
IASB[®] meeting

Date	July 2024
Project	Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)
Topic	Finalisation of agenda decision
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Purpose of the meeting

1. At its June 2024 meeting, the IFRS Interpretations Committee (Committee) decided not to add a standard-setting project to the work plan in response to a submission about how an entity applies the requirements in paragraph 23 of IFRS 8 *Operating Segments* to disclose for each reportable segment specified amounts related to segment profit or loss. The Committee instead decided to finalise an agenda decision.
2. The purpose of this meeting is to ask the International Accounting Standards Board (IASB) members whether they object to the agenda decision, as required by paragraph 8.7 of the IFRS Foundation [Due Process Handbook](#).

Background

3. [Agenda Paper 4](#) for the Committee's November 2023 meeting reproduces the submission and provides the staff's initial consideration of the matter.
4. There are two main aspects to the submitter's questions:
 - (a) the requirements of paragraph 23 of IFRS 8 to disclose, for each reportable segment, specified amounts included in segment profit or loss reviewed by the chief operating decision maker (CODM); and

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- (b) the meaning of ‘material items of income and expense’ in the context of paragraph 97 of IAS 1 *Presentation of Financial Statements* as referenced in paragraph 23(f) of IFRS 8.
5. Regarding the matter in paragraph 4(a) of this paper, the Committee observed that paragraph 23 of IFRS 8 requires an entity to disclose the specified amounts for each reportable segment when those amounts are:
- (a) included in the measure of segment profit or loss reviewed by the CODM, even if they are not separately reviewed by the CODM, or
- (b) regularly provided to the CODM, even if they are not included in the measure of segment profit or loss.
6. Regarding the matter in paragraph 4(b) of this paper, the Committee observed that when IAS 1 refers to materiality, it is in the context of ‘information’ being material. An entity applies judgement in considering whether disclosing, or not disclosing, information in the financial statements could reasonably be expected to influence decisions of users of those financial statements.
7. The Committee’s tentative view was that, in applying paragraph 23(f) of IFRS 8, an entity:
- (a) applies paragraph 7 of IAS 1 and assesses whether the disclosure of information is material in the context of its financial statements taken as a whole;
- (b) applies the requirements in paragraphs 30–31 of IAS 1 in considering how to aggregate information in the financial statements;
- (c) considers both qualitative and quantitative factors, representing the nature or magnitude of information, or both, in assessing whether an item of income and expense is material; and
- (d) considers an item of income and expense for disclosure without regard to whether that item is presented or disclosed applying a requirement in IFRS Accounting Standards other than paragraph 97 of IAS 1.

8. The Committee tentatively concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to apply the disclosure requirements in paragraph 23 of IFRS 8. Accordingly, the Committee tentatively decided not to add a standard-setting project to the work plan.
9. In December 2023, the Committee published for comment its [tentative agenda decision](#), setting out its conclusion and the technical analysis supporting that conclusion.

Feedback on the tentative agenda decision

10. The Committee received 27 [comment letters](#) on its tentative agenda decision. [Agenda Paper 2](#) for the Committee's June 2024 meeting summarises the comments and sets out our analysis of those comments.
11. Regarding the Committee's observation set out in paragraph 5 of this paper, almost all respondents agreed or did not comment.
12. Regarding the Committee's observations set out in paragraphs 6–7 of this paper, respondents' views were mixed: eight respondents agreed, eighteen disagreed and one did not comment.
13. Respondents that disagreed with the tentative agenda decision primarily had concerns in two areas:
 - (a) interaction between paragraphs 97 and 98 of IAS 1; and
 - (b) segment-level statement of profit or loss.

Interaction between paragraphs 97 and 98 of IAS 1

14. Many respondents that disagreed with the tentative agenda decision said paragraph 97 of IAS 1 is applied in the context of paragraph 98 of IAS 1, and the tentative agenda decision omitted to explain this interaction. Some of those respondents said

application of IFRS 8 has developed based on an understanding that the requirements in the Standard are converged with those of the US GAAP equivalent standard, and accordingly, paragraph 23(f) of IFRS 8 is applied by interpreting ‘material items’ to mean ‘unusual items’.

Segment-level statement of profit or loss

15. Many respondents that disagreed with the tentative agenda decision said the wording in the tentative agenda decision could be interpreted as requiring an entity to disclose a full statement of profit or loss for each reportable segment. Many of those respondents said that if their interpretation is correct—that is, an entity is required to disclose a full statement of profit or loss for each reportable segment—they would recommend referring the submitter’s questions about paragraph 23(f) of IFRS 8 to the IASB for further consideration.
16. A few respondents suggested their concerns could be resolved if a final agenda decision was to state that paragraph 23(f) of IFRS 8 does not require disclosure of a statement of profit or loss for each reportable segment.

The Committee’s discussion and conclusion

17. The Committee considered the comments received on its tentative agenda decision at its June 2024 meeting.
18. In response to comments about the interaction between paragraphs 97 and 98 of IAS 1, the Committee:
 - (a) affirmed its observation set out in paragraph 7(c) of this paper that an entity considers both qualitative and quantitative factors in assessing whether information about an item of income and expense is material. Accordingly, material items are not limited to unusual items. The Committee made clarifying changes to the wording of the agenda decision on this point.

