

# [6a: business segments e-mail memo](https://assignbuster.com/6a-business-segments-e-mail-memo/)

Jan Waters, Controller [insert here] Re: [insert the of the assignment here] [January 7, 2008] \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_   
For this assignment, you will write a 250-word e-mail memo to Jan describing which criteria Calliopes online courses need to meet to be reported as a distinct segment of the company. Calliope has not reported business segments before, but the demand for its   
new online courses is high. Therefore, Jan would like to know what type of information is reported in connection with separate business segments of a company. Your e-mail memo should answer the following questions:   
What type of information should be analyzed with respect to the online courses and in class courses to determine if the online courses should be reported as a separate business segment?   
What information would Calliope need to disclose if the online course offering did qualify as a business segment for financial reporting purposes?   
Where would Calliope’s business segment information be reported if required?   
Jan,   
In order for us to be successful in this endeavor, I would like to first explain my expectation of this segment. A Business Segment is a part of the company that has operations that can function on its own independently from the company, the factors affecting its operations, sales, growth etc. are different from the rest of the company, and it operates in a different segment of the market from the rest of the company. Accordingly, this should be reflected in the balance sheet.   
  
1. Alternative delivery, or non-classroom based, enrollment has jumped from 3, 445 signups in 2004 to 8, 019 in 2007. The great majority of those classes are Internet-based. Traditional classes will never be replaced by the Web or any other technology, but the Web will continue to be a growing component of education. To determine whether the online courses should be reported as a separate business segment, we must examine the following: Student tuition and fees, student aid, sponsored programs, sales and services, gifts (donations), other investment income, auxiliary enterprises, student aid and contributions used for operations. If it seems that there is an equal ratio of online students to in class students, then it is clear that there is a requirement for the online piece of our facility to stand alone which will require its’ own business segment.   
2. The information that Callipoe would need to disclose if the online course offering does qualify as a business segment for financial reporting purposes would be Operating expenses which include Instruction and departmental research, educational support activities, sponsored programs, libraries, and general/administrative expenses. Additionally we would want to also evaluate the non-operating revenues and expenses. We need to evaluate the net change in cash and cash increases as compared to the last two years. We must conscribe a spending formula. From there we should also allocate the excess of out investment return over the spending formula amount. We must also see if there is a net realized and unrealized gains (losses) on interest rate exchange agreements. Further we must check the net interest expense on a discounted note obligation. Finally, if Callpoe can operate independently it should, thus drawing on its own resources without imposing on those within the in-school budget.   
3. Finally, as to where would Callipoe’s business segment information be reported if required is concerned, it should be placed in the consolidated financial statements that Callipoe adopts, also known as the Statement of Financial Accounting Standards (“ FASB”). The International Accounting Standards Committee has issued rules of segment reporting. This standard defines a business segment as a distinguishable component of an enterprise engaged in providing an individual product or service or a group of related products or services and subject to risks and returns that are different from that of other segments. It also requires a two-tier approach that requires information both by business and geographic segments IAS no. 14 requires an entity to look to its internal organizational structure and internal report system to identify segments for reporting. There are four substantial differences between SFAS No. 14 and SFAS No. 131, but the major change in SFAS No. 131 from its predecessor is clearly how segments are defined. Under SFAS No. 14, segments were defined by industry grouping of products and services sold to external customers. Under SFAS No. 131, segments are defined from a management approach perspective--how management organizes segments within the enterprise for making decisions and assessing performance. Consequently, segments are evident from the structure of the enterprises internal organization. The internal organization is based on divisions, departments, subsidiaries, and other internal units the chief operating decision maker uses to make operating decisions and to assess an enterprises performance. Referring to a hierarchical organizational chart should provide guidance in identifying the operating segments. The business segment data be disclosed in annual financial statements. The standard also requires that an entity that does not base segments on groups of related products and services or geography to look to the next lower level of internal segmentation to identify its reportable segments. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of any material misstatements. Our responsibility is to express an opinion on the financial statements based upon continued audits.   
Please feel free to call me with any questions or concerns that you may have.   
Best Regards,   
Student