As 17 segment reporting questions

July 12, 2019/ Steven Bragg Segment reports is reporting the operating segment of a company in the disclosure that accompanies its financial statements. Segment reporting is required for publicly held entities, and not required for privately held entities. Segment reporting is intended to inform investors and creditors about the financial results and position of a company's most important operating unit, which they can use as the basis for decisions related to the company. Under the Generally Accepted Accounting Principles (GAAP), the operating segment engaged in business activities from which it can derive revenue and expenses charged, has discrete financial information available, and whose results are regularly reviewed by the entity's chief operating decision-maker for performance assessment and resource allocation decisions. Follow these rules to determine which segments need to be reported:Aggregate results from two or more segments if they have similar products, services, processes, customers, distribution methods, and regulatory environments. Report a segment if it has at least 10% of revenue, 10% of profit or loss, or 10% of the combined assets of the entity. If the total segment revenue you've selected under the previous criteria comprises less than 75% of the entity's total revenue, then add more segments until you reach that threshold. You can add more segments beyond the minimum you just recorded, but consider a reduction if the total exceeds ten segments. The information you must include in segment reporting includes:Segment reporting requirements under the International Financial Reporting Standards are essentially identical to the requirements recently recorded under GAAP. Related CoursesPublic Accounting and Finance Company July 12, 2019/ Steven Bragg / 1. The following are important Accounting Standards related to Segment 1 Reporting. IFRS 8 2. INDAS 108 3. AS -17 2. The withdrawal of IAS 14's IFRS replaces reporting segment IAS 14. 3. The difference between INDAS 108 and IFRS 8 INDAS 108 IFRS 8 1.Transitional provisions have not been provided 1.Transitional provisions have been provided in IFRS 8 2.The relevant provisions are the Profit and Loss Statement and Balance Sheet 2. The relevant provisions are the Comprehensive Revenue Statement and the Financial Position Differences Report in connection with the scope of 3.INDAS 108 applicable to companies whose Indian accounting standards are notified under the Company Law applicable 3.Paragraph 2 of IFRS 8 requiring the standard to apply to: a. separate financial statements or individuals of entities (Subject to certain conditions) b. group with parent consolidated financial statements (Subject to certain conditions) 4. There is no big difference between INDAS 108 and IFRS 8 except the above. Therefore, the following paragraphs relate to INDAS 108 and IFRS 8 . INDAS 5. Core principles must disclose information to enable users of their financial statements to the natural and financial effects of the business activities in which it is involved and the economic environment in which it operates. 6. Scope 1. INDAS 108 applies to companies notified of Indian Accounting Standards under the applicable Company Law 2. If the entity voluntarily discloses segment information, it will not describe the information as segment 3 information. Segment information is required only in the consolidated financial statements 7. Entities are required to disclose information about their operating segments now the question is what segments of operations will be reported in the financial statements. A reportable segment is an operating segment or an aggregation of an operating segment that meets 8 specific criteria. Essential Concepts by default > Operations If the answer to all of the following questions is yes, then the entity component is known as operating entity A. Can the component generate revenue and incur expenses from its activities? B. Are component operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resource allocation and performance assessment? C. Is discrete financial information available for such components? If one of the answers does not exist , then the component is not an operating segment. 9. Determine which segments the Entity can report to report separate information about each segment of operations that: 1. Operating segment definitions are met and 2. Total segments are 10% or more of the total: a. Revenue (Internal and external) of all operating segments or b. The earnings of all segments do not report losses or all segments in losses if larger, or c. Assets of all operating segments. Do identifiable segments account for 75% of the entity's revenue? If the answer is yes, then aggregate the remaining segments to all other segments. 'category'. If the answer is no, then additional segments should be identified (even if they do not meet the 10% threshold%) 10. Aggregation Two or more segments of operations may be aggregated into one operating segment if the aggregation is consistent with this core IFRS principle, the segment has the same economic characteristics, and the segment is similar in any of the following: (a) the nature of the product and service; (b) the nature of the production process; (c) customer type or class for their products and services; (d) methods used to distribute their products or provide their services; and (e) where applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities. 