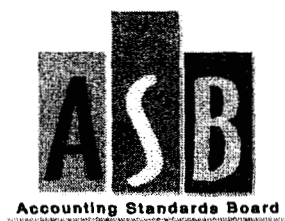


NOTICE 1978 OF 2004

**Notice of the Accounting Standards Board****Exposure Draft 17 released for comment****Issued: 15 September 2004**

The Accounting Standards Board (the Board/ASB) released exposure draft (ED) 17 on *Segment Reporting* at their meeting held on the 18 August 2004.

This exposure draft will be a future Standard of GRAP and forms part of the Board's broader strategy to issue a complete set of Standards of GRAP. Responses form a valuable input to the process and those who might be affected by, or are interested in, the proposed changes are encouraged to continue to provide responses to the EDs being released.

The comment period for **ED 17 – *Segment Reporting*** ends on **15 December 2004**.

A Copy of the exposure draft and request for comment follows in this publication. Copies can also be downloaded free of charge from the ASB web site – <http://www.asb.co.za>, or can be obtained by contacting the ASB offices.

Tel: 012 348 2913

Fax: 012 348 4150

Comments can be emailed to info@asb.co.za or can be submitted in writing to:

ASB
PO Box 74129
Lynwood Ridge
0040

We are looking forward to receiving your comments.



Request for comments

**Exposure draft of the proposed Standard of Generally Recognised
Accounting Practice on *Segment Reporting***

**Issued by the
Accounting Standards Board (ASB)
September 2004**

Commenting on the exposure draft

This exposure draft on *Segment Reporting* was prepared and published by the Accounting Standards Board. The proposals in the exposure draft may be modified in the final document in the light of comments received, before being issued as the Standard of Generally Recognised Accounting Practice on *Segment Reporting*.

Comments should be submitted in writing on or before **15 December 2004**.

Email responses are preferred. Unless respondents to exposure drafts specifically request confidentiality, their comments are a matter of public record once the Standard of Generally Recognised Accounting Practice on *Segment Reporting* has been issued. Comments should be addressed to:

The Chief Executive Officer
Accounting Standards Board
Menlyn Square
Cor Lois and Gobie Avenue
1st Floor, East Block
Menlyn
PO Box 74219
Lynnwood Ridge
0040
Fax: +2712 348 4150
Email address: info@asb.co.za

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INTRODUCTION

Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (ASB) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for the following:

- departments (national and provincial);
- public entities;
- constitutional institutions;
- municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- Parliament and the provincial legislatures.

The above are collectively referred to as "entities" in Standards of Generally Recognised Accounting Practice.

The ASB considers the South African Statements of Generally Accepted Accounting Practice (GAAP), as codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants, to be GRAP for:

- government business enterprises (as defined in the PFMA);
- trading entities (also defined in the PFMA);
- any other entity whose ordinary shares, or debt, are publicly traded, or are potentially publicly tradable on the capital markets; and
- entities under the ownership control of any of these entities.

The ASB believes Statements of GAAP have more relevance and applicability to such entities.

All other entities and the entities under their ownership control should apply Standards of GRAP.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard of GRAP and any related interpretation that may be issued in the future.

The objective of the ASB's work plan is to develop a core set of financial reporting standards for the South African public sector. The Standards will be based on

International Public Sector Accounting Standards where the International Federation of Accountants Public Sector Committee (IFAC PSC) has addressed the topic.

Due process and timetable

This exposure draft is the technical product of the ASB. The due process followed by the ASB in developing Standards of Generally Recognised Accounting Practice is that the ASB receives comments on the proposals set out in this exposure draft from preparers, users, auditors, standard setters and other parties with an interest in public sector financial reporting. Accordingly, all interested parties are invited to provide comments.

Exposure drafts will usually have a comment period of three (3) months, although shorter or longer periods may be used for certain exposure drafts depending on the urgency to issue the final Standard. Upon the closure of the comment period, the ASB will consider the comments received on the exposure draft and may modify the proposed Standard of Generally Recognised Accounting Practice in the light of the comments received before proceeding to issue a final Standard.

Comments will be classified into minor, major or generic categories and the ASB will respond accordingly. The basis for accepting or rejecting significant comments will be published on the web site.

Request for comments

Comments are invited by **15 December 2004**.

The ASB requires that respondents express an overall opinion on whether they support the exposure draft in general and supplement this opinion with detailed comments, whether supportive or critical, on the principles in the exposure draft. Respondents are also invited to provide detailed comments identifying the specific paragraphs to which the comments relate, explaining the issue and suggesting alternative wording, with supporting reasoning, where this is appropriate.

In developing this exposure draft the ASB has adopted the International Public Sector Accounting Standards (IPSAS), amended by the following:

- The legislative framework applicable in South Africa.
- Recent developments in pronouncements issued by other authoritative accounting standard setters.

Invitation to comment on specific matters

The ASB would particularly appreciate comments from respondents on the following issues:

1. In your view, are there any issues arising in the South African environment that may affect the implementation of the proposed Standard, particularly issues arising from applicable legislation?
2. As stated in paragraph .23, in most cases, the segment information to be included in the financial statements will be the same as the segments for which information is reported to management, and for many entities, these segments will also reflect the major classifications of activities identified in budget documentation. However, this may not always be the case for every entity. If the entity's internal reporting structure does not reflect the requirements of this Standard, for external reporting purposes, the entity will need to identify segments that satisfy the definition of a segment.

In applying this Standard will you use budget format to report on segments? If not, how will the segments reported in terms of this standard differ from those reported in the approved budget? Please provide examples of instances where you believe that the internal reporting structure will not reflect the requirements of the Standard and how segments would be reported in these instances.

