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ASSIGNMENT TITLE: SEGMENT REPORTING

**SUMMARY OF SEGMENT REPORTING**

As companies diversify internationally to different part of the world in their business the relevance of the consolidated statement of financial position seems not relevant again as there are different risk, growth, challenges, threats associated with the different line of business and as such the consolidated statement doesn’t give much account to it. Financial analysis or users of the financial information will want to know how much revenue is generated from the different line of business of the world and also how cost was incurred and loss was generated. Segment reporting can be said to ensure that the consolidated amounts in the consolidated financial statement be disaggregated and disclosed on segment basis to facilitate the evaluation and analysis of the statement.

**Operating Segments- The Management Approach**

The approach to determining segments is based on the way that management disaggregate the enterprise for making operating decision. This disaggregated components is also known as the operating segment which is a component of an enterprise if engages in business and makes revenue and incurs expenses; if its operating results are ne regularly reviewed to assess its performance and make decisions; and if a discrete financial information is available for it. After the company has identified its operating segments, managements must then decide which should first decide on the segments to e aggregated and next must determine which of its are significant enough to justify separately. A significant operating segment must have a 10 per cent of the combined revenue, 10per cent of the combined profit/loss, 10 per cent of the combined assets and 75 per cent of the total company sales made to outsiders. All segemnts that are neither separated reported or combined should be included in the segment reporting disclosure as an unallocated reconciliation item or “all other” category.

IFRS 8 requires the disclosure of general information such as the type of products and services from which each reportable segment generates its revenue, also a measure of theq profit or loss and total assets should be disclosed as well. Segment liabilities are only meant to be disclosed if the information is needed for internal reporting purposes. Reconciliations should be made on the entity’s financial statements in relations to the total of segment revenue, reported segment profit/loss, segment assets and liabilities and other material items.