

# Association of Accounting Technicians response to the International Accounting Standards Board exposure draft 'Proposed amendments to IFRS 8 and IAS 34'

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## 1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the International Accounting Standards Board exposure draft 'Proposed amendments to IFRS 8 and IAS 34'.
- 1.2. AAT is submitting this response on behalf of our membership and for the wider public benefit of ensuring that the application of International Financial Reporting Standards results in information that is relevant, reliable and decision-useful being presented in annual financial statements.
- 1.3. AAT has added comment in order to add value or highlight aspects that need to be considered further.

## 2. Executive summary

- 2.1. **AAT believes that some of the proposed additional disclosures do not add much to the Standard.** AAT therefore queries whether they are really necessary and has expanded on this further below. However, AAT is generally in agreement with the majority of the proposed changes.

## 3. AAT response to the consultation paper

### **Proposal to amend the description of the chief operating decision maker, and related disclosure requirements (Question 1)**

- 3.1. AAT agrees with the amendments to the description of the chief operating decision maker ('CODM') and the clarification that the function of the CODM may be carried out either by an individual or a group.
- 3.2. AAT agrees with the inclusion of the further clarification that where a group acts as CODM it may include members who do not participate in all decisions made by the group, such as non-executive directors.
- 3.3. However, AAT is not convinced that disclosure of the title and description of the role of the individual or group identified as CODM should be mandated. Key information in respect of reportable segments, such as factors used to identify them, is already required to be disclosed. It is therefore doubtful that this proposed additional disclosure represents decision-useful information as it is unlikely that it will add anything significant to the factors considered by users when making decisions based on the financial statements.

### **Identifying reportable segments (Question 2)**

- 3.4. AAT agrees that there should be an expectation that the reportable segments identified in the financial statements should be the same as those identified elsewhere in the annual reporting package.
- 3.5. In the United Kingdom, auditors are required to report specifically on whether certain parts of the Annual Report are consistent with the financial statements, and therefore this issue does not tend to arise. However, it is not necessarily the case in other jurisdictions applying IFRS.
- 3.6. As a result, AAT agrees that requiring disclosure when there are differences between reportable segments identified in the financial statements and those identified elsewhere in the annual reporting package does result in decision-useful information. Therefore, it is reasonable to introduce the proposed requirement to disclose an explanation of, and the reasons for, any such differences.

### **Clarifying amendment on providing additional disclosures (Question 3)**

- 3.7. It is clear that the inclusion of the clarifying amendment is voluntary and therefore this disclosure is reasonable. However, voluntary additional disclosures can sometimes be interpreted as 'best practice', and therefore a quasi-requirement, for instance by regulators. So, no examples of possible additional disclosures should be given as these would have a greater risk of leading to such 'disclosure creep'.

### **Clarifying amendment on explanation of reconciling items (Question 4)**

- 3.8. The requirement which already existed in the Standard, i.e. to explain material reconciling items, has not been changed in any meaningful way. Therefore, AAT is not convinced that the examples given in the proposed paragraph 28A necessarily add anything to the Standard.
- 3.9. The list of examples is clearly not exhaustive, and reconciling items will vary from entity to entity, so the value of including such a list is questionable. Most entities will have some expenses not allocated to reportable segments, which will therefore need to be shown as a reconciling item and many may have inter-segment revenues or expenses, therefore AAT believes that the requirement to explain such items was already self-evident in the Standard.

### **Restatement in the interim report following a change in composition of reportable segments (Question 5)**

- 3.10. Restated segment information should be presented in the first interim report following a change in the composition of reportable segments as this ensures that segment information presented in the interim report is comparable.

## **4. About AAT**

- 4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

## 5. Further information

If you have any questions or would like to discuss any of the points in more detail then please contact Aleem Islan, AAT Technical Consultation Manager, at:

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