



Trustees of the IFRS Foundation  
IFRS Foundation  
30 Cannon Street  
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Dear Sirs,

We are writing to respond to the Request for Information *Post-implementation Review: IFRS 8 Operating Segments*. We understand that purpose of the request is for the IASB to seek views on the effect of the application of IFRS 8 on financial reporting from the perspective of preparers and users of financial statements.

We believe that IFRS 8 has had a beneficial effect on financial reporting.

IFRS 8 changed segment reporting compared with its predecessor IAS 14 *Segment Reporting* by adopting the “eyes of management” approach in the identification of segments, the measurement basis and disclosures. This aligned IFRS with US GAAP (SFAS 131).

In our response of May 2006 to the related IASB Exposure Draft ED 8, we supported this change as SFAS 131 had been in use for quite some time and had proven entirely satisfactory. We also pointed out that it was vital to seeing the benefit of this approach in segment information content, frequency and timeliness that no reconciliation to IFRS information should be required at segment level.

When IFRS 8 was issued, the IASB assessed the benefits compared with IAS 14 as exceeding any potential disadvantages. We believe that this has been demonstrated in its application. It is understandable that there may have been a concern by some users during the development of IFRS 8 about the loss of comparability between companies, but in practice this has been significantly outweighed firstly by the ability of users to have the same view as the management of an entity’s performance and how resources are allocated, making both the numbers presented and the management commentary more meaningful, and secondly by the efficiency savings for preparers which reduced the cost of providing information.



As we pointed out in our response to ED 8, departures from IFRS measurement requirements are likely to be limited to areas where IFRS requirements conflict with an entity's business model and risk management policies. We noted that IASB has therefore in its own hands the power to ensure that amendments to existing standards or new standards or interpretations do not conflict with management needs, so that segment information does not need to depart further from IFRS. The hedging phase of the IASB's financial instruments project in fact has the potential for reducing this conflict.

We also note that IFRS 8 was the outcome of a short-term convergence project and therefore any future change to IFRS 8 would give rise to divergence from US GAAP (SFAS 131).

We remain at your disposal should you wish to discuss this subject further.

Yours sincerely,

Jérôme P. Chauvin  
Director  
Legal Affairs Department  
Internal Market Department



## **APPENDIX**

### **Question 1**

**Are you comparing IFRS 8 with IAS 14 or with a different, earlier segment-reporting Standard that is specific to your jurisdiction?**

**In providing this information, please tell us:**

**(a) what your current job title is;**

**(b) what your principal jurisdiction is; and**

**(c) whether your jurisdiction or company is a recent adopter of IFRSs.**

We are comparing IFRS 8 with IAS 14 based on the experience of European businesses.

### **Question 2**

**What is your experience of the effect of the IASB's decision to identify and report segments using the management perspective?**

*Preparers: please include information about whether your reporting of operating segments changed when you applied IFRS 8. If it did, what effect did that change have on the efficiency of your reporting processes and your ability to communicate with investors?*

### **Question 3**

**How has the use of non-IFRS measurements affected the reporting of operating segments?**

*Preparers: it would be helpful if you could provide information about whether you changed your measurement basis for operating segment information on the application of IFRS 8 and, if so, what effect this has had on your ability to communicate information about operating risks and performance with investors and other users of your financial statements.*

Certain entities did change their reporting of operating segments and/or their measurement basis for segment information when applying IFRS 8. We believe that the alignment of external reporting with internal reporting has been beneficial in terms of efficiency and eliminated unnecessary complexity in communications with users.

### **Question 4**

**How has the requirement to use internally-reported line items affected financial reporting?**

*Preparers: please provide information about any changes in reported line items that resulted from the application of IFRS 8.*

There have been cost savings because certain line items are only required to be reported when also reported internally to the CODM.

### **Question 5**

**How have the disclosures required by IFRS 8 affected you in your role?**

*Preparers: please consider whether operating segment disclosures are more or less burdensome when based on information prepared in accordance with your own internal*



*reporting requirements. If any requirements are burdensome, please provide details of those disclosures and explain why they are costly or time-consuming to prepare. Do you think that the information you present now about operating segments conveys better information to investors and shareholders? It would be useful to indicate whether you regularly report any segment information in addition to that required by IFRS 8.*

Because operating segment disclosures are aligned with internal reporting, external reporting in this area is not an additional burden and it provides more useful information to investors.

#### **Question 6**

##### **How were you affected by the implementation of IFRS 8?**

*Preparers: in answering this question please focus on whether you incurred significant unexpected costs, either as a one-time expense when implementing the Standard or as a recurring cost at each reporting cycle. If you did incur unexpected costs, please explain what these were and in what way they were required to comply with IFRS 8.*

*In addition, we would like to know what practical difficulties you encountered, if any, when applying IFRS 8. Did you find that IFRS 8 is clear about all aspects of the requirements, such as the identification of operating segments, aggregation of segments and the nature of the CODM? If IFRS 8 is not clear, please provide details of your experience.*

We are not aware of entities incurring significant unexpected costs, either on a one-off or an ongoing basis. We are also not aware of entities that have experienced practical difficulties or lack of clarity in its application.

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