STAFF PAPER

May 2015

Project	Post-implementation Review of IFRS 8 *Operating Segments*		
Paper topic	Staff recommendations for potential amendment of the Standard		
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Purpose of the paper

1. During 2012, the IASB conducted its Post-implementation Review (PIR) of IFRS 8 *Operating Segments*. The Report and Feedback Statement *Post-implementation Review: IFRS 8 Operating Segments* ('the Feedback Statement') was published in July 2013. The Feedback Statement identified six areas for potential improvement and amendment to IFRS 8. The IASB recorded in the Feedback Statement that these areas would be researched by the staff and their findings and recommendations presented to the IASB. This paper fulfils that commitment.

2. The purpose of this paper is:

   (a) to report how the areas identified for investigation have been developed;

   (b) to describe the potential amendments to the Standard;

   (c) to schedule the benefits and disadvantages of those potential amendments;

   (d) to present the staff's recommendations of an amendment to IFRS 8 to the IASB; and

   (e) to describe the effect that we think our recommended amendments may have on the convergence of our requirements with those of US GAAP.

Questions for the IASB

3. We will ask you two questions in this paper:

   (a) Do you think that the areas identified in the PIR have been adequately investigated?

   (b) Do you agree with the staff's recommendation to amend IFRS 8 by making the limited amendments proposed in paragraph 85 of this paper?

Structure of this paper

4. This paper is organised as follows:

   (a) background;

   (b) approach to the investigation;

   (c) potential improvements to the application of IFRS 8;

   (d) identification of the chief operating decision-maker (CODM);

   (e) aggregation of operating segments into reportable segments;

   (f) preservation of trend data on reorganisation;

   (g) allocation of reconciling items to individual segments;

   (h) improvements to the understandability of the reconciliation;

   (i) increasing the number of reported line items; and

   (j) staff summary and next steps.

Background

5. The IASB conducted its first PIR, of IFRS 8, in 2012. The evidence-gathering phase of the PIR was completed in December 2012 and the findings were discussed by the IASB at its January and April 2013 meetings. The IASB published its Feedback Statement on the PIR of IFRS 8 in July 2013.

6. The evidence received from the PIR of IFRS 8 is recorded in more detail in the Feedback Statement on our website. A link is included for convenience: http://www.ifrs.org/Current-Projects/IASB-Projects/PiR/IFRS-8/Documents/PiR-IFRS-8-Operatihg-Segments-July-2013.pdf.

7. IFRS 8 is a Standard that is substantially converged with US GAAP. In January 2013, the Financial Accounting Foundation (FAF) published its Post-Implementation Review Report on Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information* (the 'FAF Report'). The FAF is the trustee body of the Financial Accounting Standards Board (FASB). The FAF staff and the IASB staff liaised closely throughout their respective PIRs.

8. Both the FAF's top level report and our detailed Feedback Statement separately came to the conclusion that the underlying principle—identifying operating segments based on the management perspective basis—was the right one, but that some amendment might be desirable as a result of the PIR. At its meeting on 22 January 2014, however, the FASB decided not to add a project to amend SFAS 131 to its agenda.

Approach to the investigation

9. In 2014, we carried out further investigations on the findings reported in the Feedback Statement. We did not intend to re-evaluate the effect of applying IFRS 8 or revise the IASB's conclusions as part of these investigations, which were limited only to those areas identified for further investigation in the Feedback Statement.

10. The objectives of the further investigations were:

    (a) to add further depth to our understanding of the issues reported in the Feedback Statement;

    (b) to test various solutions identified during the PIR with a range of stakeholders in order to assess their effectiveness and practicability; and

    (c) to make an assessment of the cost/benefit balance of any proposed amendments.

11. Participants in this outreach included:

    (a) five global accounting firms;

(b) five investor organisations;

(c) two regional standard-setting bodies; and

(d) one securities regulatory body.

