amend paragraph 7 of IFRS 8 to explicitly exclude non-executives from the CODM group.

32. We think that the changes proposed to paragraph 7 and the addition of paragraph 22(c) in IFRS 8 (refer to Appendix A and Appendix B of this paper) should be included in the **2010-2012 *annual improvements*** cycle.

Question to the Board

Question—Aggregation criteria and identification of the CODM
Does the Board agree with the staff's recommendation to amend paragraph 7 of IFRS 8 to explicitly exclude non-executives from the CODM group and to add a disclosure to paragraph 22 of IFRS 8 (ie 22c)?

Appendix A—Proposed changes (Paragraph 7 of IFRS 8)

A1. The proposed amendment to paragraph 7 is presented below.

Amendment to IFRS 8 *Operating Segments*

Paragraph 7 has been amended (new text is underlined).

Operating segments

7 The term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the chief operating decision maker of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors ~~or others~~ . Non-executive directors are not considered part of the CODM if they do not make operating decisions.

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

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

General information

BC1 The Board received a request to function of the chief operating decision maker (CODM) and clarify whether this function could include non-executive directors as part of this group. The Board observed that in accordance with paragraph 5 and 7 of IFRS 8 *Operating Segments* the CODM is actively involved in reviewing information of an operating nature and fulfils two distinct but related functions (ie performance assessment and resource allocation). Also, in addition with paragraph 9 of

IFRS 8 the CODM generally discusses operating activities, financial results or other plans for the segment with the 'segment manager' or might also fulfil the role of segment manager. Consequently, the Board proposes to clarify that non-executive directors should not be included as part of the CODM group if non-executive directors do not make operating decisions.

Appendix B—Proposed changes (Paragraph 22 of IFRS 8)

B1. The proposed amendment to paragraph 22 is presented below.

Amendment to IFRS 8 *Operating Segments*

Paragraph 22(c) has been added (new text is underlined).

General information

22 An entity shall disclose the following general information:

(a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated), and

(b) types of products and services from which each reportable segment derives its revenues

(c) <u>where operating segments have been aggregated, the judgements made by management in the application of the aggregation criteria in paragraph 12. In particular, a brief description of both the operating segments that have been aggregated and the economic indicators assessed, including the measurement range considered to be similar (for example: profit margin spreads, sales growth rates etc.), in determining that they share similar economic characteristics.</u>

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

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

General information

BC1 The Board received a request to add a disclosure requirement in paragraph 22 of IFRS 8 *Operating Segments* concerning the application of the aggregation criteria. The Board observed that the disclosure of how operating segments have been aggregated and the basis for such aggregation is not explicit enough in paragraph 22(a). The Board noted that the proposed additional disclosure requirement is not a completely new disclosure in IFRS 8; instead, it is specifying the type of information that should be included when operating segments have been aggregated, as part of the information already required by paragraph 22(a). The Board thinks that this requirement would further clarify the basis for such aggregation. Consequently, the Board proposes adding paragraph 22(c) to IFRS 8 to achieve this clarification.

Appendix C—Extracts from USGAAP

C1. This section reproduces some paragraphs from Topic 280-10-50 *Segment Reporting* in the *FASB Accounting Standards Codification*® regarding the identification of the CODM and the aggregation of operating segments.

> Operating Segments
>
> 50-1 An operating segment is a component of a public entity that has all of the following characteristics:
>
> a. It engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same public entity).
>
> b. Its operating results are regularly reviewed by the public entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
>
> c. Its discrete financial information is available.
>
> 50-5 The term chief operating decision maker identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the segments of a public entity. Often the chief operating decision maker of a public entity is its chief executive officer or chief operating officer, but it may be a group consisting of, for example, the public entity's president, executive vice presidents, and others.
>
> 50-7 Generally, an operating segment has a segment manager who is directly accountable to and maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts, or plans for the segment. The term segment manager identifies a function, not necessarily a manager with a specific title.
>
> 50-8 The chief operating decision maker also may be the segment manager for certain operating segments. A single manager may be the segment manager for more than one operating segment. If the characteristics in paragraphs 280-10-50-1 and 280-10-50-3 apply to more than one set of components of a public entity but there is only one set for which segment managers are held responsible, that set of components constitutes the operating segments.
>
> 50-9 The characteristics in paragraphs 280-10-50-1 and 280-10-50-3 may apply to two or more overlapping sets of components for which managers are held responsible. That structure is sometimes referred to as a matrix form of organization. For example, in some public entities,

certain managers are responsible for different product and service lines worldwide, while other managers are responsible for specific geographic areas. The chief operating decision maker regularly reviews the operating results of both sets of components, and financial information is available for both. In that situation, the components based on products and services would constitute the operating segments.

Aggregation Criteria

50-11 Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the objective and basic principles of this Subtopic, if the segments have similar economic characteristics, and if the segments are similar in all of the following areas (see paragraphs 280-10-55-7A through 55-7C and Example 2, Cases A and B [paragraphs 280-10-55-33 through 55-36]):

a. The nature of the products and services

b. The nature of the production processes

c. The type or class of customer for their products and services

d. The methods used to distribute their products or provide their services

e. If applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

Disclosure Requirements - General Information

50-21 A public entity shall disclose the following general information (see Example 3, Case A [paragraph 280-10-55-47]):

a. Factors used to identify the public entity's reportable segments, including the basis of organization (for example, whether management has chosen to organize the public entity around differences in products and services, geographic areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated)

b. Types of products and services from which each reportable segment derives its revenues.