EFRAG
European Financial Reporting Advisory Group

Draft Comment Letter

Comments should be submitted by 17 July 2017 by using the '[Express your views]' page on EFRAG website or by clicking [here]

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

[Date]

Dear Mr Hoogervorst,

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

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the Exposure Draft ED/2017/2 Improvements to IFRS 8 *Operating Segments – Proposed amendments to IFRS 8 and IAS 34,* issued by the IASB on 29 March 2017 (the 'ED').

This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS in the European Union and European Economic Area.

EFRAG welcomes the IASB's efforts to improve IFRS 8 and address issues identified in the Post-implementation Review of that Standard. EFRAG also supports most of the amendments proposed in the ED, as they provide useful clarifications of the existing requirements in IFRS 8 and should therefore improve the quality of disclosure of operating segment information.

EFRAG has preliminary reservations over the proposal to require an entity to explain why the segments identified in an entity's financial statements are different to the segments reported outside of the financial statements. EFRAG is also concerned that the proposed definition of an entity's 'annual reporting package' may prove difficult to apply in practice.

Our detailed comments and responses to the questions in the ED, including some suggestions for further clarification and drafting suggestions, are set out in the Appendix.

If you would like to discuss our comments further, please do not hesitate to contact Isabel Batista, Ioana Kiss or me.

Yours sincerely,

Jean-Paul Gauzès
President of the EFRAG Board

APPENDIX

Notes to constituents

The IASB's Post-implementation Review of IFRS 8

1 *IFRS 8 Operating Segments adopts the management reporting approach to identifying operating segments. The Standard sets out the disclosure requirements for information about a company's operating segments, products and services, as well as about the geographical areas in which it operates and its major customers. The stated objective of IFRS 8 is to enable users of an entity's financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environment in which it operates.*

2 *In July 2013, the IASB concluded its Post-implementation Review (PIR) of IFRS 8 and published its report and feedback statement on that review.*

3 *IFRS 8 is substantially converged with the US GAAP equivalent Statement of Financial Accounting Standards (SFAS) 131 Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Codification Topic 280 Segment Reporting), which was subject to a post-implementation review by the Financial Accounting Foundation (FAF) in 2012. Both the IASB and the FAF concluded that the management perspective is the correct basis on which to identify and provide information about operating segments.*

4 *Although the IASB's PIR of IFRS 8 confirmed that the Standard generally functions well it identified some areas that could benefit from improvements. In developing the Exposure Draft ED/2017/2 (the 'ED') the IASB considered only these areas.*

Issue 1- Identifying the chief operating decision maker (CODM)

5 *IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker (CODM) in order to allocate resources to the segments and assess their performance. The identification of the CODM therefore plays an important role in identifying operating segments in IFRS 8.*

6 *Many preparer respondents to the PIR reported that they found it difficult to identify the CODM and some were uncertain at what level that role should be in an entity's management hierarchy. IFRS 8 states that the function of the CODM is to allocate resources to and assess the operating results of the segments of an entity. Some note that the title of the CODM refers to operating decisions and argue that the allocation of resources is a strategic function that is often the responsibility of the board of directors. Some consider that this causes confusion in practice about the identity of the CODM. To help address this issue, users and other respondents (such as regulators and auditors) recommended that an entity should disclose the identity of the CODM.*

7 *Some respondents also questioned whether a group, such as a Board of Directors, can be identified as a CODM if the group includes non-executive members that are not involved in the operating decision-making process.*

8 *To address the issues reported during the PIR, the IASB is proposing additional clarification with respect to the nature and identification of the CODM. The IASB is proposing to clarify in paragraph 7 of IFRS 8 that the function of the CODM is the one that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity.*

9 *The IASB is also proposing to add a new paragraph 7A to clarify the function of the CODM. Paragraph 7A clarifies that the CODM may be an individual or a group (such*

as a board of directors or a management committee). This will depend on the entity's management structure and how it is influenced by local governance requirements which might require that decisions are made by an individual, as opposed to a group.

