

International Financial Reporting Standard 8

Operating Segments

IFRS 8 was issued in November 2006 and this version includes amendments resulting from IFRSs issued up to 31 December 2008. Its effective date is 1 January 2009.

IAS 14 *Segment Reporting* was issued by the International Accounting Standards Committee in August 1997. It replaced IAS 14 *Reporting Financial Information by Segment* (issued in August 1981 and reformatted in 1994).

In April 2001 the International Accounting Standards Board (IASB) resolved that all Standards and Interpretations issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn.

IAS 14 was subsequently amended by the following IFRSs:

- IAS 2 *Inventories* (as revised in December 2003)
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (issued December 2003)
- IAS 16 *Property, Plant and Equipment* (as revised in December 2003)
- IFRS 3 *Business Combinations* (issued March 2004)
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (issued March 2004)
- IFRS 7 *Financial Instruments: Disclosures* (issued August 2005)
- IAS 1 *Presentation of Financial Statements* (as revised in September 2007).^{*}

In November 2006 the IASB issued IFRS 8 *Operating Segments*, which replaced IAS 14.

IFRS 8 has been amended by IAS 1 *Presentation of Financial Statements* (as revised in September 2007).^{*}

^{*} effective date 1 January 2009 (earlier application permitted)

CONTENTS

paragraphs

INTRODUCTION	IN1–IN18
INTERNATIONAL FINANCIAL REPORTING STANDARD 8 OPERATING SEGMENTS	
CORE PRINCIPLE	1
SCOPE	2–4
OPERATING SEGMENTS	5–10
REPORTABLE SEGMENTS	11–19
Aggregation criteria	12
Quantitative thresholds	13–19
DISCLOSURE	20–24
General information	22
Information about profit or loss, assets and liabilities	23–24
MEASUREMENT	25–30
Reconciliations	28
Restatement of previously reported information	29–30
ENTITY-WIDE DISCLOSURES	31–34
Information about products and services	32
Information about geographical areas	33
Information about major customers	34
TRANSITION AND EFFECTIVE DATE	35–36A
WITHDRAWAL OF IAS 14	37
APPENDICES	
A Defined term	
B Amendments to other IFRSs	
APPROVAL BY THE BOARD OF IFRS 8 ISSUED IN NOVEMBER 2006	
BASIS FOR CONCLUSIONS	
DISSENTING OPINIONS	
IMPLEMENTATION GUIDANCE	

International Financial Reporting Standard 8 *Operating Segments* (IFRS 8) is set out in paragraphs 1–37 and Appendices A and B. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Definitions of terms are given in the Glossary for International Financial Reporting Standards. IFRS 8 should be read in the context of its core principle and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Tailieu.vn

Introduction

Reasons for issuing the IFRS

- IN1 International Financial Reporting Standard 8 *Operating Segments* sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

- IN2 Achieving convergence of accounting standards around the world is one of the prime objectives of the International Accounting Standards Board. In pursuit of that objective, the Board and the Financial Accounting Standards Board (FASB) in the United States have undertaken a joint short-term project with the objective of reducing differences between International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (US GAAP) that are capable of resolution in a relatively short time and can be addressed outside major projects. One aspect of that project involves the two boards considering each other's recent standards with a view to adopting high quality financial reporting solutions. The IFRS arises from the IASB's consideration of FASB Statement No.131 *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131) issued in 1997, compared with IAS 14 *Segment Reporting*, which was issued in substantially its present form by the IASB's predecessor body, the International Accounting Standards Committee, in 1997.

- IN3 The IFRS achieves convergence with the requirements of SFAS 131, except for minor differences listed in paragraph BC60 of the Basis for Conclusions. The wording of the IFRS is the same as that of SFAS 131 except for changes necessary to make the terminology consistent with that in other IFRSs.

Main features of the IFRS

- IN4 The IFRS specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to IAS 34 *Interim Financial Reporting*, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers.

- IN5 The IFRS requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

- IN6 The IFRS requires an entity to report a measure of operating segment profit or loss and of segment assets. It also requires an entity to report a measure of segment liabilities and particular income and expense items if such measures are regularly provided to the chief operating decision maker. It requires reconciliations of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the entity's financial statements.
- IN7 The IFRS requires an entity to report information about the revenues derived from its products or services (or groups of similar products and services), about the countries in which it earns revenues and holds assets, and about major customers, regardless of whether that information is used by management in making operating decisions. However, the IFRS does not require an entity to report information that is not prepared for internal use if the necessary information is not available and the cost to develop it would be excessive.
- IN8 The IFRS also requires an entity to give descriptive information about the way the operating segments were determined, the products and services provided by the segments, differences between the measurements used in reporting segment information and those used in the entity's financial statements, and changes in the measurement of segment amounts from period to period.
- IN9 An entity shall apply this IFRS for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies this IFRS for an earlier period, it shall disclose that fact.

Changes from previous requirements

- IN10 The IFRS replaces IAS 14 *Segment Reporting*. The main changes from IAS 14 are described below.

Identification of segments

- IN11 The requirements of the IFRS are based on the information about the components of the entity that management uses to make decisions about operating matters. The IFRS requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IAS 14 required identification of two sets of segments—one based on related products and services, and the other on geographical areas. IAS 14 regarded one set as primary segments and the other as secondary segments.
- IN12 A component of an entity that sells primarily or exclusively to other operating segments of the entity is included in the IFRS's definition of an operating segment if the entity is managed that way. IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments.

Measurement of segment information

- IN13 The IFRS requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. IAS 14 required segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated group or entity.
- IN14 IAS 14 defined segment revenue, segment expense, segment result, segment assets and segment liabilities. The IFRS does not define these terms, but requires an explanation of how segment profit or loss, segment assets and segment liabilities are measured for each reportable segment.

Disclosure

- IN15 The IFRS requires an entity to disclose the following information:
- (a) factors used to identify the entity's operating segments, including the basis of organisation (for example, whether management organises the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether segments have been aggregated), and
 - (b) types of products and services from which each reportable segment derives its revenues.
- IN16 IAS 14 required the entity to disclose specified items of information about its primary segments. The IFRS requires an entity to disclose specified amounts about each reportable segment, if the specified amounts are included in the measure of segment profit or loss and are reviewed by or otherwise regularly provided to the chief operating decision maker.
- IN17 The IFRS requires an entity to report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. IAS 14 did not require disclosure of interest income and expense.
- IN18 The IFRS requires an entity, including an entity with a single reportable segment, to disclose information for the entity as a whole about its products and services, geographical areas, and major customers. This requirement applies, regardless of the entity's organisation, if the information is not included as part of the disclosures about segments. IAS 14 required the disclosure of secondary segment information for either industry or geographical segments, to supplement the information given for the primary segments.

International Financial Reporting Standard 8

Operating Segments

Core principle

- 1** 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.

Scope

- 2** This IFRS shall apply to:
- (a) the separate or individual financial statements of an entity:
 - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
 - (ii) 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; and
 - (b) the consolidated financial statements of a group with a parent:
 - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
 - (ii) that files, or is in the process of filing, the consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- 3** If an entity that is not required to apply this IFRS chooses to disclose information about segments that does not comply with this IFRS, it shall not describe the information as segment information.
- 4** If a financial report contains both the consolidated financial statements of a parent that is within the scope of this IFRS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements.

Operating segments

- 5** An operating segment is a component of an entity:
- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),