

IFRS 8 OPERATING SEGMENTS

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Scope

IFRS 8 applies to both separate financial statements of an entity and consolidated financial statements of group which is

- ❖ Listed in public market,
- ❖ In the process of listing in public market

Definitions

Operating segment

An operating segment is a component or a division of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance.

Reportable segments

Those operating segments that qualifies the quantitative threshold including those selected as reporting segments by CODM.

Chief operating decision maker (CODM):

CODM can be an individual or group of individuals who are responsible for strategic decision making for the entity, regarding allocation of resources and assessment of the performance of all the segments of business.

Quantitative threshold

Segments are called reportable when it qualifies any of the following criteria :

1. Revenue from operations both internal and external is 10 % or more of total operating segment's revenue of both internal and external
2. Profit or loss (whichever is higher) is 10 % or more of total operating segment's profit.
3. Assets are 10 % or more of the total assets of all operating segments assets.

Additional threshold

- ❖ If standard allows, two or more operating segments may be aggregated into single segment considering their similar economic characteristics.
- ❖ All the reporting segments should constitutes at least 75% of the total entity's revenue, If not satisfied than additional reporting segments shall be added even if they do not qualify above criteria until at least 75% of entity's revenue is included in operating segments.
- ❖ This decision of selecting operating segments lied's totally on CODM (Chief operating decision maker) of the company.

Disclosure Requirements

- ❖ General information about how operating segments of the entity are identified and nature of business activities from which each operating segment derives its revenues
- ❖ Judgments made by CODM in applying the aggregation criteria of 75% to allow two or more operating segments to be aggregated.
- ❖ Details of profit or loss for each reportable segment, including certain specified revenues and expenses such as revenue from external customers and from transactions with other segments, interest revenue and expense, depreciation and amortization, income tax expense or income and material non-cash items.
- ❖ Details of total assets and total liabilities for each reportable segment, and the amount of investments in associates and joint ventures and the amounts of capital expenditure incurred.
- ❖ Detailed explanation on segment profit or loss, segment assets and segment liabilities, including certain minimum disclosures, e.g. how transactions between segments are measured, the nature of measurement differences between segment information and other information included in the financial statements, and voluntarily allocations to reportable segments .
- ❖ Reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities to corresponding items in the combined entity's financial statements.
- ❖ Some entity-wide disclosures that are required even when an entity has only one reportable segment, including information about each product and service or groups of products and services.
- ❖ Details regarding transactions with major customers.