Approach to the amendment of this converged Standard

12. As a result of their respective PIRs both the IASB and the FAF concluded that the management perspective is the correct basis on which to identify and provide information about operating segments. Both also concluded, however, that there were some issues that could be considered for improvement. Throughout the investigation and development of these improvements, the IASB staff have liaised actively with the staff of the FAF and the FASB.

13. The IASB staff propose two parameters, specific to IFRS 8, on which to base the proposed amendment to the converged Standards. These parameters were selected to provide discipline when assessing proposed solutions with respect to both the maintenance of a converged standard and to help assess the cost/benefit balance of any proposed amendment. Those parameters, in the case of this converged Standard on operating segments, are:

    (a) adherence to the underlying principle, ie the management perspective; and

    (b) limiting additional disclosure requirements to those that do not require the preparation of additional information, ie only the additional disclosure of information already available to the entity.

Adherence to the management perspective

14. In our view, proposed amendments that clarify the application of the management perspective and promote adherence to the underlying principle, reinforce that common principle and, therefore, reinforce the convergence of the two Standards.

No additional preparation of information

15. The Standard is concerned solely with disclosure. In order not to burden preparers who report in accordance with IFRS compared with those who report in accordance with US GAAP, and in order to maintain convergence of the

disclosure requirements of the two Standards, we propose that any amendment proposed should not require the preparation of information that is not already required by the management perspective.

Liaison with FASB staff

16. Throughout the PIR process we have discussed the effect of any proposed amendment to IFRS 8 informally with the FASB staff to hear their views on the likely effect that each proposal may have on convergence of the two Standards. We refer to those informal views in the 'US Standard' section of each proposed amendment discussed in this paper.

Interaction with the Agenda Consultation 2015

17. Some have asked why we are proposing to amend IFRS 8 in advance of the 2015 Agenda Consultation process. We think that:

    (a) maintenance and the routine improvement of IFRS is ongoing and is carried on separately from the agenda consultation process;

    (b) a research project to assess the need for improvement to IFRS 8 was effectively added to the IASB's agenda when the Feedback Statement identified six topics for further investigation by the staff; and

    (c) those six topics were investigated in 2014 and resulted in the proposed amendments presented in this paper.

18. The research and analysis needed to develop these proposed amendments has now been completed. That research and analysis is summarised in this paper for review by the IASB.

Potential improvements to the application IFRS 8

19. Six areas were identified in the Feedback Statement that could potentially improve both the quality of the operating segment data collected and the way in which that data is presented:

    (a) the identification of the CODM;

(b) the aggregation of operating segments into reportable segments;

(c) the preservation of trend data on reorganisation;

(d) the allocation of reconciling items to individual segments;

(e) improvements to the understandability of the reconciliation; and

(f) increasing the number of reported line items.

20. These are each considered separately in this paper.

Identification of the CODM

Background and result of our investigations

21. The identification of the CODM plays an important part in the identification of operating segments. Paragraph 5 of the Standard defines an operating segment and includes a reference to regular review by the entity's CODM in that definition.

22. Many preparers reported that they found it difficult to identify the CODM and some were uncertain at what level that role should be in an entity's management hierarchy. Respondents also debated whether the role is principally strategic or operational because paragraph 7 of the Standard refers to the allocation of resources, which many consider to be a strategic function. Some think that this is primarily a one-time issue that arises when first applying IFRS and therefore is of more concern to first-time adopters than in jurisdictions that currently apply IFRS.

23. Whether or not the role of the CODM is seen to be an operating or a strategic role varies by jurisdiction, often depending on local governance issues. Many IFRS jurisdictions have corporate governance requirements in place that result in a managing committee or board of directors being identified as the CODM. On the other hand, in other jurisdictions, for example in the US, the CODM is usually identified as an individual such as the CEO or president of the entity. The staff note that paragraph 7 of the Standard describes the role as 'a function, not necessarily a manager with a specific title'.

