

July 26, 2017

International Accounting Standards Board

30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft ED/2017/2 – Improvements to IFRS 8, *Operating Segments* - Proposed amendments to IFRS 8 and IAS 34

Dear Board Members:

The “Group of Latin American Accounting Standard Setters” – GLASS¹ welcomes the opportunity to comment on the Exposure Draft ED/2017/2 – Improvements to IFRS 8, *Operating Segments* - Proposed amendments to IFRS 8 and IAS 34 (the “ED”), issued in March 2017.

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in April 2017. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during several conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall comments

We agree with the amendments intended to emphasize that the Chief Operating Decision Maker (“CODM”) is a function and may be either an individual or a group. We believe that segments should not differ between the financial statements and other parts of the annual reporting package. If so, the user of the information may question which segment information is the correct one. We believe the amendment should indicate that this situation is not desirable, but that when it occurs, it will be necessary to disclose why there is such a difference and reconcile both sets of segment information.

As a segment is defined as a discrete part of a business for which management is receiving financial information to properly manage it, we do not agree that information be included in segment information that is not presented or reviewed by the CODM for two reasons. First, the CODM will not be able to provide explanations on information it has neither received nor reviewed and second, the CODM would not be in a position to take responsibility for information it has not reviewed.

Specific comments

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions in respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Vice Chairman), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



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Attached please find our specific responses to the questions presented in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely yours,

Felipe Pérez Cervantes

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



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GLASS' Comment Letter on the IASB Exposure Draft on Improvements to IFRS 8, *Operating Segments* - Proposed amendments to IFRS 8 and IAS 34

Question 1

The Board proposes to amend the description of the chief operating decision maker with amendments in paragraphs 7, 7A and 7B of IFRS 8 to clarify that:

- (a) the chief operating decision maker is the function that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity;
- (b) the function of the chief operating decision maker may be carried out by an individual or a group—this will depend on how the entity is managed and may be influenced by corporate governance requirements; and
- (c) a group can be identified as a chief operating decision maker even if it includes members who do not participate in all decisions made by the group (see paragraphs BC4–BC12 of the Basis for Conclusions on the proposed amendments to IFRS 8).

The Board also proposes in paragraph 22(c) of IFRS 8 that an entity shall disclose the title and description of the role of the individual or the group identified as the chief operating decision maker (see paragraphs BC25–BC26 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

We agree with the proposal to amend the description of the Chief Operating Decision Maker (“CODM”) emphasizing that it can be either an individual or a group. We also agree that the role of non-executive members of the group should be explained. Consequently, we agree with the disclosure of the title and description of the role of the CODM.

Question 2

In respect of identifying reportable segments, the Board proposes the following amendments:

- (a) adding a requirement in paragraph 22(d) to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity’s annual reporting package (see paragraphs BC13–BC19 of the Basis for Conclusions on the proposed amendments to IFRS 8); and
- (b) adding further examples to the aggregation criteria in paragraph 12A of IFRS 8 to help with assessing whether two segments exhibit similar long-term financial performance across a range of measures (see paragraphs BC20–BC24 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

We believe that the reportable segments identified in the financial statements should be the same as those identified in other parts of the annual reporting package. If these are not the same, the user of the information will be confused as to which are the segments for which the CODM receives and reviews information to make decisions on the allocation of resources and assessment of the performance of the segments, and, therefore, if the judgments the user is making on the financial position, results of operations and cash flows of the entity are adequate.

Therefore, we suggest that the amendment indicate that this situation is not desirable. We agree that, when it occurs, the information presented in the financial statements and in other parts of the annual report should be reconciled, explaining why the information differs.

The information in the annual reporting package may contain additional segment information. For instance, if the primary segment information provided to and reviewed by the CODM is by product line, and segment information is also provided on a geographical basis, the annual reporting package may break product lines by geographical areas, but not have information on different segments not contemplated in the financial statements. The disclosure required in paragraph 19A would not be a cure for not presenting adequate segment information.

We observe that the principle for aggregating similar segments has been deleted from paragraph 12, since it no longer indicates that “...if aggregation is consistent with the core principle of this IFRS, the segments have similar economic characteristics, and the segments are similar in each of the following respects.”. We agree with the examples included in paragraph 12A, but the above principle should not be eliminated.

Question 3

The Board proposes a clarifying amendment in paragraph 20A of IFRS 8 to say that an entity may disclose segment information in addition to that reviewed by, or regularly provided to, the chief operating decision maker if that helps the entity to meet the core principle in paragraphs 1 and 20 of IFRS 8 (see paragraphs BC27–BC31 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

We believe that disclosing segment information in addition to that regularly provided to, or reviewed by, the CODM does not conform with the core principle that defines an operating segment, as indicated in paragraph 5(b) of IFRS 8. This is because such information has not been used by the CODM to make decisions on the resources to be allocated to the segment and assess its performance, and the CODM has not reviewed such information.

However, an interested party in one country considered that there could be relevant information for the users and not for the CODM, due to the knowledge by the latter of the activities and the business of the entity, that could be necessary for the understanding of the business by the user.

Also, paragraph 20A is somewhat vague, since it refers to additional information to that required to be disclosed in accordance with paragraphs 21 to 27 that helps to meet the core principle in paragraphs 1 and 20. This will put the burden on management to define what would be such additional information that may need to be disclosed. On the other hand, certain users may claim that additional information that they would need is not included in the financial statements and neither the preparer nor the auditor are fulfilling their responsibilities. We believe this proposed paragraph should be eliminated.

Question 4

The Board proposes a clarifying amendment in paragraph 28A of IFRS 8 to say that explanations are required to describe the reconciling items in sufficient detail to enable users of the financial statements to understand the nature of these reconciling items (see paragraphs BC32–BC37 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

We agree with the proposed amendment included in paragraph 28A.



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Question 5

The Board proposes to amend IAS 34 to require that after a change in the composition of an entity's reportable segments, in the first interim report the entity shall present restated segment information for all interim periods both of the current financial year and of prior financial years, unless the information is not available and the cost to develop it would be excessive (see paragraphs BC2–BC10 of the Basis for Conclusions on the proposed amendments to IAS 34).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

We agree that the restated segment information for interim financial statements should be limited to the current year financial information and any prior years that are presented, unless the information is not available and the cost to develop it would be excessive. Further, we believe the reference to prior years in paragraph 43 and 44, as well as the new paragraph 45 A, should be clarified, since according to paragraph 20, financial information for only the immediately preceding financial year is required. We assume more than one prior financial year would have to be restated only if presented either voluntarily or pursuant to the regulations of a local regulator.

Therefore, we suggest that when in paragraphs 43, 44 and 45A a reference is made to "years", it should be indicated that in accordance with paragraph 20 it refers only to the prior year, unless voluntarily or pursuant to the regulations of a local regulator information, additional years are presented.

One Member country considers that it would be convenient to disclose the reason for the change in the composition of the entity's reportable segments, indicating if the change is geared to give better information and the reason for the change. This disclosure would let the user understand that the change is not due to the correction of an error.