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ACC 406

INTERNATIONAL ACCOUNTING

**SEGMENT REPORTING**

In international business there are different risks and growth potentials in different parts of the world as well as different fields of business. This leads to the diminish in need for consolidated statements but combination of the statement of financial position items covers these differences.

In the 1960's several groups requested that consolidated amounts be disclosed in segment basis to aid the analysis and evaluation of financial statements easily. The European Union's Fourth Directive on accounting with was issued in 1978, requires two elements which are geographic disclosures and line-of-business, as does IAS 14, Segment reporting was introduced in the year 1981. In 2002, segment reporting was added to the agenda of short-term convergence project of the IASB and the FASB. In November 2006, the IASB also issued IFRS 8 - operating segments. with the issuance of IFRS 8, the IASB adopted the management style to segment reporting. This tactic was used to determine the segment that will be used is based on the aim for making operation decisions which are related to the organisational structure. The segmented components where referred to as operating decisions, once the nature of the segments have been determined, the organisation is to determine which segment is to be determined significant to meet the criteria of the following tests:

1 Revenue test

2 Profit or loss test

3 Asset test

4 Overall test

The components of an operating segment in an enterprise includes:

1 Discrete financial information available;

2 Regular Review of operating results by the chief operating decision maker; and

3 Business activities from which it earns revenue and incurs expenses

IFRS 8 requires the disclosure of general information, such as the type of products and services from which each segment generates its revenue. IFRS 8 requires the disclosure of general information, such as the type of products and services.