Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

November 20, 2012

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Request for Information regarding the Post-implementation Review: IFRS 8 Operating Segments

Dear Board Members,

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Request for Information regarding the *Post-implementation Review: IFRS 8 Operating Segments* (the RFI).

This response summarizes the views of our country-members, in accordance with the following due process.

Due-process

The discussions in regard to the RFI were held within a specified Technical Working Group (TWG). All country-members had the opportunity to designate at least one member to constitute this TWG, and the following countries did so: Argentina, Bolivia, Brazil (coordinator of this TWG), Ecuador, Mexico, Uruguay and Venezuela.

Individually, all TWG members summarized the answers from their respective countries. At a second stage, the answers presented in each country's summaries were compared and discussed before preparing a consensus response.

Overall comments

Almost all countries in Latin America are in the process of full adoption of IFRS, and some have already adopted IFRS. Therefore, the majority of Latin American countries have little or no experience preparing segment information in accordance with IFRS.

However, we have put emphasis on the response of those companies that have applied the IFRS 8, an previously applied a different standard.

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

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Some companies used IAS 14 or similar and others companies used pursuant to USGAAP in accordance with SFAS 131 to report Operating Segments. The last standard is very similar to IFRS 8. However, such information was generally not required by local GAAP.

Considering that your RFI focuses on the experience and challenges of transitioning from IAS 14 to IFRS 8, the answers that we have obtained are very limited.

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

Yours sincerely,

Juarez Domingues Carneiro
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

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GLASS' Comment letter on the Post-implementation Review: IFRS 8 Operating Segments

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 SFAS 131 and IFRS 8 with IAS 14, depending on the country.

The discussions in regard to the RFI were held within a specified Technical Working Group (TWG) that submitted your questions to groups of preparers and investors in various countries.

Question 2
What is your experience of the effect of the IASB's decision to identify and report segments using the management perspective?

The companies consulted expressed that the change of perspective (management perspective) was not a problem to develop the information, because it has been prepared for internal use.

But, the disclosures required by IFRS 8 create competitive disadvantages for entities that report such information mainly due to strategic information shared with their competitors that are not always subject to the same disclosure requirements.
In addition:

a) Depending on the management structure of each entity, it can be complex to identify the Chief Operating Decision Maker (CODM) as well as the reportable segments, mainly when a company has a matrix model to manage its business, and

b) the criteria for aggregation established by IFRS 8 bring additional complexity into the reporting of operating segment information.

Question 3
How has the use of non-IFRS measurements affected the reporting of operating segments?

The companies consulted expressed that the use of non-IFRS information has not affected the operating segments information, because it is prepared for internal use.

Question 4
How has the requirement to use internally-reported line items affected financial reporting?

Some listed companies used to report segments in accordance with SFAS 131, in which case there was no impact.

For other listed companies (ie. Argentina) that used to report in accordance local GAAP (based on IAS 14) there was no impact caused by the requirement to only disclose internally-reported line items, because usually this information is available for internal use.

Question 5
How have the disclosures required by IFRS 8 affected you in your role?

From the investor´s perspective, the disclosures required by IFRS 8 can be valuable to users of financial statements. However, such disclosures do not necessarily help investors better understand the entities' business and other risks.

From the preparer´s perspective, the disclosures required by IFRS 8 create competitive disadvantages for entities that report such information mainly due to strategic information shared with their competitors that are not always subject to the same disclosure requirements.

Clearly the disclosure of available internal reporting information is neither burdensome nor costly. We did not find any companies that disclosed more than the required information.

Question 6
How were you affected by the implementation of IFRS 8?

The companies consulted said they had no significant difficulties to develop the information, because in most cases, this information is prepared for internal use.

But, the disclosures required by IFRS 8 create competitive disadvantages for entities that report such information mainly due to strategic information shared with their competitors that are not always subject to the same disclosure requirements.