10 *In addition, the IASB is proposing to add new paragraph 7B confirming that a group can be identified as a CODM even if it includes members, such as non-executive members, that do not participate in all the decisions that the CODM is authorised to make. Such a group would be the CODM if operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity are made by that group, even if those non-executive members do not participate in such decisions.*

11 *The IASB is also proposing an amendment to paragraph 22(c) of IFRS 8 to explicitly require disclosure of the title and description of the CODM.*

Question 1

The IASB 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?

EFRAG's response

EFRAG generally agrees that the proposed amendments to clarify the description and the role of the chief operating decision maker (CODM) would be an improvement to IFRS 8.

EFRAG also agrees with the proposal to require an entity to disclose the title and description of the role of the CODM.

12 EFRAG welcomes the IASB's efforts to provide clarity on the description and role of the CODM. EFRAG understands that, for entities with more complex management structures and different levels of hierarchy, identifying the group or individual responsible for the operating and resource allocation decisions of the entity (the CODM) can be challenging. Given that the identification of the CODM is central to the application of IFRS 8, it is important that an entity is able to identify the CODM appropriately.

13 EFRAG agrees that under IFRS 8 the CODM is a function, rather than a title, and therefore that the CODM can be either an individual or a group as clarified in paragraph 7A of the ED. We also agree with the clarification in paragraph 7B of the ED that when the CODM is a group, it can include members that do not participate in all decision-making for which the CODM is responsible.

14 EFRAG acknowledges that judgement is required to identify the CODM, as the function will vary from entity to entity depending on facts and circumstances and may also be affected by jurisdictional legal and governance requirements. However, EFRAG also understands that the reference to 'allocation of resources' within the description of the CODM has created some ambiguity in identifying the CODM. This is because some commentators consider that the allocation of resources to operating segments is a strategic function rather than an operating decision (and is often the responsibility of the board of directors or a committee rather than a particular individual). EFRAG therefore recommends that the description of the CODM should focus on operating decisions. To do so, the final amendments to paragraph 7 of IFRS 8 could explain that the primary function of the CODM is to assess the performance of an entity's operating segments and make operating decisions about them. The guidance should go on to explain that being responsible for the allocation of resources and/or for some other strategic decisions does not preclude a particular individual or group being identified as the CODM but is not the primary function.

Question to constituents

15 Do you think that the ED provides sufficient guidance to support the application of judgement when identifying the CODM under paragraphs 7, 7A and 7B of the ED? If not please explain why, and provide examples of the cases in which you think the proposed guidance would not be sufficient.

Issue 2- Consistency and aggregation of reportable segments

Notes to constituents

Consistency

16 *Under the management perspective in IFRS 8, an entity might be expected to identify its operating segments consistently between its financial statements and other parts of its reporting, such as the management commentary report or other types of financial presentations that are publicly available.*

17 *The PIR of IFRS 8 reported that users of financial statements raised concerns that entities do not always identify the same segments in the financial statements and in other parts of the entity's reporting. Some regulators and auditors shared this concern and suggested providing additional guidance in IFRS 8 to remind preparers that the information produced under the management perspective should be consistent with other reported information.*

18 *To help address users' and regulators' concerns about the lack of consistency in identifying segments across an entity's communications, the IASB is proposing to add paragraphs 19A, 19B and 22(d) to IFRS 8. These proposed amendments would require an entity to explain in the financial statements how and why the reportable segments identified in the financial statements differ from those identified in other parts of the 'annual reporting package'. The IASB noted that its role was to develop Standards for financial statements and not for the management commentary and other reported information. Consequently, it was not in a position to mandate consistency in the identification of segments in the financial statements and other parts of the annual reporting package.*

