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**SUMMARY ON SEGMENT REPORTING**

The modification of companies internationally or in areas of business has reduced the usefulness of consolidated financial statements. To simplify the analysis and evaluation of financial statements, in 1960, several groups began to request that consolidated amount be disaggregated and disclosed on a segment basis. Thus, segment reporting has been a part of the international accounting landscape for many years.

The management approach to determining segments is based on the way the management disaggregates the enterprise which is referred to as operating segments. An operating segment is regarded as a constituent of an enterprise if it engages in business activities from which it earns revenue, its operating results are reviewed regularly to access performance and make resource allocation decisions and discrete financial information is available for it. An organizational unit’s revenue and expenses can still be an operating segment even if all of it is derived from transactions with other segments, but not all parts of the segment. Generally, information must be reported separately for each operating segment that meets one or more of the quantitative thresholds.

The following tests can be used in determining the significance of an operating segment: A **revenue** **test** which is both external and intersegment of the segment revenue must be 10 percent or more (on combined attributes) of the revenue. A **profit or loss test** which is the segment profit or loss being 10 percent or higher in terms of combined profit or combined loss, **Asset test** which is the segment assets being 10 percent or more of the combined assets, and **overall size test** which is to ensure that all entities present a sufficient level of information.

The purpose of segmental information is to provide additional information to the user of the financial statement for evaluating the nature and the financial effects of the business activities. Likewise, a measure of profit and loss and total assets should be disclosed for each reportable segment. The stated components of the operating segment’s profit or loss and segment assets are also required to be disclosed where this information is regularly provided to the chief operating decision-maker. These are what are to be reported.

Also, several reconciliations should be provided regarding the total of segment revenues, reported segment profit or loss, segment assets and liabilities and other items down to corresponding items in the financial statements.