

IFRS 8 OPERATING SEGMENTS

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THE CORE PRINCIPLE

**An entity shall disclose
information to enable users of
its financial statements to
evaluate**

**The nature and financial effects
of the business activities in
which it engages and
the economic environments in
which it operates.**

IFRS 8 – APPLICATION SUMMARY

1

- Identify the CODM

2

- Identify the Operating Segments

3

- Determine the Reportable Segments

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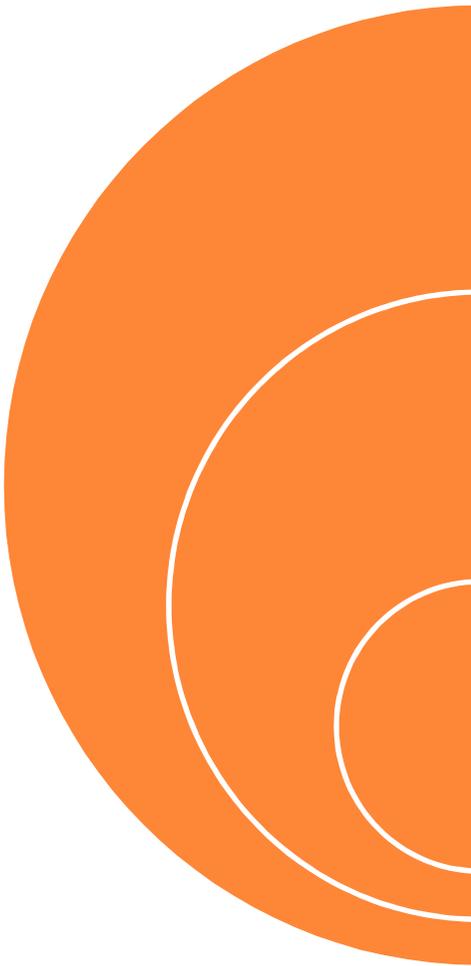
- Disclose the Required Information

CHIEF OPERATING DECISION MAKER (CODM)

- ❖ CODM is a **FUNCTION**, not a **DESIGNATION**.
- ❖ CODM can be an **INDIVIDUAL** or a **GROUP** of Individuals.
- ❖ **CODM FUNCTION** is
 - Allocates the Resources of the Entity
 - Assess the performance of the Operating Segments of the Entity.

OPERATING SEGMENTS

is a Component of an Entity.



from which it may earn Revenues and incur Expenses (including Intra-Group Revenue and Expenses)
whose operating results are REVIEWED regularly by the Entity's CODM – to assess performance and decide about resource allocation.
for which DISCRETE Financial Information is available

OPERATING SEGMENTS – SPECIFIC EXAMPLE

YES

- Startup Operations - before Earning Revenues

NO

- Corporate HQ's and Functional Departments (say Internal Audit) not earning Revenues
- Post-Employment Benefits Plans

