



SAS Quadra 05. Bloco J. CFC
Brasília, Distrito Federal – Brazil
www.cpc.org.br

April 24, 2012

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

RE: Post-implementation review of IFRS 8 *Operating Segments*

Dear Board Members,

The “Comitê de Pronunciamentos Contábeis” - CPC¹ welcomes the opportunity to help you in defining the scope of the Post-implementation review of standard IFRS 8 *Operating Segments* (“PIR”).

This letter summarizes the issues identified in our research, which was based on collection of initial views from our local regulator, academics and stakeholders, and in the view of our members should be researched as part of PIR’s Phase A, as described below:

Concern about disclosure of strategic information: Entities’ management is concerned about disclosing information considered strategic. Notwithstanding the disclosure requirements of the Standard, companies are reluctant to disclose pertinent segment information if the major competitor are also not disclosing such segment information. Further research should focus on the quality of segment information being reported, including an analysis of consistency between information reported by Management in its analysis of results and in the segment information note, and whether other information that management uses to assess segment performance should be disclosed. The Board should consider including some indication in the pronouncement that certain strategic information could be preserved.

Aggregation criteria and quantitative thresholds: The criteria for aggregation are specified in paragraph 12 of the Standard. Such criteria are cumulative and involve a significant amount of judgment to conclude whether all have been met. This, coupled

¹ The Brazilian Accounting Pronouncements Committee (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).



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with the resistance to disclose certain segment information considered strategic may result in aggregation policies that do not provide users with relevant information and compromise the transparency of the financial statement disclosures. Further research should be performed to evaluate the application of paragraph 12 of the Standard and the consequent impacts on aggregation and disclosures. Consideration should be given to the need for disclosures on assumptions and judgments made by Management to aggregate segments, but the main concept would be to management to disclose information that is relevant and representative of their business and useful for the users of the financial statements.

Overall comment: CPC believes that the Board should simplify IFRS pronouncements, returning to the core rationale to issue standards based on principles, rather than based on rules. One sound example is IFRS 8, which is quite similar to the ASC 280 (former SFAS 131), and replaced IAS 14. IAS 14 was simpler and allowed comparison among the various players in a determined industry, whereas IFRS 8 is more complex and frequently does not give sound information to the financial statement users, as mentioned above. Thus, CPC suggests that IASB consider such suggestion in future PIRs and new pronouncements in order to keep IFRS based on principles.

We also support the methodology adopted by IASB for the PIR as a whole and hope to support the IASB in future PIR's phases.

If you have any questions about our comments, please contact Mr. Idésio da Silva Coelho Júnior (Idesio.S.Coelho@br.ey.com), deputy chair of international affairs and coordinator of a working group constituted to study any proposal-stage literature issued by the IASB.

Yours sincerely,

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