19 *Paragraph 19B of the ED explains that an entity's 'annual reporting package' is a set of one or more documents that (a) is published at approximately the same time as the entity's annual financial statements, (b) communicates the entity's annual results to users of its financial statements; and (c) is publicly available.*

Aggregation

20 *The PIR reported that many constituents, in particular users, indicated that too much aggregation takes place, which does not assist them in their use of valuation models. Auditors and regulators confirmed similar difficulties in practice. Some respondents to the PIR also noted difficulties with the meaning of 'similar economic characteristics', and that the example in paragraph 12 of IFRS 8 of a gross margin percentage is not useful guidance. The recommendation was to include more examples of economic characteristics to encourage appropriate aggregation.*

21 *To improve the application of the aggregation criteria in paragraph 12 of IFRS 8, the IASB is proposing to include additional examples in a new paragraph 12A, such as revenue growth and return on assets. The IASB is also proposing to change the structure of paragraph 12 of IFRS 8 by splitting it into two paragraphs that reflect the three-part process that management would follow in its assessment of which operating segments may be aggregated into reportable segments.*

Question 2

In respect of identifying reportable segments, the IASB 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?

EFRAG's response

Whilst acknowledging the concerns expressed by users, EFRAG has preliminary reservations over the IASB's proposal to require an entity to explain why the segments identified in an entity's financial statements are different to the segments reported outside of the entity's financial statements.

EFRAG is also concerned that the proposal to define an entity's annual reporting package in IFRS 8 may prove difficult to apply in practice.

EFRAG agrees with the proposed amendment to paragraph 12 of IFRS 8 to emphasise the criteria that must be satisfied before two or more operating segments may be aggregated.

EFRAG recommends that the IASB provides some guidance on whether, and, if so how, different functional currencies could affect economic similarity when assessing the aggregation criteria in paragraph 12 and 12B of the ED.

Consistency

22 EFRAG appreciates the IASB's efforts to address concerns around inconsistent identification of operating segments between an entity's financial statements and other parts of its reporting, which we understand is a concern for users of financial statements. EFRAG observes that information provided by IFRS 8 reflects a

management perspective, and notes that this approach can be expected to lead to greater consistency with segment information provided outside of the financial statements. Nonetheless, we understand that segments are sometimes identified differently.

23 Whilst acknowledging the concerns expressed by users, EFRAG has preliminary reservations over the IASB's proposal in paragraph 22 (d) of the ED to require an entity to explain why segments identified in the financial statements are different to the segments reported outside of the entity's financial statements. While we support the goal of promoting greater consistency in segment information as reported in an entity's financial statements and other parts of its 'annual reporting package', we question whether it is within the IASB's mandate to do so.

24 EFRAG observes that paragraph 14 of IAS 1 *Presentation of Financial Statements* states that reports and statements outside financial statements are outside the scope of IFRS. EFRAG notes that such reports are primarily the responsibility of other regulatory authorities and that the applicable requirements vary from one jurisdiction to another. The proposal risks creating a broader precedent that future amendments to IFRSs might require entities to explain other differences between information reported inside and outside the IFRS financial statements. EFRAG also questions whether the proposal may extend the scope of auditors' responsibility for information reported outside the financial statements and therefore increase costs for preparers.

25 EFRAG therefore recommends that the IASB should liaise with relevant authorities to examine the consequences of the proposal and to determine the most appropriate course of action to address the issue.

26 EFRAG is also concerned that the proposed definition of an entity's 'annual reporting package' may prove difficult to apply in practice, in view of the variety of reporting requirements that apply at national/jurisdictional level. For example, we note that the European Union (EU) Transparency Directive issued in 2004 and revised in 2013 sets out specific requirements in relation to annual and half yearly financial reports. EFRAG also considers that the proposed wording (in paragraph 19B of the ED) 'is published at approximately the same time' could lead to differences of interpretation. Accordingly, if the IASB decides to proceed with the proposal EFRAG suggests that it would be preferable to use existing terminology. For example, paragraph 13 of IAS 1 refers to a 'financial review' prepared by an entity's management that can include a description and explanation of the main features of an entity's financial performance and financial position, including certain information that might not be reported in the financial statements.

