CCDG
COUNCIL ON CORPORATE
DISCLOSURE & GOVERNANCE

31 May 2006

Mr Kil-woo Lee
Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: CommentLetters@iasb.org)

Dear Mr Lee,

RESPONSE TO EXPOSURE DRAFT ED 8 *OPERATING SEGMENTS*

1. We are writing to comment on the Exposure Draft (ED) 8 *Operating Segments* issued by the International Accounting Standards Board (IASB) in January 2006. Our comments below address the specific questions set out in the "Invitation to Comment" section.

Question 1 – Adoption of the management approach in SFAS 131

The draft IFRS adopts the management approach to segment reporting set out in SFAS 131 *Disclosures about Segments of an Enterprise and Related Information* issued by the US Financial Accounting Standards Board.

Is this approach to segment reporting appropriate? If not, why not? What, if any, alternative approach would you propose?

We agree with the adoption of the management approach to report on the financial performance of its operating segments. This would provide users of financial statements relevant insight in the entity's performance and operations from the perspective of the management. However, this approach may lead to reduction in comparability.

Question 2 – Divergence from SFAS 131

The wording of the draft IFRS is the same as that of SFAS 131 except for changes necessary to make the terminology consistent with that in other IFRSs.

Do you think that the draft IFRS should depart from the management approach in SFAS 131 by setting requirements for

(a) the measurement of specified items or

(b) the disclosure of specified amounts that might otherwise not be given?

If so, identify the requirements you would add and indicate what you see as the relative costs and benefits of any such requirements.

We are of the view that the draft IFRS should, as far as possible, align with the terminologies and requirements prescribed in other IFRSs. We wish to highlight that by not defining segment profit or loss, not requiring the inclusion of items of revenue and expenses directly attributable to a segment, and not requiring allocation of items not directly attributable to any given segment, comparability of financial statements may be further reduced.

Question 3 – Scope of the standard

The existing standard IAS 14 requires entities whose equity or debt securities are publicly traded and entities that are in the process of issuing equity or debt securities in public securities markets to disclose segment information. The draft IFRS extends the scope to include also entities that hold assets in a fiduciary capacity for a broad group of outsiders.

Do you agree with the scope of the draft IFRS? If not, why not?

Generally, we agree with the scope of the draft IFRS and the proposed extension of the scope of the draft IFRS to include entities that hold assets in a fiduciary capacity for a broad group of outsiders. Nevertheless, we wish to highlight that the reporting requirements on strategies and portfolios of certain assets might already be covered under existing regulations or legislation for such entities (e.g. unit trusts in Singapore are already required to comply with existing legislation, regulations and disclosure requirements as prescribed by the local regulatory authority). Compliance with the requirements under the draft IFRS might entail additional costs for such entities.

Question 4 – Level of reconciliations

The draft IFRS requires an entity to provide, for specified items, reconciliations of total reportable segment amounts to amounts recognised by the entity in accordance with IFRSs. It does not require such reconciliations for individual reportable segments.

Do you agree with the level of reconciliations required in the draft IFRS? If not, indicate what you see as the relative costs and benefits of any other level of reconciliation.

We agree with the level of reconciliations required in the draft IFRS.

Question 5 – Geographical information about assets

The draft IFRS requires an entity to disclose geographical information about non-current assets excluding specified items. It does not require disclosure of geographical information about total assets.

Do you agree with the requirement to disclose geographical information about non-current assets excluding specified items? If not, for which assets would you require geographical information to be given?

We disagree with the requirement to disclose geographical information about non-current assets excluding specified items. We feel that geographic information for both current and non-current assets should be disclosed, as such information will be more useful and complete for geographical assessment. The current IAS 14 also requires disclosure of geographical information about total assets and such information is deemed to be useful.

Question 6 – Consequential amendments to IAS 34 *Interim Financial Reporting*

The draft IFRS requires an entity to disclose more segment information in interim financial reports than is currently required, including a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss.

Do you agree with the consequential amendments made to IAS 34? If not, why not?

We agree with the consequential amendments made to IAS 34. However, we are of the view that this will give rise to the practical issue of increased costs in the preparation of interim financial information.

Other Comments

We wish to highlight some practical concerns in requiring entities to provide information on the extent of their reliance on major customers. The draft IFRS provides that a group of entities known to a reporting entity to be under common control shall be considered a single customer. The reporting entity might face difficulties in aggregating customers under common control and fulfilling the related disclosure requirements. We propose more clarification with respect to disclosure of information about major customers.

In addition, with the introduction of more requirements for segment disclosure, compliance costs may possibly increase. Hence, we may need to balance the additional reporting requirements with the need to meet statutory reporting timelines.

2. Should you require any further clarification, please contact Mr Ramchand Jagtiani, Deputy Director, at the Institute of Certified Public Accountants of Singapore via email at jagtiani@icpas.org.sg. Thank you.

Yours sincerely,

Derek How
Secretary, CCDG