

June 28, 2017

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Reference: Disclosure Initiative—Proposed amendments to IFRS 8 and IAS 34

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the Exposure Draft ED/2017/2 regarding the Improvements to IFRS 8 Operating Segments.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

Overall, we are not in accordance with the changes proposed. CPC takes the opportunity to call attention, if the proposed changes move on, for the existence of inconsistency in the wording of paragraphs 12A and BC23, in the use of the terms "often" and "only" as described in the section "Other comments" at the end of this comment letter. Said difference may cause difficulties of understanding and application related to the proper interpretation of paragraph 12A.

We have some concerns about the path that the Board is taking, considering its role, as a standard-setter based on principles. We also propose a revision of FASB and IASB agreement, ensuring its renewance looking forward an one single international standard.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,



Silvio Takahashi
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

¹The Brazilian Accounting Standards Board (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).

QUESTIONS ON THE DISCLOSURE INITIATIVE—EXPOSURE DRAFT ED/2017/2

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 amendment(s)? Why or why not? If not, what do you propose and why?

Answer to question 1

We do not agree with the amendments and additions proposed by the Board, since we do not believe that is relevant to disclose the title and role of the individual or the group identified as CODM. We propose to keep the current disclosure requirements.

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?

Answer to question 2

We do not agree with 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. We understand that it will bring the possibility for regulators or investors to require that companies use the secondary financial statements as a repository for reconciliation of information that are outside of the primary statements. We believe that this may cause confusion and misinformation.

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?

Answer to question 3

We do not agree with the amendments and additions proposed by the Board. We believe that all information should be disclosed if it is relevant and provide a fair view of the entity.

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?

Answer to question 4

We do not agree with the proposed changes. However, if the Board keeps such amendment, we suggest that all material reconciliations must be disclosed separately and with detailed explanation, for better information to the users of the financial statements.

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?

Answer to question 5

We do not agree. We believe that those requirements are more onerous than those set on the application of retrospective information in IAS 8 *Accounting Policies, Errors and Estimates*. We suggest that these two standards requirements (i.e., IAS 8 and IFRS 8) be converged.