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# IFRS - 8

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## Operating Segments

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## **Basic Principle**

1. The entity shall disclose information that enables users of its financial statements to assess the nature and effects of financial activities which develops business and economic environments in which it operates.

## **Scope**

2. This IFRS applies to:

(a) Separate financial statements of an entity or individual:

(i) whose debt or equity is traded on a public market (whether a stock exchange or foreign national, or an unorganized market, including local and regional markets), or

(ii) to register, or is in the process of registering, its financial statements in a securities commission or other regulatory organization, in order to render some kind of instrument in a public market;

(b) the consolidated financial statements of a group with a dominant entity:

(i) whose debt or equity is traded on a public market (whether a stock exchange or foreign national, or an unorganized market, including local and regional markets), or

(ii) to register, or is in the process of registering, its financial statements in a securities commission or other regulatory organization, in order to render some kind of instrument in a public market.

3. If an entity that is not obliged to implement the IFRS chooses to disclose information on segments that do not comply with its content, not describe that information as information segments.
4. If a financial report containing the consolidated financial statements of an entity dominant included in the scope of the IFRS and its separate financial statements, only require information segments in the consolidated financial statements.

## **Segments of exploitation**

5. A segment of exploitation is a component of an entity:

(a) that develops business activities from which you can get regular income and incur expenditure (including ordinary income and expenses for transactions with other components of the same entity);

(b) whose operating results are reviewed on a regular basis by the highest authority in decision-making base of the entity, to decide on resources to be allocated to the segment and assess its performance and 1

(c) in relation to which information is available financial differentiated.

A segment operating business activities may include those which have not yet obtained regular income, for example, business start-ups may be operating segments before obtaining regular income.

6. Not all parts of an entity are necessarily operating segments or part of a segment operating income. For example, it is possible that the head office or some functional departments do not get regular income or receive regular income purely incidental to the activities of the entity, in which case it would not be operating segments. For the purposes of this IFRS, plans for post-employment benefits of an entity are not operating segments.
7. The term 'highest authority in decision-making operation' means a function, not necessarily a manager with a specific charge. That function is to allocate resources to segments of an operating entity and evaluate their performance. Often, the highest authority in decision-making operation of an entity is executive president - chief executive officer or director of operations, but also could be for example, a group of directors or other executives.
8. In many entities, the three characteristics of the operating segments described in paragraph 5 above can identify clearly their operating segments. However, an entity can produce reports on their business activities are presented in various ways. If the highest authority in decision-making operation using more than one type of information segmented, other factors could be used to identify a particular set of operating segments as components of an entity, including the nature of the activities of business each component, the existence of responsibility for themselves and the information submitted to the board of directors.
9. Generally, an operating segment has a responsibility for the segment that is accountable directly to the highest authority in decision-making operation and remains in regular contact with the same, to discuss the operation, financial results, projections or plans for the segment. The term "responsible for the segment" means a function, not necessarily a manager with a specific charge. The highest authority in decision-making operation

could also be responsible for the segment in some segments of exploitation. The same could act as managers responsible for various segments of the segment operating income. If an organization is no more than one set of components that meet the characteristics described in paragraph 5 above, but only one of the joint account with responsibility for the segment, then the components of this package will provide the operating segments.

10. The characteristics described in paragraph 5 above can be found in two or more sets of components that overlap and for which there are responsible. This structure is called, at times, matrix organization. For example, some entities, some managers are responsible for different product lines and services throughout the world, while others are specific geographic areas. The highest authority in decision-making operating on a regular basis review the operating results of both sets of components and available financial information for both. In that situation, the entity will determine what the whole whose components operating segments defined by reference to principle.

### **Segments on who should be informed**

11. A separate entity shall disclose information about each segment of exploitation:
  - (a) is identified in accordance with the above in paragraphs 5 to 10 or resulting from the aggregation of two or more of these segments in implementing what is stated in paragraph 12, and
  - (b) exceeds the quantitative thresholds set out in paragraph 13.In paragraphs 14 to 19 are specified in other situations that reveal information about a separate segment operating income.

