

PSAB

At a Glance

Section PS 2700 - Segment
Disclosures

Section PS 2700 - *Segment Disclosures*

Effective Date
Fiscal years beginning on or after April 1, 2007

Objectives of disclosing segment information

- Assist users of the financial statements in:
 - Identifying the resources allocated to support the government's major activities;
 - Making more informed judgments about the government reporting entity and its major activities;
 - Better understanding the manner in which the organizations in government are organized and how the government discharges its accountability obligations;
 - Better understanding the performance of the segments and the government reporting entity; and
- Enhance the transparency of financial reporting.
- Other government organizations that apply the CPA Canada Public Sector Accounting Handbook are encouraged to provide the disclosures in this Section when their operations are diverse enough to warrant such disclosures.

Identifying segments

- A **segment** is a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of this Section as described above.
- Professional judgment is required to determine the activities that should be grouped as segments.
- Major classifications of activities used in creating, presenting or managing budget information may be an appropriate starting point for identifying segments.
- The definition of a segment and the factors described in paragraph PS 2700.09 should be considered by preparers of financial statements in identifying segments.
- Different bases of segmentation may be appropriate. The government should choose the basis of segmentation that best addresses the factors set out above.
- Examples of how financial information may be aggregated and reported are as follows:
 - By major functional classifications of activities undertaken by the government (i.e. health, education, defense, etc.).
 - By service line segments that are distinguished by outputs or achieving particular operating objectives (i.e. police services, parks and recreation, etc.).
 - By segments that reflect the different accountability and control relationships between the government and various organizations within the reporting entity (i.e. ministries, crown corporations, etc.).
- If a government reports on the basis of more than one segment structure (i.e. by service segments and functional classifications) and the government's objectives are strongly affected by both of the segment structures, reporting on both may provide useful information to users.
- Not every part of a government is a segment; some activities may be part of general government operations.

Attributing items to segments

- For each reportable segment:
 - Some items are directly attributable; and
 - Others are allocated on a reasonable basis.
- When revenues and expenses support a wide range of service delivery activities across a number of segments or relate to general administration activities not identified as a separate segment they may not be directly attributable or allocable on a reasonable basis to individual segments. In such cases, these revenues and expenses would be reported as unallocated amounts in reconciling the segment disclosures to the government's consolidated financial statements.
- When modified equity-accounted income from government business enterprises and business partnerships can be directly attributed / reliably allocated to a segment this would be done. In the same way, segment revenue and segment expense include the segment's share of revenue and expense of a partnership accounted for by proportionate consolidation.
- Transactions and balances between controlled entities are eliminated in accordance with Section PS 2500, *Basic Principles of Consolidation*, when consolidated financial statements are prepared. However, for the purpose of segment disclosures, segment revenue and segment expense are determined prior to these eliminations, except when transactions and balances are within a single segment.



Segment accounting policies

- Segment information must be prepared in accordance with the accounting policies adopted by the government for preparing and presenting its consolidated financial statements.

Changes in segments

- When there is a change in segments, prior period segment data presented for comparative purposes must be restated to reflect the newly reported segment(s), unless the necessary financial data is not reasonably determinable.

Disclosure

- The following information about each of a government's segments identified in accordance with paragraph PS 2700.07 must be separately disclosed in the notes or schedules of a government's financial statements:
 - The basis for identifying segments, the nature of the segments and the activities they encompass, and the method of significant allocations to segments;
 - Segment expense by major object or category;
 - Segment revenue by source and type;
 - The aggregate of the income of government business enterprises and business partnerships accounted for under the modified equity method for each segment, if applicable; and
 - A reconciliation between the information disclosed for segments and the consolidated information in the financial statements.
- Disclosure must be made of changes in accounting policies related specifically to segment reporting that have a material effect on segment information.
 - Prior period segment information presented for comparative purposes must be restated unless the necessary financial data is not reasonably determinable.
 - Disclosure would include:
 - A description of the nature of the change;
 - The reasons for the change;
 - The fact that comparative information has been restated or that the necessary financial data is not reasonably determinable; and
 - If reasonably determinable, the financial effect of the change.

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