DETERMINING REPORTABLE SEGMENTS

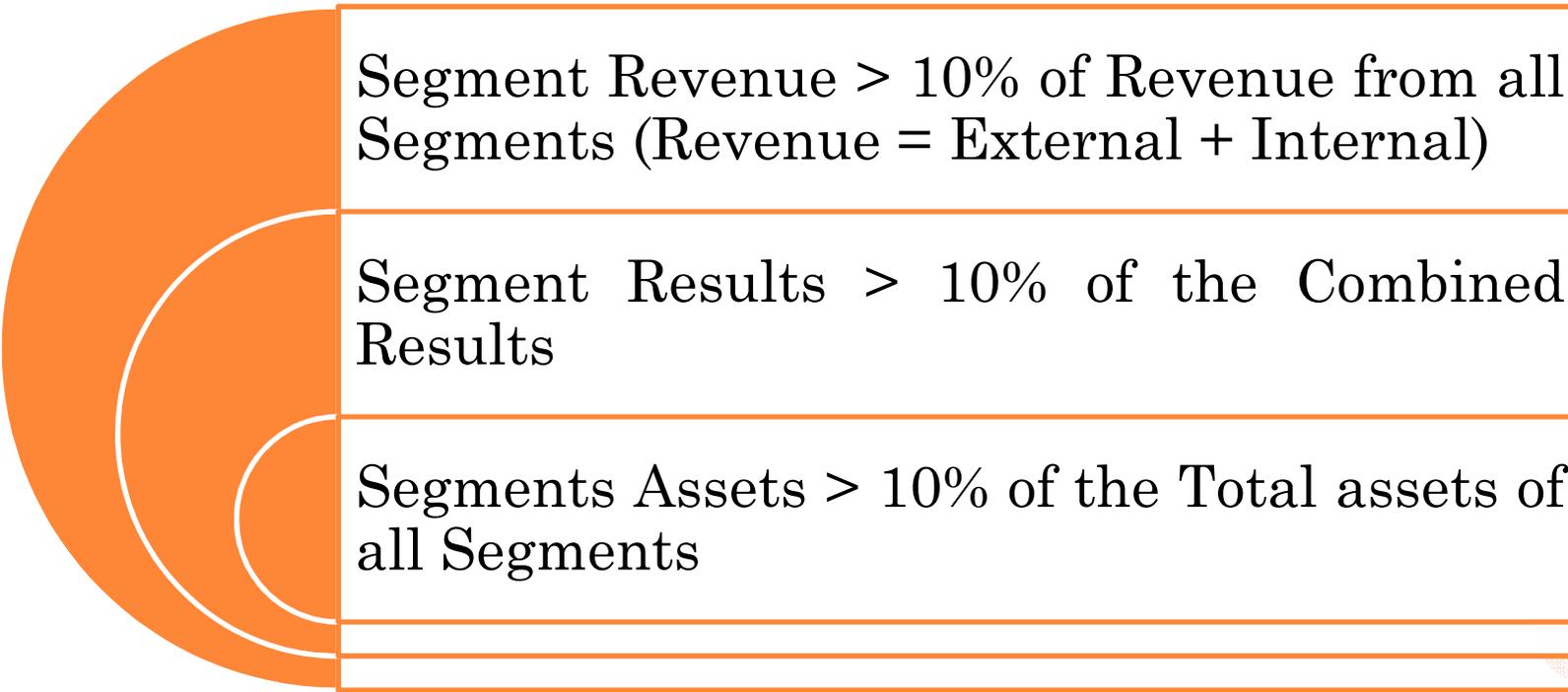
AGGREGATION CRITERIA

- Aggregation is consistent with the Core Principle
- Segments have similar economic characteristics
- Segments similar on each of the Five Specified Criteria
 1. Nature of Products and Services
 2. Nature of the Production Processes
 3. Customer type or class
 4. Distribution Methods
 5. Nature of Regulatory Environment

DETERMINING REPORTABLE SEGMENTS

Quantitative Thresholds

A Segment is **REPORTABLE** if **MAJORITY** of its **REVENUE** is from Sales to External Customers



Segment Revenue $>$ 10% of Revenue from all Segments (Revenue = External + Internal)

Segment Results $>$ 10% of the Combined Results

Segments Assets $>$ 10% of the Total assets of all Segments

DETERMINING REPORTABLE SEGMENTS

Identify each Operating Segment that exceed the Quantitative Threshold

OPTIONAL

Aggregate

- any operating segments that meet all aggregation criteria
- Remaining operating segments below Quantitative threshold with each other if the majority of aggregation criteria met

If Reportable Segments are less than 75% of Revenue, add more reportable segments.

DETERMINING REPORTABLE SEGMENTS

Operating Segments, that do not meet the Quantitative thresholds, may be considered reportable and separately disclosed ::

- If Management believes that INFORMATION about the segment would be USEFUL to the users of the financial statements.
- If Management judges that an operating segment identified as a reportable segment in the immediately preceding period is of CONTINUING SIGNIFICANCE

DETERMINING REPORTABLE SEGMENTS

Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'ALL OTHER SEGMENTS' category separately from other reconciling items in the reconciliations.

