IFRS Accounting

Staff paper

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IFRS® Interpretations Committee meeting

Date	**June 2024**
Project	**Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)**
Topic	**Comment letters on tentative agenda decision**
Contacts	Jenifer Minke-Girard (jminke-girard@ifrs.org)

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Introduction

1. In November 2023, the IFRS Interpretations Committee (Committee) published a tentative agenda decision 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.

2. The tentative agenda decision sets out the questions asked by the submitter. The Committee observed that there are two main aspects to the questions asked by the submitter:

   (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

   (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.

3. 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 reviewed by the CODM, or when those amounts are regularly provided to the CODM, even if they are not included in the measure of segment profit or loss.

4. 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.

5. The Committee observed 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.

6. 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 tentatively decided not to add a standard-setting project to the work plan and instead published the tentative agenda decision.

7. The objective of this paper is:

   (a) to analyse comments on the tentative agenda decision; and

(b) to ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

Structure of this paper

8. This paper includes:

   (a) comment letter overview;

   (b) comment letter summary and staff analysis related to:

      (i) disclosing specified amounts for each reportable segment; and

      (ii) material items of income and expense applying paragraph 23(f) of IFRS 8;

   (c) amendments to IFRS 8 resulting from the issuance of IFRS 18;

   (d) other comments;

   (e) staff recommendation; and

   (f) questions for the Committee.

9. Appendix A sets out the proposed wording of the final agenda decision.

10. Appendix B provides selected excerpts from IFRS 8 and IAS 1.

11. Appendix C provides selected excerpts from IFRS 18 *Presentation and Disclosure in Financial Statements*, and its consequential amendments to IFRS 8, issued in April 2024.

Comment letter overview

12. We received 27 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our website.[1] This

[1] At the date of posting this agenda paper, there were no late comment letters.

agenda paper includes analysis of only the comment letters received by the comment letter deadline.

13. We received comments from:

Type of respondent	Number commenting
National accounting standard-setters	9
Accounting practitioners:	
- International accounting firms	7
- Others	3
Securities regulators	2
Accountancy professional bodies	3
Preparers of financial statements	3
Total	**27**

14. A summary of the comment letters on the tentative agenda decision, and our analysis of those comment letters, are presented in two sections in this paper:

(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 applying paragraph 23(f) of IFRS 8.

Disclosing specified amounts for each reportable segment

15. The Committee's observation reproduced in paragraph 3 of this paper relates to the requirements of paragraph 23 of IFRS 8 for an entity to disclose, for each reportable segment, specified amounts included in segment profit or loss reviewed by the

CODM. In this paper, we refer to that observation as ‘the first part’ of the tentative agenda decision.

Respondents’ comments

16. Fifteen respondents agree with the first part of the tentative agenda decision. These respondents include the securities regulators, most of the national accounting standard-setters, and some of the accounting practitioners and accountancy professional bodies.

17. Eleven respondents do not comment on the first part of the tentative agenda decision.

18. ABRASCA, a group of preparers, disagrees with the first part of the tentative agenda decision. This respondent says there is a ‘perceived conflict’ with the considerations of the IASB that were set out in a 2017 Exposure Draft to amend IFRS 8[2] and recommends referring this matter to the IASB. This respondent highlights paragraph BC28 of the Basis for Conclusions on the 2017 Exposure Draft which states [emphasis added by the respondent]:

> Paragraphs 23 and 24 of IFRS 8 require the disclosure of a number of items for each reportable segment, **if** the specified amounts are reviewed by, or are regularly provided to, the chief operating decision maker.

19. IOSCO, a group of securities regulators, agrees with the first part of the tentative agenda decision but provides a drafting suggestion to enhance understandability and to emphasise certain key aspects of the analysis. This respondent recommends separating, in a final agenda decision, the articulation of the requirement for an entity to disclose specified amounts for each reportable segment into its component parts.

[2] In March 2017 the IASB published the Exposure Draft *Improvements to IFRS 8 Operating Segments—Proposed amendments to IFRS 8 and IAS 34* to address the findings from the Post-implementation Review of IFRS 8.

