

## IFRS 8 - Segment Reporting

As International Financial Reporting Standards (IFRS) rolls out across the globe, one particular statement was due for adoption this year (excluding Canada, where adoption will commence January 1, 2011 - refer to our quarterly for 2007 Q4); IFRS statement 8 which deals with reporting of *operating segments*.

The International Accounting Standards Board (IASB,) in co-ordination with the US Financial Accounting Standards Board (FASB), developed IFRS statement 8, which adopts the management approach to segment reporting as set out in SFAS131 of US GAAP. As a result, the information disclosed for internal management segment reporting may differ from financial reporting results set out in the financial statements. IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the income statement and balance sheet.

The basis of the statement requires that *listed entities* must report financial information on the basis that it is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. In particular IFRS 8:

- requires identification of operating segments based on 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.
- includes a component of an entity that sells primarily or exclusively to other operating segments of the entity in the definition of an operating segment if the entity is managed that way.
- requires the amount of each operating segment item reported to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.
- requires reconciliations of total reportable segment revenues, total profit or loss, total assets, total liabilities and other amounts disclosed for reportable segments to corresponding amounts in the entity's financial statements.
- requires an explanation of how segment profit or loss and segment assets and liabilities are measured for each reportable segment.
- 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.
- requires an entity to give descriptive information about the way in which 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.

Look for our future editions of the **Odyssey Quarterly** for further discussion on these topics and more. We welcome your feedback; please contact us to share your thoughts and ideas.

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