IFRS 8
Operating segments

1. Objective

This Standard requires an entity to disclose information that will enable users of its financial statements to evaluate the nature of its business activities and their financial effects, as well as information concerning the economic environments in which the entity operates.

The Standard applies to financial statements of an entity, whether separate or consolidated, when the entity has debt instruments or equity instruments which are traded in a public market or when financial statements are filed with a securities commission or other regulatory organization.

2. Scope

An operating segment is a component of a company:

- that is engaged in activities generating revenues and incurring expenses,
- whose operating results are regularly reviewed by the entity are subject to decisions by the entity's chief operating decision maker,
- for which discrete financial information is available.

The segments to be presented separately are identified based on the internal reporting used by the "chief operating decision maker" to make decisions about resources to be allocated and assess performance, and that exceed the quantitative threshold set at 10% or more of the combined revenue, profits, losses and assets.

Example 1: Which people or bodies might be the "chief operating decision maker"?

Supervisory Board	NO (because it is only in charge of oversight)
CIO	YES
Board of Directors	NO (because by its scope, the Board is in charge of defining the strategic guidelines but not implementing them)
Geographical area managers	NO (because their function is not carried out for the entity as a whole)
The heads of one or several business lines	NO (same as above)

It is possible to aggregate certain operating segments if these segments:

- have similar economic characteristics (which in general is demonstrated through similar long-term financial performance)

And

- are similar based on the following criteria (cumulative)
- the nature of the products and services,
- the nature of the production processes,
- the type or class of customers,
- the methods used to distribute the products or to provide the services,
- and if applicable, the nature of the regulatory environment (e.g. banking sector, insurance, etc.)

The total of the cumulative revenue of all of the defined segments must reach a minimum of 75% of the entity's comprehensive revenue. The segments not exceeding the thresholds may be presented as an unallocated reconciling item: "other operating segments"
The entity may not invoke trade secrets or information prejudicial to the entity as a reason for not presenting its operating segments.

Exemple 2 :

	Sector 1	**Sector 2**	**Sector 3**	**Other sectors**	**Total and reconciliation with the accounts (*)**
Revenue from ordinary activities	100,000	45,000	10,000	20,000	175,000
Gross margin	70,000	12,000	8,000	10,000	100,000
Profit for the reporting period	3,000	-500	3,500	1,000	7,000
Total assets	150,000	70,000	20,000	28,000	268,000
Net cash position	14,000	-1,500	5,000	2,500	20,000

(*) this example is the sequel to the example given for IAS 1

3. Disclosure

An entity must disclose the following information:

- general information such as the factors used to identify the segments and the types of products and services generating revenues from each of the segments, it should in particular set out the factors used to identify its operating segments;
- information on segment profit or loss, assets and the liabilities, including:
  - ✓ revenues from external customers or transactions with other operating segments of the same entity, interest revenue and expenses, depreciation, amortization, income tax expense or income;
  - ✓ the carrying amount of equity interest in associates and joint ventures accounted for by the equity method;
  - ✓ the amounts of additions to non-current assets and deferred tax assets.
- reconciliations between the total of the income and the results of the reporting segments and the total of the income and the results of the entity;
- a reconciliation between the total of the assets of the reporting segments and the total assets of the entity.

In the event of changes in the structure or the organization of the entity resulting in a change to the composition of its segments, the corresponding information for the previous reporting period must be restated. Information on revenues from external customers for products and services, on the geographical areas and on major customers, must be provided by the entity if they are not provided as part of the segment information disclosures.

Note: in the context of periodic improvements carried out by the IASB and adopted by the EU on 17 December 2014, it is necessary from now on for the management to justify decisions on the application of criteria used to group the entity's business segments. Furthermore, a reconciliation must be produced between the total assets of the segments and the total assets of the entity.