— AS - 17 —

Segment Reporting

Segment — ③ types :
- Business segment
- Geographical segment
- Reportable segment.

I. Business Segment (product basis)

★ Engaged in providing an individual product / services / group of related products / services.

★ Factors considered :
- → Nature of P/S
- → Nature of Production processes.
- → Type of customers for P/S
- → Distribution method for P/S
- → If applicable, nature of regulatory environment.

II Geographical segment (Area basis)

★ Engaged in providing P/S within a particular economic environment.

★ Factors considered :
- → Similarity of economic & political conditions.
- → Exchange control regulations
- → Underlying currency risk
- → Special risks associated with operations in particular area
- → Relationship between operations in different geographical areas
- → Proximity of operations.

III. ## Reportable segment

* business segment / geographical segment

Segment Revenue :

1 Agg. of :

Segment external sales	xx
(+) Apportioned sales	xx
(+) Inter segment sale	xx
	xx

2 ✗ include :

* Extra ordinary Income
* Interest / Dividend Income
* gain on sale of Investment.

Segment Expenses :

1 Agg. of :

Segment direct expenses	xx
(+) Apportioned expenses	xx
(+) Inter segment expenses	xx
	xx

2 ✗ include :

* Extraordinary expense
* Interest expense
* Income tax expense
* Administration and HO expenses.
* Losses on sales of Investment

Segment Assets

$\boxed{1}$ Segment operating assets
[Directly attributable / Allocated on reasonable basis]

$\boxed{2}$ ✗ include :

* ★ Income tax assets
* ★ Assets used for general enterprise / HO purposes.

Segment Liabilities

$\boxed{1}$ Segment operating Liabilities
[Directly attributable / allocated on reasonable basis]

$\boxed{2}$ ✗ include :

* ★ Income tax liabilities
* ★ Borrowing or other liabilities for financing.

Segment Results

Segment Revenue	xx
(−) Segment Expenses	(xx)
	xx

Primary & secondary segment reporting formats :

Dominant Risk & Return	Primary	Secondary
1. Differences in product / services	Business segment	Geographical segment
2. Difference in operating countries / geographical areas	geographical segment	Business segment.

Identification of Reportable segments

Step (1) : 10 % Test

Any (1) test needs to be met

Revenue Test

Segment Revenue
[Int. + Ext.]
$\geq 10\%$
of Total segment Revenue

Reportable ✓

P/L Test

I) Segment Result
[Profit Only]
$\geq 10\%$
of total profit of all segments

II) few profits + few losses segments

(1) Add profits
(2) Add losses
(3) comparing (1) & (2) take higher figure [in absolute]
(4) Segment with P/L $\geq 10\%$ of absolute fig in (3)

Reportable ✓

Asset Test

Segment Asset
$\geq 10\%$
of Total assets of all segments

Reportable ✓

Step ② : Overall Test 75% test

Total external Revenue of Reportable segment } atleast constitute 75% of total enterprise revenue.

If not attained limit, additional segments should be identified as Reportable segment even if they do not meet 10% of threshold.

Note

✓ Segment reported - in immediately preceeding period continue to be reportable for current period irrespective of criteria of 10% threshold.

Primary Reporting Format — 7 disclosures

[1] Segment Revenue
- from sales to external customer
- transactions with other segments.

[2] Segment Result.

[3] Segment Asset [Total carrying amount]

[4] Segment Liabilities.

[5] Total cost incurred → to acq. segment assets [Tangible (+) Intangible] [expected to be used during > 1 period

[6] Total amount of expenses included in segment result for depreciation & amortisation.

[7] Total amount of non-cash expenses, other than depreciation & amortisation. included in segment expenses.

Note: Enterprise reporting CFs arising from
- operating
- investing &
- financing activities

of a segment

need not disclose depreciation, amortisation & non-cash exps.

★ An enterprise should present reconciliation between the information disclosed for Reportable segments & aggregated information in the enterprise financial statements.

Reconciled to

→ Seg. Revenue → Enterprise revenue

→ Seg. Result → Enterprise net P&L

→ Seg. Asset → Enterprise Assets

→ Seg. Liabilities → Enterprise liabilities

Secondary Segment Information — 3 disclosures

If primary format of an enterprise ⇒ business segments then also report following:

[1] Segment revenue from external customers by geographical area based on geographical location of customer.

[If Revenue from sales to ext. customer ≥ 10% of enterprise revenue]

[2] Total C.A of segment assets by geographical location of assets

[if segment assets ≥ 10% of total assets of all geo. seg.]

[3] Total cost incurred during the period to acquire segment asset (expected to used > 1 period (tan. / intan.)

[if seg. assets ≥ 10% of total assets of all geo. seg]

& viceversa in case of primary format ⇒ Geographical segments.

AS 17 : Segment Reporting

Illustrations

1

★ 2 — Repeatedly asked Q

★ 3

★ 4

5

Practical Questions

6 — same as illustration 3

★ 7

8

9]

10] similar Questions

★ 11

★ 12