Staff analysis

20. The proposed amendments included in the 2017 Exposure Draft referenced by ABRASCA were not finalised. The IASB closed the project in February 2019 and published a project summary setting out the IASB's rationale for not proceeding with those proposed amendments. Those proposed amendments are therefore not relevant to our analysis of paragraph 23 of IFRS 8.

21. The drafting suggestion recommended by IOSCO would affect a paragraph in the tentative agenda decision that sets out the requirements in paragraph 23 of IFRS 8. Rather than change that paragraph, we recommend incorporating that drafting suggestion into the paragraph in the agenda decision that reflects the Committee's observations about that requirement. Appendix A to this paper sets out the proposed amendments to the wording.

Material items of income and expense applying paragraph 23(f) of IFRS 8

22. The Committee's observations reproduced in paragraphs 4–5 of this paper relate to the meaning of 'material items of income and expense' in paragraph 23(f) of IFRS 8. In this paper, we refer to those observations together as 'the second part' of the tentative agenda decision.

Overview of respondents' comments

23. Eight respondents agree with the second part of the tentative agenda decision. These respondents include the securities regulators, some of the national accounting standard-setters, one accounting practitioner and one accountancy professional body.

24. One respondent, a group of preparers, does not comment on the second part of the tentative agenda decision.

25. Eighteen respondents disagree with the second part of the tentative agenda decision. These respondents include almost all the accounting practitioners, some national accounting standard-setters, some groups of preparers and some accountancy professional bodies.

26. We present respondents' comments on the second part of the tentative agenda decision in the following sections:

    (a) evidence of diversity in application;

    (b) interaction between paragraphs 97 and 98 of IAS 1;

    (c) segment-level statement of profit or loss; and

    (d) suggestions for standard-setting.

Evidence of diversity in application

Respondents' comments

27. Two groups of preparers and one national standard-setter say they disagree with the second part of the tentative agenda decision because they are not convinced there is diversity in the application of paragraph 23(f) of IFRS 8. They recommend that the Committee not proceed to publish a final agenda decision that includes a technical analysis of the requirements of paragraph 23(f) of IFRS 8. In particular:

    (a) the Accounting Standards Committee of Germany (the DRSC) says that, in its constituency, few disclosures are provided in the application of paragraph 23(f) of IFRS 8, suggesting that 'items of income and expense' tend to be considered immaterial, and there is no considerable diversity in practice.

    (b) SwissHoldings says the Committee should decline to take the matter onto its agenda on the basis that the matter does not have widespread effect and does not have, nor is expected to have, a material effect on those affected.

(c) BusinessEurope says none of its members has indicated that there are particular difficulties involved with applying the materiality criteria in paragraph 23(f) of IFRS 8.

28. However, other respondents indicate diversity in application does exist. These respondents include two that disagree, and one that agrees, with the second part of the tentative agenda decision. For example:

(a) Mazars says:

> … we acknowledge that divergence in practice may exist in the information content provided at reporting segment level (that should be read in conjunction with the income statement) between different entities. This is obviously driven by the "management approach" required by IFRS 8, but also by diversity in the implementation of some IFRS 8 requirements, because of divergences in the understanding of these requirements among issuers, or different judgements exercised. …

(b) EY says 'as we and others highlighted previously in response to the Staff's request for information prior to the IFRS IC November meeting, established practice suggests that different interpretations of IFRS 8.23(f) are acceptable.'

(c) the Johannesburg Stock Exchange (JSE) says finalising the tentative agenda decision 'will both address divergent accounting practices that exist in our market and potentially better service investor needs'.

Staff analysis

29. As we summarised in [Agenda Paper 4 from November 2023](), the findings from our previous information request indicated that the identified matters about 'material items of income and expense' in the context of paragraph 23(f) of IFRS 8 are common (or widespread) and have, or are expected to have, a material effect on those affected. Those findings also provided evidence of observed diversity in the application of paragraph 23(f) of IFRS 8.

30. In our view, the comments on the tentative agenda decision support the findings from the previous information request. Most respondents to the tentative agenda decision did not comment on, or question the existence of, the widespread effect of this matter and diversity in practice. While some respondents from Europe say they do not observe diversity in their jurisdictions, other respondents, including international accounting firms, noted evidence of divergent practice.

Interaction between paragraphs 97 and 98 of IAS 1

Respondents' comments

31. Many of the eighteen respondents that disagree with the second part of the tentative agenda decision say paragraph 97 of IAS 1 is applied in the context of paragraph 98 of IAS 1, and the tentative agenda decision omits to explain this interaction. These respondents say paragraph 98 of IAS 1 provides examples of when an item is a 'material item' in paragraph 97 of IAS 1. Some of these respondents also say that, in the context of those examples in paragraph 98, the reference to 'material items' in paragraph 23(f) of IFRS 8 should be read as 'unusual items' or items that are not normal in day-to-day operations. For example:

(a) PricewaterhouseCoopers International Limited (PwC) says:

> In our view, by considering paragraphs 97 and 98 of IAS 1 together, an item needs to arise from material circumstances or events that are not considered to be part of the usual day-to-day operations of the entity to be considered material for segment disclosure by paragraph 97 of IAS 1. This is different from the standard 'material' and 'aggregation' principles referenced by the Committee in the TAD. …

(b) The Institute of Chartered Accountants of India (ICAI) says (emphasis added by respondent):

> Paragraph 97 of IAS 1 lays down the main principle (objective) and paragraph 98 provides further guidance with regard to items that may qualify for disclosure under paragraph 97. Therefore, a combined reading of these paragraphs in this regard is essential. Paragraph 98 of IAS 1 provides list of items and

circumstances that are typically considered unusual or infrequent in nature. We understand that the list is non-exhaustive in nature and there can be other items, but of the **similar nature**. …

(c) FAR, the Institute for the Accountancy Profession in Sweden, says 'material items' in this context is close to the meaning of 'unusual items' and not items from normal day-to-day operations of the entity. This respondent says 'Swedish practice is far from unique in this sense.'

32. One respondent, David Hardidge, says 'material items' are not limited to unusual items. This respondent says 'material under IFRS 8 paragraph 23(f) is usually linked to large items already disclosed (e.g. impairments), as well as 'unusual items'—often separately identified and disclosed by the company.'

33. A few respondents provide drafting suggestions for bullet point (c) in the tentative agenda decision (reproduced in paragraph 5(c) of this paper) about 'qualitative and quantitative factors'. These respondents include one that disagrees, and one that agrees, with the second part of the tentative agenda decision. In particular:

(a) BusinessEurope suggests clarifying that the terms 'nature or magnitude of information' are used in paragraph 7 of IAS 1, and the terms 'qualitative and quantitative factors' provide explanation of the meaning of 'nature or magnitude of information', rather than the other way around.

(b) IOSCO suggests clarifying that 'qualitative and quantitative factors' include, but are not limited to, those circumstances provided in paragraph 98 of IAS 1, because paragraph 98 of IAS 1 provides examples of 'qualitative factors' to consider.

Convergence with US GAAP

34. Some respondents that disagree with the second part of the tentative agenda decision, including several of the international accounting firms, say 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[3] except as highlighted in paragraph BC60 of the Basis for Conclusions on IFRS 8.[4] These respondents say the US GAAP equivalent paragraph to paragraph 23(f) of IFRS 8 refers to 'unusual items' rather than 'material items', and this wording difference is not mentioned in paragraph BC60. For example:

(a) PwC says:

> We do not expect any significant differences in the disclosure requirements related to segment profit and loss items between these standards. The requirement in paragraph 97 of IAS 1 to disclose income and expense items when they arise from circumstances or events that are not considered to be part of the usual day-to-day operations of the entity is aligned to the requirement in ASC 280-10-50-22. …

(b) KPMG IFRG Limited (KPMG) says:

> Comments from outreach respondents indicate that interpretation of the requirements and their application in practice under IFRS 8 has developed based on the understanding that the requirements are converged with those of the US GAAP equivalent standard … except for the matters highlighted in IFRS 8.BC60 – i.e. both accounting standards require disclosure of 'unusual' items of income and expense within the measure of segment profit or loss. …

(c) FAR says:

> … the reason for the different wording in paragraph 23(f) of IFRS 8 as compared to in ASC 280-10-50-22 f is not an intention for 'material' to be interpreted as broadly as indicated in the TAD. FAR believes the reason for referring to paragraph 97 in IAS 1 is that paragraph 97 and 98 of IAS 1, together, is the closest IFRS Accounting Standards get to the US GAAP term 'unusual'.

[3] The US GAAP equivalent standard is codified in the FASB's Accounting Standards Codification (ASC) Topic 280, Segment Reporting. The paragraph in US GAAP that corresponds to paragraph 23(f) of IFRS 8 is ASC paragraph 280-10-50-22(f) which states 'unusual items as described in paragraph 220-20-45-1'. ASC paragraph 220-20-45-1 refers to 'a material event or transaction that an entity considers to be of an unusual nature or of a type that indicates infrequency of occurrence or both … '.

[4] Paragraph BC60 of the Basis for Conclusions on IFRS 8 states that in developing IFRS 8, the IASB 'included the following differences' from the US GAAP equivalent standard: '(a) … Non-current assets in the IFRS include intangibles … (b) … The IFRS requires disclosure of segment liabilities if such a measure is regularly provided to the chief operating decision maker … (c) … The IFRS requires such an entity [with a matrix form of organisation] to determine operating segments by reference to the core principle of the IFRS … '.

(d) BDO says:

> IFRS 8 became effective for 2009 calendar year-ends, and we observe that nearly 15 years of application of IFRS 8 has resulted in a practice more consistent with requirements in US GAAP, with IFRS 8.23(f) being interpreted to mean qualitatively material items as set out in IAS 1.98, such as inventory writedowns, restructuring provisions, etc.

35. However, a few respondents say they focus on the words of paragraph 23(f) of IFRS 8 as written, which says ‘material items’, not ‘unusual items’. These respondents include one that disagrees, and one that agrees, with the second part of the tentative agenda decision. For example:

(a) the Accounting Standards Board of Canada says:

> At the November 2023 Committee meeting … [s]ome Committee members drew an analogy between the types of items in IAS 1.98 and “unusual items” in US GAAP. They acknowledged that at some point in the past, the respective Boards’ requirements were linked. However, we note that entities would need to comply with the requirements as they are currently written.

(b) the JSE says:

> … Consistent application of IFRS is critical and the best way to achieve this is to focus on the words in the standards. In particular, where the wording is clear, there should not be fall back to the work of other standard setters or to the intention of the standard setter. … IAS 8.11 clearly sets out how to read the standards – we agree with the TAD that US GAAP (and in this context, its wording of ‘unusual‘ items) does not override the wording in IFRS 8. The words should be taken as written, even if consequences are uncomfortable.

Staff analysis

36. The Committee considered the interaction between paragraphs 97 and 98 of IAS 1 when developing the tentative agenda decision. In our view, the wording of the tentative agenda decision does not preclude an entity reading those paragraphs together. Consistent with the Committee’s views in developing the tentative agenda decision, we continue to think that:

(a) the circumstances in paragraph 98 of IAS 1 are examples and not an exhaustive list that overrides or limits the requirement in paragraph 97 of IAS 1. The word 'include' in paragraph 98 of IAS 1 does not mean 'are limited to'.

(b) although the circumstances in paragraph 98 of IAS 1 do not necessarily occur for all entities during every reporting period, at least some of those circumstances are expected to occur at least once, or even more than once, for all or most entities; we do not view those circumstances as 'unusual'. For example, many entities write down inventories, dispose of items of property, plant and equipment or dispose of investments.

37. Although the requirements in US GAAP refer to 'unusual items', the IASB used different words—'material items'—when developing paragraph 23(f) of IFRS 8. In addition:

(a) paragraphs 10–12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply in this case.[5] An entity applies paragraph 23(f) of IFRS 8 with reference to paragraph 97 of IAS 1 and the definition of 'material' in IAS 1. Therefore, in this case, there is not an absence of specific requirements in our Standards that would lead an entity to refer to requirements of other standard-setting bodies, such as US GAAP.

(b) in our view, it is not determinative that paragraph BC60 of the Basis for Conclusions on IFRS 8 does not refer to paragraph 23(f) of IFRS 8 as being different from US GAAP. The Basis for Conclusions summarises the IASB's considerations in developing the Standard and accompanies, but is not part of, the Standard; it does not override the requirements in the Standard.

(c) the definition of 'material' in IAS 1 does not apply only to the application of IFRS 8. The requirements in IAS 1, including the definition of 'material', are applicable to general purpose financial statements, including the notes, as a whole.

[5] Paragraphs 10–12 of IAS 8 provide requirements for an entity to use its judgement in developing and applying an accounting policy in the absence of an IFRS Accounting Standard that specifically applies to a transaction, other event or condition.

(d) an item of income and expense disclosed in accordance with paragraph 97 of IAS 1 can be qualitatively material without being 'unusual'.

38. After considering respondents' comments, we recommend:

(a) revising bullet point (c) in the agenda decision, as recommended by BusinessEurope (see paragraph 33(a) of this paper), to clarify that the terms 'qualitative and quantitative factors' provide explanation of the meaning of 'nature or magnitude of information' in assessing whether an item of income and expense is material.

(b) revising bullet point (d) in the agenda decision to state that an entity considers 'circumstances including, but not limited to, those in paragraph 98 of IAS 1'. We think this revision would better explain 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.

39. Appendix A to this paper sets out the proposed amendments to the wording of the agenda decision.

Segment-level statement of profit or loss

Respondents' comments

40. Many of the eighteen respondents that disagree with the second part of the tentative agenda decision say it could be interpreted as requiring an entity to disclose a full statement of profit or loss for each reportable segment. Many of these respondents say that it is 'bullet point (d)' (reproduced in paragraph 5(d) of this paper) in the tentative agenda decision that leads to this 'wide interpretation', and such an interpretation could have negative consequences. For example, such an interpretation:

(a) is not in line with generally accepted practice or would be a significant change in practice, say the Autorité des Normes Comptables (the ANC), the

Accounting Standards Board of Japan, BusinessEurope, the DRSC, the ICAI, Mazars, PwC, the Swedish Corporate Reporting Board, and SwissHoldings.

(b) would not have been intended by the IASB because such a ‘wide interpretation’ of paragraph 23(f) of IFRS 8 would make disclosure of the other specified amounts in paragraph 23 redundant, say the Accounting Standards Board of Canada, BDO, Deloitte, and KPMG.

(c) might result in unintended consequences, including ‘disclosure overload’, increased costs, or incentives to alter internal reporting, say EY, FAR, KPMG, and SwissHoldings.

(d) could lead to confusion and further application questions, say BusinessEurope, FAR, and Grant Thornton.

41. A few respondents suggest stating in a final agenda decision that paragraph 23(f) of IFRS 8 does not require disclosure of a statement of profit or loss for each reportable segment. These respondents include one that disagrees, and one that agrees, with the second part of the tentative agenda decision. For example:

(a) BusinessEurope says that, if it is the Committee’s view that the segmental reporting does not require all items reported in the statement of profit or loss at entity-level to be analysed by segment, this should be stated clearly.

(b) the JSE says ‘nothing in the TAD implies that the segment report must mechanistically mirror the income statement and its accompanying notes for each reportable segment. … We believe the TAD could make this point more clearly…’

42. A few respondents, including one that agrees, and a few that disagree, with the second part of the tentative agenda decision, provide other drafting suggestions for bullet point (d).

Staff analysis

43. We acknowledge respondents' comments that the second part of the tentative agenda decision, and bullet point (d) in particular, could have unintended consequences if interpreted as requiring an entity to disclose a full statement of profit or loss for each reportable segment in all circumstances. We think the IASB did not intend such a wide interpretation; we agree with respondents' comments (as summarised in paragraph 40(b) of this paper) that the structure of paragraph 23 of IFRS 8 does not support such an interpretation.

