

# Segment

Business



Segment is an integral part of a business, specializing in related product or service to the holding business entity. Business segments can be defined as either a geographical segment or a revenue segment. Geographical segment is part of the business that operates within a given economic region providing products and services. These are subject to different risks and returns from other components of the business operating in different economic conditions.

However, business segment provides given product, service or significant, similar products and services, which differ from those of other segments in the business. Segment reporting applies to companies and business entities which publicly trade their equities and securities. The business entities are required to comply with the International Accounting Standards (IAS). The provisions for segment reporting are stipulated by IAS 14 segment report. Any business, that is not publicly listed and wishes to issue segment reports, must do so in full compliance of IAS 14.

A business entity's segment is reportable when a significant percentage of its revenue is derived from the sale of products and services to external clients and consumers. A segment is reportable if its revenues from intersegmental and external sales are equal to or above ten percent of the total revenue of all segments. If segment's assets are equal to or above ten percent of total assets in all segments, then it is deemed as a reportable segment. Segments are not required to publish separate financial reports from their holding company or its subsidiaries and associates. The segment report forms part of the notes in computation of the overall business entity's financial report. The International Reporting Standard (IAS) requires

reportable segments to disclose the following in the financial reports: revenues from sales, classified as intersegment or external sales, total assets, depreciation and amortization of assets, non-cash expenses, other than depreciation, liabilities, the methods of intersegment pricing, capital additions, equity method incomes, unusual items and results.

All segment assets, revenues, profits and liabilities, should be reconciled to the corresponding consolidated items in the consolidated financial reports. A disclosure of the products and services reported by each segment is required. Any change in the segment's accounting and financial reporting policy requires special disclosure. Segments are significant to the contribution of the enterprise's reported revenues. Therefore, an evaluation of segment revenues and costs is essential in determining its viability as a reportable segment.