11. Disclosure of the entity shall disclose information to allow the user of his financial statements to evaluate the nature and financial effects of the business activities in which he or she is involved and the economic environment in which he operates. Here's the information to be disclosed 1. General Information 2. Reported segment profit or loss Segment 4.Liability Assets Reported Segment 5. Basic measurement 6. Reconciliation of total segment revenue, reported segment profit or loss, segment assets, segment liabilities and other material segment items to the appropriate entity amounted to 12. Entities – Broad disclosure All entities must disclose information about the following only if they are not provided as part of the reportable segment information required by this US Ind. This includes entities that have a single reportable segment. 1. Products and services 2. Geographical area 3. Accounting Standards of major customers – AS 17 (published 2000) The purpose of this Standard is to establish the principles for reporting financial information, about the different types of products and services the company produces and the different geographic areas in which it operates. Such information helps users of financial statements: (a) better understand the company's performance; (b) better assess the risks and returns of the company; and (c) make a more informed assessment of the company as a whole. Many companies provide product and service groups or operate in geographic areas subject to different levels of profitability, opportunities for growth, future prospects, and risks. Information about the company's different types of products and services and their operations in different geographic regions – often called segment information – is relevant for assessing the risks and returns of diversified or multi-location companies but may not be determined from aggregate data. Therefore, reporting segment information is widely considered necessary to meet the needs of financial report users. Attention is specifically drawn to paragraph 4.3 of the Foreword, which he thinks is intended to apply only to items that are material. Scope 1. This standard should be applied in presenting general purpose financial statements. 2. These Standard Requirements also apply in the event of consolidated financial statements. 3. The Company shall comply with the requirements of this Standard fully and not selectively. 4. If one financial statement contains separate consolidated financial statements and parent financial statements, segment information only needs to be presented based on the consolidated financial statements. In the context of reporting segment information in consolidated financial statements, references in this Standard for each item of financial statements should be construed as relevant items as appearing in the consolidated financial statements. Definition 5. The following terms are used in this Standard with the prescribed meaning: 5.1 The business segment is a distinguishable component of the company engaged in the provision of individual products or services or a group of related products or services and which is subject to different risks and returns from other business segments. Factors to consider in determining whether a product or service is related include: (a) the nature of a product or service; (b) the nature of the production process; (c) customer type or class for a product or service; (d) methods used to distribute products or provide services; and (e) where applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities. 5.2 Geographic segments are distinguishable components of companies engaged in providing products or services within a particular economic environment and that are subject to different risks and returns from components operating in other economic environments. Factors to consider in identifying geographical segments include: (a) similar economic and political conditions; (b) the relationship between operations in different geographical regions; (c) closeness of operation; (d) specific risks associated with operations in a particular area; (e) exchange control regulations; and (f) the underlying currency risk. 5.3 Areportable segments are business segments or geographic segments identified by the above definitions whose segment information must be disclosed by this Standard. 5.4 The company's revenue is revenue from sales to external customers as reported in the profit and loss statement. 5.5 Segment revenue is an aggregate (i) portion of the company's revenue directly caused by the segment, (ii) a portion of the relevant company's revenue that can be reasonably allocated to the segment, and (iii) revenue from transactions with other segments of the company. Segment revenue does not include: (a) exceptional items as defined in US 5, Net Income or Loss for the Period, Previous Period Items and Accounting Policy Changes; (b) interest income or dividends, including interest earned on down payments or loans to other segments unless segment operations are primarily financial; and (c) investment sales gains or debt outages unless segment operations are primarily financial. 