

14 July 2017

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UK

Cc: EFRAG

Dear Sir/Madam

## **ED/2017/2 Improvements to IFRS 8 Operating segments**

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) welcomes the opportunity to submit its views on the ED/2017/2 Improvements to IFRS 8 Operating Segments

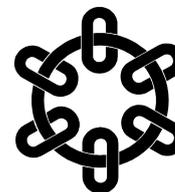
Norsk RegnskapsStiftelse welcomes IASBs effort to improve issues identified in the IFRS 8 Post-implementation Review. We agree with most, but not all of the proposed amendments and clarifications. Especially, we disagree with the proposal to require an entity to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity's annual reporting package.

Our detailed comments and responses to the questions in the ED is set out in the Appendix. Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response.

Yours faithfully,

Karina Vasstveit Hestås  
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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## Appendix 1

### 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 proposed changes, but encourage some further clarifications.

As stated in BC 6 some has questioned whether the role of the CODM is mainly strategic or operational. “Allocation of resources” is often considered at strategic task, while the name “chief operating decision maker” seems to refer to operation decisions. We believe that the role of the CODM should be principally operational, although being responsible for some strategic decision would not preclude an individual or a group to be CODM. We agree with the suggested clarification of in paragraph 7 that emphasises of the operational function of the CODM.

We agree with the proposal to require an entity to disclose the title and the role of the CODM.

### Question 2

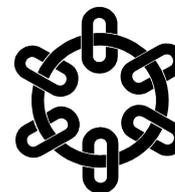
*In respect of identifying reportable segments, the Board proposes the following amendments:*

- (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?*

#### Question 2a)

We strongly disagree with the proposal to require an entity 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. While we agree that segment information under IFRS 8 would normally be expected to be consistent with other reporting from an entity, the suggested disclosure requirement raises concerns about the boundaries of the financial statements. In our opinion, IFRS should only



regulate the information in the IFRS financial statements. It is also clearly stated in IAS 1 paragraph 50 that IFRS only applies to the financial statements. Information provided outside the financial statement, may have a different purpose than that of the financial statements, and other considerations may be relevant for the information provided outside the financial statements. We are of the opinion that ensuring that correct segments are identified is a typical audit procedure. We see no reason for including this kind of “comply or explain” disclosure as an anti-abuse measure within the financial statements.

We also think there may be many other differences between the annual reporting package and the financial statements where requirements for disclosures about differences would be equally (not) relevant. Requiring disclosures on (all) differences between the financial statements and the annual reporting package may be the opening of a Pandora’s box, ending up with an overload of information cluttering the IFRS information that should be included in IFRS financial statements.

Generally, we believe that regulation of information outside the financial statements should be left to legislators and regulators.

We strongly recommend the board not to proceed with the proposal to require an entity 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. If the board anyway should decide that it is necessary with further disclosures on this issue, we think the disclosure requirement should be limited to information in the annual report containing the financial statements, and not to the “annual reporting package” being very broadly defined in the proposed paragraph 19B.

#### Question 2b)

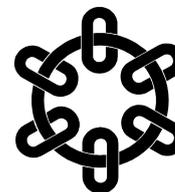
We support further clarification on application of the aggregation criteria, especially how to consider whether two operating segments have similar economic characteristics. However, we find the proposed clarification in paragraph 12A unclear. It is stated that operating segments that have similar economic characteristics “often” exhibits similar long-term financial performance across a “range of measure”. Does this mean that

- i) all the examples of such measures should be similar (reading IFRS 8.12 b) and IFRS 12A together may suggest so);
- ii) most of the examples of such measures should be similar; or
- iii) it is sufficient that one of the measures is fulfilled (as the use of “often” seems to indicate that it is not always the case that there is similar long-term financial performance across a range of measures)?

In BC 23 it is stated that the Board’s proposal is intended to clarify that operating segments “may be viewed as having similar economic characteristics only if they are similar across a range of measures of long-term financial performance” (emphasis added). This seems to preclude aggregation in situation when only one long-term measure is similar (ref. iii) above), while it is still not entirely clear whether aggregation could be acceptable if most, but not all, of the long-term financial measures is similar (ref. ii) above).

We believe the intention of paragraph 12A should be clarified, by amending the wording of the paragraph. It should also be ensured that there is consistency between the wording within the standard and in the basis for conclusion.

Further, we believe the Board should also consider clarifying what is meant with similar long-term financial performance. Is this a backward or forward-looking requirement? Does this mean that the financial performance should be similar on a long-term annual basis or is it sufficient that the long-term average is similar? Our experience is that entities sometime argues that the long term performance is similar if the average performance over a long-term period is similar, and that differences on an annual basis within that long term period is disregarded with the argument that the segments are in different stages of the economic cycle. We are uncertain whether such an understanding is within the Board’s intention.



### 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 disagree with the proposed amendment. The regulation of additional disclosure is regulated in IAS 1 and in the “core principle” paragraphs of the standard. It follows from the general principles in IFRS 8.1, IFRS 8.20 and IAS 1.15 and IAS 1.17c) that additional information beyond what is regularly provided to the CODM may be disclosed or even required to be disclosed. It is superfluous to state in a standard that additional information may be provided.

Further including such a paragraph in IFRS 8, may raise questions on why other standards don’t have a similar paragraph, and questions may arise on whether this means that in relation to other standards additional information is not allowed.

Finally, we would point out that a clear statement in IFRS 8 that additional information may be provided, increases the risk of entities wanting to include a number of alternative disclosures and performance measures, cluttering the IFRS information.

### 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. Under current practice reconciling items are sometimes not sufficiently detailed, and thus we agree with the amendment in paragraph 28A to emphasise the current requirement.

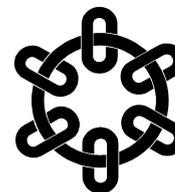
### Question 5

*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 with the proposed amendment. We believe that this will provide users with relevant trend information on a timely basis. Furthermore, we find that this is unlikely that this is a significant cost to the preparers, as the restated comparatives normally will have to be disclosed in subsequent interim periods anyway.

In BC 8 it is stated that the amendment would not require the preparation of any additional information, only that the restatements already required would be presented earlier. We would like to point out that this is not necessarily the case. Consider an entity with quarterly reporting. In the fourth quarter of year 1, that entity changes the structure of its internal organisation in a manner that causes the composition



of its operating and reportable segments to change. Under current IFRS, the entity would in the interim report of the fourth quarter in year 1, present restated segment information for fourth quarter of year 0 and for the full year zero. In the first quarter of year 2, restated segment information for the first quarter of year 1 would be required, and second and third quarter likewise. However, restated segment information for the first, second and third interim period of year 0 would not be required to be disclosed under current IFRS, but would be required under the proposed amendment to IFRS.

We find the arguments for providing restated information for all interim periods both of the current financial year and prior financial years, equally relevant in other situations where the comparatives are restated, for example following changes in accounting policies or correction of errors in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. We encourage the board to consider whether disclosure of restated information for all interim periods both of the current financial year and prior financial years, should be required in the first interim report also in other situations where comparatives are restated.