24. In some jurisdictions, the CODM as an individual decision maker and the reliance placed on the reports reviewed by him are, in many respects, outmoded concepts

because corporate governance requires collective decision-making and modern reporting systems allow decision-makers to use individual query-based reports to gather data. Many view the CODM and the reports reviewed simply as a useful *illustration* of operating segment reporting using the management perspective, instead of being *definitional* in identifying the management perspective.

25. However, some aspects of the identification of the CODM and, therefore, operating segments in accordance with the management perspective, were raised with us:

(a) a number of entities identified the Board of Directors as the CODM, although the Board of Directors includes non-executives who are not actively involved in the decision-making process.

(b) some securities regulators think that the identification of operating segments in accordance with IFRS 8 can be difficult to enforce because the management perspective is based on management's judgement and may be difficult to validate independently. At the time of the PIR, many regulators told us that they challenge an entity when different types of reports prepared by the entity use different management perspectives. In this respect, we noted that, when we issued IFRS 8, we expected the use of the management perspective to harmonise all reporting, regardless of whether it was reported in the financial statements, in presentations to analysts or in the management commentary. In the PIR we also noted that investors place greater reliance on reported information when all reporting is based on a single management perspective.

(c) some investors and regulators think that disclosure of the CODM would provide useful insight into how decisions are made and how the entity's activities are managed.

Clarification of the CODM

26. It has been suggested that we could amend paragraph 7 of the Standard to include some additional guidance to make it clear that, because of local governance requirements or the characteristics of the individual entity, the CODM of a specific entity might be either an individual or an executive committee. Local

governance rules may influence how an entity is governed and, consequently, how the management of that entity is structured. Consequently, the CODM of an entity in one jurisdiction may be a specific individual–another entity in another jurisdiction may be required to be managed by a governing committee.

27. We could also clarify that non-executive roles, such as that of non-executive directors, should be excluded from the CODM function.

28. These amendments would all reinforce the principle that the management perspective is based on the decision-making hierarchy applied in the entity. This additional guidance would reinforce consistent application by explaining why entities identify different types of CODMs—some differences are due to local governance requirements; others reflect the differences between individual entities.

Change the designation of CODM

29. Others have suggested that we could remove 'operating' from the term CODM to reinforce the importance of the strategic aspect of the CODM role or replace CODM with a term that reflects the wide range of jurisdictions in which IFRS applies. This term could be an executive committee or a governing board as used in the *Conceptual Framework*.

30. We think that either removing 'operating' from the term CODM or replacing CODM with another term could be seen as changing the basis of segmentation significantly. Many participants in our further investigation of the findings in the PIR expressed concern that such a change could have unintended consequences.

Alignment of reporting

31. It has been suggested that we could add some additional guidance to remind preparers that, when we issued the Standard, we expected the management commentary and other reported information to be based on a management perspective that is consistent with that shown in the operating segment information in the financial statements. This proposal would be welcomed by the regulators and auditors that we spoke to who think that it would significantly increase the enforceability of the Standard.

Disclosure of the CODM

32. A number of participants in our further investigations suggested that we could require the identity of the CODM to be disclosed. Investors thought that disclosure of the CODM would provide a useful insight into how decisions are taken and how the entity's activities are managed. Securities regulators thought that disclosure of the CODM could increase enforceability by identifying those responsible for the decisions made.

The US Standard

33. As noted, the PIR highlighted that there are two distinct views of the CODM:

    (a) an individual such as the CEO or president; or

    (b) an executive committee.

34. That view varies both by jurisdiction and to reflect an individual entity's circumstances. Stakeholders in the US generally hold view (a).

35. We have held some preliminary discussions with the FASB staff about the effect that any potential amendments to IFRS 8 would have on convergence of the two Standards. In their personal view additional wording that we may add to clarify that a CODM can be either an individual or an executive committee, excluding non-executive members, would not reduce the convergence of IFRS 8 and SFAS 131.

36. The FASB staff agreed with our view that removing 'operating' from the CODM title or replacing CODM with a more generic term could:

    (a) result in a change in the way in which operating segments are identified;

    (b) have unintended consequences; and

    (c) lead to inconsistent application between IFRS 8 and SFAS 131.

Staff recommendation

37. The staff recommend including additional guidance in the Standard to make it clear that:

(a) the CODM could be an executive committee or an individual, depending on the circumstances of the entity, including the effect of local governance requirements on those circumstances.

(b) the CODM function is a decision-making one and, consequently, does not encompass non-executive roles. Accordingly, the CODM identified should exclude non-executive members of the Board of Directors.

(c) the IASB thought that adopting the management perspective would result in other forms of reporting, such as presentations to analysts and the management commentary, being consistent with operating segment information disclosed in the financial statements.

38. We also recommend that the disclosure requirements of IFRS 8 be extended to require that a specific CODM is identified and its nature, whether a named individual, office-holder or executive committee, is separately disclosed.

Aggregation of operating segments into reportable segments

Background and result of our investigations

39. Two or more operating segments may be aggregated into a single reported operating segment if the segments have similar economic characteristics and are similar with respect to, for example, the nature of products and services sold and type of customer.

40. Many participants in both the original PIR and our subsequent further investigations think that too much aggregation of operating segments takes place. We note, however, that the empirical evidence identified in the academic review carried out as part of the PIR shows that the number of reported segments has increased and the number of single-segment entities has decreased since IFRS 8 was applied.

41. The findings of our further investigations include:

(a) investors think that segments are aggregated in a way that does not assist them in their use of valuation models. Most investors would like each identified operating segment to be identical with a stand-alone business, for ease of valuation.

(b) auditors think that determining when operating segments should be aggregated is difficult in practice.

(c) participants in outreach also note that aggregation is an area that is subject to frequent regulatory challenges in some jurisdictions.

Potential amendment discussed during outreach

42. Some have suggested that these concerns could be addressed by providing more guidance on what is meant by 'similar economic characteristics'. Others suggested that the term similar economic characteristics is already clear and that any expansion of that term would be likely to increase, instead of decrease, uncertainty and lead to diversity.

43. Many participants in our further investigations think that the example of a similar economic characteristic given in paragraph 12 of the Standard, gross margin percentage, is not a good one. They point out that two divisions of an entity having a similar gross margin percentage can be the outcome of the arithmetic effect on each division of differing economic characteristics, instead of gross margin being a single, similar economic characteristic in its own right. They think that consideration of more factors would result in a more thorough assessment of whether aggregation would be appropriate. They also think that an extended range of economic characteristics would provide a better link with those factors that really drive decision making and should ensure that inappropriate aggregation is reduced.

44. These respondents suggested that similar levels of revenue growth, exposure to similar currency fluctuations, inflation or specific markets, or use of specific industry key performance indicators (KPIs) are examples of similar economic characteristics that could be added to the guidance.

The US Standard

45. In discussions with the FASB staff, they noted that their previous attempts to define similar economic characteristics had not been successful. They also

expressed concern that extending the examples of similar economic characteristics given in IFRS 8 could result in a change of practice and diversity in practice. They were concerned that extending examples of similar economic characteristics could provide greater scope for aggregation of operating segments and a reduction in the usefulness of the operating segment information presented.

Staff recommendation

46. Bearing in mind the US experience, we think that amending the Standard to include significant further guidance on what is meant by similar economic characteristics would not be beneficial.

47. We do think, however, that the example given in paragraph 12 could usefully be extended to include a range of more representative characteristics, such as similar levels of revenue growth, or exposure to currency, inflation or specific markets.

48. We are mindful of the FASB staff's informal comment that this extension might result in more aggregation of operating segments, but we think that by extending the example of similar economic characteristics we would instead be limiting the scope for aggregating operating segments inappropriately. The extended guidance would clarify that operating segments with similar economic characteristics should have a range of measures in common, rather than depending on a single measure, ie gross margin percentage, that is not linked with the business drivers on which management decisions are made.