3. What time frame do you see as reasonable in order to be able to implement this Standard?
4. Would you have difficulties in providing the minimum required and encouraged disclosures as detailed in paragraphs .50 - .74? The Board intends monitoring compliance with the disclosure requirements of this Standard over time and re-assess the need to introduce additional mandatory disclosure requirements.
5. The Board is not aware of a need for transitional provisions in the application of this Standard, and the exposure draft does not identify any transitional provisions. Are there any areas that you believe may require transitional provisions? If so, how do you propose the transitional provisions be addressed?

Other matters

As with any ASB exposure draft, comments on any other matter are welcomed. Comments are most helpful if reference is made to a specific paragraph or group of paragraphs.



Responses due by 15 December 2004

SEGMENT REPORTING

(ED 17)

Issued 15 September 2004



This exposure draft was approved by the Accounting Standards Board.

Acknowledgement

This Standard of Generally Recognised Accounting Practice is drawn primarily from the International Public Sector Accounting Standard (IPSAS) on *Segment Reporting* issued by the International Federation of Accountants - Public Sector Committee (IFAC PSC). The IFAC was founded in 1977 with its mission to develop and enhance the profession with harmonised standards. The IFAC PSC has issued a comprehensive body of IPSASs which will be used to produce future Standards of Generally Recognised Accounting Practice. Extracts of the IPSAS on *Segment Reporting* are reproduced in this Standard of Generally Recognised Accounting Practice with the permission of the IFAC PSC.

The approved text of the IPSASs is that published by the IFAC in the English language. The IPSASs are contained in the IFAC Handbook of International Public Sector Accounting Pronouncements and are available from:

International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA
Internet: <http://www.ifac.org>

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Accounting Standards Board

P O Box 74129

Lynnwood Ridge

0040

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Appendix 1 – Illustrative Segment Disclosures

Comparison with International Public Sector Accounting Standards on *Segment Reporting* (July 2003)

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE ON

Segment Reporting

Introduction

Standards of Generally Accepted Accounting Practice

The Accounting Standards Board (ASB) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for the following:

- (a) departments (national and provincial);
- (b) public entities;
- (c) constitutional institutions;
- (d) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (e) Parliament and the provincial legislatures.

The above are collectively referred to as "entities" in Standards of Generally Recognised Accounting Practice.

The ASB considers that the Statements of Generally Accepted Accounting Practice (GAAP), as codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants, to be GRAP for:

- (a) government business enterprises (as defined in the PFMA);
- (b) trading entities (as defined in the PFMA);
- (c) any other public entity whose ordinary shares, potential ordinary shares or debt are publicly tradable on the capital markets; and
- (d) entities under the ownership control of any of these entities.

The ASB believes that Statements of GAAP have more relevance and applicability to such entities.

All other entities and the entities under their ownership control should apply Standards of GRAP.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard of GRAP and any related interpretation that may be issued in the future.

Any limitation of the applicability of specific Standards is made clear in those Standards. Standards of GRAP are not meant to apply to immaterial items.

The Standards, which have been set in bold italic type, should be read in the context of the commentary paragraphs in this Standard, which are in plain type, and in the context of the *Preface to Standards of Generally Recognised Accounting Practice*.

Reference may be made to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .12 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides guidance on the sources to be used in the absence of a Standard of GRAP.

Objective

- .01 The objective of this Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:
- (a) help users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity; and
 - (b) enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

Scope

- .02 An entity which 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 be applied in complete sets of published financial statements that comply with Standards of Generally Recognised Accounting Practice.
- .04 A complete set of financial statements includes a statement of financial position, statement of financial performance, cash flow statement, a statement showing changes in net assets, and notes, as provided in the Standard of Generally Recognised Accounting Practice on *Presentation of Financial Statements*.
- .05 *If both consolidated financial statements of the government or other economic entity and the separate financial statements of the parent entity are presented together, segment information need be presented only on the basis of the consolidated financial statements.***
- .06 The consolidated financial statements of the government or other economic entity and the separate financial statements of the controlling entity are compiled and presented together in a single report. Where this occurs, the report which contains the government's or other controlling entity's consolidated financial statements needs to present segment information only for the consolidated financial statements.

Definitions

Definitions from Other Standards of Generally Recognised Accounting Practice

- .07 *The following terms are used in this Standard with the meanings specified in the Standards of Generally Recognised Accounting Practice on Cash Flow Statements; Accounting Policies, Changes in Accounting Estimates and Errors; and Revenue from Exchange Transactions.***

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Financing activities are activities that result in changes in the size and composition of the

contributed capital and borrowings of the entity.

Government business enterprises means an entity that, in accordance with the Public Finance Management Act, Act No. 1 of 1999 as amended:

- (a) *is a juristic person under the ownership control of the national/provincial executive;*
- (b) *has been assigned the financial and operational authority to carry on a business activity;*
- (c) *as its principal business, provides goods and services in accordance with ordinary business principles; and*
- (d) *is financed fully or substantially from sources other than –*
 - (i) *the National or Provincial Revenue Fund; or*
 - (ii) *by way of a tax, levy or other statutory money.*

Impracticable - Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

- (a) *the effects of the retrospective application or retrospective restatement are not determinable;*
- (b) *the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or*
- (c) *the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:*
 - (i) *provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and*
 - (ii) *would have been available when the financial statements for that prior period were authorised for issue from other information.*

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Management are those persons charged with the responsibility for the governance of an entity in accordance with the relevant applicable legislation including accounting officers, accounting authorities and municipal managers.

Operating activities are the activities of the entity that are not investing or financing activities.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Definition of a Segment

- .08 A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.**
- .09 Entities control significant public resources and operate to provide a wide variety of goods and services to their constituents in differing geographical regions and in regions with differing socio-economic characteristics. These entities are required to use those resources efficiently and effectively to achieve the entity's 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 aggregate information does 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.

- .10 In most cases, the activities of the entity are so broad, and encompass so wide a range of different geographical regions, or regions with different socio-economic characteristics, that it is necessary to report disaggregated financial and non-financial information about particular segments of the entity to provide relevant information for accountability and decision making purposes.

