

Ind AS 108 – Operating Segments

CA. YASHWANTH KUMAR. M
B. COM, ACA

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Core principle and scope

Core principle and scope

Core principle

An entity shall **disclose information** to enable users of its financial statements **to evaluate the nature and financial effects of the business activities** in which it engages **and the economic environments** in which it operates.

- **Ind AS 8** shall apply to companies to which Ind AS notified under the Companies Act, 2013 apply. Accordingly, there is no distinction between public and private companies.

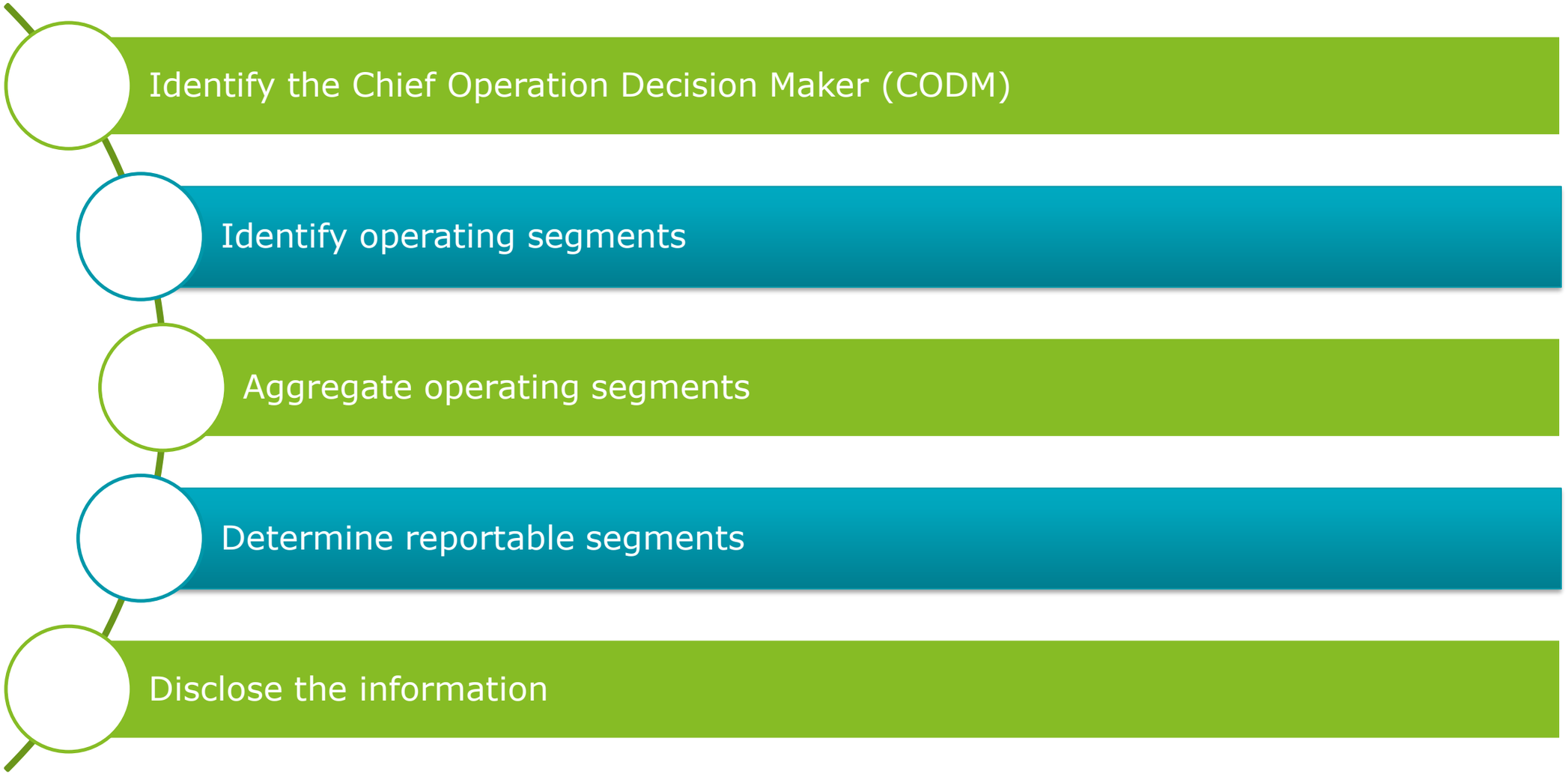
If an entity that is not required to apply this Ind AS chooses to disclose information about segments that does not comply with this Ind AS, it shall not describe the information as segment information.