Preservation of trend data on reorganisation

Background and result of our investigations

49. Trend analysis is an important tool for investors. We received many examples from participants in the PIR of entities that had changed their segments from year to year since the implementation of IFRS 8. Many investors use sophisticated modelling of data, collected over a number of years, to predict an entity's future performance. Frequent internal reorganisations prevent investors from carrying out this trend analyses as part of their decision-making process.

Potential amendment discussed during outreach

Restatement of segment information for 3–5 years

50. IFRS 8 requires comparative information to be restated whenever there is a restructuring. Because information about trends by segment is particularly useful to investors, some respondents suggested that the number of comparative periods required for this information should be increased to 3 or 5 years. At the time of the PIR, the IASB was concerned that this might place an unreasonable burden on preparers.

51. In our investigations, we have heard varied messages about whether information about operating segments should be required for additional comparative periods. Some investors think that this would be very useful information. Operating segment information is important to them and trends within that information are especially useful. These investors think that the operating segment disclosures are the most important single source of data about the entity.

52. Other investors accept, however, that the nature of an entity's business can change quickly and that in many cases the segment trend information would not be comparable with segment information from five, or even three, years earlier.

53. Preparers, in general, think that it could be onerous to prepare restated information and are also concerned that additional external costs would be incurred in auditing the restated information. These preparers also think that, in some cases, the information may not be available if the required analysis had not been collected in the earlier accounting periods, especially if businesses were acquired or disposed during the restated period.

54. Other preparers think that the information is likely to be available because restated information would have been used when management made their decision to reorganise the management perspective. They argue that sophisticated reporting systems that consist of a large number of sub-entities can easily be reorganised when the management structure changes.

Restatement of the previous year's interim reporting information

55. Some investors think that information about the previous year is more important than information that is several years old. These investors have requested that the first interim report following a reorganisation of segments should include a

restatement of the previous year's interim reported segment information, ie the last four quarters or the last two six-month periods. This would enable investors to update any models that have quarterly or half yearly rests as soon as the change in operating segments is first reported.

56. The current requirement is that an entity need only present the prior comparative period for each interim period reported as each individual interim period is reported. This results in investors currently having to wait for a full year's interim reporting cycle to be completed before the whole prior period is restated interim-period by interim-period.

The US Standard

57. The FASB staff think that requiring 3 or 5 years of comparative information could be onerous for preparers. They also note that US registrants are already required to provide two years of comparative information which they think means that this may be less of an issue for investors in US registrants.

Staff recommendation

58. We think that it could be onerous for preparers to restate operating segment information for the previous 3 or 5 years because it could require the preparation of new information, prepared on a different basis of segmentation. We also note that auditing those restated amounts would cause preparers to incur additional external expense on each restatement. We think that these additional burdens would be disproportionate to the benefit to investors, particularly when business circumstances, such as markets, products and business models, change quickly and frequently.

59. We do think, however, that it would be useful to require that all interim periods of the prior reporting year should be restated and presented as part of the first interim financial reporting following a reorganisation of operating segments. This would not require the preparation of any additional information—the restatements that are currently required would simply be presented earlier, instead of quarter-by-quarter or every six months. Presenting the required restatements as part of the first interim reporting process following a reorganisation would enable investors

to update their modelling of data on initial reorganisation and enable investors to maintain any trend information in a timely manner.

Allocation of reconciling items to individual segments

Background and result of our investigations

60. Operating segment information is presented using the management perspective. IFRS 8 requires that this information must be reconciled with the IFRS information in the financial statements. Investors think that the reconciliations do not provide enough information to help them understand how each reconciling amount relates to each segment.

Potential amendment discussed during outreach

61. Many investors have requested that reconciliations should be prepared segment-by-segment. Preparers and others have cautioned against a segment-by-segment reconciliation because they think that it would result in a need to allocate reconciling items to segments when there is no systematic basis on which to do so. In accordance with that view, non-systematic allocations would reduce the value of the segment information produced.

