



ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

SEGMENT REPORTING (GRAP 18)

Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Segment Reporting* is drawn primarily from the IFRS Accounting Standard on *Operating Segments* (IFRS 8) issued by the International Accounting Standards Board (IASB). The IASB has issued a comprehensive body of IFRS® Accounting Standards and IFRIC® Interpretations. Extracts of IFRS 8 are reproduced in this Standard of GRAP with the permission of the IASB.

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SEGMENT REPORTING

This Standard was originally issued by the Accounting Standards Board (the Board) in March 2005. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in April 2017.



Introduction

This pronouncement is set out in paragraphs .01 to .35. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*¹.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

¹ In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Objective

- .01 The objective of this Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:
- (a) enable users of the financial statements to better understand the entity's past performance, to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates;
 - (b) identify the resources allocated to support the major activities of the entity and assist in making decisions about the allocation of resources; and
 - (c) enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

Scope

- .02 ***An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the presentation of segment information.***
- .03 ***This Standard shall apply to the separate or individual financial statements of an entity and the consolidated financial statements of an economic entity.***
- .04 If a financial report contains both the consolidated financial statements and the separate financial statements of a controlling entity, segment information is required only in the consolidated financial statements.

Definitions

- .05 ***The following terms are used in this Standard with the meanings specified:***

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

A segment is an activity of an entity:

- (a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);***
- (b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and***
- (c) for which separate financial information is available.***

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Segments

- .06 Entities control significant public resources and operate to provide a wide variety of goods and services in different geographical areas and in regions with differing socio-economic characteristics. Entities are required to use allocated resources efficiently and effectively to achieve their objectives. Entity-wide and consolidated financial statements provide an overview of the assets controlled and liabilities incurred by the reporting entity, the cost of services provided and the taxation revenue, budget allocations and cost recoveries generated to fund the provision of those services. However, this aggregated information may not provide information about the specific operational objectives and major activities of the reporting entity and the resources devoted to and costs of those objectives and activities.
- .07 Because the activities of the entity are often very broad, and are undertaken in a wide range of different geographical areas with different socio-economic characteristics, it is necessary to report disaggregated financial and non-financial information about particular segments of the entity. This provides relevant information for accountability and decision-making purposes.
- .08 Not every part of an entity is necessarily a segment or part of a segment. For example, an administrative unit or functional department may not undertake activities of an entity that generates economic benefits or service potential. As a result, these activities may not be regularly reviewed by the management of the entity. These activities are not reported as segments as they do not meet the definition of a segment in paragraph .05.
- .09 For the purposes of this Standard, an entity's post-employment benefit plans are not segments.
- .10 Many entities are able to clearly identify their segments based on the definition of a segment in paragraph .05. However, an entity may produce reports in which its activities are presented in a variety of ways. If management uses more than one set of segment information, other factors may identify a single set of activities as constituting an entity's segments, including the nature of these activities, the existence of managers responsible for them, and other information presented to them.
- .11 The characteristics of a segment in paragraph .05 may apply to two or more overlapping sets of activities for which managers are held responsible. Such a structure is sometimes referred to as a matrix form of organisation. For example, in certain entities, some managers are responsible for different goods and service lines across geographical areas, whereas others are responsible for specific geographical areas. Management may regularly review the results of both sets of components, and financial information is available for both.
- .12 Reporting on more than one type of segment in the external financial statements may provide useful information if the achievement of an entity's objectives is strongly affected by the different types of segments.



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- .13 Where an entity identifies more than one set of segments, as described in paragraph .11, they may be reported separately or as a matrix. In addition, a primary and secondary segment reporting structure may be adopted with only limited disclosures made about secondary segments.

Reportable segments

- .14 *An entity shall report separately information about each segment that has been identified in accordance with paragraphs .06 to .13 or results from aggregating two or more of those segments in accordance with paragraph .15.***

Aggregation criteria

- .15 An entity may combine segments if the segments have similar economic characteristics and share a majority of the aggregation criteria listed in paragraph .16 or are individually insignificant and a practical limit has been reached in accordance with paragraph .17.
- .16 Two or more segments may be aggregated into a single segment if aggregation is consistent with the objective of this Standard and the segments have similar economic characteristics, and the segments share a majority of the following:
- (a) the nature of the goods and/or services delivered;
 - (b) the type or class of customer or consumer to which goods and services are delivered;
 - (c) the methods used to distribute the goods or provide the services; or
 - (d) if applicable, the nature of the regulatory environment that applies to the segment.
- .17 There may be a practical limit to the number of reportable segments that an entity separately discloses beyond which segment information becomes too detailed. Although no precise limit has been determined, if the number of segments that are reportable in accordance with paragraph .14 increases to more than ten, the entity should consider whether additional segmentation provides useful and relevant information.