Reporting by Segments

- .11 ***An entity shall identify its separate segments in accordance with the requirements of paragraph .08 of this Standard and shall present information about those segments as required by paragraphs .50 to .74 of this Standard.***
- .12 Under this Standard, entities will identify as separate segments each distinguishable activity or group of activities for which financial information should be reported for purposes of evaluating the past performance of the entity in achieving its objectives, and for making decisions about the allocation of resources by the entity. In addition to disclosure of the information required by paragraphs .50 to .74 of this Standard, entities are also encouraged to disclose additional information about reported segments as identified by this Standard or as considered necessary for accountability and decision making purposes.

Reporting Structures

- .13 In most cases, the major classifications of activities identified in budget documentation will reflect the segments for which information is reported to management. In most cases, the segments reported to management will also reflect the segments reported in the financial statements. This is because management will require information about segments to enable them to discharge their managerial responsibilities and to evaluate the performance of the entity in achieving its objectives in the past and to make decisions about the allocation of resources by the entity in the future.
- .14 Determining the activities which should be grouped as separate segments and reported in the financial statements for accountability and decision-making purposes involves judgement. In making that judgement, preparers of the financial statements will consider such matters as:
- (a) the objective of reporting financial information by segment as identified in paragraph .08 above;
 - (b) the expectations of members of the community and their elected or appointed representatives regarding the key activities of the entity;
 - (c) the qualitative characteristics of financial reporting as identified in the *Framework for the Preparation and Presentation of Financial Statements*; and
 - (d) whether a particular segment structure reflects the basis on which management requires financial information to enable them to assess the past performance of the entity in achieving its objectives and to make decisions about the allocation of resources to achieve entity objectives in the future.
- .15 At the whole-of-government level, financial information is often aggregated and reported in a manner which reflects, for example:
- (a) major economic classifications of activities undertaken by general government, such as health, education, defence, and welfare (these may reflect the Government Finance Statistics (GFS) functional classifications of government), and major trading activities undertaken by Government Business Enterprises, such as state-owned power stations, banks and insurance entities; or

- (b) portfolio responsibilities of individual ministers or members of executive councils. These often, but not always, reflect the economic classifications in (a) above - differences may occur because portfolio responsibilities may aggregate more than one of the economic classifications or cut across those classifications.

Service Segments and Geographical Segments

- .16 The types of segments reported to the management of an entity are frequently referred to as "service segments" or "geographical segments". These terms are used in this Standard with the following meanings:
- (a) a "service segment" refers to a distinguishable component of an entity that is engaged in providing related outputs or achieving particular operating objectives consistent with the overall mission of each entity; and
- (b) a "geographical segment" is a distinguishable component of an entity that is engaged in providing outputs or achieving particular operating objectives within a particular geographical area.
- .17 Entities are usually managed along service lines because this reflects the way in which major outputs are identified, their achievements monitored and their resource needs identified and budgeted. An example of an entity which reports internally on the basis of service lines or service segments is an education department whose organisational structure and internal reporting system reflects primary, secondary and tertiary educational activities and outputs as separate segments. This basis of segmentation may be adopted internally because the skills and facilities necessary to deliver the desired outputs and outcomes for each of these broad educational activities are perceived to be different. In addition, key financial decisions faced by management include determination of the resources to allocate to each of those outputs or activities. In these cases, it is likely that reporting externally on the basis of service segments will also satisfy the requirements of this Standard.
- .18 Factors that will be considered in determining whether outputs (goods and services) are related and should be grouped as segments for financial reporting purposes include:
- (a) the primary operating objectives of the entity and the goods, services and activities that relate to the achievement of each of those objectives and whether resources are allocated and budgeted on the basis of groups of goods and services;
- (b) the nature of the goods or services provided or activities undertaken;
- (c) the nature of the production process and/or service delivery and distribution process or mechanism;
- (d) the type of customer or consumer for the goods or services;
- (e) whether this reflects the way in which the entity is managed and financial information is reported to management; and
- (f) if applicable, the nature of the regulatory environment, (for example, department or statutory authority) or sector of government (for example finance sector, public utilities, or general government).
- .19 An entity may be organised and report internally to management on a regional basis - whether within or across national, provincial or municipal boundaries. Where this occurs the internal reporting system reflects a geographical segment structure.
- .20 A geographical segment structure may be adopted where, for example, the organisational structure and internal reporting system of an education department is structured on the basis of regional educational outcomes because the key performance assessments and resource allocation decisions to be made by management are determined by reference to regional achievements and regional needs. This structure may have been adopted to preserve regional autonomy of educational needs and delivery of education services, or because operating conditions or educational objectives are

substantially different from one region to another. It may also have been adopted simply because management believes that an organisational structure based on regional devolution of responsibility better serves the objectives of the organisation. In these cases, resource allocation decisions are initially made, and subsequently monitored, by management on a regional basis. Detailed decisions about the allocation of resources to particular functional activities within a geographical region are then made by regional management, consistent with educational needs within that region. In these cases, it is likely that reporting information by geographical segments in the financial statements will also satisfy the requirements of this Standard.

- .21 Factors that will be considered in determining whether financial information should be reported on a geographical basis include:
- (a) similarity of economic, social and political conditions in different regions;
 - (b) relationships between the primary objectives of the entity and the different regions;
 - (c) whether service delivery characteristics and operating conditions differ in different regions;
 - (d) whether this reflects the way in which the entity is managed and financial information is reported to management; and
 - (e) special needs, skills or risks associated with operations in a particular area.

Multiple Segmentation

- .22 In some cases, an entity may report to management segment revenue, expense, assets and liabilities on the basis of more than one segment structure, for example by both service and geographical segments. Reporting on the basis of both service segments and geographical segments in the external financial statements often will provide useful information if the achievement of an entity's objectives is strongly affected both by the different products and services it provides and the different geographical areas to which those goods and services are provided. Similarly, at the whole-of-government level, a government may adopt a basis of disclosure which reflects general government, public finance sector and trading sector disclosures, and supplement the general government sector analysis with, for example, segment disclosures of major purpose or functional sub-categories. In these cases, the segments 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.

