

## AS 17 Segment Reporting

Why is it required ?

For a clearer understanding of the performances of segments.

Scope :

For General Purpose Financial Statements or Consolidated Financial Statements.

If Financial report contains both, then on the basis of CFS.

Nomenclature :

### 1 Business Segment

Distinguishable component of an enterprise, engaged in providing an individual product or service or a group of related product or services

and

subject to risks and returns exclusive of other segments.

Factors to be considered for classifying related products and services

- Nature of products and services
- Nature of processing
- Class of customers
- Distribution system
- Nature of domain (Banking, Insurance etc)

### 2 Geographical Segment

Distinguishable component of an enterprise, engaged in providing an individual product or service or a group of related product or services within a specific environment

and

subject to risks and returns exclusive of other segments.

Factors to be considered in identifying Geographical Segment

- Similarity of economic and political scene
- Proximity

### 3 Enterprise Revenue

Sales revenue from external customers (excludes internal segment transfer)

### 4 Segment Revenue

Includes revenue of

Specific segment  
Reasonably allocable part of enterprise revenue  
Internal segment transfer

If primarily a financial segment

Includes

Interest and dividend income  
Interest and dividend income of advances and loans to other segments  
Gains on sales of investment  
Gains on writing off of debts

Excludes

Extraordinary items (as per AS 5)  
Non operational Interest and dividend income  
Non operational Interest and dividend income of advances and loans to other  
segments  
Non operational Gains on sales of investment  
Non operational Gains on writing off of debts

5 Segment Expense

Includes expense of

Specific Segment  
Reasonably allocable part of enterprise expense  
Reasonably allocable operationally relevant part of administrative, head  
office and other expenses incurred on behalf of the segment

If primarily a financial segment

Includes

Interest expense  
Interest expense on advances and loans from other segments  
Losses on sales of investment  
Losses on writing off of debts

Excludes

Extraordinary items (as per AS 5)  
Non operational Interest expense  
Non operational Interest expense on advances and loans from other segments  
Non operational Losses on sales of investment  
Non operational Losses on writing off of debts  
Interest expense on overdrafts and operating liabilities of a specific segment  
Income tax expense  
Administrative, head office and other expenses relevant to whole enterprise

6 Segment Result

Segment Revenue ( minus ) Segment Expense

7 Segment Assets

Specific or reasonably allocable operating assets employed by segment in  
operating activities

If segment result includes interest or dividend income then segment assets include related receivables, loans, investments or other interest or dividend generating assets

Income tax assets are excluded in any case

Relevant allowances and provisions are deducted before balance sheet reporting

## 8 Segment Liabilities

Specific or reasonably allocable operating liabilities of segment from operating activities

If segment result includes interest expense then segment assets include related interest-bearing liabilities

Income tax liabilities are excluded in any case

## 9 Segment Accounting Policies

Accounting policies applicable to enterprise as well as specific segment policies.

How to ascertain if a segment is reportable ?

Based on

a) Revenue

Revenue of segment (external customers + internal transfers) is atleast 10% of all segments.

b) Profit or Loss

Segment result ( higher of (combined result of all segments in profits or loss)) is atleast 10% of all segments.

c) Segment assets

Segment assets are atleast 10 % of all segments.

If the segment becomes reportable in any one of the above tests then it becomes a reportable segment.

d) Preceding data

If segment reportable in previous period, then reportable in current period also.

e) Total External revenue

If external revenue of reportable segments less than 75% of total enterprise revenue additional segments to be identified as reportable until 75% of external revenue is included.

f) Management Choice

How to determine primary and secondary reporting formats ?

Dominant source	Reporting Format	
	Primary	Secondary
Differences in products and services	Business	Geographic
Differences in Geographic locations	Geographic	Business
Both	Business	Geographic
Neither	Depending risks and returns more relevant to the segment	