

**IFRS 8 - QUESTION**

Jay Limited is an integrated manufacturing company with five operating segments. Following information pertains to the year ended 31 March 2012:

<b>Operating segments</b>	<b>Internal Revenue</b>	<b>External Revenue</b>	<b>Total Revenue</b>	<b>Profit/(Loss)</b>	<b>Assets</b>	<b>Liabilities</b>
	\$	\$	\$	\$	\$	\$
A	38	705	743	194	200	130
B	35	82	82	- 22	44	40
C	-	300	300	81	206	125
D	-	-	35	10	75	60
E	38	90	128	- 63	50	25
<b>TOTAL</b>	<b>111</b>	<b>1,177</b>	<b>1,288</b>	<b>200</b>	<b>575</b>	<b>380</b>

**Required:**

In respect of each reporting segment explain whether it is a reportable segment.

## IFRS 8 - SOLUTION

As Jay Limited has both profit and loss making segments, the result of those in profit and those in loss must be totaled to see which is the greater:

	\$
Profits (194 + 81 +10)	285
Losses (22 + 63)	-85
	200

So the 10% of profit or loss test must be applied by reference to \$285 million.

Operating segments	Reportable (Yes/No)	Explanation
A	Yes	Because it generates more than 10% of revenue
B	No	Because it fails to meet any of the criteria specified in IFRS 8
C	Yes	Because it generates more than 10% of revenue
D	Yes	Because it has more than 10% of assets
E	Yes	Because its losses are more than 10% of absolute profit

Check the 75% test is satisfied:  $(705 + 300 + 90) / 1,177 = 93\%$