



IFRS Today

Our series on the most topical issues in IFRS® Accounting Standards and financial reporting

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“If regulators weren’t already paying attention to your segment analysis, they will be now.”

VIDEOTRANSSCRIPT

IFRIC® agenda decisions – Segment reporting

Brian O’Donovan
KPMG Global IFRS and Corporate Reporting Leader,
and IFRS Interpretations Committee member

In July, the International Accounting Standards Board agreed to issue the Committee’s final agenda decision on operating segments

That’s the one about what items of revenue and expense you need to disclose for each of your reportable segments

Now, I expect that this agenda decision will lead to some changes in practice. So let’s take a look at the key question

Exactly what do you need to include in your segment note?

Your segment note

The Committee considered two questions. They both relate to the requirement in IFRS 8 – that’s the IFRS accounting standard on segment reporting – to disclose specified items of revenue and expense.

The first question is “Do you have to disclose specified items listed in IFRS 8 even if they’re not reviewed by the chief operating decision maker?”

And the second question is “How do you identify the additional material items that IFRS 8 says you should disclose?”

Disclosing items not reviewed separately by the CODM

The first question is about when you need to disclose specified revenue and expense amounts for each reportable segment.

The Committee said you need to disclose each specified item if the amounts are either regularly provided to the chief operating decision maker or are included in arriving at the segment measure of profit or loss that is reviewed by the chief operating decision maker.

That's a long sentence, so let's take a simple example.

The segment measure of profit or loss reviewed by the chief operating decision maker is net profit.

You charge depreciation and amortisation in arriving at net profit, but you don't report those amounts separately to the chief operating decision maker.

Well, the Committee decision essentially means that you should include those amounts – depreciation and amortisation – in your segment note.

Now this might sound straightforward – it might look as if it's clear from the standard – but I'm not sure that all companies are actually doing this in practice.

Identifying material items of income and expense

The second question is much trickier.

The list of specified items includes, and I quote, "material items of income and expense."

What does this really mean?

One very narrow view is that it's asking you just to disclose unusual items.

This would be in line with the equivalent requirement in US GAAP, but the Committee noted that IFRS Accounting Standards don't have a concept of unusual items, so that can't quite be the answer.

A different – very broad – view is that you disclose for each segment every item of income and expense, together with all the related note information.

Everything but the kitchen sink.

Well, the Committee felt this wouldn't make much sense given the wording of IFRS 8, so that's probably not the answer either.

Instead, you're somewhere in the middle.

You need to apply judgement to decide what to disclose and, in making that judgement, things to consider include the core principle of IFRS 8 and materiality assessed at the level of the financial statements, considering both qualitative and quantitative factors.

There's a more detailed list of things to consider in the agenda decision, which you should definitely read, but the key word is judgement.

Next steps

This is a final agenda decision.

It's available on the [IFRS Foundation website](#) today.

If regulators weren't already paying attention to your segment analysis, they will be now.

So take a look and see if your segment note needs to be updated.

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