

## International Financial Reporting Standards



# Post-implementation review

## IFRS 8 Operating Segments

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The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

# Post-implementation reviews

- The IASB reviews each new IFRS or major amendment
- Timing of the review - 2-3 years after global application
- An opportunity to assess the **effect of new requirements**
  - the goal of improving financial reporting underlies any new IFRS
  - important or contentious issues identified during development of the standard, or subsequently
  - unexpected costs or implementation problems encountered
- Evidence-based review
- The post-implementation review of IFRS 8 is the first

# Expected effect of implementing IFRS 8

- IFRS 8 is based on the management perspective
- The segments identified and line items reported are those used by the CODM in making decisions
- Expected benefits were:
  - better understanding of the business
  - fewer single-segment companies
  - easier, so more information at interims
  - same basis as US
- Concerns expressed about:
  - lack of comparability between companies
  - lack of geographical analyses

- First phase was an initial assessment of the issues
  - review of available literature and educational materials
  - 30 outreach events
- Investigation phase – gathering evidence
  - review of academic literature and other reports
  - 36 outreach events
- Public consultation - Request for Information
  - not a Request for Views
  - published July 2012
  - comment period ended 16 November 2012

# Questions in the Request for Information

- Q1 Data about the respondents
- Q2 Effect of using the management perspective to identify segments
- Q3 Effect of using non-IFRS measures
- Q4 Reporting only internal line-items
- Q5 Effect of disclosure on your role
- Q6 Experience of implementing IFRS 8

Summary taken to January 2013 meeting of the IASB

# Respondents by geography

Region	Number	Percentage
Europe	33	53
Asia and Oceania	11	18
International	7	11
Latin America	5	8
North America	4	7
Africa	2	3
Total	62	100

# Respondents by type

Type	Number	Percentage
Preparers	23	35
Auditors & firms	14	23
Standard-setters	14	23
Investors	6	10
Regulators	4	7
Individuals	1	2
Total	62	100

# Messages received about segmentation

- Segment information is key
- Some companies didn't change - their internal reporting was already the same as financial reporting.
- When commentary, segment analysis and investor presentations agree, provides validation of all three
- But differing segments in different types of reports
  - concerns for regulators and investors
- There was more geographical information than expected
- Identification of CODM and application of aggregation guidance can be difficult



# Messages received about line items

- Definitions of reported operating results vary:
  - one European study showed 15 different definitions of operating result, eg EBITDA, in common use.
  - results adjusted for exceptional transactions, especially expenses, are also common.
- Some found reconciliations provided are difficult to follow
  - many investors would like adjusting items (such as depreciation) reported by segments
- Some key line items are not reported eg capital expenditure; operating cash flow.

- Fewer single-segment entities
- No change in the number of reported segments for most companies . Where number did change, number of segments generally increased.
- Number of some key reported lines, eg capex and liabilities, decreased
- Mixed evidence about whether geographical disclosures are adequate

# US also reviewing their segment standard

## IASB

- Objective is to assess effect of application of the standard
- Performed by IASB staff, assisted by constituents
- Input to the review carried out in the public domain; subject to public scrutiny

## FASB

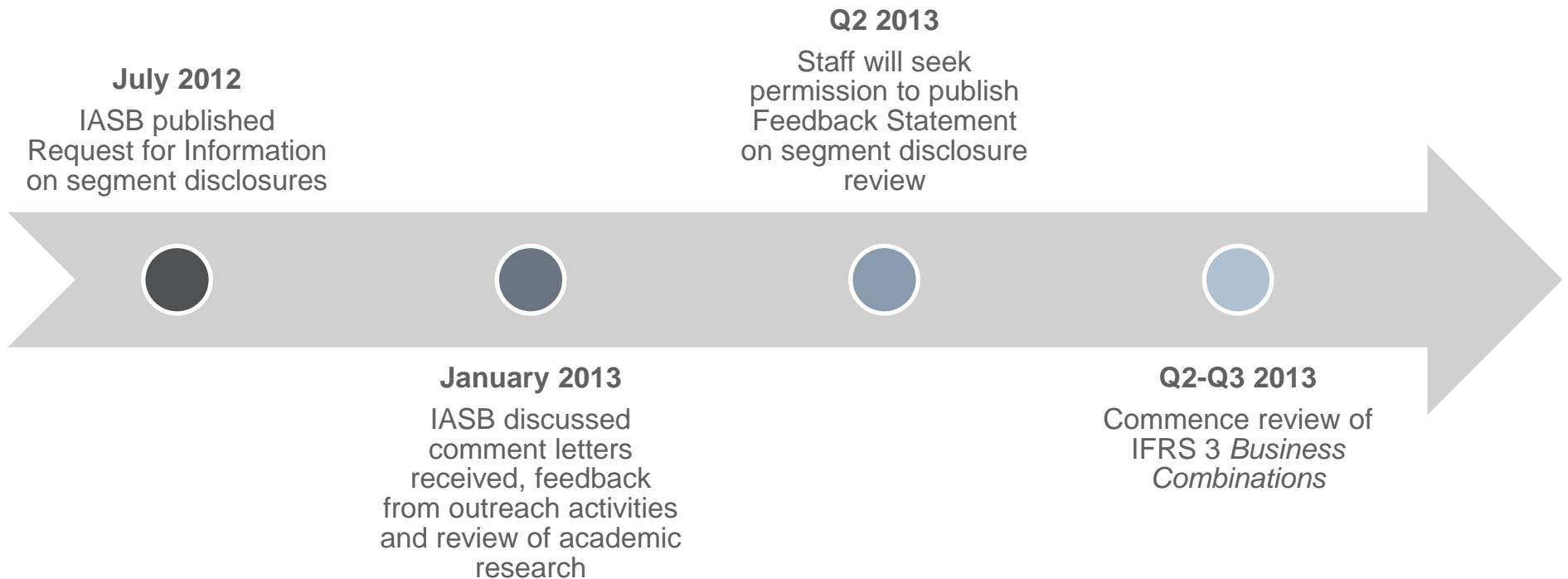
- Objective includes effectiveness of the standard-setting process
- Performed by Trustees' staff and third party consultants
- All data collected in confidence; no transparency

- Published January 2013
- Only top-level messages available
  - input to the process is confidential
  - academic review not presented
- Messages received seem similar to ours. Top issues in the US report are:
  - difficulties in identifying and aggregating segments
  - lack of key line items such as cash flow and gross margin
- We continue to liaise with them and to compare our responses to the review process.

# What have we learned?

- Process overall seems to have held up well
  - timing of the review
  - methodology
  - partnering
- IFRS 3 will be the next
  - IFRS 3 was amended in 2008
    - but we will need to consult on whole Standard
  - same approach
  - should commence Q2/ Q3
- We'll need your help!

# Post-implementation review timeline



# Where to go for more information

- Project page on the IFRS website:
  - <http://www.ifrs.org/Current-Projects/IASB-Projects/PIR/IFRS-8/Pages/IFRS-8.aspx>
- Contacts:
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