5.6 Segment costs are aggregate (i) expenses resulting from segment operating activities directly caused by segments, and (ii) portions of relevant company costs that can be reasonably allocated to that segment, including expenses related to transactions with other segments of the company. Segment expense does not include: (a) exceptional items as defined in US 5, Net Income or Loss for the Period, Previous Period Items and Accounting Policy Changes; (b) interest expense, including interest incurred on advances or loans from other segments, except segment operations primarily financial; Explanation: Interest expense related to overdrafts and other operations identified to a particular segment is not included as part of the segment's costs unless the segment's operations are primarily financial or unless interest is included as part of the inventory cost. In the event that interest is included as part of the inventory cost where required as per US 16, Borrowing Costs, read with US 2, Inventory Assessment, and such inventory is part of the assets of a particular segment segment, such interest is considered a segment cost. In this case, the amount of interest and the fact that the segment results have arrived after considering such interest are disclosed by way of a note for the segment results. (c) loss on sale of investments or losses in debt extinguishing unless the operation of the segment is primarily financial; (d) income tax expense; and (e) general administrative expenses, head office costs, and other expenses arising at the corporate level and relating to the company as a whole. However, costs are sometimes incurred at the company level on behalf of the segment. Such costs are part of the segment's cost when it comes to segment operating activities and if they can be directly attributed or allocated to the segment reasonably. 5.7 Segment results are segment revenues with less segment expense. 5.8 Segment assets are operating assets used by segments in their operations and which are directly caused by segments or can be reasonably allocated to segments. If the segment results include interest income or dividends, its segment assets include related receivables, loans, investments, or other interest generation or dividend assets. Segment assets do not include income tax assets. Segment assets are determined after deducting related allowances/provisions reported as direct offsets in the company's balance sheet. 5.9 Segment liabilities are operating liabilities resulting from segment operating activities and which are directly caused by segments or can be reasonably allocated to segments. If the segment results of the segment include interest expense, its segment liabilities include related interest bearing obligations. Segment liabilities do not include income tax liabilities. 5.10 Segment accounting policy is an accounting policy adopted to prepare and present company financial statements as well as accounting policies related specifically to segment reporting. 6. Factors in paragraph 5 to identify business segments and geographic segments are not listed in a specific order. 7. The single business segment does not cover products and services with

significantly different risks and returns. While there may be inconcernance with respect to one or more factors listed in the definition of a business segment, products and services included in one business segment are expected to be similar with respect to most factors. 8. Similarly, a single geographic segment does not include operations in an economic environment with significantly different risks and returns. The geographical segment may be one country, a group of two or more countries, or a region within a country. 9. The company's risks and returns are affected either by the geographic location of its operations (where its products are manufactured or where its service rendering activities are based) and also by the location of its customers (where its products are sold or services provided). This definition allows geographic segments to be based on: (a) production locations or other service facilities and company assets; or (b) the location of the customer. 10. The company's organizational and internal reporting structure will usually provide evidence of whether its dominant source of geographic risk comes from the location of its assets (origin of sale) or the location of its customers (the purpose of its sales). As such, a company looks at this structure to determine whether its geographic segment should be based on the location of its assets or the location of its customers. 11. Determining the composition of business or geographical segments involves a number of assessments. In making that assessment, the company's management takes into account the purposes of reporting financial information based on segments as set forth in this Standard and the qualitative characteristics of financial statements as identified in the Framework of Preparation and Presentation of Financial Statements issued by the Institute of Chartered Accountants of India. Qualitative characteristics include relevance, reliability, and comparison over time of reported financial information about different groups of company products and services and about their operations in specific geographic areas, and the usefulness of that information to assess the risk and return of the company as a whole. 12. The dominant source of risk affects how most companies are regulated and managed. Therefore, the organizational structure of a company and its internal financial reporting system are usually the basis for identifying its segments. 13. Definition of segment revenue, segment expense, segment assets and segment liabilities including the number of such items directly caused by the segment and the number of items that can be reasonably allocated to the segment. A company looks to its internal financial reporting system as a starting point for identifying items that can be directly linked, or reasonably allocated, to segments. There is thus a presumption that the amount has been identified with the segment for internal financial reporting purposes can be attributed directly or sufficiently can be used for segments for the purpose of measuring segment revenue, segment expenses, segment assets, and segment liabilities that can be reported. 