44. We recommend adding wording to the agenda decision to state the Committee's observation that paragraph 23(f) of IFRS 8 does not require an entity to disaggregate by reportable segment each item of income and expense presented in its statement of profit or loss. In our view, this addition to the agenda decision would address respondents' concerns while maintaining consistency with the requirements of paragraph 23 of IFRS 8 and of IAS 1.

45. We recommend revising bullet point (d) as discussed in paragraph 38(b) of this paper.

46. Appendix A to this paper sets out the proposed amendments to the wording of the agenda decision.

Suggestions for standard-setting

Respondents' comments

47. Many of the eighteen respondents that disagree with the second part of the tentative agenda decision suggest referring the submitter's questions about paragraph 23(f) of IFRS 8 to the IASB for further consideration. For example:

    (a) KPMG recommends proceeding with only the first part of the agenda decision and referring the other matters to the IASB.

(b) Deloitte suggests referring this matter to the IASB for standard setting, potentially as part of an annual improvements project.

(c) SwissHoldings expresses concerns about changes to widespread practice being introduced via the ‘backdoor’ of an agenda decision and says ‘fundamental changes to disclosures (or accounting requirements) need to go through the full standard setting due process’.

(d) the Accounting Standards Board of Canada says that given the ambiguity around paragraph 23(f) of IFRS 8, including the diversity of interpretations even amongst Committee members, the requirement should be clarified in the Standard.

48. However, one respondent that agrees with the second part of the tentative agenda decision says it has concerns about referring this matter to the IASB for standard-setting. IOSCO says investors place significant reliance on segment information to assess how efficiently and effectively management has discharged its responsibilities. This respondent says ‘a standard-setting project addressing the application of paragraph 23(f) of IFRS 8 could result in a reduction of information provided to users about an entity’s reportable segments. Such an outcome would not achieve the objectives of financial reporting and accordingly we would not be supportive of such an outcome.’

Staff analysis

49. In our view, respondents’ requests for the IASB to undertake standard-setting related to paragraph 23(f) of IFRS 8 are primarily related to the comments summarised in paragraph 40 of this paper—that the tentative agenda decision could be interpreted as requiring an entity to disclose a full statement of profit or loss for each reportable segment. We think our suggested changes to the agenda decision, as discussed in

paragraphs 43–45 of this paper and set out in Appendix A to this paper, will address those comments without the need for standard-setting.[6]

Amendments to IFRS 8 resulting from the issuance of IFRS 18

50. In April 2024 the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 replaces IAS 1 and is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

51. As part of the consequential amendments resulting from the issuance of IFRS 18, the reference to paragraph 97 of IAS 1 in paragraph 23(f) of IFRS 8 is replaced with a reference to paragraph 42 of IFRS 18. Paragraph 98 of IAS 1 corresponds to paragraph B79 of IFRS 18. Selected paragraphs of IFRS 18 are reproduced in Appendix C to this paper.

52. The request to the Committee was based on the requirements in IFRS 8 and IAS 1 before the issuance of IFRS 18, and therefore the agenda decision set out in Appendix A is based on those requirements.[7]

Other comments

53. The following table summarises respondents' comments on other matters together with our analysis of those comments.

Respondents' comments	**Staff analysis and conclusions**
1. Materiality in the context of the financial statements taken as a whole	*We recommend some changes to the agenda decision as set out in Appendix A.*

[6] We separately note that the IASB has a project on operating segments on its reserve list. The IASB's website contains information about the topics that project would aim to research.

[7] As part of our normal practice in preparing annotated editions of the Standards, cross-references within agenda decisions to Standards are annotated to new paragraph numbers where applicable.

