

IFRS IN BRIEF

IFRS 8 *Operating Segments*

SCOPE

This standard requires entities to disclose information that allows users to evaluate the nature and financial effects of the activities it undertakes and the environments in which operates.

IFRS 8 is applied to both consolidated financial statements and separate or individual statements of an entity where an entity has either:

- publicly traded debt or equity instruments; or
- files or is in the process of filing financial statements with a regulatory body for the purpose of issuing instruments in a public market.

OPERATING SEGMENTS

Operating segments are components of the entity that:

- engage in business activities that may earn revenue and incur expenses
- the operating results are regularly reviewed by the chief operating decision maker (CODM)
- separate financial information is available

Not all aspects of a business may be an operating segment, including head office activities.

Chief Operating Decision Maker

This could be an individual or a group of individuals who have the responsibility for allocating resources and assessing the

performance of the operating segments of the business

REPORTABLE SEGMENTS

Not all operating segments are reportable segments. Operating Segments can be aggregated into a single operating segment if the segments have similar economic characteristics, including similar:

- type of product and service
- production processes
- customers
- methods of distribution
- regulatory environment

Operating segments (or aggregated segments) shall be reported on if they meet any of the following thresholds:

- Reported revenue, both internal and external, is more than 10% of the combined revenue of all operating segments
- The absolute profit or loss is 10% or more
- Its assets are 10% more than the combined assets of all the operating segments

If total external revenue reported by operating segments is less than 75% of the total revenue, additional reportable segments shall be identified until the 75% threshold is achieved.

Information about segments that are not reportable can be disclosed in aggregate as 'other segments' unless the entity decides it is material to users to disclose them separately.

Disclosures shall include judgements applied in determining reportable segments, along with the types of products and services from which each segment derives their revenue.

Entities are also required to disclose specified summarized information regarding income statement and statement of financial position of each information including income statement items that are reported to the CODM even if not included in the measurement segment of profit.

The total of all segment measures should be reconciled back to the relevant IFRS measure on the face of the income statement or statement of profit or loss.

Entity wide disclosures

All entities are required to provide the following disclosures, even if they are considered to only have a single operating segment.

- Revenues from external customers and non-current assets located both in the entity's country of domicile and foreign jurisdictions. Foreign jurisdictions shall be disclosed separately if material.
- Amount of revenue from each individual customer that consists of more than 10% of the entity's external revenue, and the segments in which that customer sits. The individual customer does not need to be identified.

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