If a financial report contains both the consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements.

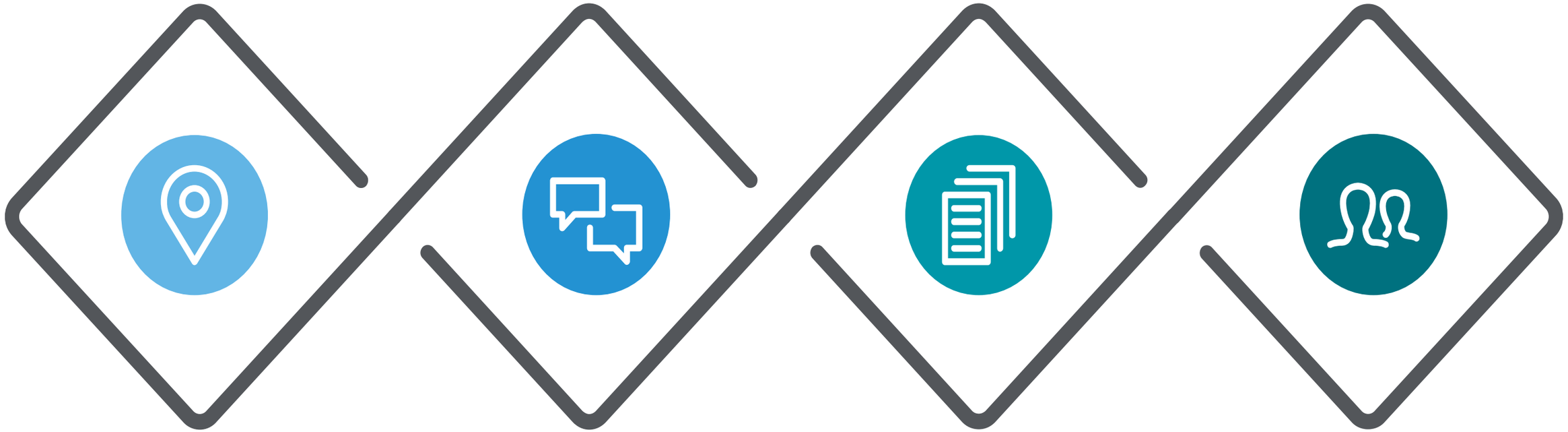


Management approach to segment reporting

Overview of Management Approach under Ind AS 108



Identify the Chief Operating Decision Maker (CODM)



Highest level of management responsible for resource allocation and performance assessment