27 Finally, EFRAG observes that a similar consistency issue is likely to apply to IAS 34 *Interim Financial Reporting* in terms of identifying the same segments throughout the interim reporting package.

Questions to constituents

28 The EFRAG Board plans to discuss, at a future meeting, the boundaries of the IASB's mandate and whether the IASB should address matters that go beyond the contents of IFRS financial statements. Do you agree with EFRAG's preliminary reservations over the proposal in paragraph 22(d) of the ED to require an entity to explain in the financial statements how and why the reportable segments identified in the financial statements differ from those identified in other parts of the 'annual reporting package'. If not why? In addition, if you agree with EFRAG's preliminary position, what steps, if any, do you think the IASB could take to address the lack of consistency in identifying operating segments across an entity's communications as to address users' and regulators' concerns?

29	Do you agree with EFRAG's preliminary view that the proposal in paragraph 19B of the ED to define an entity's annual reporting package will raise a number of concerns as described in paragraph 26 above? If not please explain why?

Aggregation

30 EFRAG understands that users have raised concerns that, in their view, operating segments are sometimes over-aggregated with the effect that reported segment information is at too high a level to provide meaningful insight into the performance of the different components of an entity. EFRAG therefore supports the proposed amendment to clarify that all the criteria in paragraph 12 of IFRS 8 must be satisfied before operating segments may be aggregated. EFRAG assesses that the proposed amendments reach an acceptable balance between promoting discipline in the application of the aggregation criteria while retaining a principle-based approach, but would caution against any further prescription.

31 EFRAG also agrees with the proposal to add new paragraph 12A to IFRS 8 in order to emphasise that operating segments with similar economic characteristics would normally be expected to have a range of measures in common, instead of depending on a single measure of financial performance. Currently, IFRS 8 provides an example of a similar characteristic to be a long-term average gross margin. However, some respondents to the PIR asked for additional examples and noted that the focus on gross margins is not always appropriate. EFRAG therefore considers that the proposed clarification will provide a better link with the entity's decision-making and more relevant information for users.

32 Finally, EFRAG understands that there is some diversity in practice in relation to the aggregation of operating segments which have a different functional currency as determined in accordance with IAS 21 *The Effects of Changes in Foreign Currency Rates*. EFRAG notes that this is not specifically addressed in IFRS 8. Although we acknowledge that judgement is needed when evaluating the aggregation criteria in paragraph 12 of existing IFRS 8, we recommend that the IASB provides some further guidance on whether functional currency is or could be an economic characteristic for the purpose of applying the criteria.

Issue 3 – Disclosure of other information

Notes to constituents

33 *The core principle of IFRS 8 is that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.*

34 *Feedback from the PIR of IFRS 8 indicated that some users thought that the use of internally reported line items does not always provide the information they need to make comparisons across entities. They would prefer to see specific line items mandated for disclosure.*

35 *However, users did not agree on which line items should be disclosed, as the importance of different line items varies by industry. Further, the effect of extending the number of mandated line items would not necessarily result in more relevant information for investors and could run contrary to the general direction of the IASB's Disclosure Initiative.*

36 *The IASB noted that requiring disclosure of items that are not reviewed by, or regularly provided to, the CODM is not consistent with the management approach that underlies IFRS 8. Further, the IASB observed that entities may disclose additional items whose disclosure is not required by paragraphs 23 and 24 of IFRS 8*

if disclosing those additional items would help the entity to meet the core principle of the Standard.

37 *The IASB is proposing to add new paragraph 20A to IFRS 8 to clarify that an entity may disclose more information than required by paragraphs 23 and 24 if such additional disclosure helps the entity to meet the core principle of the Standard.*

Question 3

The IASB 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?

