**M.COM (SEMESTER III) -2020**

**Paper: Corporate Financial Accounting & Reporting (CFAR) DSE 305A3**

**Topic: Segment Reporting (Module I) Lecture no 1**

**Contributor: Prof Asit Ghosh**

**Indian Accounting Standard 108**

**Operating segments**

Disclosure about Operating Segments under IFRS is a significant change as compared to existing Accounting Standards as Ind AS 108, operating segments , requires to follow the management approach as compared to the risks and returns approach being followed under AS 17, Segment Reporting.

Information about significant components of an entity in contrast to its financial segments for the entity as a whole is very important to the users of financial statements, specifically where an entity is engaged in different business activities or operates in different economic environments.

**Operating Segments:**

Ind AS 108 defines an operating segment as a component of an entity:

1. That emerges in business activities from which it may earn revenues and incur expenses.
2. Whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performances , and
3. For which discrete financial information is available.

**Reportable Segments:**

Ind AS 108 requires an entity to report financial and descriptive information about its reportable segments.

An operating segment should be identified as reportable segments, if it fulfils the following tests.

1. Revenue Test: Total revenue of a segment is 10% or more of the total revenue of all segments, where revenue consists of both external and internal revenue.
2. Result/Profitability test: The individual segment result (whether profit or loss) 10% or more of higher value of the followings:

* The combined result of all segments is profit
* The combined result of all segments is loss

1. Asset test: The total assets of individual segment is 10% or more of total assets of all segments.