

STAFF PAPER

April 2013

IASB Meeting

Project	Post-implementation review of IFRS 8 <i>Operating Segments</i>		
Paper topic	Feedback from the April 2013 meeting of the DPOC		
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Purpose and structure of the paper

1. The IASB is planning to report on its post-implementation review (PIR) of IFRS 8 *Operating Segments* in June of this year. This is the first PIR conducted by the IASB.
2. At the meeting of the Trustee's Due Process Oversight Committee (DPOC), held in London on 10 April 2012, the DPOC was presented with drafts of the April 2013 agenda papers on the PIR of IFRS 8. The DPOC discussed the content of these papers with the staff in order to:
 - (a) monitor progress on the PIR of IFRS 8; and
 - (b) assess whether the IASB had complied with the due process steps required prior to preparing a report on the outcome of a PIR.
3. This paper summarises the feedback that we received for you from the DPOC. We will not ask you to make any technical decisions in this paper.
4. This paper is organised as follows:
 - (a) scope of the draft agenda papers discussed;
 - (b) detailed discussion points raised by the DPOC; and
 - (c) DPOC summary and conclusions.

Scope of the draft agenda papers discussed

5. At their meeting, the DPOC reviewed drafts of the following agenda papers to be presented at the IASB's April meeting:

(a) Agenda Paper 12 A *Sources of input to the PIR, due process and next steps*;

This paper discusses the three sources of input to the PIR process- public consultation, outreach and the review of academic literature. It discusses the adequacy of that input and, in particular, the mixed messages received from investors. It includes a due process protocol for the PIR of IFRS 8 and lays out the next steps in this process.

(b) Agenda Paper 12 B *Messages received and feedback summary*;

This paper summarises the key messages received through consultation and the findings from academic research. It includes a draft feedback summary, detailing the messages received and our suggested responses. It also includes a brief comparison of our findings with those of the Financial Accounting Foundation ('FAF') who has recently completed a PIR of their Standard on operating segments.

(c) Agenda Paper 12 C *Lessons learnt about the PIR process*.

This paper summarises the feedback received on the PIR process itself together with the staff's analysis of how lessons learnt in conducting this PIR might affect our approach to subsequent PIRs. It also includes a brief discussion of the effect that reviewing a converged Standard might have on the PIR process and how our process compares with that of the FAF.

6. For convenience, the DPOC was also presented with the January 2013 agenda papers that dealt with the review of academic literature on this topic, Agenda Paper 6 B *Review of academic literature to December 2012* and Agenda Paper 6 C *Appendices: Summary of relevant literature to December 2012*.

7. Having reviewed these papers, the DPOC identified the following topics for further discussion with the staff:

(a) engagement with all types of participants;

(b) comparison of the approaches used for PIRs by the IASB and the FAF;

(c) outcome of the PIR process; and

(d) adequacy of resources.

8. The comments made by the DPOC on these topics are recorded below.

Detailed discussion points raised by the DPOC

Engagement with all types of participants

9. The DPOC noted that fewer preparers had taken part in the public consultation process of this PIR than would normally be expected to take part in the comment letter processes for Exposure Drafts published by the IASB. The DPOC discussed with the staff the additional outreach that was conducted with preparers, regulators and accounting firms and the need for some of that consultation to be done privately.
10. The staff further noted that Agenda Paper 12 C, which deals with the messages received about the PIR process itself, identified engagement with all types of participants as one aspect of the PIR that would need to be tailored to each PIR. In that paper the staff recommended that, when each PIR is planned, the population most affected by the application of the Standard should be identified and that a consultation and outreach plan should be prepared to ensure that we engage with all types of participants and across all geographical areas.

Comparison of the approaches used for PIRs by the IASB and the US FAF

11. The FAF published its report on the PIR of operating segments in January 2013. The DPOC discussed differences in the IASB's approach to PIRs compared with the approach used by the FAF. The review of the US Standard was undertaken by an independent FAF team and all consultation was carried out in a confidential manner. The DPOC asked how the FAF's confidential approach compared with our process based on public consultation.
12. The staff noted that most participants valued the transparency of our process. The staff also explained that they had conducted some private outreach with regulators, preparers and accounting firms to allow participants to express any concerns in a confidential manner. The staff noted that collecting private information creates the challenge of how to report the information externally.
13. The staff also explained that the FASB is in the process of preparing a detailed response to the FAF's report on the US PIR. In preparing this response, staff at the FASB will have access to the survey results and the comments received by the FAF but, because this data is redacted to preserve respondents' anonymity, the

FASB may need to conduct additional analysis, potentially repeating work performed by the FAF, before they have sufficient information to consider amending the US GAAP requirements. This compares with our approach to formulating a detailed response to the findings of the PIR in that the IASB has as its starting point the evidence contained in the public comment letters and outreach summaries of the PIR of IFRS 8.

Outcome of the PIR process

14. The DPOC questioned whether, in Agenda Paper 12 B, identifying some topics as suitable for consideration as narrow-focus amendments was too prescriptive.
15. The staff observed that the IASB would discuss the staff summary and recommendation at its April 2013 meeting and that it had the discretion, at that time, to require a more fundamental rethink of the Standard if it thinks that the evidence produced by the PIR warranted that approach.

Adequacy of resources

16. The DPOC questioned whether the IASB had sufficient resources to comply with the requirement to conduct PIRs on the major projects that were currently in the pipeline.
17. The staff noted that these PIRs were three or four years in the future. They also noted that some of these PIRs would be conducted at the same time. If outreach was coordinated across all PIRs in progress, so that each outreach forum gathered information about any Standards that were currently subject to a PIR, it would significantly reduce the burden placed on the IASB and the staff by the evidence-gathering phase of each PIR.

DPOC summary and conclusions

18. Following these discussions, the DPOC concluded that:
 - (a) the IASB had consulted adequately, and engaged with participants in the appropriate forums, in order to provide balanced feedback about the effect of implementing IFRS 8;

- (b) the agenda papers for discussion at the April 2013 meeting of the IASB adequately described the future steps in the PIR process; and
- (c) the agenda papers demonstrated that the IASB had complied with the due process steps required prior to preparing a report on the PIR of IFRS 8.

19. The DPOC concluded that the process used for the PIR of IFRS 8 had worked well in practice and represented a good start to the PIR process of the IASB.

Question

Do you have any questions for the staff on the feedback received from the DPOC?