Reporting Structures not Appropriate

- .23 As noted above, in most cases the segments for which information is reported internally to the management of the entity for the purpose of evaluating the entity's past performance and for making decisions about the future allocation of resources, will reflect those identified in budget documentation and will also be adopted for external reporting purposes in accordance with the requirements of this Standard. However, in some cases an entity's internal reporting to management may be structured to aggregate and report on a basis which distinguishes revenues, expenses, assets and liabilities related to budget-dependent activities from those of trading activities, or which distinguishes budget dependent entities from Government Business Enterprises. Reporting segment information in the financial statements on the basis of only these segments is unlikely to meet the objectives specified for this Standard. This is because these segments are unlikely to provide information that is relevant to users about, for example, the performance of the entity in achieving its major operating objectives.
- .24 In some cases, the disaggregated financial information reported to management may not report expenses, revenues, assets and liabilities by service segment, geographical segment or by reference to other activities. Such reports may be constructed to reflect only expenditures by nature (for example, wages, rent, supplies and capital acquisitions) on a line item basis that is consistent with the budget appropriation or other funding or expenditure authorisation model applicable to the entity. This may occur where the purpose of financial reporting to management is to evidence compliance

with spending mandates rather than for purposes of evaluating the past performance of the entity's major activities in achieving their objectives and for making decisions about the future allocation of resources. When internal reporting to management is structured to report only compliance information, reporting externally on the same basis as the internal reporting to management will not meet the requirements of this Standard.

- .25 When an entity's internal reporting structure does not reflect the requirements of this Standard, for external reporting purposes the entity will need to identify segments which satisfy the definition of a segment in paragraph .08 and disclose the information required by paragraphs .50 - .74.

Definitions of Segment Revenue, Expense, Assets, Liabilities and Accounting Policies

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

Segment revenue is revenue reported in the entity's statement of financial performance that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees or sales to external customers or from transactions with other segments of the same entity. ***Segment revenue does not include:***

- (a) *interest or dividend revenue, including interest earned on advances or loans to other segments, unless the segment's operations are primarily of a financial nature; or*
- (b) *gains on sales of investments or gains on extinguishment of debt unless the segment's operations are primarily of a financial nature.*

Segment revenue includes an entity's share of surplus or deficit of associates, joint ventures, or other investments accounted for under the equity method only if those items are included in consolidated or total entity revenue.

Segment revenue includes a joint venturer's share of the revenue of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the Standard of Generally Recognised Accounting Practice on Interests in Joint Ventures.

Segment expense is an expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to the provision of goods and services to external parties and expenses relating to transactions with other segments of the same entity. ***Segment expense does not include:***

- (a) *interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature;*
- (b) *losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature;*
- (c) *an entity's share of deficit or losses of associates, joint ventures, or other investments accounted for under the equity method;*
- (d) *income tax or income-tax equivalent expense that is recognised in accordance with the International Accounting Standard on Income Taxes, dealing with obligations to pay income tax or income tax equivalents; or*
- (e) *general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole. However, costs are sometimes incurred at the entity level on behalf of a segment. Such costs are segment expenses if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis.*

Segment expense includes a joint venturer's share of the expenses of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the Standard of Generally Recognised Accounting Practice on Interests in Joint Ventures.

For a segment's operations that are primarily of a financial nature, interest revenue and interest expense may be reported as a single net amount for segment reporting purposes only if those items are netted in the consolidated or entity financial statements.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

If a segment's segment revenue includes interest or dividend revenue, its segment assets include the related receivables, loans, investments, or other revenue-producing assets.

Segment assets do not include income tax or income tax equivalent assets that are recognised in accordance with the International Accounting Standard on Income Taxes, dealing with obligations to pay income tax or income tax equivalents.

Segment assets include investments accounted for under the equity method only if the surplus or deficit from such investments is included in segment revenue. Segment assets include a joint venturer's share of the operating assets of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the Standard of Generally Recognised Accounting Practice on Interests in Joint Ventures.

Segment assets are determined after deducting related allowances that are reported as direct offsets in the entity's statement of financial position.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

If a segment's segment expense includes interest expense, its segment liabilities include the related interest-bearing liabilities.

Segment liabilities include a joint venturer's share of the liabilities of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with the Standard of Generally Recognised Accounting Practice on Interests in Joint Ventures.

Segment liabilities do not include income tax or income tax equivalent liabilities that are recognised in accordance with the International Accounting Standard on Income Taxes, dealing with obligations to pay income tax or income tax equivalents.

Segment accounting policies are the accounting policies applied for preparing and presenting the financial statements of the consolidated group or entity as well as those accounting policies that relate specifically to segment reporting.

Attributing Items to Segments

- .27 The definitions of segment revenue, segment expense, segment assets, and segment liabilities include amounts of such items that are directly attributable to a segment and amounts of such items that can be allocated to a segment on a reasonable basis.
- .28 An entity looks to its internal financial reporting system as the starting point for identifying those items that can be directly attributed, or reasonably allocated, to segments. That is, where segments used for internal reporting purposes are adopted, or form the basis of segments adopted, for general purpose financial statements, there is a presumption that amounts that have been identified with segments for internal financial reporting purposes are directly attributable or reasonably allocable to segments for the purpose of measuring the segment revenue, segment expense, segment assets

and segment liabilities.