Respondents' comments	**Staff analysis and conclusions**
Two respondents, BusinessEurope and IOSCO, suggest changes to the agenda decision regarding materiality in the context of the financial statements taken as a whole (with reference to bullet point (a) in the tentative agenda decision).	We considered the suggested wording changes in drafting the final agenda decision.
2. Aggregation of information in financial statements Deloitte says it is not clear why the tentative agenda decision highlights the requirements in paragraphs 30–31 of IAS 1 in considering how to aggregate information in financial statements, and asks for clarification about how an entity considers those requirements in the context of paragraph 23(f) of IFRS 8.	*We recommend no further action.* We think this comment is addressed by our suggested changes to the second part of the agenda decision set out in Appendix A.
3. Disclosure in the notes Two respondents, the ANC and IOSCO, ask for clarification about how an entity's disclosure of an item of income and expense *in the notes* might affect its disclosure in accordance with paragraph 23(f) of IFRS 8.	*We recommend no action.* We think it is already sufficiently clear in the agenda decision that the financial statements include the notes, and an entity applies judgement in making its disclosures.
4. Disaggregation of expenses on a per-segment basis	*We recommend no further action.* We think these comments are partially addressed by our suggested changes to the

Respondents' comments	Staff analysis and conclusions
Two respondents, David Hardidge and the JSE, say the tentative agenda decision does not address an entity's disclosure of specific types of expenses on a reportable segment basis, such as cost of goods sold, employee expenses, research and development expenses or share-based transactions expenses.	second part of the agenda decision set out in Appendix A. We think it is otherwise already sufficiently clear in the agenda decision that an entity applies judgement in considering how to aggregate and disaggregate information in making its disclosures.
5. References to the Standards Altaf Noor Ali Chartered Accountants suggests adding end notes to the agenda decision to quote the relevant paragraphs of the Standard.	*We recommend no further action.* We think the agenda decision already sufficiently quotes from the Standards.
6. Illustrative Example in paragraph IG3 of the Guidance on implementing IFRS 8 KPMG says that the illustrative example in paragraph IG3 of the *Guidance on implementing IFRS 8* does not include any items of income and expense disclosed in accordance with paragraph 23(f) of IFRS 8 and does not include any explanation as to why.	*We recommend no action.* Illustrative examples do not necessarily illustrate all the requirements of a Standard or explain why particular requirements are not illustrated. Respondents do not request, and we do not recommend, pursuing any changes to paragraph IG3 of the *Guidance on implementing IFRS 8*.

Staff recommendation

54. Based on our analysis, we recommend finalising the agenda decision, with changes from the tentative agenda decision as set out in Appendix A to this paper. In our view,

our recommended changes add clarity to the agenda decision while maintaining its consistency with the requirements of paragraph 23 of IFRS 8 and IAS 1. Consistent with our conclusions in Agenda Paper 4 from November 2023, we continue to think the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine required disclosures applying paragraph 23 of IFRS 8.

55. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Questions for the Committee

Questions for the Committee
1. Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 54 of this paper? 2. Do Committee members have any comments on the wording of the agenda decision in Appendix A? 3. Do Committee members have additional observations they would like to report to the IASB regarding this matter?

Appendix A—proposed wording of the agenda decision

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 that are material on a qualitative basis;

   ii. whether 'material items' include amounts that are an aggregation of individually quantitatively immaterial items; 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

- ~~when those amounts are~~ 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 '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 for how an entity aggregates information in the financial statements, including in 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 of users of those financial statements.

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

a. applies paragraph 7 of IAS 1 and assesses whether an item of income and expense ~~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, in other words, qualitative or quantitative factors, or both, in assessing whether an item of income and expense is material; and

d. considers circumstances including, but not limited to, those in paragraph 98 of IAS 1 ~~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~~.

The Committee observed that paragraph 23(f) of IFRS 8 does not require an entity to disaggregate by reportable segment each item of income and expense presented in its statement of profit or loss.

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.

Appendix B—excerpts from IFRS 8 and IAS 1

B1. We have reproduced below selected excerpts from IFRS 8 and IAS 1.