CODM identifies a function, not necessarily a manager with a specific title

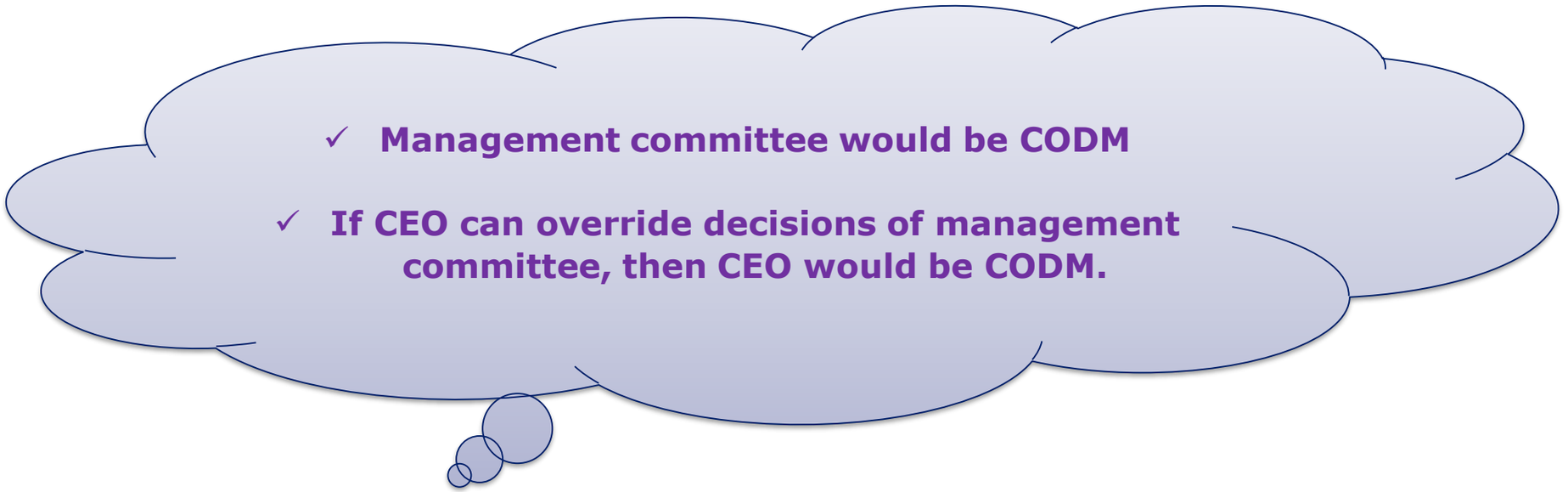
Generally CEO or COO are CODM but it may also be a body (eg. A committee) or a group of executive directors or others

A Reporting entity can have only one CODM

Example 1

Identification of CODM

Entity D is a publicly traded manufacturer of various electronic instruments used in aerospace, medical and consumer products. Entity D has a chief financial officer (CFO) for each of the aerospace, medical and consumer product units. Entity D is governed by a management committee comprised of each of the chief financial officers and the chief executive officer (CEO). The management committee makes all key operating decisions, determines the allocation of resources and assesses performance. No one individual either on the management committee, or elsewhere in the entity, has the ability to override the management committee (except for the board of directors acting in its role of overseeing the management committee)?



Example 2

Identification of CODM

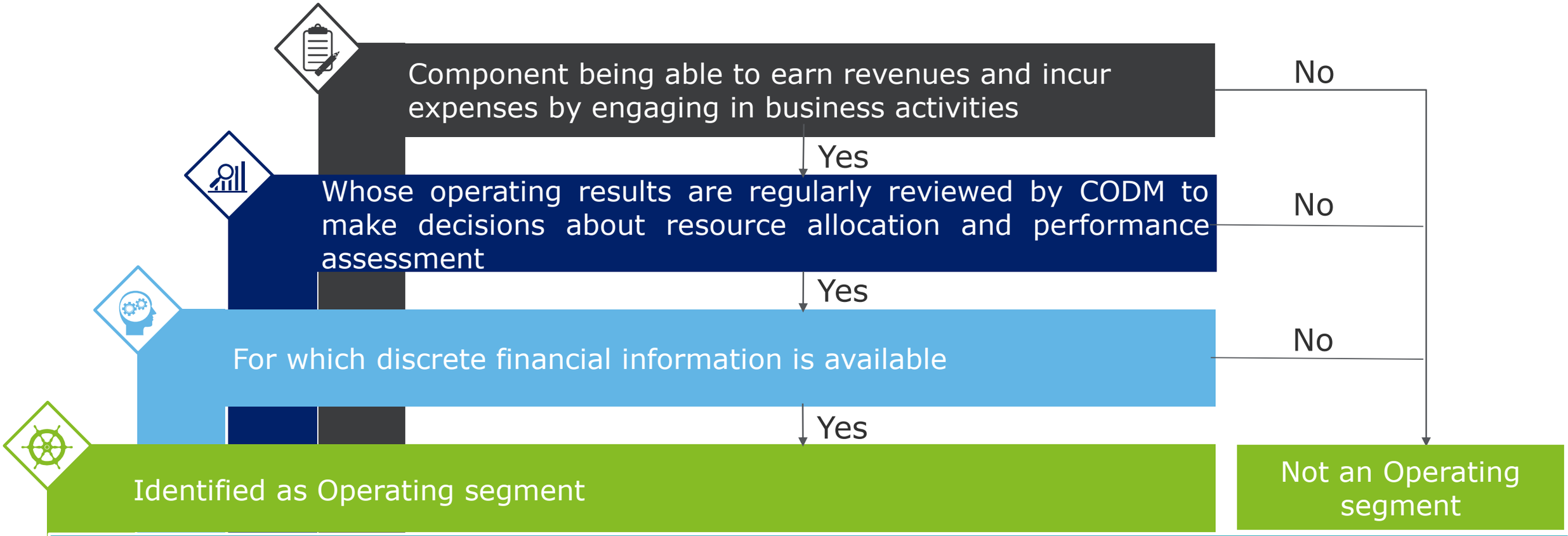
Entity C is a publicly traded manufacturer of various electronic instruments used in aerospace, medical and consumer products. Entity C has a chief operating officer for each of the aerospace, medical and consumer product units. The chief operating officers are responsible for operating, budgeting and reporting aspects of their respective units, and have senior management personnel within their units who report to them. The chief operating officers report to the chief executive officer (including making resource allocation recommendations for their respective units). The chief executive officer evaluates the performance of each unit based on a variety of different management reports and is responsible for entity-wide resource-allocation decisions.