- .29 In some cases, a revenue, expense, asset or liability may have been allocated to segments for internal financial reporting purposes on a basis that is understood by management but that could be deemed subjective, arbitrary or difficult to understand by external users of financial statements. Such an allocation would not constitute a reasonable basis under the definitions of segment revenue, segment expense, segment assets and segment liabilities in this Standard. Conversely, an entity may choose not to allocate some item of revenue, expense, asset or liability for internal financial reporting purposes, even though a reasonable basis for doing so exists. Such an item is allocated pursuant to the definitions of segment revenue, segment expense, segment assets and segment liabilities in this Standard.
- .30 Entities can generally identify the costs of providing certain groups of goods and services or of undertaking certain activities and the assets that are necessary to facilitate those activities. This information is needed for planning and control purposes. However, in many cases the operations of entities are funded by "block" appropriations, or appropriations on a "line item" basis reflecting the nature of the major classes of expenses or expenditures. These "block" or "line item" appropriations may not be related to specific service lines, functional activities or geographical regions. In some cases, it may not be possible to directly attribute revenue to a segment or to allocate it to a segment on a reasonable basis. Similarly, some assets, expenses and liabilities may not be able to be directly attributed, or allocated on a reasonable basis, to individual segments because they support a wide range of service delivery activities across a number of segments or are directly related to general administration activities which are not identified as a separate segment. The unattributed or unallocated revenue, expense, assets and liabilities would be reported as an unallocated amount in reconciling the segment disclosures to the aggregate entity revenue, expense, assets and liabilities as required by paragraph .63 of this Standard.
- .31 Entities may enter into arrangements with private sector entities for the delivery of goods and services or to conduct other activities. These arrangements may take the form of a joint venture or an investment in an associate which is accounted for by the equity method of accounting. Where this is the case, segment revenue will include the segment's share of the equity accounted surplus or deficit, where the equity accounted surplus or deficit is included in entity revenue and it can be directly attributed or reliably allocated to the segment on a reasonable basis. In similar circumstances, segment revenue and segment expense will include the segment's share of revenue and expense of a jointly controlled entity which is accounted for by proportionate consolidation.

Segment Assets, Liabilities, Revenue and Expense

- .32 Examples of segment assets include current assets that are used in the operating activities of the segment; property, plant and equipment; assets that are the subject of finance leases; and intangible assets. If a particular item of depreciation or amortisation is included in segment expense, the related asset is also included in segment assets. Segment assets do not include assets used for general entity or head office purposes, for example:
- (a) the office of the central administration and policy development unit of a department of education is not included in segments reflecting the delivery of primary, secondary and tertiary educational services; or
 - (b) the parliamentary or other general assembly building is not included in segments reflecting major functional activities such as education, health and defence when reporting at the whole-of-government level.
- Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.
- .33 The consolidated financial statements of an entity may encompass entities acquired in an entity acquisition which gives rise to purchased goodwill (guidance on accounting for the acquisition of an

- entity is included in the Standard of Generally Recognised Accounting Practice on *Business Combinations*). In these cases, segment assets will include goodwill that is directly attributable to a segment or that can be allocated to a segment on a reasonable basis, and segment expense includes related impairment of goodwill.
- .34 Examples of segment liabilities include trade and other payables, accrued liabilities, advances from members of the community for the provision of partially subsidised goods and services in the future, product warranty provisions arising from any commercial activities of the entity, and other claims relating to the provision of goods and services. Segment liabilities do not include borrowings, liabilities related to assets that are the subject of finance leases, and other liabilities that are incurred for financing rather than operating purposes. If interest expense is included in segment expense, the related interest-bearing liability is included in segment liabilities.
- .35 The liabilities of segments whose operations are not primarily of a financial nature do not include borrowings and similar liabilities because segment revenues and expenses do not include financing revenues and expenses. Further, because debt is often issued at the head office level or by a central borrowing authority on an entity-wide or government-wide basis, it is often not possible to directly attribute, or reasonably allocate, the interest-bearing liability to the segment. However, if the financing activities of the entity are identified as a separate segment, as may occur at the whole-of-government level, expenses of the "finance" segment will include interest expense, and the related interest-bearing liabilities will be included in segment liabilities.
- .36 Standards of Generally Recognised Accounting Practice may require adjustments to be made to the carrying amounts of the identifiable assets and liabilities of an entity acquired in an acquisition (see the Standard of Generally Recognised Accounting Practice on *Business Combinations*). Measurements of segment assets and liabilities include any adjustments to the prior carrying amounts of the identifiable segment assets and segment liabilities of an entity acquired in an entity combination accounted for as a purchase, even if those adjustments are made only for the purpose of preparing consolidated financial statements and are not recorded in either the controlling entity's or the controlled entity's separate financial statements. Similarly, if property, plant, and equipment has been revalued subsequent to acquisition in accordance with the revaluation model allowed by the Standard of Generally Recognised Accounting Practice on *Property, Plant and Equipment*, measurements of segment assets reflect those revaluations.
- .37 An entity may control another entity that operates on a commercial basis and is subject to income tax or income tax equivalents. These entities may be required to apply accounting standards such as the International Accounting Standard on *Income Taxes* which prescribe the accounting treatment of income taxes or income tax equivalents. Such standards may require the recognition of income tax assets and liabilities in respect of income tax expenses, or income tax equivalent expenses, which are recognised in the current period and are recoverable or repayable in future periods. These assets and liabilities are not included in segment assets or segment liabilities because they arise as a result of all the activities of the entity as a whole and the tax arrangements in place in respect of the entity. However, assets representing taxation revenue receivable which is controlled by a taxing authority will be included in segment assets of the authority if they can be directly attributed to that segment or allocated to it on a reliable basis.
- .38 Some guidance for cost allocation can be found in other Standards of Generally Recognised Accounting Practice. For example, the Standard of Generally Recognised Accounting Practice on *Inventories* provides guidance for attributing and allocating costs to inventories, and the Standard of Generally Recognised Accounting Practice on *Construction Contracts* provides guidance for attributing and allocating costs to contracts. That guidance may be useful in attributing and allocating costs to segments.
- .39 The Standard of Generally Recognised Accounting Practice on *Cash Flow Statements* provides guidance on whether bank overdrafts should be included as a component of cash or should be reported as borrowings.