62. Some investors accept this view and think that if a fuller explanation were provided about the nature of the reconciling items, including an explanation of why they have not been allocated to segments, the investor themselves would be better able to understand the reconciling items and assess how the adjustments would affect individual segments.

The US Standard

63. The FASB staff did not think that this was a message that they received from investors in entities that report in accordance with US GAAP. In their informal view they think that the operating segment information reported should be in accordance with the management perspective. A requirement to allocate all

reconciling items would not represent the internal information used by management.

Staff recommendation

64. We think that requiring all individual reconciling items to be allocated segment-by-segment could result in entities applying non-systematic allocations to the operating segment information, resulting in a reduction in the value of the segment information presented. Consequently, we do not recommend requiring that all reconciling items are allocated to operating segments.
65. We do think, however, that providing a fuller explanation about the nature of individual unallocated and reconciling items would enable investors to better understand the effect of those reconciling items on individual operating segments. Consequently, we recommend that reconciling and unallocated items should be fully explained in the required reconciliations.

Improvements to the understandability of the reconciliation

66. As noted, operating segment information presented using the management perspective must be reconciled to other information in the financial statements.

Potential amendment discussed during outreach

Format of the reconciliations

67. Most preparers think that the requirements for reconciliations are clear and can be complied with easily. However, a few preparers think that the reconciliations are complex and that the requirements are not clear. Some were confused about how to show the different elements of the reconciliation separately.
68. Some participants suggested that we should provide additional examples of good, comprehensive reconciliations in the Standard. Others were concerned that if such examples were included in the guidance, reconciliations would be provided in that form by some entities even when line items in the examples were immaterial or not relevant.

Non-compliance with the requirements

69. Paragraph 28 of the Standard requires four specified line items, and every other material item of the information disclosed about reported operating segments, to be reconciled. It also requires all material reconciling items to be separately identified and disclosed.

70. Some regulators complain that reconciliations may be poorly prepared and some specified line items are omitted. Regulators comment that preparers may omit reconciliations of some line items or fail to disclose information about 'other segments' separately from reportable segments.

The US Standard

71. The FASB staff think that the format of the reconciliation is not a significant concern in the US for either preparers or investors. This may be due to their greater experience, of about ten years, in applying the US Standard compared with experience of applying IFRS 8.

Staff recommendation

72. We do not recommend amending the Standard with respect to the format of the required reconciliations. We note that paragraphs IG3–IG4 of the Standard already includes six examples of reconciliations. We do not recommend adding further examples to the implementation guidance because we think that it could give rise to boilerplate disclosures.

73. The requirement to prepare reconciliations is laid out in paragraph 28 of the Standard and we think that the requirement is clear. We think that non-compliance with that requirement is an enforcement and audit issue, rather than a standard-setting issue.

Increasing the number of reported line items

Background and result of our investigations

74. Paragraphs 23 and 24 of the Standard require the disclosure of operating segment information about a number of identified line items, if the specified amounts are regularly provided to the CODM or are included in the measure of profit and loss reviewed by the CODM. Some investors think that the use of these internally reported line items does not always provide them with the information they need to make comparisons across entities.
75. Most investors would like us to mandate particular line items for disclosure.

Potential amendment discussed during outreach

76. Some have suggested that we should replace the requirement to disclose the specified information when it is regularly reviewed by the CODM with a more general requirement to disclose unless it is impracticable to do so. This would ensure that the eleven line items in paragraphs 23 and 24 are always disclosed. Investors have also suggested that we should extend the line items specified in these paragraphs to include additional specific line items such as capital expenditure, research and development and goodwill impairment.
77. A few investors noted, however, that the importance of different line items varies by industry, for example, research and development is very important for pharmaceutical entities but not usually for the construction industry. These investors think that we should not specify individual line items in order to avoid creating non-relevant, boilerplate disclosures.
78. Other investors have suggested that providing information about all line items on the face of the statement of profit and loss or the KPIs discussed in the management commentary would identify the line items that are relevant to each specific entity. In our investigations, however, some have cautioned against linking the contents of the management commentary, which does not form part of the financial statements, with the disclosures required in the financial statements.
79. In our investigations, we noted that most investors reported that some line items have a special relevance to their decision-making:

