**Segment Reporting**

**Nwaneke Nneka Juliet**

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**Summary of Segment Reporting**

Segment reporting is the reporting of the operating segments of a company in the disclosures accompanying its financial statements. IAS 14 segment reporting establishes principles for reporting financial information by line of business and by geographical area. It is required for publicly held entities, and is not required for privately held entities. Segment reporting was added to the agenda of the short-term convergence project of the IASB and the FASB in 2002. 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. Segment reporting is intended to give information to investors and creditors regarding the financial results and position of the most important operating units of a company. The information that should be included in segment reporting are revenues, interest expense, depreciation and amortization, profit or loss etc.

Under GAAP an operating segment engages in business activities from which it may earn revenue and incur expenses. In 1965, required line of business disclosures were introduced in the United Kingdom and in1969 it was introduced in the united states. IAS 14 was originally issued in August 1981 requires both line of business and the European Union’s Fourth Directive which was issued in 1978.

**Operating segments- The management approach**

The management approach means that the operating segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. An operating segment is a component of an enterprise:

* 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 of the following test:

* Revenue test
* Profit or loss test
* Asset test
* Overall size test