14. However, in some cases, income, expenses, assets or liabilities may have been allocated to the segment for internal financial reporting purposes on the basis understood by the management of the company but it may be considered arbitrary in the perception of external users of financial statements. Such allocations will not constitute a reasonable basis under the definition of segment revenue, segment expenses, segment assets, and segment liabilities in this Standard. Instead, companies may choose not to allocate some items of income, expenses, assets or responsibilities for internal financial reporting purposes, although a reasonable basis for doing so exists. Such items are allocated according to the definition of segment revenue, segment expense, segment assets, and segment liabilities in this Standard. 15. Examples of segment assets include current assets used in segment operations and tangible and intangible fixed assets. If certain depreciation or amortization items are included in the segment expense, related assets are also included in the segment assets. Segment assets do not include assets used for general corporate or head office purposes. Segment assets include operating assets shared by two or more segments if there is a reasonable basis for allocation. Segment assets include goodwill directly caused by segments or that can be reasonably allocated to segments, and segment costs including related goodwill amortization. If a segment asset has been revaluated after an acquisition, then the segment asset measurement reflects the revaluation. 16. Examples of segment liabilities include trade and other debt, accrual obligations, customer down payments, product warranty provisions, and other claims relating to the provision of goods and services. Segment liabilities do not include loans and other liabilities incurred for financing rather than operating purposes. Segment liabilities whose operations are not primarily financial do not include loans and similar liabilities because the segment results represent operations, not net-of-financing, profit or loss. Further, since debt is often issued at the company's broad headquarters level, it is often impossible to directly associate, or reasonably allocate, interest bearing obligations to segments. 17. Segment earnings, segment expenses, segment assets and segment liabilities are determined before intra-enterprise balances and intra-enterprise transactions are eliminated as part of the company's financial statements preparation process, except to the extent that such intra-enterprise balances and transactions are in one segment. 18. Temporary accounting used in compiling and presenting the company's financial statements as a whole is also a fundamental segment accounting policy, segment accounting policies include, in addition, policies related specifically to segment reporting, such as segment identification, transfer methods between segments, and the basis for allocating revenue and expenses to segments. Identify Reportable Segments primary and secondary segment reporting formats 19. The dominant source and the nature of the company's risk and return should govern whether its primary segment reporting format will be a business segment or a geographic segment. If the company's risks and returns are affected primarily by differences in the products and services it produces, its primary format for reporting segment information must be a business segment, with secondary information reported geographically. Similarly, if the company's risks and returns are affected primarily by the fact that it operates in different countries or other geographic areas, its primary format for reporting segment information must be geographic segments, with secondary information reported for related product and service groups. 20. The internal organization and management structure of the company and its internal financial reporting system to the board of directors and chief executive should usually be the basis for identifying the dominant source and nature of the risks and the different rates of return that the company faces and, therefore, to determine which reporting formats are primary and secondary, except as specified in sub-paragraphs (a) and (b) below: (a) if the risks and returns of the company are strongly affected both by the differences in products and services it produces and by differences in the geographic areas in which it operates, as evidenced by the 'matrix approach' to managing the company and reporting internally to the board of directors and chief executives, the company should use the business segment as the reporting format of the main segment and geographic segment as a secondary reporting format; and (b) if the company's internal organizational structure and management and internal financial reporting system to directors and chief executive officers are not based on individual products or services or related product/service groups or on geographic areas, the company's directors and management must determine whether the company's risks and returns are more related to the products and services it produces or to the geographic area in which the company operates and must, accordingly, select a business segment or geographic segment as the reporting format of the company's primary segment, with others as its secondary reporting format. 21. For most companies, the dominant source of risk and return determines how the company and managed. The company's organizational structure and management and internal financial reporting system typically provide the best evidence of the company's dominant source of risk and return for segment reporting purposes. Therefore, except in rare circumstances, a company will report segment information in its financial statements in the same way as internally reported to top management. The dominant source of risk and return is its main segment reporting format. Its source of risk and secondary return becomes its secondary segment reporting format. 