EFRAG's response

EFRAG agrees with the proposed clarification in paragraph 20A of the ED.

38 EFRAG understands that paragraph 20A of the ED is intended to remind entities that they may disclose additional information about their reportable segments if it helps to meet the core principle in IFRS 8. EFRAG notes that this does not change the existing requirements in IFRS 8.

39 EFRAG is aware that some users, including members of the EFRAG User Panel, asked for line items to be disclosed for reportable segments in addition to those listed in paragraphs 23 and 24 of IFRS 8. However, EFRAG also understands that the specific line items that users are interested in depend on the entities and industries that they analyse. This makes it difficult for the IASB to develop a list that would satisfy all users and remain consistent with the management approach that underlies IFRS 8. On this basis, EFRAG supports the clarification in paragraph 20A of the ED. We also agree with the IASB not to extend the number of line items to be disclosed under IFRS 8 as this might not result in more relevant information for investors and could run contrary to the general direction of the IASB's Disclosure Initiative.

Issue 4 - Describing the reconciling items in sufficient detail

Notes to constituents

40 *An entity is required to reconcile segment amounts presented using the management approach to the corresponding amounts in the financial statements. Paragraph 28 of IFRS 8 requires all material reconciling items to be separately identified and described.*

41 *The PIR of IFRS 8 found that many users of financial statements, as well as regulators, asked for the reconciliations to be prepared segment-by-segment. Preparers and others who took part in the PIR, however, cautioned against a segment-by-segment reconciliation, as there may be no rational basis for allocating reconciling items to reportable segments. They suggested that allocations without a rational basis would reduce the value of the additional segment information.*

42 *In considering the various views, the IASB is proposing to add paragraph 28A to IFRS 8 to require a fuller explanation of the nature of individual reconciling items. This would enable users of financial statements to better understand the effect of these items on individual reportable segments. The IASB is also proposing to add more examples of reconciling items to IFRS* 8 *including:*

(a) *adjustments for different accounting policies, such as when an item or type of transaction is measured on a different basis in the segment information than used elsewhere in the financial statements;*

(b) *elimination of intersegment amounts, such as revenue and intersegment receivables; and*

(c) *amounts not allocated to reportable segments, such as, some corporate expenses, pension costs or exchange differences.*

Question 4

The IASB 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?

EFRAG's response

EFRAG agrees with the proposed clarification in paragraph 28A of the ED.

43 EFRAG notes that the proposal to add paragraph 28A in the ED, which essentially replaces the last section of existing paragraph 28, is intended to emphasise, rather than change, the existing requirement that all material reconciling items must be separately identified and explained in sufficient detail to allow users of financial statements to understand their nature.

44 EFRAG notes that, as explained in paragraphs BC34-37 of the ED's Basis for Conclusions, user respondents to the IASB's PIR on IFRS 8, including the EFRAG User Panel, asked for the reconciliations to be prepared segment-by-segment as they needed a better explanation of the nature of individual reconciling items which some entities include in a column titled 'other'. EFRAG considers that the emphasis created by paragraph 28A of the ED should help address this concern. EFRAG therefore supports this clarification.

Issue 5 - Restated segment information for all interim periods under IAS 34

Notes to constituents

45 *Feedback from the post-implementation review of IFRS 8 confirmed that segment trend analysis is an important tool for users of financial statements. Many investors model data collected over a number of years to predict an entity's future performance.*

46 *Some investors requested three to five years of restated comparative segment information after an internal reorganisation. For other investors information for the previous year is more important that information that is several years old. These investors argued that when an entity changes segments during the year, investors must wait until the end of the year to see the full effect on comparative information.*

47 *Paragraph 29 of IFRS 8 currently requires comparative information for earlier periods to be restated whenever an entity changes the composition of its reportable segments (for example because of a restructuring or internal reorganisation). However an entity does not need to provide the restated information for a comparative interim period until information for that corresponding current interim*

period is reported. This can mean that users of financial statements have to wait for a full year's interim reporting cycle to be completed before they receive restated segment information for each comparative interim period.