Disclosure

- .18 *An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.***
- .19 *To give effect to the principle in paragraph .18, an entity shall disclose the following:***
- (a) *general information as described in paragraph .20;***
 - (b) *information about reported segment surplus or deficit, including specified***

revenues and expenses included in reported segment surplus or deficit, segment assets, segment liabilities and the basis of measurement, as described in paragraphs .21 to .23; and

- (c) reconciliations of the totals of segment revenues, reported segment surplus or deficit, segment assets, segment liabilities and other material segment items to corresponding entity amounts as described in paragraph .27.*

Reconciliations of the amounts in the statement of financial position for reportable segments to the amounts in the entity's statement of financial position are required for each date at which a statement of financial position is presented. Information for prior periods shall be restated as described in paragraphs .28 and .29.

General information

.20 An entity shall disclose the following general information:

- (a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in goods and/or services, geographical areas, regulatory environments, or a combination of factors);*
- (b) whether segments have been aggregated and the basis of the aggregation; and*
- (c) types of goods and/or services delivered by each segment.*

Information about surplus or deficit, assets and liabilities

.21 An entity shall report a measure of surplus or deficit for each reportable segment. An entity shall report a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to management. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment surplus or deficit reviewed by management, or are otherwise regularly provided to management, even if not included in that measure of segment surplus or deficit:

- (a) external revenue from non-exchange transactions;*
- (b) external revenue from exchange transactions;*
- (c) revenue from transactions with other segments in the same entity;*
- (d) interest revenue;*
- (e) interest expense;*
- (f) depreciation and amortisation;*
- (g) material items of revenue and expenses disclosed in accordance with paragraph .101 of the Standard of GRAP on Presentation of Financial*

Statements;

- (h) *the entity's interest in the surplus or deficit of associates and joint ventures accounted for by the equity method;*
 - (i) *income tax expenses (if applicable); and*
 - (j) *material non-cash items other than depreciation and amortisation.*
- .22** *An entity shall report interest revenue separately from interest expense for each segment reported unless a majority of the segment's revenue is from interest, and management relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. In such a situation an entity may report segment interest revenue net of interest expense and then disclose that it has done so.*
- .23** *An entity shall disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by management or are otherwise regularly provided to management, even if not included in the measure of segment assets:*
- (a) *the amount of investment in associates and joint ventures accounted for by the equity method; and*
 - (b) *the amounts of additions to non-current assets² other than financial instruments, deferred tax assets (where applicable), post-employment benefit assets (see the Standard of GRAP on Employee Benefits) and rights arising under insurance contracts.*

Measurement

- .24** *The amount of each segment item reported shall be the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues and expenses shall be included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management shall be reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts shall be allocated on a reasonable basis.*
- .25** *If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and*

² For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period.

liabilities shall be reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures shall be those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

- .26** *An entity shall provide an explanation of the measurements of segment surplus or deficit, segment assets and segment liabilities for each reportable segment. An entity shall disclose at least the following.*
- (a) The basis of accounting for any transactions between reportable segments.*
 - (b) The nature of any differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations (if not apparent from the reconciliations described in paragraph .27). Those differences could include accounting policies and policies for allocation of centrally incurred costs that are necessary for an understanding of the reported segment information.*
 - (c) The nature of any differences between the measurements of the reportable segments' assets and the entity's assets (if not apparent from the reconciliations described in paragraph .27). Those differences could include accounting policies and policies for allocation of jointly-used assets that are necessary for an understanding of the reported segment information.*
 - (d) The nature of any differences between the measurements of the reportable segments' liabilities and the entity's liabilities (if not apparent from the reconciliations described in paragraph .27). Those differences could include accounting policies and policies for allocation of jointly-utilised liabilities that are necessary for an understanding of the reported segment information.*
 - (e) The nature of any changes from prior periods in the measurement methods used to determine reported segment surplus or deficit and the effect, if any, of those changes on the measure of segment surplus or deficit.*
 - (f) The nature and effect of any asymmetrical allocations to reportable segments. For example, an entity might allocate depreciation expense to a segment without allocating the related depreciable assets to that segment.*

