

IFRS AT A GLANCE  
IFRS 8 *Operating Segments*





# IFRS 8 Operating Segments

Effective Date  
Periods beginning on or after 1 January 2009

<b>CORE PRINCIPLE</b>		<b>SCOPE</b>		
<p>An entity is required to 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.</p>		<p>IFRS 8 applies to the annual and interim financial statements of an entity. It applies to the separate or individual financial statements of an entity and to the consolidated financial statements of a group with a parent:</p> <ul style="list-style-type: none"> <li>• Whose debt or equity instruments are traded in a public market; or</li> <li>• That files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.</li> </ul>		
<b>QUANTITATIVE THRESHOLDS</b>	<b>OPERATING SEGMENTS</b>	<b>DISCLOSURE</b>		
<ul style="list-style-type: none"> <li>• Information is required to be disclosed separately about an operating segment that meets any of the following quantitative thresholds: <ul style="list-style-type: none"> <li>– Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments</li> <li>– The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of: <ul style="list-style-type: none"> <li>o The combined reported profit of all operating segments that did not report a loss; and</li> <li>o The combined reported loss of all operating segments that reported a loss.</li> </ul> </li> <li>– Its assets are 10 per cent or more of the combined assets of all operating segments.</li> </ul> </li> <li>• If the total external revenue reported by operating segments constitutes less than 75% of the total revenue, additional operating segments shall be identified as reportable segments until at least 75% of the entity's revenue is included in reportable segments.</li> </ul>	<p>An operating segment is a component of an entity:</p> <ul style="list-style-type: none"> <li>• That engages in business activities from which it may earn revenues and incur expenses</li> <li>• Whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance</li> <li>• For which discrete financial information is available.</li> </ul>			
<b>AGGREGATION CRITERIA</b>		<b>REPORTABLE SEGMENTS</b>	<b>DISCLOSURE</b>	
<p>Two or more operating segments may be aggregated if the segments are similar in each of the following respects:</p> <ul style="list-style-type: none"> <li>• The nature of the products and services</li> <li>• The nature of the production processes</li> <li>• The type or class of customer for their products and services</li> <li>• The methods used to distribute their products or provide their services</li> <li>• The nature of the regulatory environment.</li> </ul>		<p>Information is required to be disclosed separately about each identified operating segment and aggregated operating segments that exceed the quantitative thresholds.</p>		
<b>DEFINITION OF THE CODM</b>		<b>DISCLOSURE</b>		
<p>The CODM is the individual or group of individuals who is/are responsible for strategic decision making regarding the entity. That is, the CODM allocates resources and assess the performance of the operating segments.</p>		<p>Major disclosures include:</p> <ul style="list-style-type: none"> <li>• An entity shall report a measure of profit or loss and total assets for each reportable segment - only if this information is regularly provided to the CODM</li> <li>• Other disclosures are required regarding each reportable segment if specific amounts are reported to the CODM</li> <li>• Judgements made by management for the purposes of aggregation of operating segments <ul style="list-style-type: none"> <li>– Description of the operating segments that have been aggregated</li> <li>– Economic indicators considered in determining that segments share similar economic characteristics.</li> </ul> </li> <li>• Operating segment information disclosed is not necessarily IFRS compliant information, as it is based on amounts reported internally</li> <li>• Operating segment information disclosed must be reconciled back to IFRS amounts disclosed in the financial statements</li> <li>• An entity reports the following geographical information if available: <ul style="list-style-type: none"> <li>– Revenues from external customers, both attributed to the entity's country of domicile and attributed to all foreign countries</li> <li>– Non-current assets (except financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) located both in the entity's country of domicile and in foreign countries</li> <li>– The amounts reported are based on the financial information that is used to produce the entity's financial statements.</li> </ul> </li> <li>• An entity provides information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10% or more of an entity's revenues, the entity discloses that fact.</li> </ul>		

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit [www.bdointernational.com/Services/Audit/IFRS/IFRS Country Leaders](http://www.bdointernational.com/Services/Audit/IFRS/IFRS_Country_Leaders) where you can find full lists of regional and country contacts.

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