B2. Paragraph 23 of IFRS 8 states:

> An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:
>
> (a) revenues from external customers;
>
> (b) revenues from transactions with other operating segments of the same entity;
>
> (c) interest revenue;
>
> (d) interest expense;
>
> (e) depreciation and amortisation;
>
> (f) material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 *Presentation of Financial Statements* (as revised in 2007);
>
> (g) the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
>
> (h) income tax expense or income; and
>
> (i) material non-cash items other than depreciation and amortisation.
>
> …

Paragraphs 97–98 of IAS 1

B3. Paragraph 97 is the first paragraph in a section in IAS 1 about 'information to be presented in the statement(s) of profit or loss and other comprehensive income or in the notes'. Paragraph 97 of IAS 1 states:

> When items of income or expense are material, an entity shall disclose their nature and amount separately.

B4. Paragraph 98 of IAS 1 states:

> Circumstances that would give rise to the separate disclosure of items of income and expense include:
>
> (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
>
> (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
>
> (c) disposals of items of property, plant and equipment;
>
> (d) disposals of investments;
>
> (e) discontinued operations;
>
> (f) litigation settlements; and
>
> (g) other reversals of provisions.

Aggregation of information

B5. Paragraph 30A of IAS 1 states: '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.'

B6. Paragraph 31 of IAS 1 states: 'An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.'

Definition of 'material'

B7. The term 'material' used in paragraph 97 of IAS 1 is defined in paragraph 7 of IAS 1:

> 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.

B8. Paragraph 7 of IAS 1 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'.

Appendix C—excerpts from IFRS 18 and its consequential amendments to IFRS 8

C1. We have reproduced below selected excerpts from IFRS 18 and its consequential amendments to IFRS 8.

C2. When the IASB issued IFRS 18, it amended paragraph 23(f) of IFRS 8 as follows (new text is underlined and deleted text is struck through):

> An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:
>
> …
>
> (f) material items of income and expense disclosed in accordance with paragraph 42 of IFRS 18 *Presentation and Disclosure in Financial Statements*~~paragraph 97 of IAS 1 *Presentation of Financial Statements* (as revised in 2007)~~;
>
> …

C3. Paragraph 41 of IFRS 18 states:

> **Principles of aggregation and disaggregation**
>
> For the purposes of this Standard, an item is an asset, liability, equity instrument or reserve, income, expense or cash flow or any *aggregation* or disaggregation of such assets, liabilities, equity, income, expenses or cash flows. A line item is an item that is presented separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would override specific aggregation or disaggregation requirements in IFRS Accounting Standards, an entity shall (see paragraphs B16–B23):
>
> (a) classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on shared characteristics;

(b) disaggregate items based on characteristics that are not shared;

(c) aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries (see paragraph 16);

(d) aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information (see paragraph 17); and

(e) ensure that aggregation and disaggregation in the financial statements do not obscure material information (see paragraph B3).

C4. Paragraph 42 of IFRS 18 states:[8]

> Applying the principles in paragraph 41, an entity shall disaggregate items whenever the resulting information is material. If, applying paragraph 41(c), an entity does not present material information in the primary financial statements, it shall disclose the information in the notes. Paragraphs B79 and B111 set out examples of income, expenses, assets, liabilities and items of equity that might have sufficiently dissimilar characteristics that presentation in the statement of profit or loss or statement of financial position or disclosure in the notes is necessary to provide material information.

C5. Paragraph B79 of IFRS 18 states:

> Income and expenses that might have sufficiently dissimilar characteristics that presentation in the statement of profit or loss is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include:
>
> (a) write-downs of inventories, as well as reversals of such write-downs;
>
> (b) impairment losses for property, plant and equipment, as well as reversals of such impairment losses;
>
> (c) income and expenses from restructurings of an entity's activities and reversals of any provisions for restructuring;
>
> (d) income and expenses from disposals of property, plant and equipment;

[8] Paragraph 42 of IFRS 18 refers to paragraph B111 of IFRS 18. Paragraph B111 applies to assets, liabilities and items of equity (and not income and expenses). We therefore do not reproduce paragraph B111 in this appendix.

(e) income and expenses from disposals of investments;

(f) income and expenses from litigation settlements;

(g) reversals of provisions; and

(h) non-recurring income and expenses not included in (a)–(g).