- .40 The financial statements for the whole-of-government, and certain other controlling entities, will require the consolidation of a number of separate entities such as departments and other entities. In preparing these consolidated financial statements, transactions and balances between controlled entities will be eliminated in accordance with the Standard of Generally Recognised Accounting Practice on *Consolidated and Separate Financial Statements*. However, segment revenue, segment expense, segment assets and segment liabilities are determined before balances and transactions between entities within the economic entity are eliminated as part of the consolidation process, except to the extent that such intra-economic entity balances and transactions are between entities within a single segment.
- .41 While the accounting policies used in preparing and presenting the financial statements of the entity as a whole are also the fundamental segment accounting policies, segment accounting policies include, in addition, policies that relate specifically to segment reporting, such as the method of pricing inter-segment transfers, and the basis for allocating revenues and expenses to segments.

Segment Accounting Policies

- .42 *Segment information shall be prepared in conformity with the accounting policies applied for preparing and presenting the financial statements of the consolidated group or entity.***
- .43 There is a presumption that the accounting policies that the management of an entity have chosen to use in preparing the consolidated financial statements are those that management believes are the most appropriate for external reporting purposes. Since the purpose of segment information is to help users of financial statements better understand and make more informed judgements about the entity as a whole, this Standard requires the use, in preparing segment information, of the accounting policies that management have chosen for preparation of the consolidated financial statements. That does not mean, however, that the consolidated or entity accounting policies are to be applied to segments as if the segments were separate reporting entities. A detailed calculation done in applying a particular accounting policy at the reporting level may be allocated to segments if there is a reasonable basis for doing so. Employee entitlement calculations, for example, are often done for an entity as a whole, but the entity-wide figures may be allocated to segments based on salary and demographic data for the segments.
- .44 As noted in paragraph .41, accounting policies that deal with entity only issues such as inter-segment pricing may need to be developed. The Standard of Generally Recognised Accounting Practice on *Presentation of Financial Statements* requires disclosure of accounting policies necessary to understand the financial statements. Consistent with those requirements, segment specific policies may need to be disclosed.
- .45 This Standard permits the disclosure of additional segment information that is prepared on a basis other than the accounting policies applied for the consolidated or entity financial statements provided that:
- (a) the information is relevant for performance assessment and decision making purposes; and
 - (b) the basis of measurement for this additional information is clearly described.

Joint Assets

- .46 *Assets that are jointly used by two or more segments shall be allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments.***
- .47 The way in which asset, liability, revenue and expense items are allocated to segments depends on such factors as the nature of those items, the activities conducted by the segment, and the relative autonomy of that segment. It is not possible or appropriate to specify a single basis of allocation that should be adopted by all entities. Nor is it appropriate to force allocation of entity asset, liability, revenue and expense items that relate jointly to two or more segments, if the only basis for making those allocations is arbitrary or difficult to understand. At the same time, the definitions of segment

revenue, segment expense, segment assets and segment liabilities are interrelated, and the resulting allocations should be consistent. Therefore, jointly used assets are allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments. For example, an asset is included in segment assets if, and only if, the related depreciation or amortisation and/or impairment are included in measuring segment expense.

Newly Identified Segments

- .48 ***If a segment is identified as a segment for the first time in the current period, prior period segment data that is presented for comparative purposes shall be restated to reflect the newly reported segment as a separate segment, unless it is impracticable to do so.***
- .49 New segments may be reported in financial statements in differing circumstances. For example, an entity may change its internal reporting structure from, for example, a service segment structure to a geographical segment structure and management may consider it appropriate that this segment structure also be adopted for external reporting purposes. An entity may also undertake significant new or additional activities, or increase the extent to which an activity previously operating as an internal support service provides services to external parties. In these cases, new segments may be reported for the first time in the general purpose financial statements. Where this occurs, this Standard requires that prior period comparative data should be restated to reflect the current segment structure where practicable.

Disclosure

- .50 ***The disclosure requirements in paragraphs .51 – .74 shall be applied to each segment.***
- .51 ***An entity shall disclose segment revenue and segment expense for each segment. Segment revenue from budget appropriation or similar allocation, segment revenue from other external sources and segment revenue from transactions with other segments shall be separately reported.***
- .52 ***An entity shall disclose the total carrying amount of segment assets for each segment.***
- .53 ***An entity shall disclose the total carrying amount of segment liabilities for each segment.***
- .54 ***An entity shall disclose the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period for each segment.***
- .55 An entity is encouraged, but not required, to disclose the nature and amount of any items of segment revenue and segment expense that are of such size, nature, or incidence that their disclosure is relevant to explain the performance of each segment for the period.
- .56 The Standard of Generally Recognised Accounting Practice on *Presentation of Financial Statements*, requires that when items of revenue or expense are material, their nature and amount shall be disclosed separately. The encouragement in paragraph .55 is not intended to change the classification of any such items of revenue or expense. The disclosure encouraged by that paragraph, however, does change the level at which the significance of such items is evaluated for disclosure purposes from the entity level to the segment level.
- .57 This Standard does not require a segment surplus or deficit for the period to be disclosed. However, if a segment surplus or deficit for the period is calculated and disclosed it is a surplus or deficit which does not include finance charges.