22. 'matrix presentation' – business segment and geographic segment as the primary segment reporting format with full segment disclosure of each base – will often provide useful information if the company's risks and returns are strongly affected by differences in the products and services it produces and by differences in the geographic area in which it operates. This standard does not require, but does not prohibit, 'matrix presentation'. 23. In some cases, the company's internal organization, and reporting may have evolved along lines not related to the type of products and services it produces, and the geographic area in which the company operates. In such cases, internally reported segment data will not meet the objectives of this Standard. As such, paragraph 20(b) requires the company's directors and management to determine whether the company's risks and returns are more product/service driven or geographically driven and to select business segments or geographic segments as the primary basis for segment reporting. The goal is to achieve a reasonable level of comparison with other companies, improve the ability to understand the information generated, and meet the needs of investors, creditors, and others for information on risks and returns related to products/services and geos. Business and Geographic Segment 24. The company's business and geographic segments for external reporting purposes must be organizational units whose information is reported to the board of directors and to the chief executive for the purpose of evaluating the performance of the unit and to make decisions about future resource allocations, except as provided in paragraph 25. 25. If the company's internal organizational structure and management and internal financial reporting system to directors and chief executive officers are not based on individual products or services or related product/service groups or on geographic areas, paragraph 20(b) requires that the company's directors and management must select a business segment or geographic segment as the company's primary segment reporting format based on their assessment reflecting the main source of risk and geographic segment as the reporting format of the company's main segment based on their assessment of the main source of risk and segment as the reporting format of the company's key segments based on their assessments that reflect the main sources of risk and with others as a secondary reporting format. In this case, the company's board of directors and management shall determine its business segment and geographic segment for external reporting purposes based on the factors in the definition in paragraph 5 of this Standard, rather than based on its internal financial reporting system to the board of directors and chief executives, consistent with the following: (a) if one or more segments reported internally to the board of directors and management are business segments or geographic segments based on the factors in the definition in paragraph 5 but others do not, the sub-paragraphs (b) below should be applied only to internal segments that do not meet the definition in paragraph 5 (i.e., internally reported segments that meet the definition should not be further segmented); (b) for such segments reported internally to directors and management that do not meet the definition in paragraph 5, the management of the company shall look to the next level of internal segmentation reporting information along product and service lines or geographic lines, as appropriate under the definition in paragraph 5; and (c) if an internally reported lower-level segment meets the definition of a business segment or geographic segment based on the factors in paragraph 5, the criteria in paragraph 27 to identify a reportable segment must be applied to that segment. 26. Based on this Standard, most companies will identify their business and geographic segments as organizational units whose information is reported to the board of directors (especially non-executive directors, if any) and to the chief executive (senior operating decision makers, who in some cases may be a group of several people) for the purpose of evaluating the performance of each unit and for making decisions about the allocation of resources in the future. Even if the company had to implement paragraph 25 because its internal segments were not as long as product/service or geographic lines, it would consider the next lower level of internal segmentation that reports information along product and service lines or geographic lines rather than building segments solely for external reporting purposes. This approach seeks the organizational structure and management of the company and its internal financial reporting system to identify the business and geographic segments of the company for external reporting purposes sometimes called the 'management approach', and the organizational components whose information is reported internally are sometimes called 'operating segments'. 27 Reportable Segment. The business segment or geographic segment must be identified as a reportable segment if: (a) its revenue from sales to external customers and from transactions with other segments is 10 percent or more of total revenue, external and internal, segment; or (b) the result of its segment, whether profit or loss, is 10 percent or more of - (i) the combined result of all segments in profit, or (ii) the combined result of all segments in loss, whichever is greater in absolute amount; or (c) its segment assets are 10 percent or more of the total assets of all segments. 