**Ahmed Al-Amin Taiwo**

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**Segment Reporting**

International diversification diminishes financial statement usefulness and this produces a risk that differences in accounting items will be masked. A scenario can be seen in United Technologies Inc and Coca-Cola who recorded huge sums in 2009. In these cases, analysts and other users of the information would like to know how much generated in each branch.

Disaggregation of consolidated amounts in the 1960s from both the US and UK, EU’s fourth directive in 1978 and IAS 14 from 1981 are long running initiative of segment reporting. With the issuance of IFRS 8, operating segments, the IASB adopted the management approach.

A component of an enterprise that engages in business activity, has decisions made from its operating results and has discrete financial information is an operating segment and encompasses the management approach. The first step in the approach is identification of operating segments then a decision on which is to be reported separately based on revenue, profit or loss, asset and overall size test. Segments that are neither separately recorded nor combined should be in the “all other” category

Consistency should be adhered to in segment reporting even when thresholds aren’t met and when an item reaches the threshold in the current year then it should be recorded in the current and previous year. The ideal limit of operating segments is ten and any more will introduce noise in the statements.

The purpose of segmental information disclosure is to provide additional information to users so that they can evaluate the nature and financial effects of am entitys business activities as well as the economic environment in which it operates.

Disclosure of the type of products and services from which each segment generates revenue along with factors used to determine its reportable segments is required by IFRS 8.

A measure of profit or loss and total assets should be disclosed for each reportable segment. Specified components of segment reporting are only to be disclosed if such information is regularly provided to the chief operating decision maker.