- .58 An entity is encouraged but not required to disclose segment cash flows consistent with the requirements of the Standard of Generally Recognised Accounting Practice on *Cash Flow Statements*. The Standard of Generally Recognised Accounting Practice on *Cash Flow Statements* requires that an entity present a cash flow statement that separately reports cash flows from operating, investing, and financing activities. It also requires the disclosure of information about certain cash flows. The disclosure of cash flow information about each segment can be useful in understanding the entity's overall financial position, liquidity and cash flows.
- .59 An entity which does not disclose segment cash flows in accordance with the Standard of Generally Recognised Accounting Practice on *Cash Flow Statements* is encouraged, but not required, to disclose for each reportable segment:
- (a) segment expense for depreciation and amortisation of segment assets;
 - (b) other significant non-cash expenses; and
 - (c) significant non-cash revenues that are included in segment revenue.
- This will enable users to determine the major sources and uses of cash in respect of segment activities for the period.
- .60 *An entity shall disclose for each segment the aggregate of the entity's share of the surplus or deficit of associates, joint ventures, or other investments accounted for under the equity method if substantially all of those associates' operations are within that single segment.***
- .61 While a single aggregate amount is disclosed pursuant to the requirements of paragraph .60 each associate, joint venture or other equity method investment is assessed individually to determine whether its operations are substantially all within a segment.
- .62 *If an entity's aggregate share of the surplus or deficit of associates, joint venture, or other investments accounted for under the equity method is disclosed by segment, the aggregate investments in those associates and joint ventures shall also be disclosed by segment.***
- .63 *An entity shall present a reconciliation between the information disclosed for segments and the aggregated information in the consolidated or entity financial statements. In presenting the reconciliation, segment revenue shall be reconciled to entity revenue from external sources (including disclosure of the amount of entity revenue from external sources not included in any segment's revenue); segment expense shall be reconciled to a comparable measure of entity expense; segment assets shall be reconciled to entity assets; and segment liabilities shall be reconciled to entity liabilities.***

Additional Segment Information

- .64 As noted previously, it is anticipated that segments will usually be based on the major goods and services the entity provides, the programs it operates or the activities it undertakes. This is because information about these segments provides users with relevant information about the performance of the entity in achieving its objectives and enables the entity to discharge its accountability obligations. However, in some organisations, a geographical or other basis may better reflect the basis on which services are provided and resources allocated within the entity and, therefore, will be adopted for the financial statements.
- .65 This Standard adopts the view that disclosure of minimum information about both service segments and geographical segments is likely to be useful to users for accountability and decision-making purposes. Therefore, if an entity reports segment information on the basis of:
- (a) the major goods and services the entity provides, the programs it operates, the activities it undertakes or other service segments, it is also encouraged to report the following for each geographical segment that is reported internally to the management of the entity:
 - (i) segment expense;

- (ii) total carrying amount of segment assets; and
 - (iii) total outlay during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment and intangible assets); and
- (b) geographical segments or another basis not encompassed by (a), the entity is encouraged to also report the following segment information for each major service segment that is reported internally to the management of the entity:
- (i) segment expense;
 - (ii) total carrying amount of segment assets; and
 - (iii) total outlay during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment and intangible assets).

Other Disclosure Matters

- .66** *In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers shall be measured on the basis that they occur. The basis of pricing inter-segment transfers and any change therein shall be disclosed in the financial statements.*
- .67** *Changes in accounting policies applied for segment reporting that have a material effect on segment information shall be disclosed, and prior period segment information presented for comparative purposes shall be restated unless it is impracticable to do so. Such disclosure shall include a description of the nature of the change, the reasons for the change, the fact that comparative information has been restated or that it is impracticable to do so, and the financial effect of the change if it is reasonably determinable. If an entity changes the identification of its segments and it does not restate prior period segment information on the new basis because it is impracticable to do so, then for the purpose of comparison an entity shall report segment data for both the old and the new bases of segmentation in the year in which it changes the identification of its segments.*
- .68** Changes in accounting policies applied by the entity are dealt with in the Standard of Generally Recognised Accounting Practice on *Accounting Policies, Changes in Accounting Estimates and Errors*. The Standard of Generally Recognised Accounting Practice on *Accounting Policies, Changes in Accounting Estimates and Errors* requires that changes in accounting policy should be made only if:
- (a) required by a Standard of Generally Recognised Accounting Practice; or
 - (b) it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.
- .69** Changes in accounting policies applied at the entity level that affect segment information are dealt with in accordance with the Standard of Generally Recognised Accounting Practice on *Accounting Policies, Changes in Accounting Estimates and Errors*. Unless a new Standard of Generally Recognised Accounting Practice specifies otherwise, the Standard of Generally Recognised Accounting Practice on *Accounting Policies, Changes in Accounting Estimates and Errors* requires that when an entity changes an accounting policy upon initial application of a Standard that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.
- .70** Some changes in accounting policies relate specifically to segment reporting. Examples include changes in identification of segments and changes in the basis for allocating revenues and expenses to segments. Such changes can have a significant impact on the segment information reported but will not change aggregate financial information reported for the entity. To enable users to understand the changes and to assess trends, prior period segment information that is included in the financial statements for comparative purposes is restated, if practicable, to reflect the new accounting policy.

- .71 Paragraph .66 requires that, for segment reporting purposes, inter-segment transfers should be measured on the basis that the entity actually used to price those transfers. If an entity changes the method that it actually uses to price inter-segment transfers, that is not a change in accounting policy for which prior period segment data should be restated pursuant to paragraph 67. However, paragraph .66 requires disclosure of the change.
- .72 ***If not otherwise disclosed in the financial statements or elsewhere in the annual report, an entity shall indicate:***
- (a) ***the types of goods and services included in each reported service segment;***
 - (b) ***the composition of each reported geographical segment; and***
 - (c) ***if neither a service nor geographical basis of segmentation is adopted, the nature of the segment and activities encompassed by it.***

Segment Operating Objectives

- .73 If not otherwise disclosed in the financial statements or elsewhere in the annual report, the entity is encouraged to disclose the broad operating objectives established for each segment at the commencement of the reporting period and to comment on the extent to which those objectives were achieved.
- .74 To enable users to assess the performance of an entity in achieving its service delivery objectives it is necessary to communicate those objectives to users. The disclosure of information about the composition of each segment, the service delivery objectives of those segments and the extent to which those objectives were achieved will support this assessment. This information will also enable the entity to better discharge its accountability obligations. In many cases, this information will be included in the annual report. In such cases, disclosure of this information in the financial statements is not necessary.