48 *The IASB is proposing to amend IAS 34 to require all interim periods presented earlier (current and prior financial years) to be restated and presented in the first interim financial report after a change in the composition of reportable segments, unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive shall be made for each individual item of disclosure. The entity shall disclose whether it has restated the segment information for earlier periods.*

49 *The IASB notes that this proposed requirement would not require the preparation of any additional information - the restatements already required would simply be presented earlier. Presenting those restatements in the first interim report after the change would enable users of the financial statements to update their modelling of data and trend information in a timely manner.*

Question 5

The IASB 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?

EFRAG's response

EFRAG agrees with the proposal to add paragraph 45A to IAS 34 regarding the restatement of previously reported interim periods when there is a change in the composition of an entity's reportable segments.

50 EFRAG agrees with the proposal to add new paragraph 45A to IAS 34 to require that, when an entity changes the composition of its reportable segments, it should present restated segment information for each previously reported interim period both of the current and prior financial years, unless the information is not available and the cost to develop it would be excessive. We consider that this proposal will help to provide users with relevant trend information following a reorganisation or other event that results in a change in an entity's reportable segments. We also consider that this is unlikely to have a major impact on costs to preparers as the proposal requires restatement of the interim periods of the comparative year (which under IFRS is generally one year), and therefore would generally not require the collection of new information.

51 Furthermore, EFRAG observes that this proposal is consistent with the existing requirements in paragraph 29 of IFRS 8 that state that if operating segments change, an entity must restate comparatives including interim periods, in line with the new operating segments unless the information is not available and the cost to develop it would be excessive. In EFRAG's view, the proposal requires information to be presented for each previously reported interim period, rather than only information about year-to-date and corresponding prior interim period.

52 EFRAG acknowledges that feedback from the PIR on IFRS 8 reported that some users of financial statements asked for an increased number of periods of restated

comparative information, ranging from three to five years. However, EFRAG agrees with the IASB's rationale in paragraph BC5 of the ED's Basis for Conclusions on the amendment to IAS 34, that requiring restated information for three to five years prior to the change might place an unreasonable burden on preparers in relation to the benefits for users.

Other matters – Transition and effective date

Notes to constituents

53 *The IASB is proposing, in paragraph 34D of the proposed amendments to IFRS 8, that the amendments should be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity applies those amendments to an earlier period, it must apply the amendments to IFRS 8 and IAS 34 at the same time.*

54 *The IASB is proposing, in paragraph 58 of the proposed amendments to IAS 34, that the amendments should be applied prospectively. That is, the first interim report after a change in the composition of an entity's reportable segments must contain restated segment information for all interim periods presented earlier. Earlier application is permitted.*

EFRAG's response

EFRAG supports retrospective application of the proposed amendments to IFRS 8.

EFRAG recommends the IASB to align BC11 of the Basis for Conclusions of the amendments to IAS 34 with the proposal in paragraph 58 of the ED.

55 EFRAG agrees with retrospective application of the amendments to IFRS 8. This will have the effect that segment information will be presented on the same basis in the current period and the comparative period(s). EFRAG also agrees with the reasoning of the IASB in paragraph BC38 of the ED's Basis for Conclusions that requiring retrospective application should not be onerous on the basis that the amendments deal with mainly clarify existing requirements rather than impose new ones.

56 Regarding the application of the amendments to IAS 34, EFRAG notes that paragraph 58 of the proposed amendments to IAS 34 suggests that the amendments should be applied prospectively, with earlier application permitted. However, paragraph BC11 of the Basis for Conclusions proposes that an entity should apply the amendments retrospectively. EFRAG recommends the IASB to align paragraph BC11 with the proposal in paragraph 58 of the ED.