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**17/SMSO2/066**

**ACC 406**

**ASSIGNMENT TITLE: SEGMENT REPORTING**

**Summary of the note**

To facilitate the analysis and evaluation of financial statements, in the 1960s several groups began to request that consolidated amounts be disaggregated and disclosed on a segment basis

Segment reporting was issued in the year 1981. The management approach to determining segment is based on how management diss aggregate for making operation decisions which should be evident from an enterprises organization structure.

After determining whether any segments are to be aggregated, management next must determine which of its operating segments are significant enough to justify separate disclosure. An operating segment is considered significant if it meets any one of the following tests:

* Revenue test
* Profit or loss test
* Asset test
* Overall size test

All segments that are neither separately reported nor combined should be included in the segment reporting disclosures as an unallocated reconciliation item or in an “all other” category.

IFRS 8 does not set an upper limit as to the number of operating segments that should be separately reported. However, the standard sets out that if the number of separately reported segments exceeds ten then it is likely that the information may become too detailed and consequently lose its usefulness. Also An operating segment is a component of an enterprise if:

• It engages in business activities from which it earns revenues and incurs expenses.

• If its operating results are regularly reviewed by the chief operating decision maker to assess performance and make resource allocation decisions.

• Discrete financial information is available for it.