Effective Date

- .75 ***This Standard of Generally Recognised Accounting Practice becomes effective for annual financial statements covering periods beginning on or after 1 April 2006.***

Appendix 1

Illustrative Segment Disclosures

The appendix is illustrative only and does not form part of the Standard. The purpose of the appendix is to illustrate the application of the Standard to assist in clarifying their meaning.

The schedule and related note presented in this appendix illustrate the segment disclosures that this Standard would require for an education entity which is predominantly funded by appropriation but provides some educational services on a commercial basis to the employees of major corporations and has joined with a commercial venture to establish a private education foundation which operates on a commercial basis. The Entity has significant influence over, but does not control that foundation. For illustrative purposes, the example presents comparative data for two years. Segment data is required for each year for which a complete set of financial statements is presented.

SCHEDULE A – INFORMATION ABOUT SEGMENTS (all amounts are in millions of rand)	Primary/Secondary		Tertiary		Special Services		Other Services		Eliminations		Consolidated		
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2
SEGMENT REVENUE													
Appropriation	48	40	22	23	10	10	7	7					
Fees from external sources	5	4	-	-	9	6	-	-					
Inter-segment transfers	10	6	6	7	2	4	2	2					
Total Segment Revenue	<u>63</u>	<u>50</u>	<u>28</u>	<u>30</u>	<u>21</u>	<u>20</u>	<u>9</u>	<u>9</u>	<u>20</u>	<u>19</u>	<u>101</u>	<u>90</u>	
SEGMENT EXPENSE													
Salaries and wages	(39)	(31)	(13)	(13)	(13)	(13)	(2)	(2)					
Depreciation and amortisation	(9)	(7)	(5)	(7)	(5)	(3)	(1)	(1)					
Other expenses	(12)	(11)	(10)	(9)	5	(5)	(2)	(2)					
Total Segment Expenses	<u>(60)</u>	<u>(49)</u>	<u>(28)</u>	<u>(29)</u>	<u>23</u>	<u>(21)</u>	<u>(5)</u>	<u>(5)</u>	<u>20</u>	<u>19</u>	<u>(96)</u>	<u>(85)</u>	<u>(9)</u>
Unallocated central expenses													
Interest expense													
Interest revenue													
Share of surpluses of associates							8	7					
Surplus for the period											<u>4</u>	<u>0</u>	<u>0</u>
OTHER INFORMATION													
Segment assets	54	50	34	30	10	10	10	9			108	99	
Investment in associates (equity method)							32	26			32	26	
Unallocated central assets													
Consolidated Total Assets											<u>35</u>	<u>30</u>	<u>155</u>
Segment liabilities	25	15	8	11	8	8	1	1			<u>175</u>	<u>155</u>	<u>35</u>
Unallocated corporate liabilities											<u>42</u>	<u>40</u>	<u>55</u>
Consolidated Total Liabilities											<u>40</u>	<u>82</u>	<u>90</u>
Capital expenditure	12	10	3	5	5	0	2	3					
Non-cash expense excluding depreciation	(8)	(2)	(3)	(3)	(2)	(2)	(1)	(1)					
Non-cash revenue	-	-	-	-	1	1	-	-					

Note – Segments (All amounts are in millions of rand)

The Entity is organised and reports to management on the basis of four major functional areas - primary and secondary education, tertiary education, special education services and other services each headed by a director. Operations of the special education services segments include provision of educational services on a commercial basis to the employees of major corporations. In providing these services to external parties the commercial services unit of the segment uses, on a fee for services basis, services provided by the primary/secondary and tertiary segments. These inter segment transfers are eliminated on consolidation.

Information reported about these segments is used by management as a basis for evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The majority of the entity's operations are domestic except that as part of an aid program it has established facilities in East Africa for the provision of secondary educational services. Total cost of services provided in East Africa is R5 million (R4 million in 20X1). Total carrying amount of the educational facilities in East Africa are R3 million (R6.5 million in 20X1). There were no outlays on the acquisition of capital assets in East Africa during 20X2 or 20X1.

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from transfers between segments. Such transfers are usually accounted for at cost and are eliminated on consolidation. The amount of these transfers was R20 million (R19 million in 19X1).

Investments in associates are accounted for using the equity method: the entity owns 40% of the capital stock of AfricaED Ltd, a specialist education foundation providing educational services internationally on a commercial basis under contract to multilateral lending agencies. The investment in, and the entity's share of, AfricaED's net profit are excluded from segment assets and segment revenue. However they are shown separately under other services, which are responsible for the administration of the investment in the associate.

A full report of the objectives established for each segment and the extent to which those objectives have been achieved is included in the Review of Operations, included elsewhere in this report.

Comparison with the International Public Sector Accounting Standard on Segment Reporting (July 2003)

The Standard of Generally Recognised Accounting Practice on *Segment Reporting* (GRAP 18) is drawn primarily from the International Public Sector Accounting Standard on *Segment Reporting* (IPSAS 18). The main differences between GRAP 18 and IPSAS 18 are as follows:

- This Standard has incorporated consequential changes made to the International Accounting Standards under the improvements project of the International Accounting Standards Board (IASB).
- The scope of this Standard is different to IPSAS 18 in that government business enterprises are defined differently.
- IPSAS 18 describes the residue of total assets after deducting total liabilities as net "assets/equity" whereas this Standard refers to "net assets".
- The term "governing body and senior manager" used in IPSAS 18 have been replaced with "management".
- Extraordinary items as a separate line item in the statement of financial performance have been eliminated from the Standard of Generally Recognised Accounting Practice on Accounting Policies, Changes in Accounting Estimates and Errors. Consequential amendments have been made to this Standard including the definitions of "surplus/deficit from ordinary activities", "ordinary activities" and "net surplus or deficit" have been deleted.
- Appendix 3 of IPSAS 18, setting out qualitative characteristics of financial reporting, has been transferred to the Framework for the Preparation and Presentation of Financial Statements and has been deleted from this Standard.
- Appendix 2 of IPSAS 18, setting out a summary of required disclosures has been deleted from this Standard in line with the changes by the IASB's improvements project.