28. Business segments or geographic segments that are not reportable segments under paragraph 27 may be defined as reportable segments despite their size at the company's management policy. If the segment is not designated as a reportable segment, it must be entered as an unassigned reconciliation item. 29. If total external revenue attributable to the reportable segment constitutes less than 75 percent of the company's total revenue, additional segments must be identified as reportable segments, even if they do not meet the 10 percent threshold at paragraph 27, up to at least 75 percent of the company's total revenue included in the reportable segment. 30. The 10 percent threshold in this Standard is not intended to be a guide to determining materiality for aspects of financial reporting other than identifying business and geographical segments that can be reported. Illustration II attached to this Standard presents an illustration of the determination of segments that can be reported according to paragraphs 27-29. 31. Segments identified as reportable segments in the period beginning immediately as they meet the relevant 10 percent threshold must continue to be a reportable segment for the current period regardless of that their revenues, results and assets all no longer meet the 10per cent threshold. 32. If a segment is identified as a segment that can be reported in the current period as it meets the relevant 10 percent threshold, the previous period segment data presented for comparative purposes must, except it is impractical to do so, be rested to reflect the newly reported segment as a separate segment, even if that segment does not meet the 10 percent threshold in the previous period. Accounting Policy Segment 33. Segment information should be prepared in accordance with the accounting policies adopted to prepare and present the company's financial statements as a whole. 34. There is a presumption that the accounting policy chosen by the board of directors and management of the company in preparing the company's financial statements as a whole is a policy that the board of directors and management think is the most appropriate for external reporting purposes. Since the purpose of segment information is to help users of financial statements better understand and make a more precise assessment of the company as a whole, this standard requires the use, in preparing segment information, of the accounting policies adopted to prepare and present financial statements Overall. That doesn't mean, however, that the company's policies should be applied to reported segments as if they were a stand-alone reporting entity. Detailed calculations made in implementing certain accounting policies at the enterprise level can be allocated to segments if there is a reasonable basis for doing so. Pension calculations, for example, are often done for the company as a whole, but company-across figures can be allocated to segments based on salary and demographic data for segments. 35. This standard does not prohibit the disclosure of additional segment information prepared under the accounting policy adopted for the company's financial statements provided that (a) the information is reported internally to the board of directors and chief executive for the purpose of making decisions about allocating resources to segments and assessing its performance and (b) the basis of measurement for this additional information is clearly explained. 36. Assets and liabilities relating to two or more segments should be allocated to the segment if, and only if, their associated income and expenses are also allocated to that segment. 37. The manner in which assets, liabilities, income, and expense items are allocated to segments depends on factors such as the nature of the item, the activities carried out by the segment, and the relative autonomy of that segment. It is impossible or appropriate to determine one basis of allocation that should be adopted by all companies; it is also not appropriate to force the allocation of company assets, liabilities, income, and expense items related together with two or more segments, if the only basis for making such allocations is arbitrary. At the same time, the definition of segment revenue, segment expense, segment assets, and segment liabilities are interconnected, and the resulting allocation must be consistent. Therefore, the assets and liabilities used together are allocated to the segment if, and only if, their associated income and expenses are also allocated to that segment. For example, assets are included in segment assets if, and only if, related depreciation or amortization is included in segment expenses. Disclosure 38. Paragraphs 39-46 specifies the disclosure required for a reportable segment for the reporting format of the company's primary segment. Paragraphs 47-51 identify disclosures required for the company's secondary reporting format. The Company is encouraged to make all disclosures of the primary segments identified in paragraphs 39-46 for each secondary segment that can be reported even though paragraphs 47-51 require far fewer disclosures based on secondary. Paragraphs 53-59 discuss several other segment disclosures. Illustration III attached to this Standard illustrates the application of this standard of disclosure. Explanation: If, by applying the definitions of 'business segment' and 'geographic segment', it is concluded that there are more than one business segment or more than one geographic segment, segment information according to this Standard is not required to be disclosed. However, the fact that there is only one 'business segment' and a 'geographic segment' is expressed by way of note. Primary Reporting Format 39.Disclosure requirements in paragraphs 40-46 must be applied to each reportable segment based on the company's primary reporting format. 