



Financial Reporting Advisory Board

IFRS Interpretations Committee update

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| Issue: | A summary of the IFRS Interpretations Committee meetings since the last FRAB Board meeting, noting any particular relevance to the public sector. To note, there has only been one full agenda decision since our last review. |
| Impact on guidance: | Potential adaptation or interpretation in the FReM dependent on outcomes of any standard-setting adjustments. |
| IAS/IFRS adaptation? | No adaptations or interpretations proposed but further agenda decisions will be considered as needed. |
| Impact on WGA? | None. |
| IPSAS compliant? | This would depend on whether IPSASB adjust for any new IFRS amendments and interpretations. There have been no proposed changes to IFRS following meetings of the Interpretations Committee. |
| Interpretation for the public-sector context? | No adaptations or interpretations proposed. |
| Impact on budgetary regime and Estimates? | None. |
| Alignment with National Accounts | No impact on the National Accounts. |
| Recommendation: | For the Board to note, HM Treasury is not proposing any adaptations or interpretations in relation to the agenda decision on IFRS 8. |
| Timing: | Ongoing |

DETAIL

Background

1. This paper provides the Board with a summary of agenda decisions from the IFRS Interpretations Committee since the Board last met. The paper is provided for the Board's information and decisions are presented by meeting date in chronological order. The paper covers the one agenda decision since our last review of the Interpretations Committee.
2. Relevance to the public sector and any impacts on the FReM have been considered and noted. HM Treasury do not anticipate any specific adaptations or interpretations will be required for the public sector as a result of the decision of the Interpretations Committee since the Board's

last meeting. The next Interpretations Committee meeting is scheduled for the 26th-27th November 2024.

3. There has been one full agenda decision for the IASB's consideration published since the last update. This was published on the 29th July 2024 and titled "Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 Operating Segments)". More detail on the agenda decision can be found in Annex A.
4. The committee considered two questions around IFRS 8:
 - a. The need to disclose specified amounts included in segmental profit and loss disclosures if the chief decision maker does not review those amounts.
 - b. The meaning of material items of income and expense in the context of paragraph 97 of IAS1.
5. The committee concluded that the principles and requirements in IFRS provide an adequate basis for an entity to apply the above disclosure requirements from paragraph 23 of IFRS 8.

Recommendation: No action for the public sector proposed at this time.

HM Treasury
21st November 2024

Annex A: 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 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.