- (b) revised the wording of its observation set out in paragraph 7(d) of this paper to clarify that an entity, in applying paragraph 23(f) of IFRS 8, considers circumstances including, but not limited to, those in paragraph 98 of IAS 1. This revision better explains the interaction between paragraphs 97 and 98 of IAS 1 without inappropriately limiting the circumstances an entity considers in determining material items of income and expense to disclose for each reportable segment.
19. In response to the comments summarised in paragraphs 15–16 of this paper, the Committee added to the agenda decision an observation that paragraph 23(f) of IFRS 8 does not require an entity to disclose by reportable segment each item of income and expense presented in its statement of profit or loss or disclosed in the notes. In determining information to disclose for each reportable segment, an entity applies judgement and considers the core principle of IFRS 8—which requires an entity to 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.
20. The Committee refined other aspects of the agenda decision wording in response to matters raised in comment letters.
21. Twelve of 13 Committee members present voted to finalise the agenda decision. The appendix to this paper includes the wording of the agenda decision approved by the Committee.

Questions for the IASB

Do you object to the Committee's:

- a. decision not to add a standard-setting project to the work plan?
- b. conclusion that the agenda decision does not add or change requirements in IFRS Accounting Standards?

Appendix—the agenda decision

A1. The agenda decision below was approved by the Committee at its June 2024 meeting.

Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 *Operating Segments*)

The Committee received a request about how an entity applies the requirements in paragraph 23 of IFRS 8 to disclose for each reportable segment specified amounts related to segment profit or loss.

The request asked:

- a. whether an entity is required to disclose the specified amounts in paragraph 23(a)–(i) of IFRS 8 for each reportable segment if those amounts are not reviewed separately by the chief operating decision maker (CODM);
- b. whether an entity is required to disclose the specified amounts in paragraph 23(f) of IFRS 8 for each reportable segment if the entity presents or discloses those specified amounts applying a requirement in IFRS Accounting Standards other than paragraph 97 of IAS 1 *Presentation of Financial Statements*; and
- c. how an entity determines ‘material items’ in paragraph 23(f) of IFRS 8. In particular:
 - i. whether ‘material items’ are only those items that are material on a qualitative basis;
 - ii. whether ‘material items’ include amounts that are an aggregation of individual items that are quantitatively immaterial; and
 - iii. whether the materiality assessment is performed at an income statement level (from an overall reporting entity perspective) or at a segment level.

The Committee observed that there are two main aspects to the questions:

- a. the requirements of paragraph 23 of IFRS 8 to disclose, for each reportable segment, specified amounts included in segment profit or loss reviewed by the CODM; and
- b. the meaning of ‘material items of income and expense’ in the context of paragraph 97 of IAS 1 as referenced in paragraph 23(f) of IFRS 8.

Disclosure of specified amounts

Paragraph 23 of IFRS 8 requires an entity to report a measure of profit or loss for each reportable segment and to disclose specified amounts for each reportable segment.

Paragraph 23 sets out specified amounts that an entity is required to disclose for each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the CODM, or are otherwise regularly provided to the CODM, even if not included in that measure of segment profit or loss.

The Committee observed that paragraph 23 of IFRS 8 requires an entity to disclose the specified amounts for each reportable segment when those amounts are:

- included in the measure of segment profit or loss reviewed by the CODM, even if they are not separately provided to or reviewed by the CODM, or
- regularly provided to the CODM, even if they are not included in the measure of segment profit or loss.

Material items of income and expense

Paragraph 23(f) of IFRS 8 sets out one of the required ‘specified amounts’, namely, ‘material items of income and expense disclosed in accordance with paragraph 97 of IAS 1’. Paragraph 97 of IAS 1 states that ‘when items of income or expense are material, an entity shall disclose their nature and amount separately’.

Definition of 'material'

Paragraph 7 of IAS 1 defines 'material' and states 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Paragraph 7 of IAS 1 also states that 'materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole'.

Aggregation of information

Paragraphs 30–31 of IAS 1 provide requirements about how an entity aggregates information in the financial statements, which include the notes. Paragraph 30A of IAS 1 states that 'an entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions'.

Applying paragraph 23(f) of IFRS 8—material items of income and expense

The Committee observed that when IAS 1 refers to materiality, it is in the context of 'information' being material. An entity applies judgement in considering whether disclosing, or not disclosing, information in the financial statements could reasonably be expected to influence decisions users of financial statements make on the basis of those financial statements.

The Committee observed that, in applying paragraph 23(f) of IFRS 8 by disclosing, for each reportable segment, material items of income and expense disclosed in accordance with paragraph 97 of IAS 1, an entity:

- a. applies paragraph 7 of IAS 1 and assesses whether information about an item of income and expense is material in the context of its financial statements taken as a whole;
- b. applies the requirements in paragraphs 30–31 of IAS 1 in considering how to aggregate information in its financial statements;
- c. considers the nature or magnitude of information—in other words, qualitative or quantitative factors—or both, in assessing whether information about an item of income and expense is material; and
- d. considers circumstances including, but not limited to, those in paragraph 98 of IAS 1.

The Committee further observed that paragraph 23(f) of IFRS 8 does not require an entity to disclose by reportable segment each item of income and expense presented in its statement of profit or loss or disclosed in the notes. In determining information to disclose for each reportable segment, an entity applies judgement and considers the core principle of IFRS 8—which requires an entity to 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.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to apply the disclosure requirements in paragraph 23 of IFRS 8.

Consequently, the Committee decided not to add a standard-setting project to the work plan.