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 **SUMMARY ON SEGMENT REPORTING**

The diversification of companies internationally or in lines of business has diminished the usefulness of consolidated financial statement. To facilitate the analysis and evaluation of financial statement, 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 are based on the way the management disaggregates the enterprise which is referred to as operating segments. An operating segment is regarded as a component 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, 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 transaction with other segment, but not all part of 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 to determine 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 less test which is the segment profit or loss being 10 percent or more 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. Moreover, a measure of profit and loss and total assets should be disclosed for each reportable segments. The specified 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, a number of reconciliations should be provided in relation to the total of segment revenues, reported segment profit or less, segment assets and liabilities and other items down to corresponding items in the financial statements.