

## **EFRAG-ASCG outreach event**

### **IASB Request for Information – Post-implementation Review: IFRS 8 Operating Segments Disclosure Framework**

**– Minutes –**

***Date and venue:***

13 November 2012, Airport Conference Center, Frankfurt

***Participants on the panel:***

Dr. Liesel Knorr (ASCG, president)

*RfI IFRS 8*

April Pitman (IASB)

Michel Sibille (EFRAG)

Dr. Ruediger Schmidt (ASCG)

*Disclosure Framework*

Filippo Poli (EFRAG)

Holger Obst (ASCG)

Liesel Knorr welcomed all participants to this outreach event held by EFRAG in cooperation with the Accounting Standards Committee of Germany (ASCG) and outlined the objectives as well as the agenda of this event.

#### **RfI PIR 8 Operating Segments**

IASB staff gave an overview of the post-implementation review in general and to the post-implementation review of IFRS 8 *Operating Segments* in particular. This included an explanation of the work done and the next steps in the post-implementation review process.

Following, EFRAG staff presented the comments received to IFRS 8. The comments relate primarily to the identification and defining of operating segments as well as of reportable segments, reporting of non-IFRS measures, identification of the CODM and disclosure requirements.

The same issues were mentioned in discussions with preparers, auditors, users, enforcers and academics in Germany. These views on IFRS 8 in Germany were presented by ASCG staff.

In the debate following the presentations it became apparent that the audience has the same experiences with IFRS 8 as presented. The critique by investors on IFRS 8 that the standard leads to a reduction in the comparability of entities was partly rejected, because IAS 14 already contained the management approach, which resulted in an entity-specific presentation of segment information. Due to differing organisational characteristics in various jurisdictions (e.g. one-tier vs. two-tier board) it is necessary to leave some leeway in the requirements, so that all entities can apply the standard. With regard to the non-IFRS measures it was mentioned that companies use these measures also in other parts of their business reporting and thus, the possibility to present the measures also in the segment report is welcomed.

Furthermore, the IASB staff were asked how the IASB works together with the FASB in the post-implementation review of the segment reporting. In the US the post-implementation review is not conducted by the FASB but by the FAF. Hence, there is no exchange of information between IASB and FASB.

## **Disclosure Framework**

Filippo Poli (EFRAG staff) introduced the key aspects of the discussion paper *Towards a Disclosure Framework for the Notes* issued by EFRAG, ANC and FRC. Deepa Raval (FRC staff) explained the communication principles. Holger Obst (ASCG staff) presented the key aspects of the *Invitation to Comment - Disclosure Framework* published by FASB. Furthermore some preliminary views from ASCG in the context of the disclosure framework debate were presented.

After the presentations the discussion mainly revolved around the scope of a disclosure framework project and the proposed definition and the content of the notes in the discussion paper of EFRAG, ANC and FRC. Some supported the proposed definition for the notes while others raised concern about the consequences. For example some participants raised concerns that important information such as information about events after the end of the reporting period would be missing in the notes. They think this information should be part of the financial report prepared in accordance with IFRSs.

Filippo Poli pointed to the fact that the IASB has only the mandate from the EU to develop the requirements for the financial statements (including the notes) and on this basis EFRAG developed the definition what should be in the notes and consequently in the scope of IASB's work. Some participants disagreed with this view of EFRAG and questioned whether such an approach is appropriate to address the concerns about disclosure overload in financial reports in general. Nicholas Capiello (representing FASB staff) highlighted that the FASB paper does not have the limited scope of the notes compared to the discussion paper from EFRAG, ANC and FRC.

The debate furthermore focused on the summary of significant accounting policies. Some participants believe this information is less useful and this disclosure is only used by preparers to rewrite the requirements in IFRSs. One preparer explained that it is difficult to reduce this type of disclosure because of having lengthy debates with the auditors in case of any changes to this disclosure. Other participants think the summary of significant accounting policies is useful and has benefits especially for users with less detailed knowledge of the accounting requirements in IFRSs. The summary would provide information without the need to read all specific measurement and recognition methods in IFRSs. Some participants proposed to think about disclosing this kind of repeating information elsewhere than the annual report, e. g. via the website of the reporting entity.

Some participants support the idea of providing an executive summary of important information of the reporting period in the notes. Such information would be beneficial to users to receive a quick update about the important events and transactions in the reporting period without the necessity to read all notes in detail. Some participants questioned whether such an approach would introduce different levels of immaterialities.

Frankfurt, 13 November 2012