40. The Company shall disclose the following for each reportable segment: (a) segment revenue, classified into segment revenue from sales to external customers and segmentation of revenue from transactions with other segments; (b) segment results; (c) the total number of segment assets; (d) the total liabilities of the segment; (e) total expenses incurred during the period to acquire segment assets expected to be used for more than one period (tangible and intangible fixed assets); (f) the total amount of expenses included in the segment results for depreciation and amortization in connection with segment assets for the period; and (g) significant total non-cash expenses, in addition to depreciation and amortization with respect to segment assets, which are included in segment expenses and, therefore, are reduced in the results of the measurement segment. 41. Paragraph 40(b) requires the company to report the results of the segment. If the company can calculate the segment's net profit or loss or some other measure of segment profitability other than segment results, without arbitrary allocation, the reporting of that amount in addition to segment results is driven. If the move is prepared based on other than the accounting policy adopted for the company's financial statements, the company will enter its financial statements a clear description of the basis of the measurement. 42. Examples of segment performance measures above segments resulting in profit and loss statements are gross margin of sales. Examples of measures of segment performance below the segment resulting in profit and loss statements are profit or loss from ordinary activities (either before or after income taxes) and net income or loss. 43. Accounting Standards 5, 'Net Income or Loss for the Period, Previous Period Items and Accounting Policy Changes' require when items of income and expenses in profits or losses from ordinary activities of the size, nature or incident are relevant to explain the company's performance for such period, the nature and quantity of such items shall be disclosed separately. Examples of such items include inventory writing, provisions for restructuring, disposal of fixed assets and long-term investments, legislative changes that have retrospective applications, litigation settlements, and reversal of provisions. Companies are encouraged, but not required, to disclose the nature and number of segment revenue items and the cost of sized, natural or that their disclosure is relevant to explain the segment performance for the period. Such disclosures are not intended to change the classification of such income or expense items from ordinary to exceptional or to change the measurement of such items. Disclosure, however, does change the level at which the significance of such items is evaluated for disclosure purposes from the company level to the segment level. 44. Companies reporting the amount of cash flow arising from segment operations, investments and financing do not need to disclose the depreciation and amortization costs and non-cash expenses of such segments in accordance with sub-paragraphs (f) and (g) paragraph 40. 45. AS 3, the Cash Flow Statement recommends that the company present a cash flow statement that separately reports cash flow from operating, investment and financing activities. Disclosure of information on operating cash flow, investments, and financing from each segment that can be reported is relevant to understand the company's overall financial position, liquidity and cash flow. Disclosure of segment cash flow is, therefore, encouraged, although not necessary. Companies providing segment cash flow disclosure do not need to disclose depreciation and amortization costs and non-cash expenses in accordance with sub-paragraphs (f) and (g) paragraph 40. 46. The Company shall present a reconciliation between the information disclosed for the reportable segment and the aggregate information in the company's financial statements. In presenting reconciliation, segment revenue must be reconciled with the company's revenue; segment results must be reconciled with the company's net income or loss; segment assets must be reconciled to the company's assets; and segment liabilities must be reconciled with the company's obligations. Secondary Segment Information 47. Paragraphs 39-46 identify disclosure requirements that will apply to each reportable segment based on the company's primary reporting format. Paragraphs 48-51 identify the disclosure requirements that will be applied to each reportable segment based on the company's secondary reporting format, as follows: (a) if the company's primary format is a business segment, the disclosure of the required secondary format is identified in paragraph 48; (b) if the company's primary format is a geographic segment based on the location of the asset (where the company's products are produced or where its service rendering operations are based), the disclosure of the required secondary formats is identified in paragraphs 49 and 50; (c) if the company's primary format is a geographic segment based on the location of its customers (where its products are sold or services provided), the disclosure of the required secondary formats is identified in paragraphs 49 and 51. 