



## MONDO

4. Mondo, a public limited company, is a manufacturer and trades through three distinct business segments which operate in different parts of the world. Operating results are regularly reviewed by the company's chief operating decision maker (CODM). The directors are seeking advice on how the principles and requirements of IFRS 8 *Operating Segments* should apply to the group. The following information has been extracted from the company's records:

Segment	Number of employees	Turnover		Profit/(loss) before common costs	Net assets before common items	
		External	Internal		Assets	Liabilities
		\$m	\$m	\$m	\$m	\$m
Tuedo	100	360	20	(26)	510	350
Wedon	200	500	10	176	1,300	480
Thurso	300	840	-	100	3,400	2,300

Common costs include central head office service costs of \$17 million, property management costs of \$30 million and post employment service costs of \$20 million. Mondo has confirmed that these costs are included in the CODM review but is unsure of how to allocate them to segments.

The Tuedo segment comprises a subsidiary which was recently acquired by Mondo. In return for a guaranteed contract for the sale of goods to Tuedo's former owners, Mondo did not take over Tuedo's post-employment benefit obligations upon acquisition. Tuedo's turnover figure includes sales of \$200 million to Tuedo's former owners. All current Tuedo employees belong to a defined contribution scheme. All Wedon and Thurso employees are members of a defined benefit scheme.

The average age of property, plant and equipment in the three segments is: Tuedo 5 years, Wedon 10 years and Thurso 15 years. Property management costs accrue in close proportion to the age of the assets.

Most strategic management decisions are made centrally by head office staff. Mondo estimates that staff time spent on decision making and general management duties is in proportion to the turnover of each segment.



The CODM is provided with amounts for all assets and liabilities, apart from the head office, as part of his review. The head office was valued at \$20 million. This was purchased with a 6% loan for the same amount. Neither the loan nor the asset is included in the above asset and liability figures. Loan interest is not included in the segment profit or loss figures although Mondo has indicated that it is a cost reviewed by the CODM.

Mondo attributes \$420 million of its external sales and \$300 million of its non-current assets to its country of domicile. \$260 million of Mondo's external sales are attributed to one foreign country.

**Required**

Advise the directors of Mondo on how the principles and requirements of IFRS 8 *Operating Segments* would apply to the information given above. In particular, Mondo requires advice on the:

- allocation of Mondo's common costs, assets and liabilities
- recognition and reporting of the company's reportable segments
- reporting of information about Mondo's geographical areas of trading and major customers.

**(20 marks)**