The sources of the revenue included in the 'ALL OTHER SEGMENTS' category shall be described

DETERMINING REPORTABLE SEGMENTS

COMPARATIVES

If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the necessary information is not available and the cost to develop it would be excessive.

DISCLOSURE

An entity shall disclose information to enable users of its financial statements to evaluate

The nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

DISCLOSURE

An Entity shall disclose the following for each period for which a Statement of Comprehensive Income is presented:

- a. General Information
- b. Information about Segment Revenues, Segment Profit or Loss and Segment Assets and Liabilities and basis of Measurement.
- c. Reconciliation Statement

DISCLOSURE – GENERAL INFORMATION

- Factors used to IDENTIFY the Entity's Reportable Segments
(viz., Nature of Products & Services, Nature of Production & Distribution Processes, Geographical Areas, Regulatory Environment, or a Combination of these Factors).
- The Types of Products and Services from which each Reportable Segment derives its Revenue.

DISCLOSURE – INFORMATION ABOUT REVENUES, P & L AND ASSETS & LIABILITIES

For each Reporting Segment, Entity shall report :

- Segment Profit or Loss
- Total Segment Assets
- Segment Liabilities (if reviewed by CODM)

DISCLOSURE – INFORMATION ABOUT REVENUES, P & L AND ASSETS & LIABILITIES

For each Reporting Segment, Entity shall report (if reviewed by CODM or otherwise Information is provided to CODM, even if not included in measure of P & L) :

- Revenues from External Customers
- Revenue from Intra-Group Transactions with Other Operating Segments
- Interest Revenue & Interest Expenses (separately)
- Depreciation and Amortisation
- Material Items of Income and Expenses
- Entity's interest in P&L of Associates / JV accounted for under the Equity Method
- Income tax expense
- Material non-cash items other than Depreciation & Amortisation.

DISCLOSURE – RECONCILIATION

Total of Reportable Segments

- ❖ Revenues to Entity's Revenue
- ❖ P & L to Entity's P & L
- ❖ Assets to Entity's Assets
- ❖ Liabilities to Entity's Liabilities (is Reported)
- ❖ Amounts for Every Material Item of Information disclosed to corresponding amount for the entity.

ENTITY WIDE DISCLOSURES

All entities subject to this IFRS including Entities that have a single reporting segment shall provide Information about ::

- ❑ Products and Services
- ❑ Geographical Areas
- ❑ Major Customers

The amounts reported shall be based on the financial information that is used to produce the entity's financial statements.

If Any Information is Not Available and Cost to develop it would be excessive, the fact should be disclosed.

INFORMATION ABOUT PRODUCTS & SERVICES

Revenues from External Customers for each product & services (or group of products and services).

INFORMATION ABOUT GEOGRAPHICAL AREAS

- ❑ Revenues from External Customers &
- ❑ Non-current Assets (other than Financial Instruments, Deferred Tax Assets and Rights under Insurance Contracts)
 - i. Attributed to the Entity's country of Domicile
 - ii. Attributed to the all Foreign Countries from which the Entity derives Revenue or holds Assets.

If revenues from External Customers or Assets attributed to an Individual Foreign Country are Material, the same shall be disclosed separately.

INFORMATION ABOUT MAJOR CUSTOMERS

- ✓ Extent of its Reliance on Major Customers
- ✓ If Revenues from transaction with single external customer amount to 10% or more of the Entity's Revenue, the Entity shall Disclose:
 - the Fact;
 - the total amount of Revenues from each such Customer;
 - the Identity of the Segment(s) reporting such Revenue
 - Need NOT – Identity of the Customer

A group of Entities known to the Reporting Entity to be under common control shall be considered a single customer.

Government (and entities known to the Reporting Entity to be under the control of that Government shall be considered a single customer.



**THANK
YOU!**