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**COURSE CODE: ACC406**

**COURSE TITLE: INTERNATIONAL ACCOUNTING**

**ASSIGNMENT: SUMMARY OF SEGMENT REPORTING**

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. company’s revenues, expenses, assets, and liabilities into consolidated totals masks these differences. 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, which was originally issued in 1981. Segment reporting has been a part of the international accounting landscape for many years. In 2002, segment reporting was added to the agenda of the short-term convergence project of the IASB and the FASB. the IASB adopted the 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.

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.

An operating segment is considered significant if it meets any one of the following tests:

1. Revenue test: Segment revenues, both external and intersegment, are 10 per cent or more of the combined revenue, internal and external, of all reported operating segments.
2. Profit or loss test: Segment profit or loss is 10 per cent or more of the higher (in absolute terms) of the combined reported profit of all profitable segments or the combined reported loss of all segments incurring a loss.
3. Asset test: Segment assets are 10 per cent or more of the combined assets of all operating segments.

The purpose of disclosing segmental information is to provide additional information to the users of the financial statements so that they will be able to evaluate the nature and financial effects of an entity’s business activities.

A measure of profit or loss and total assets should be disclosed for each reportable segment. Segment liabilities are only required to be disclosed if this information is regularly provided for internal reporting purposes.