### **Criteria aggregation**

12. Often, the operating segments with similar economic characteristics show a long-term financial performance similar. For example, one would expect gross margins similar long-run average in two operating segments with similar economic characteristics. They can add two or more segments operating in a single operating segment if aggregation is consistent with the basic principle of this IFRS, the segments have similar economic characteristics and are similar in each of the following aspects:
  - (a) the nature of products and services;
  - (b) the nature of production processes;

- (c) the type or category of customers that is intended its products and services;
- (d) the methods used to distribute their products or provide their services;
- (e) if applicable, the nature of the regulatory environment to subject, for example, banking, insurance or utilities.

### **Thresholds quantitative**

13. An entity will report separately on each of the operating segments to reach any of the following quantitative thresholds:

(a) submit regular income, including both sales to external customers such as sales or transfers inter-segments, are equal to or higher than 10% of the aggregate ordinary income, internal and external, of all operating segments.

(b) The absolute value of the losses or gains made equals or exceeds 10% of the largest of the following quantities, in absolute terms: (i) the aggregate profit made by all operating segments that have not incurred losses (ii) the aggregate loss by all segments operating losses incurred.

(c) Their assets are equal to or higher than 10% of the aggregate assets of all segments of exploitation.

The operating segments that do not meet any of the previous quantitative thresholds segments may be deemed to be informed about and disclose information about them separately, if the leadership believes that it might be useful for users of financial statements.

14. An institution may combine information about operating segments that do not meet the quantitative thresholds, with the aforementioned other operating segments do not achieve the quantitative thresholds, to form a segment on the need to learn, and only if some other segments exploitation have similar economic characteristics and share many of the criteria for aggregation listed in paragraph 12.

15. If regular income totals submitted by external operating segments are less than 75% of ordinary income of the entity, will identify additional operating segments on the need to learn (even if they do not meet the conditions set out in paragraph 13 ), Until 75%, at least, the ordinary income of the entity comes from segments on the need to learn.

16. Information on other business activities and operating segments on which information should not be disclosed in unison within the category of "other segments" and placed separately from other reconciling items in reconciliations required by paragraph 28 .

They should specify the sources of regular income included in the category of "other segments".

17. If the address deem that a segment operating identified as a segment on the report that resulted in the immediately preceding financial year remains significant, the information on that segment will reveal separately in the current financial year, but does not meet the criteria laid down in Paragraph 13.
18. If a segment is identified as operating on the segment to be reported in the current year in accordance with the quantitative thresholds, segmented information from the previous year for comparison purposes must be filed restated to contemplate the new segment to be reported on as a segment separately, even if that segment did not meet the criteria set out in paragraph 13 the previous year, unless it lacks the necessary information and its cost of production becomes excessive.
19. In practice, there might be a limit to the number of segments on which the entity must report separately beyond which information could be segmented overly detailed. Although not a limit has been determined necessary, when the number of segments about to be reported in accordance with paragraphs 13 to 18 exceeding ten, the entity should consider whether it has reached that limit.

## **Disclosure**

20. **The entity shall disclose information that enables users of its financial statements to assess the nature and effects of financial activities which develops business and economic environments in which it operates.**
21. In order to give effect to the principle set forth in paragraph 20, an entity shall disclose the following information for each year in which they present an account of results:
  - (a) general information indicated in paragraph 22;
  - (b) information on losses or gains to submit segments, including ordinary income and expenses included in these specific losses or profits, assets of the segments, the liabilities of the segments and endpoints, as indicated in Paragraphs 23 to 27;
  - (c) reconciliations of the totals for regular income segments of the losses or gains to submit segments of the assets of the segments of the liabilities of the segments and other significant items with the same figures corresponding to the full extent of the entity, as indicated in paragraph 28.

It requires reconciliation of the amounts from each of the balances on the segments that must be reported, with figures of the balance sheet of the entity, for all dates on which

this stock. The information corresponding to restate prior periods are as set out in paragraphs 29 and 30.

### **General Report**

22. The entity shall disclose the following information provided:

(a) the factors that have served to identify the segments on which must be reported, including organizational criteria (for example, if the leadership has chosen to organize the entity as the differences between products and services, geographic areas, by frameworks regulatory or under a combination of factors, and whether they have added several operating segments);

(b) the types of products and services they provide regular income for each segment on the need to learn.