Solution:

In the circumstances described, even though the chief operating officers are responsible for the management of their respective units, the final decisions regarding the allocation of resources are made by the chief executive officer. Therefore, the chief executive officer is considered the chief operating decision maker. The chief operating decision maker is the individual or function responsible for decisions about overall resource allocation and performance assessment for each business unit of an entity. Generally, these decisions are made at the highest level of management, notwithstanding the fact that lower levels of management may be responsible for the operating, budgeting and reporting aspects of individual business units.

In the circumstances described, Entity C is likely to have three operating segments and each of the chief operating officers is likely to be considered a segment manager. Ind AS 108 states that a segment manager is 'directly accountable to and maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts, or plans for the segment'

Identify Operating segments



An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this Ind AS, an entity's post-employment benefit plans are not operating segments

Example 3

Identification of Operating segments:

Entity A and Entity B both manufacture tractors used in the construction of real estate. Entity A is structured such that decisions are made and performance is evaluated regularly on a regional basis (e.g. India, Asia), whereas Entity B makes decisions and evaluates performance on a product-line basis (e.g. commercial, residential, industrial, government buildings).

How shall Entity A and Entity B report their operating segments under Ind AS 108?

Solution:

The management approach requires identification of operating segments "on the basis of internal reports that are regularly reviewed by the CODM in order to allocate resources to the segment and assess its performance".

Thus, **Entity A** shall report operating segments **based on regions** and **Entity B** shall report operating segments **based on product lines**.

Example 4

Identification of Operating segments:

Entity E is a vertically-integrated oil entity that sells refined products to external customers. The refinery operation sells refined products internally to the marketing and distribution segment of Entity E (i.e. the refinery operation has no external customers). The financial results of the refinery operation are prepared separately and are reviewed on a regular basis by the chief operating decision maker to assess performance and make decisions regarding allocation of resources.

Will this be reported as an operating segment?

Solution:

The key factor in identifying operating segments is to understand the process the chief operating decision maker goes through in managing the business. If the chief operating decision maker makes decisions and assesses operating performance regardless of revenue source or absence of revenue, the operating unit would be reported as an operating segment.

The refinery operation is an operating segment. A component of an entity is not required to have external customers or revenues in order to be classified as an operating segment. Some operating segments may only earn revenue relating to transactions with other components of the same entity or may not yet earn revenues.

Example 5

Identification of Operating segments:

Entity F, a diversified pharmaceutical entity, has allocated 11 per cent of the combined assets of all operating segments to form an operating unit to pursue research on new drugs to fight a specific disease. Although expenses have been incurred, the operating unit has yet to earn revenues from any of its activities. Discrete financial information is available for the operating unit and that information is reviewed by the chief operating decision maker in making operating decisions and assessing operating performance.

Will this be reported as an operating segment?

Solution:

The operating unit is an operating segment. The criteria set out in the standard are met. An operating segment can be such that it does not earn external or internal revenues and the chief operating decision maker makes decisions and assesses the performance of the segment based solely on expenses.