Reconciliations

- .27** *An entity shall provide reconciliations of all of the following:*
- (a) The total of the reportable segments' revenues to the entity's revenue.*
 - (b) The total of the reportable segments' measures of surplus or deficit to the entity's surplus or deficit before discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (if*

applicable), the entity may reconcile the total of the segments' measures of surplus or deficit to the entity's surplus or deficit after those items.

- (c) The total of the reportable segments' assets to the entity's assets if segment assets are reported in accordance with paragraph .21.*
- (d) The total of the reportable segments' liabilities to the entity's liabilities if segment liabilities are reported in accordance with paragraph .21.*
- (e) The total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.*

All material reconciling items shall be separately identified and described. For example, the amount of each material adjustment needed to reconcile reportable segment surplus or deficit to the entity's surplus or deficit arising from different accounting policies shall be separately identified and described.

Restatement of previously reported information

- .28 If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods shall be restated unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive shall be made for each individual item of disclosure. Following a change in the composition of its reportable segments, an entity shall disclose whether it has restated the corresponding items of segment information for earlier periods.*
- .29 If an entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods is not restated to reflect the change, the entity shall disclose segment information for the current period on both the old basis and the new basis of segmentation unless the necessary information is not available and the cost to develop it would be excessive. This shall be done in the year in which the change occurs.*

Entity-wide disclosures

- .30 Paragraphs .31 to .32 apply to all entities, including those that have a single reportable segment. Some entities' activities are not organised on the basis of differences in geographical areas of operations. Information required by paragraphs .31 to .32 shall be provided only if it is not provided as part of the reportable segment information required by this Standard or if it is not reported elsewhere in the financial report.*

Information about geographical areas

- .31 An entity shall disclose the geographical areas in which it operates that are*

relevant for decision-making purposes, including any foreign countries.

- .32** *An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:*
- (a) external revenues from non-exchange transactions and external revenues from exchange transactions attributed to the geographical areas in which it operates;*
 - (b) total expenditure attributed to the geographical areas; and*
 - (c) non-current assets² other than financial instruments, deferred tax assets (where applicable), post-employment benefit assets, and rights arising under insurance contracts for the geographical areas.*

The amounts reported shall be based on the financial information that is used to produce the entity's financial statements. If the necessary information is not available and the cost to develop it would be excessive, that fact shall be disclosed. An entity may provide subtotals of geographical information for groups of geographical areas.

Transitional provisions

- .33** *The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.*

Effective date

- .34** *An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999 as amended.*

Withdrawal of the Standard of GRAP on Segment Reporting (2005)

- .35** *This Standard supersedes the Standard of GRAP on Segment Reporting issued in March 2005.*



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Appendix 1 - Illustrative segment disclosures

[Deleted].

Basis for conclusions

The basis for conclusions gives the Accounting Standards Board's (the Board's) reasons for accepting or rejecting certain proposals related to the disclosure of segment information. This basis for conclusions accompanies, but is not part of, this Standard.

Introduction

Approach adopted by the Board

- BC1. The previous version of this Standard issued in 2005 was drawn mainly from the International Public Sector Accounting Standard on *Segment Reporting*, issued by the International Public Sector Accounting Board.
- BC2. In September 2007, the International Accounting Standards Board (IASB) issued a revised IFRS Accounting Standard on *Operating Segments* (IFRS 8). IFRS 8 requirements are based on information about components of the entity that management uses in making decisions about operating matters. IFRS 8 eliminated the requirement of separating between primary and secondary segments; it introduced the concept of operating segments; and it simplified the measurement requirements previously included in the IAS Standard on *Segment Reporting*. IFRS 8 also introduced required disclosures on information about products and services, geographical areas and major customers.
- BC3. In November 2009, the Board decided to revise the previous version of this Standard in order to simplify it. The Board decided to base these amendments mainly on IFRS 8. New disclosure requirements would not be introduced, unless that information is readily available and is used for management decision-making purposes, or the cost of disclosure would not be excessive.
- BC4. The title of the Standard was not revised, as the IASB's approach to refer to "Operating Segments" did not reflect the approach the Board adopted regarding the definition of segments.