### **Report on the losses or profits, assets and liabilities**

23. The entity shall disclose the value of losses or profits and total assets of each segment on which he is required to report. The entity shall inform the valuation of the liabilities of each segment on which he is required to report, provided that this amount be provided regularly to the highest authority in decision-making operation. The entity shall disclose also the following information for each segment on which he is required to report if the amounts are included in the value of losses or gains segments reviewed by the highest authority in decision-making operation, or provide other 4 how regularly that authority, although not included in the value of losses or gains segments:

(a) regular income from external customers;

(b) regular income from transactions with other operating segments of the same entity;

(c) interest income;

(d) interest expense;

(e) depreciation and amortization;

(f) significant items of income and expenditure disclosed in accordance with paragraph 86 of IAS 1 Presentation of Financial Statements;

(g) participation of the entity in the profit and loss partners and joint ventures accounted for under the equity method;

(h) spending or income tax on earnings and

(i) significant non-cash items other than those of depreciation and amortization.

For each segment on which he is required to report, the entity shall disclose interest income separately from interest expense, except that most of the regular segment revenues come from interest and the highest authority in decision-making has to exploitation everything into consideration net interest income to evaluate segment performance and decide on resources to be allocated to it. In this case, the entity may report on interest income of that segment of its net interest expense, stating that fact.

24. The entity shall disclose the following information for each segment on which he is required to report, provided that specified amounts are included in the valuation of assets of the segments reviewed by the highest authority in decision-making operation, or to facilitate otherwise regularly to this authority, although not included in the valuation of assets of the segments:

(a) the amount of investments in associates and joint ventures in which counted under the equity method, and

(b) the amount of additions \* non-current assets other than financial instruments, deferred tax assets, assets relating to post-employment benefits (see IAS 19, Employee benefits, paragraphs 54 to 58) and rights arising from insurance contracts.

## **Poll**

25. The amount of each item presented by the segments corresponding to the valuation referred to the highest authority in decision-making operation in order to decide on the allocation of resources to segment and evaluate their performance. The eliminations and adjustments made in preparing the financial statements of an entity as well as the allocation of ordinary income, expenses, and gains or losses are only taken into account in determining the losses or gains to be submitted by segments if they were included in the value of losses or gains segment used by the highest authority in decision-making operation. Likewise, only be informed, in relation to a particular segment of the assets and liabilities that are included in the valuation of assets and liabilities of this segment used by the highest authority in decision-making operation. If amounts allocated to the losses or profits, assets or liabilities submitted by segments, the allocation will be made according to a criterion of reasonable distribution.

26. If the highest authority in decision-making operating only used a value of the losses or gains from one segment operating or their assets or liabilities in evaluating the performance of the segments and decide on the allocation of resources, loss or earnings, assets and liabilities of the segments are submitted in accordance with that value. If the highest authority in decision-making operation using different values of losses or gains from one segment operating or their assets or liabilities, will disclose the values that, in the opinion of management, have been obtained pursuant to valuation principles that are consistent with those used in the financial statements of the entity.
27. The entity will explain the values of losses or profits, assets and liabilities of each segment to segment on which he is required to report. At least, entities disclose the following:
- (a) The criteria for accounting for any transactions between segments on the need to inform.
  - (b) The nature of any differences between the values of the profit and loss segments on the need to inform and gains or losses of the entity, before taking into account spending or income tax on earnings and Discontinued Operations (if not plausible reconciliations clearly outlined in paragraph 28). These differences could include accounting policies and methods of allocation centralized that is necessary for the understanding of the information disclosed segmented.
  - (c) The nature of any differences between the values of the assets of the segments on the need to inform and assets of the entity (if not appear clearly in the reconciliations set out in paragraph 28). These differences could include accounting policies and methods used in conjunction asset allocation that is necessary to understand the information disclosed segmented.
  - (d) The nature of any differences between the values of the liabilities of the segments on the need to inform and liabilities of the entity (if not appear clearly in the reconciliations set out in paragraph 28). These differences could include accounting policies and methods of allocation of liabilities used together that is necessary to understand the information disclosed segmented.
  - (e) The nature of any changes compared to previous years in the evaluation criteria used to determine the losses or gains made by segments and the effect, if any, such changes in the value of the losses or gains segments.
  - (f) The nature and effect of any asymmetric allocations to the segments on the need to inform. For example, an entity could allocate depreciation costs by assigning a segment without the corresponding depreciable assets.

