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Matric Number: 16/sms02/011

Course Code: ACC 406

Date: 13/04/2020

**SEGMENT REPORTING**

Over time, the need for consolidated amounts to be disaggregated and disclosed on a segment basis. Required line-ofbusiness disclosures were introduced in the United Kingdom in 1965, and in the United States in 1969. The European Union’s Fourth Directive on accounting, issued in 1978, requires both line-of-business and geographic disclosures, as does IAS 14, Segment Reporting, which was originally issued in 1981. Thus, segment reporting has been a part of the international accounting landscape for many years. 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 involves reporting in segments according to the way management disaggregates the enterprise for making operating decisions. These disaggregated components are referred to as operating segments, which should be evident from the enterprise’s organization structure. Management also has to determine which of the operating segments are to be aggregated. After determining whether any segments are to be aggregated, management next must determine which of its operating segments are significant enough to justify separate disclosure.

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. This overall size test is to ensure that all entities present a sufficient level of information regarding their individual activities to ensure that users of the financial statements can make informed economic decisions.

All segments that are neither separately reported nor combined should be included in the segment reporting disclosures as an unallocated reconciliation item or in an “all other” category.