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**SUMMARY OF SEGMENT REPORTING NOTE**

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In 2002, segment reporting was added to the agenda of the short-term convergence project of the IASB and the FASB. After several 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. 5 With the issuance of IFRS 8, the IASB adopted the so-called management approach to segment reporting introduced by the FASB in 1996. 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 which 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.

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.

4. **Overall size test**: If the combined sales to unaffiliated (external) customers of segments determined to be significant are less than 75 per cent of total company sales made to outsiders, additional segments must be disclosed separately even though they fail to meet one of the quantitative thresholds, until the 75% mark is reached.

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 as well as the economic environment in which it operates. A number of reconciliations should be provided in relation to the total of segment revenues, reported segment profit or loss, segment assets and liabilities and other material items.