## **Reconciliations**

28. The entities provide all reconciliations following:

- (a) The total revenue regular segments on the need to inform ordinary income of the entity.
- (b) The total value of losses or gains segments on the need to report profits or losses of the entity, before taking into account the expense (income) taxes and discontinued operations. However, if an entity allocated to segments on the need to report such items as spending (income) tax, you can reconcile the total value of losses or gains segments with gains or losses of the entity after taking into account such concepts.
- (c) The total assets of the segments on the need to inform the assets of the entity.
- (d) The total liabilities of the segments on the need to inform with liabilities of the entity, if there is the liabilities of the segments in accordance with paragraph 23.
- (e) The total amounts of any other significant item submitted by segments on the need to inform the appropriate amount for the entity.

All items meaningful reconciliation will be identified and described separately. For example, it will identify and describe separately the amount of all significant adjustment is necessary to reconcile losses or gains segments on the need to report profits or losses of the entity, which has its origin in the application of different accounting policies.

## **Restatement of previously disclosed information**

29. If an entity change the structure of its internal organization, so that the composition of the segments on which it shall report to be amended, the information from prior periods, including interim periods, should be restated, unless it is not available the necessary information and its cost of production becomes excessive. The determination about whether the information is not available and its cost of production is excessive must be made with reference to each individual element of disclosure. Following a change in the composition of the segments of an entity over which should inform the entity must disclose whether it has restated the corresponding segmented information from previous years.
30. If an entity has changed the structure of its internal organization so that the composition of the segments on which it shall report has been amended and segmented information from previous years, including interim periods, has not been restated to reflect the change is undertaken, in the year that such a change occurs, disclose information

segmented the current financial year under both the previous segmentation approach as the new, except it lacks the necessary information and its cost of production becomes excessive .

### **Disclosure regarding the entity as a whole**

31. Paragraphs 32 to 34 apply to all entities subject to this IFRS, including those with only one segment on which he is required to report. The business activities of some entities are not organized according to their different products or services or in terms of different geographical areas in which they operate. It is possible that the segments on the need to inform in an entity such submit regular income from a wide range of products and services very different or more such segments offer essentially the same products and services. Likewise, it is possible that an entity segments on the report have to be active in different geographic areas and submit regular income from customers in different geographic areas or more such segments operating in the same geographic area. The information required in paragraphs 32 to 34 will only be given if not already contained in the information required by the IFRS in connection with segments on the need to inform.

### **Information on products and services**

32. The entities disclose regular income from external customers for each product and service, or each group of similar products and services, except it lacks the necessary information and its cost of production becomes excessive, in which case they should indicate this fact . The amount of regular income are presented based on financial information used in preparing the financial statements of the entity.

### **Information on geographic areas**

33. The entities disclose the following geographic information, except it lacks the necessary information and its cost of production becomes excessive.

(a) regular income from external customers (i) attributed to the country of domicile of the entity and (ii) attributed, in total, all foreign countries in which the entity obtained ordinary income. If ordinary income from external customers attributed to a foreign country in particular are significant, such revenue is disclosed separately. The entities disclose the criteria for allocation to the various countries of the regular income from external customers.

(b) non-current assets other than financial instruments, deferred tax assets, assets relating to post-employment benefits and rights deriving from insurance contracts, (i)

located in the country of domicile of the entity and (ii) located in total in all foreign countries where the institution has assets. If the assets in a foreign country in particular are significant, such assets are shown separately.

The amounts disclosed will be determined according to financial information used in preparing the financial statements of the entity. If you do not have the necessary information and its cost of production becomes excessive, it disclose that fact. Institutions may provide, in addition to the information required by this paragraph, subtotals for the geographic information by groups of countries.

