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**SEGMENT REPORTING**

As companies diversify internationally or in lines of business in which they operate, the usefulness of consolidated financial statements diminishes. There are different risks and growth potential associated with different parts of the world, just as there are different risks and opportunities associated with different lines of business. Segment reporting, which was originally issued in 1981. Thus, segment reporting has been a part of the international accounting landscape for many years.

 In 2002, segment reporting was added to the agenda of short-term convergence project of the IASB and FASB. After years of study, the IASB issued IFRS 8, Operating Segments, in November 2006, which substantially converges IFRS with U.S. GAAP on the issue of segment reporting. The IASB adopted the so-called management approach to segment reporting introduced by the FASB in 1996.

**Operating Segments-The Management Approach**

The management approach to determining segments is based on the way that management

disaggregates the enterprise for making operating decisions. These disaggregated components are referred to as operating segments. It engages in business activities which it earns revenues and incurs expenses. Even an organizational unit’s revenue and expense derived from transactions with other segments it still can be an operating segment. But not all parts of a company are included in operating segment. Management decides which segments should be reported separately. Generally, information must be reported separately for each operating segment that meets one or more quantitative thresholds.

**What has to be reported?**

The disclosing segmental information is to provide additional information to the users of financial statements so that they will be able to evaluate the nature and financial effects of an entity’s business activities as well as the economic environment which it operates.

IFRS 8 requires disclosure of general information, such as the ***type of products and services*** used by management to identify its reportable segments.

A ***measure of profit or loss*** and ***total assets*** should be disclosed for each reportable segment. Segment liabilities only required to be disclosed if this information regularly provided for internal reporting purposes. Specified components of operating segment’s profit or loss and segment assets are required to be disclosed where such information regularly provided to the chief operating decision maker.

A number of reconciliations should be provided in relation to total of segment revenues, reported segment profit or loss, segment assets and liabilities and other material items, to corresponding items in the entity’s financial statements.