(a) non-cash expenses such as depreciation and amortisation because this information explains the link between cash flows and profit and loss;

(b) other line items that affect future cash flows;

(c) non-recurring items;

(d) investing activities such as capital expenditure, marketing and research and development because this indicates the future direction of the business;

(e) impairment of goodwill, which provides insight to enable investors to understand poor performance by some segments and the outcome of acquisitions; and

(f) components of ratios or alternative performance measures (such as return on capital employed or EBITDA) that are used by investors to make comparisons across entities.

The US Standard

80. At the time of their post-implementation review, the FASB staff also received requests that some line items, such as gross margin or operating cash flow, should be mandated. The FASB decided, however, not to take this issue onto its agenda so that feedback was not investigated in greater detail.

Staff recommendation

81. We do not recommend mandating specific line items by either extending the line items named in paragraph 23 of the Standard or by requiring disclosure whether or not the line item is reviewed, directly or indirectly, by the CODM.

82. Although mandating additional line items may provide more useful information to investors, we think that:

(a) mandating the disclosure whether or not line items are used in internal decision-making would go against the management perspective principle on which the Standard is based;

(b) it would be difficult to decide which line items should be mandated because some line items are more relevant to some sectors than others;

(c) additional disclosure would be burdensome to preparers if it included line items that are not already presented and reviewed internally; and

(d) mandating an extended list of line items for disclosure could result in an increase in less relevant, 'boilerplate' disclosures.

83. Instead, we recommend that the IASB emphasises the importance of the core principle of the Standard, which is to enable users to evaluate the nature and financial effects of the business activities of the entity and the economic environment in which it operates. We recommend adding additional guidance about the type of information that is particularly relevant to investors as described in paragraph 79 of this paper. We think that if preparers are reminded what information is useful to investors, and why, it will result in more relevant information being presented about operating segments.

Staff summary and next steps

84. The staff recommendation on each issue discussed in this paper is summarised in paragraph 86. We think that applying this additional guidance would:

(a) reinforce the management perspective on which the Standard is based;

(b) result in more relevant information;

(c) lead to a more consistent application and increased enforceability of the Standard; and

(d) be achieved at little additional cost or burden to preparers.

85. We also think that these amendments conform to our assessment parameters, discussed in paragraph 13 of this paper, that any amendments should adhere to the management perspective and would not require the preparation of additional information.

86. The amendments recommended to the IASB are proposals to:

(a) explain the nature of the CODM to include both individuals and committees, but exclude non-executives;

(b) emphasise the IASB's expectation that presentations to investors, management commentary and operating segments disclosures in accordance with IFRS 8 would be based on a consistent management structure, increasing the information value of each;

(c) disclose the nature of the entity's CODM;

(d) extend the examples of similar economic characteristics contained in paragraph 12 of the Standard;

(e) present all restated interim comparative periods as part of the first interim report following a reorganisation;

(f) explain the nature of reconciling and unallocated items more fully in the reconciliations that are currently required by the Standard; and

(g) provide additional guidance about the type of information that is most useful to investors.

Next steps

87. Although these detailed changes have not yet been discussed with the FASB, we do not believe at this stage that these proposals would reduce the degree of convergence that has been achieved on this topic. The proposed amendments reinforce the management perspective principle on which the Standard is based and do not require the preparation of significant additional information.

88. We recommend that the IASB approve the staff recommendation to add this additional guidance to IFRS 8. Throughout the amendment process we will keep the FASB informed about our proposals and any effect that we think that the proposed amendments might have on convergence.

Questions for the IASB

1. Do you think that the areas identified in the PIR have been adequately investigated?

2. Do you agree with the staff recommendations to add additional guidance with respect to the improvements recommended in paragraph 86?