### **Information on key customers**

34. The entities will provide information on the extent to which depend on their main customers. If ordinary income from transactions with a single external customer representing 10% or more of their ordinary income, the entity shall disclose that fact, as well as the total regular income from each of these clients and the identity of the segment or segments reveal that those revenues. Entities not need to disclose the identity of customers or the significant amount of regular income from the same in each segment. For the purposes of this IFRS, a group of entities, according to data available to the reporting entity, are under common control shall be deemed a single client, also a government (national, regional, provincial, territorial, local or foreign) and the entities, according to data available to the reporting entity, is supervised by the government, are considered a single client.

### **Transition and Effective Date**

35. Entities apply the IFRS in its annual financial statements for the years beginning on or after January 1, 2009. It allows its early implementation. If an entity applies the IFRS in its financial statements for a year prior to January 1, 2009, disclose that fact.
36. The segmented information from previous years to be disclosed for comparison purposes with respect to initial implementation, must restate in a way that meets the requirements of the IFRS, except it lacks the necessary information and its cost of production becomes excessive.

### **Repeal of IAS 14**

37. This replaces IFRS IAS 14 financial information by segment.

## **Appendix A**

### **Definitions of Terms**

**This appendix is an integral part of IFRS.**

#### **Segment Operating**

A segment of exploitation is a component of an entity:

(a) that develops business activities from which you can get regular income and incur crimping (including ordinary income and expenses portion with other components of the same entity);

(b) whose operating results are reviewed on a regular basis by the highest authority in decision-making base of the entity to decide on resources to be allocated to the segment and assess their performance.

(c) in relation to which information is available financial differentiated.

## Appendix B

### Amendments to other IFRS

The amendments contained in this Appendix shall apply for annual periods beginning on or after January 1, 2009. If an entity applies the IFRS in a prior period, the amendments also apply to this exercise. In paragraphs modified, the new text underlined and deletions, ~~strikeout~~.

B1 References to IAS 14 financial information by segment, become references to IFRS 8 Segments exploitation, in the following paragraphs:

- paragraph 20 of IAS 27 Consolidated Financial Statements and separated
- paragraph 130 (d) (i) of IAS 36 Impairment of Assets.

B2 In IFRS 5 Non-current assets held for sale and discontinued operations, paragraph 41 is amended as follows:

41 An entity disclosed in the notes the following information concerning the exercise in which non-current assets (or group of alienable elements) has been classified as held for sale or sold:

...

(d) if applicable, the segment on which he is required to report within which presents the non-current assets (or group of alienable elements), in accordance with ~~IAS 14 financial information by segment~~ IFRS 8 Operating Segments.

B3 In IFRS 6 Exploration and evaluation of mineral resources, paragraph 21 be amended as follows:

**21 The entity will establish an accounting policy to distribute the exploration and evaluation assets in cash generating units or groups of cash generating units, with a view to ascertaining whether such assets have suffered a deterioration in their value. Each cash-generating unit, or group of units to which they charged an active exploration and evaluation may not be greater than one segment, ~~either according to the presentation format of the primary or secondary entity, segment operating determined according with IAS 14 financial information by segment~~ IFRS 8 Operating Segments.**

B4 In existing IAS 2, paragraphs 26 and 29 are amended as follows:

26 For example, within the same entity, stocks used in a segment ~~of the business~~ of exploitation can have a use other than that given to the same type of stocks, in another segment ~~of the business~~ of exploitation. Notwithstanding the foregoing, the difference in the geographical location of stocks (or tax rules) is not, by itself, sufficient grounds to justify the use of different formulas cost.

29 Generally, the lowering of the value reaching the net realizable value is calculated for each item of stock. In some circumstances, however, might be appropriate to group similar or related items. This may be the case of stock items related to the same line of products, which have similar purposes or end-uses, are produced and sold in the same geographical area and cannot be, for practical reasons, evaluated separately from other items the same line. It will not be appropriate to undertake the sales value from items that reflect complete rankings of stocks, for example on all finished products, or on all stocks ~~in a certain geographic segment~~ or a segment operating determined. Service providers accumulate, generally, their costs for each service for

which they wait to load a price separately to the customer. Therefore, each service is identified and treated as a separate item.

