



1 February 2006

To: **Members of the Hong Kong Institute of CPAs**  
**All other interested parties**

**INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) EXPOSURE  
DRAFT ED 8 OPERATING SEGMENTS**

The International Accounting Standards Board (IASB) has issued an exposure draft (ED) of a proposed new International Financial Reporting Standard (IFRS) ED 8 *Operating Segments* for consultation.

The IASB's press releases and Exposure Draft have been posted on the website of the Hong Kong Institute of CPAs (Institute) at [www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php](http://www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php) which can also be found on-line at: [www.iasb.org](http://www.iasb.org).

ED 8 results from the IASB's comparison of International Accounting Standard (IAS) 14 *Segment Reporting* with the US standard SFAS 131 *Disclosures about Segments of an Enterprise and Related Information*. The proposed IFRS would replace IAS 14 and align segment reporting with the requirements of SFAS 131.

ED 8 would require an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The proposals would therefore require explanations of the factors used to identify operating segments and the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet.

The Institute's Financial Reporting Standards Committee (FRSC) invites comments on the IASB Exposure Draft from any interested party and would like to hear from both those who do agree and those who do not agree with the proposals contained in it. Comments should be supported by specific reasoning and should preferably be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered and included in the Institute's responses to the IASB, comments are invited by **4 May 2006**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.