

Project	Annual Improvements – 2009–2011 cycle
Topic	IFRS 8 <i>Operating Segments</i> and IAS 34 <i>Interim Financial Reporting</i> – Consistency in disclosure of total segment assets

Introduction

1. This paper discusses a perceived conflict between IFRS 8 *Operating Segments* and IAS 34 *Interim Financial Reporting* in respect of the disclosure of segment assets.

Purpose of this paper

2. This paper asks the Board to consider as part of the *Annual Improvements* process a clarification that requirements for disclosure of segment assets in interim financial reports be aligned with the requirements in IFRS 8.
3. This paper:
 - (a) provides background information and explains the issue;
 - (b) makes a staff recommendation for
 - (i) a proposed amendment to IAS 34 as presented in Appendix A,
 - (ii) an assessment of the proposed amendment against the criteria for inclusion in the *Annual Improvements* process;
 - (c) asks the Board whether they agree with the IFRS Interpretations Committee's (the Committee) recommendation.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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Background information and issue raised

4. The *Improvements to IFRSs* issued in April 2009 amended paragraph 23 of IFRS 8 to clarify that a measure of segment assets is required to be disclosed only if that amount is regularly provided to the chief operating decision maker. For ease of reference, the amendment to paragraph 23 of IFRS 8 is reproduced below in mark-up to the pre-amended version of the standard.

23. An entity shall report a measure of profit or loss ~~and total assets~~ for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such ~~an~~ amounts ~~is~~ are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:

(a) ...

(b) ...

5. Paragraph 16¹(g)(iv) of IAS 34 that requires the disclosure of segment assets was not amended as a consequence of this amendment, hence the requirement that segment assets be disclosed when regularly provided by the chief operating decision maker was not factored into the required disclosure on segment assets in interim financial reporting. For ease of reference, paragraph 16 of IAS 34 is partially reproduced below:

16. An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period:

(a) ...

(g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):

¹ Paragraph 16 is paragraph 16A as amended by *Improvements to IFRSs* issued May 2010.

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- (i) ...
 - (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;
 - (v) ...
 - (h) ...
6. Constituents believe that there is currently an inconsistency between IFRS 8 and IAS 34 as IAS 34 requires disclosure of segment assets in interim financial reporting irrespective of the information being provided to the chief operating decision maker.
7. In addition, the proposed amendment will clarify that the disclosure should be provided for those segments where there has been changes compared to the most recent annual financial report.
8. At the IFRS Interpretation Committee meeting in March 2010, the Committee agreed with the staff proposal to recommend the Board add this issue to the 2009–2011 *Annual Improvements* cycle².

² The Committee recommended the Board should amend IAS 34 to clarify that disclosure of segment assets for a particular segment is required in interim financial reporting only when there has been a material change from the amount disclosed in the last annual financial statements for that segment and when the amounts are regularly provided to the chief operating decision maker. (IFRIC Update March 2010)

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Staff recommendation***Proposed amendment***

9. To remove the perceived inconsistency, the staff proposes to amend paragraph 16³(g)(iv) of IAS 34 to clarify that disclosure of segment assets for a particular segment is required in interim financial reporting only when both:
 - (a) the amounts are regularly provided to the chief operating decision maker, and
 - (b) there has been a material change from the amount disclosed in the last annual financial statements for that segment.
10. The proposed amendment wording is included in Appendix A.

Transition provisions

11. The staff notes that prior to the proposed amendment being effective, constituents might have reported in interim financial reports information on segment assets that was not provided to the chief operating decision maker. The staff believes this should not impair the comparability and the quality of financial interim reporting.
12. In these situations, requiring retrospective application of the proposed amendment would mean deleting previous information. The staff believes this would be unduly burdensome.
13. Therefore the staff proposes that an entity shall apply the amendment prospectively for annual periods beginning on or after 1 January 2012. Earlier application should be permitted. However, the staff believes it is unnecessary to require an entity that applies the amendment for an earlier period to disclose that fact.

³ See footnote 1

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Consequential amendments

14. The staff has reviewed other IFRSs for potential consequential amendments triggered by this proposed amendment. As a result of this review, the staff does not propose any consequential amendment.

Annual Improvements criteria assessment

15. The staff believes that the proposed modification enhances consistency between IFRS 8 and IAS 34. The staff also notes that the issue is not widespread by the number of constituents that raised the issue. Consequently, the staff is of the opinion that the proposed change is a necessary but non-urgent amendment to IFRSs. Therefore the staff is of the opinion that it meets the criteria for inclusion in the *Annual Improvements* cycle for 2009-2011.

Questions to the Board

16. The Committee discussed this issue and agreed to recommend that the Board should include this issue in the *Annual Improvements 2009-2011* cycle.

Question 1 – Committee recommendation on the need for the amendment

Does the Board agree with the Committee recommendation to amend IAS 34 as proposed in paragraphs 9-10?

Question 2 – Staff assessment of the proposed amendment against the criteria for inclusion in the *Annual Improvements* process

Does the Board agree with the inclusion of the proposed amendment to IAS 34 in the *Annual Improvements* cycle for 2009-2011?

Question 3 – Wording for the proposed amendment

Does the Board agree with the wording for the proposed amendment as set out in Appendix A?

Does the Board agree with the proposed transition provisions and effective date in paragraphs 11-13?

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Appendix A**

Appendix A - Drafting for proposed amendment

- A1. This appendix includes proposed drafting of the proposed amendment. It is based on the text included in the most recently issued standards (including the *Improvements to IFRSs* published in May 2010). New text is underlined and deleted text is struck through.

Proposed amendment to IAS 34 *Interim Financial Reporting*

Paragraph 16 is amended and paragraph 50 is added.

Content of an interim financial report

Selected explanatory notes

- 16A An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period:
- (a) ...
 - (g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):
 - (i) ...
 - (iv) total assets for a particular segment when such amounts are regularly provided to the chief operating decision maker and for which there has been a material change from the amount disclosed in the last annual financial statements;
 - (v) ...
 - (h) ...

Effective date and transition

Effective date

- 50 *Improvements to IFRSs* issued in [date] amended paragraph 16. An entity shall apply this amendment prospectively for annual periods beginning on or after 1 January 2012. Earlier application is permitted.

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Appendix A

Basis for Conclusions on proposed amendment to IAS 34 *Interim Financial Reporting*

This Basis for Conclusions accompanies, but is not part of, the proposed amendment.

Selected explanatory notes

- BC1 The Board proposes to clarify the current requirements in IAS 34 *Interim Financial Reporting* on segment information for total assets for each reportable segment in order to enhance consistency with the requirements in paragraph 23 of IFRS 8 *Operating Segments*. The proposed amendment clarifies that total assets for a reportable segment be disclosed only when both:
- (a) the amounts are regularly provided to the chief operating decision maker; and
 - (b) there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements.