

IFRS 8 (March 2010)

Interaction with transition requirements of IFRS 8

The IFRIC received a request for guidance on the transition requirements in IFRS 8 *Operating Segments* and its interaction with IAS 36. The IASB made a consequential amendment to IAS 36 when it issued IFRS 8 in November 2006. The consequential amendment replaced the reference to ‘segments’ (as determined in accordance with IAS 14 *Reporting Segments*) to ‘operating segments’ (as determined in accordance with IFRS 8). In particular, paragraph 80(b) of IAS 36 was amended to refer to IFRS 8 when setting the limit for the aggregation of cash-generating units when testing for goodwill impairment. Previously, the limit had been set by reference to segments identified by IAS 14. The IFRIC noted that when entities test goodwill for impairment in the first year of adoption of IFRS 8 some entities may need to recognise an impairment loss for goodwill, at least in part because of these changes in the segment definitions.

The question asked of the IFRIC is whether any incremental goodwill impairment loss (that would have been recognised in a prior period if cash-generating units had been grouped by reference to IFRS 8) determined as a result of retrospective application of the change from IAS 14 to IFRS 8 should be presented as a prior period adjustment or a current period event. The IFRIC noted that IFRS 8 is effective for annual periods beginning on or after 1 January 2009 and therefore applicable for entities with annual periods ending 31 December 2009 and thereafter. Based on the required due process procedures included in the *IFRIC Due Process Handbook*, it would not be able to provide guidance on a timely basis. Therefore, the IFRIC decided not to add the issue to its agenda.