B5 In IAS 7 State of cash flows, paragraph 50 be amended as follows:

50 It may be relevant to users, meet certain additional information about the entity to help them understand their financial position and liquidity. Therefore, it is advisable to entities that publish, along with a review of management, information such as the following:

...

(d) the amount of cash flows by operating activities, investing and financing, which come from each of the business segments and geographic considered for preparing financial statements on which it shall report (see IAS 14, Segments financial information by IFRS 8 Segments exploitation).

B6 In IAS 19 employees, the example of paragraph 115 is amended as follows:

Example illustrative of paragraph 115

An entity definitely interrupted the operation of a business segment operating, so that employees will not get the same benefits and additional ...

B7 In IAS 33 Earnings per share, paragraph 2 was replaced by the following:

2 This Standard applies

(a) the separate financial statements of an entity or individual:

(i) whose ordinary shares or ordinary shares are traded on a potential public market (whether a stock exchange or foreign national or an unorganized market, including local and regional markets), or

(ii) to register, or is in the process of registering, its financial statements in a securities commission or other regulatory organization, in order to issue ordinary shares in a public market;

(b) to the consolidated financial statements of a group with a dominant entity:

(i) whose ordinary shares or ordinary shares are traded on a potential public market (whether a stock exchange or foreign national or an unorganized market, including local and regional markets), or

(ii) to register, or is in the process of registering, its financial statements in a securities commission or other regulatory organization, in order to issue ordinary shares in a public market.

B8 In IAS 34 interim financial report, paragraph 16 be amended as follows:

16 The entity must include at least in the notes to the interim financial information, information that follows wherever of relative importance and has not been offered anywhere else in the intermediate stages. This information should be provided taking into account the time elapsed since the beginning of the accounting period. However, the entity must also disclose information about the events or transactions that are significant to understanding the last interim accounting period:

...

(g) the following information for each segment ~~ordinary income and results of the business or~~

~~geographical segments in which the company operates, whichever is the main format used by the company to develop its segmented information~~ (required to disclose information only if intermediate segmented IAS 14, financial information by Segments IFRS 8 Segments of exploitation, forced the institution to disclose information segmented in their annual financial statements):

- (i) regular income from external customers, if they were included in the value of losses or gains segments reviewed by the highest authority in decision-making operating or provide the same otherwise regularly;
- (ii) the ordinary income inter - segments, if included in the value of losses or gains segments reviewed by the highest authority in decision-making operating or provide the same otherwise regularly;
- (iii) the value of losses or gains segments;
- (iv) the total assets which have seen a significant change with respect to the amount indicated in recent annual financial statements;
- (v) a description of the differences, regarding recent annual financial statements, in the view of segmentation or valuation losses or gains segments;
- (vi) the reconciliation of the total value of losses or gains segments on the need to report profits or losses of the entity before taking into account the expense (income) taxes and discontinued operations, but if an entity allocated to segments on the need to inform concepts such as spending (income) tax, you can reconcile the total value of losses or gains segments with gains or losses after taking into account such concepts; Significant reconciling items are identified and described separately in this reconciliation.

...

B9 IAS 36 Impairment of Assets is amended as indicated below:

Paragraph 80 is amended as follows:

80 For the purpose of checking the deterioration of value, goodwill acquired in a business combination will be distributed from the date of acquisition, between each of the cash generating units or groups of cash generating units of the acquiring institution, The expected benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units or groups of units. Each unit or group of units to be distributed among the goodwill:

...

(b) shall not be longer than a segment of the primary or secondary operating entity, certain determined in accordance with IAS 14 financial information by segment IFRS 8 Operating Segments.

Paragraph 129 is amended as follows:

An entity 129 Disclosing segmented according to ~~IAS 14 financial information by segment~~ IFRS 8 Operating Segments, disclose, for each of the segments on the need to inform main, as follows:

In paragraph 130, (c) (ii), and the letter (d) (ii) shall be amended as follows:

130 (c) (ii) whether the entity submit information segmented according to IAS 14 IFRS 8, the segment on which he is required to report to which the main asset.

(d) (ii) the amount of impairment loss of value recognized or reversed in the exercise, for each asset class and, if the entity submit information segmented according to IAS 14 IFRS 8, for each segment on which must inform and main information;