

Bruce Mackenzie
Chair, IFRS Interpretations Committee
Columbus Building
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5 February 2024

Dear Bruce

Tentative Agenda Decision: Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)

We are pleased to comment on the above Tentative Agenda Decision (the TAD).

We do not disagree that the technical analysis set out in the TAD represent a valid interpretation of how the requirements of IFRS 8 can be read. However, our outreach since the TAD was published indicates that the technical analysis set out in the TAD has broad and pervasive implications for entities that fall within the scope of IFRS 8, which we believe require standard setting to address.

We agree that IFRS 8.23(f) requires an entity to disclose material items of income and expense for 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. The TAD concludes that 'material' in this context is to be interpreted based on the definition of material set out in IFRS Accounting Standards. The implication of this interpretation is that 'material' does not mean only qualitatively material items, such as those included in IAS 1.98(a)-(g). However, we observe that the interpretation of materiality in the TAD for the purposes of the application of IFRS 8.23(f) is not consistent with long-standing practice.

Based on our experience and outreach performed with the BDO network¹, virtually no entities or regulators have applied or required this interpretation in practice since IFRS 8 was issued in 2006. IFRS 8 became effective for 2009 calendar year-ends, and we observe that nearly 15 years of application of IFRS 8 has resulted in a practice more consistent with requirements in US GAAP, with IFRS 8.23(f) being interpreted to mean qualitatively material items as set out in IAS 1.98, such as inventory writedowns, restructuring provisions, etc.

If entities apply IFRS 8.23(f) as set out in the TAD, the result will be condensed statements of comprehensive income for every reportable segment, since most separate line items included in entities' statement of comprehensive income consist of material items. This outcome does not appear to be consistent with other requirements of IFRS 8, as IFRS 8.23(a)-(e) and (g)-(i)

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are redundant if entities are already required by IFRS 8.23(f) to disclose all material line items for that operating segment.

In determining whether the IFRS Interpretations Committee (the Committee) should recommend standard-setting to the IASB, we note that the Committee is required by paragraph 5.16(b) of the Due Process Handbook to assess whether ‘it is necessary to add or change requirements in IFRS [Accounting] Standards to improve financial reporting—that is, the principles and requirements in the Standards do not provide an adequate basis for an entity to determine the required accounting...’.

We note that staff and the Committee observed in June 2022 when considering comment letters received in response to the TAD *Cash Received via Electronic Transfer as Settlement for a Financial Asset*, despite the technical rationale for the TAD being valid, the effect of implementing the TAD could be significant and affect long-standing practice by entities.

Therefore, we consider that the Committee should not finalise the agenda decision, Instead, the Committee should report to the IASB significant concerns about the outcomes of finalising the agenda decision and recommend standard setting to resolve the issue.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan

Global Head of IFRS and Corporate Reporting