48. If the company's primary format for reporting segment information is a business segment, it should also report the following information: (a) revenue from external customers by geographic region based on their customer's geographic location, for each geographic segment whose revenue from sales to external customers is 10 percent or more of the company's revenue; (b) the total number of segment assets by geographic location of assets, for each geographic segment whose segment assets are 10 percent or more of the total assets of all geographic segments; and (c) total costs incurred during the period to acquire segment assets expected to be used for more than one period (tangible and intangible fixed assets) based on the geographic location of the asset, for each geographic segment whose segment assets are 10 percent or more of the total assets of all geographic segments. 49. If the company's primary format for reporting segment information is a geographic segment (whether based on the location of the asset or the location of the customer), it must also report the following segment information for each business segment whose revenue from sales to external customers is 10 percent or more of the company's revenue or whose segment assets are 10 percent or more of the total assets of all business segments: (a) segment revenue from external customers; (b) the total number of segment assets carried; and (c) total costs incurred during the period to acquire segment assets expected to be used for more than one period (tangible and intangible fixed assets). 50. If the company's primary format for reporting segment information is a geographic segment based on the location of an asset, and if the customer's location differs from the location of its assets, then the company must also report revenue from sales to external customers for each customer-based geographic segment whose revenue from sales to external customers is 10 percent or more of the company's revenue. 51. If the company's primary format for reporting segment information is a geographic segment based on the customer's location, and if the company's assets are located in a geographic area different from its customers, then the company must also report the following segment information for each asset-based geographic segment whose revenue from sales to external customers or segment assets is 10 percent or more of the company's total number : (a) total number of segment assets with geographic location of assets; and (b) total costs incurred during the period to acquire segment assets expected to be used for more than one period (tangible and intangible fixed assets) based on the location of the assets. Illustration of Disclosure Segment 52. Illustration III attached to this Standard Illustrates the disclosure for the primary and secondary formats required by this Standard. Other Disclosures 53. In measuring and reporting segment revenue from transactions with other segments, transfers between segments must be measured that the company actually used for the price of such transfers. The basis of the transfer pricing between segments and any changes therein must be disclosed in the financial statements. 54. Changes in accounting policies adopted for segment reporting that have a material effect on segment information must be disclosed. Such disclosures should include a description of the nature of the change, and the financial effects of the change if sufficient can be determined. 55. U.S. 5 requires that changes to accounting policies adopted by the company must be made only if required by law, or to comply with accounting standards, or if it is deemed that such changes will result in a more appropriate presentation of events or transactions in the company's financial statements. 56. Changes in accounting policies adopted at the company level that affect segment information are handled in accordance with US 5. U.S. 5 requires any changes in accounting policies that have material effects to be disclosed. The impact of, and adjustments resulting from, such changes, if material, must be indicated in the financial statements of the period in which such changes were made, to reflect the effect of such changes. Where the effect of such changes cannot be ascertained, in whole or in part, the facts must be demonstrated. If changes are made in accounting policies that have no material effect on financial statements for the current period but which are reasonably expected to have a material effect in the next period, the fact of such changes should be properly disclosed in the period in which the changes are adopted. 57. Some changes to accounting policies relate specifically to segment reporting. Examples include changes in segment identification and basic changes to allocate revenue and expenses to segments. Such changes may have a significant impact on the reported segment information but will not change the aggregate financial information reported for the company. To enable users to understand the impact of such changes, the Standard requires disclosure of the nature of the changes and the financial effects of such changes, if they can be reasonably determined. 58. The Company shall indicate the types of products and services included in each reported business segment and indicate the composition of each reported geographical segment, both primary and secondary, if not disclosed in the financial statements. 59. To assess the impact of things such as demand shifts, input price changes or other production factors, and the development of alternative products and processes in the business segment, please be aware of the activities that include that segment. Similarly, to assess the impact of changes in the economic and political environment on the risks and returns of geographic segments, it is important to know the composition of that geographic segment. Segment.