Scope

- BC5. The Board did not amend the scope of GRAP 18 (issued in 2005) as all entities that apply Standards of GRAP are publicly accountable. The IFRS 8 scope is not appropriate for public sector entities.

Identifying reportable segments

- BC6. The Board amended the definition of a segment in IFRS 8 to include the notion that a segment is an activity of the entity from which future economic benefits or service potential is expected rather than a component of the entity that may earn revenues and incur expenses, similar to GRAP 18 (issued in 2005). In identifying segments in the public sector, the Board realises that performance review of a segment consist of both the quality and the quantity elements. As a result, the definition of a segment refers to the review of "results" versus "operating results".



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- BC7. The Board did not adopt the threshold approach in IFRS 8 to identify reportable segments. The Board believes that the threshold approach may result in the non-disclosure of relevant information in the public sector.
- BC8. The Board believes that it is useful to aggregate certain segments, but did not regard the criteria in IFRS 8 to be helpful in the public sector. Aggregating segment information may be helpful especially where these segments relate to achieving the same objectives or the objectives are very similar and aggregate disclosures would not jeopardise decision useful information. The Board amended the criteria in IFRS 8 for public sector purposes.

General disclosure requirements

- BC9. The Board adopted the general disclosure requirements of IFRS 8, but amended it for public sector specific reasons. IFRS 8 focuses on revenue generation activities. Although information about this is relevant, public sector entities are more interested in the expenditure per segment. Also, the reliance on budget allocations and other revenues from non-exchange transactions are more relevant.

Entity wide disclosures

- BC10. The Board did not believe that the entity-wide disclosures as envisaged in IFRS 8 would add value in the public sector. The goods and/or services that an entity delivers form part of its mandate and the reliance on a major “revenue source” is common in the public sector. The users of the financial statements are already familiar with these when evaluating an entity’s financial statements. The Board also did not believe that the requirement of IFRS 8 to report only on “foreign versus domestic revenues” is relevant since most entities only operate domestically.
- BC11. As a result, the Board adopted and amended the IFRS 8 disclosure requirement for geographical areas to be more relevant for the local needs of users of financial statements and did not require information about products and services or information about major customers as required in IFRS 8.

Comparison with the IFRS Accounting Standard on *Operating Segments* (November 2006)

This Standard is drawn primarily from IFRS 8. The main differences between this Standard and IFRS 8 are as follows:

- The scope of this Standard is different to IFRS 8 in that all entities that apply Standards of GRAP report segment information if they have segments.
- Terminology and examples have been amended for public sector specific reasons and alignment with other Standards of GRAP. For example:
 - the name of this Standard is “Segment Reporting” not “Operating Segments”;
 - this Standard refers to “segments” not “operating segments” and the term “chief operating decision maker” has been replaced with “management”. The related guidance has been deleted or amended as Standards of GRAP already define “management”;
 - “parent” has been replaced with “controlling entity”, “group” with “economic entity”, “statement of comprehensive income” with “statement of financial performance”, “profit or loss” with “surplus or deficit”, “products and services” with “goods and/or services”; and
 - the implementation guidance has been replaced with a public sector example.
- The way in which segments are identified for reportable purposes has been adapted to meet the requirements of a public sector perspective.
- The definition of a segment is different to that of an operating segment in IFRS 8. A segment refers to an “activity” versus a “component” of an entity that “generates economic benefits and service potential” versus “earn revenues and incur expenses”, and whose “results” are regularly reviewed by management versus reviewing of “operating results”. The word “discrete” has been replaced with “separate”.
- The aggregation criteria have been amended and this Standard does not include the threshold approach in IFRS 8.
- This Standard allows multiple segment reporting or adoption of a primary and secondary segment basis.
- The general disclosure requirements have been amended to include disclosures for non-exchange revenues.
- This Standard requires geographical information to be disclosed, per geographical area, for revenue (exchange and non-exchange transactions), expenditure and assets. IFRS 8 only requires a distinction between national and foreign revenue and assets. The other entity-wide disclosures in IFRS 8 are not required in this Standard.
- Transitional provisions in this Standard are dealt with differently than in IFRS 8.