In this example, the intent of the entity is to allocate resources to the specific business purpose of research. Although there is a risk that revenues will never be earned from this pursuit, management has made a risk/reward determination that the cost of the research will be recovered through future revenues. If this level of resource allocation is performed and the information is reviewed by the chief operating decision maker, the operating unit should be considered an operating segment.

Example 6

Identification of Operating segments:

Entity G has an operating unit that provides content to internet websites. Entity G derives substantially all of its revenue from three service lines – advertising, promotions and customer service. The financial information reviewed by the chief operating decision maker includes revenue by service line, but operating expenses and assets are reported on a combined basis for the entire operating unit. The financial information does not include profit or loss information for the individual service lines.

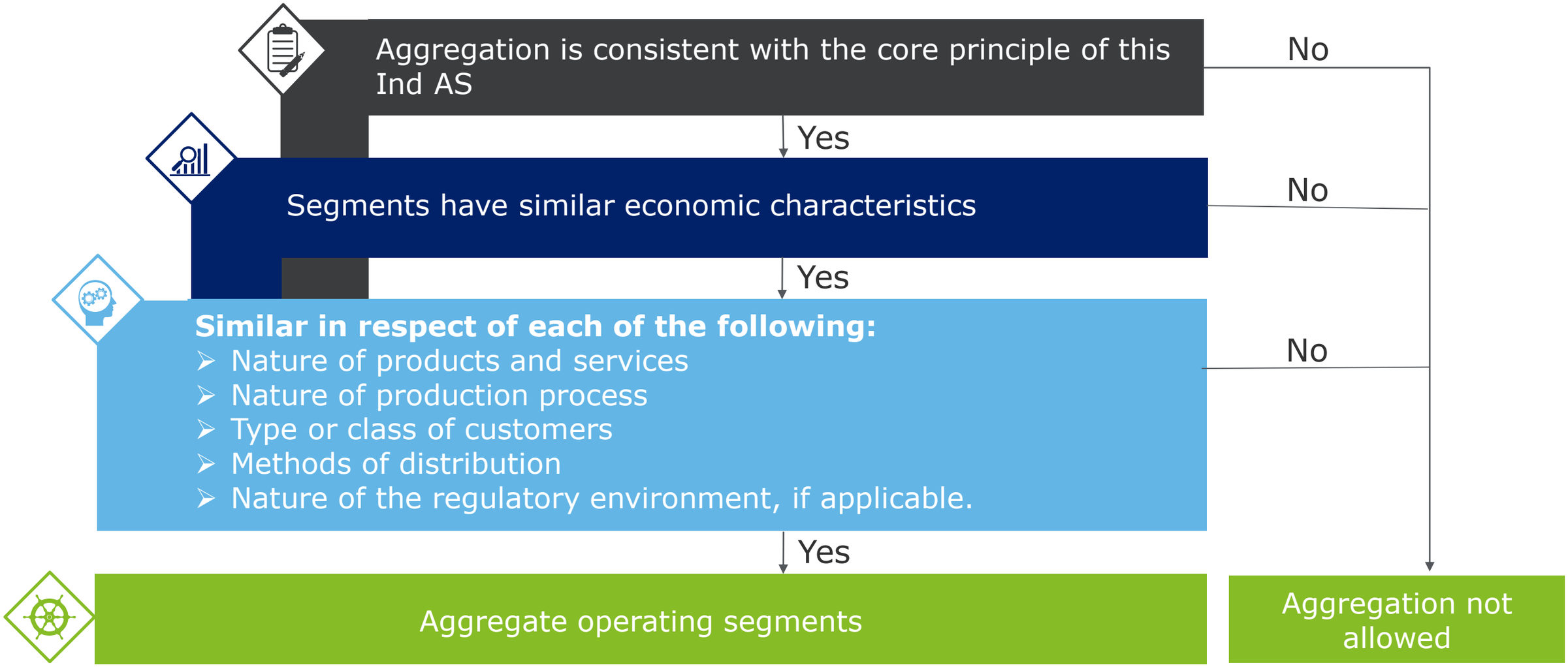
Will each service line be reported as an operating segment?

Solution:

The individual service lines are not separate operating segments. Discrete financial information is not available because no measure of segment profit or loss by service line is supplied to the chief operating decision maker. The chief operating decision maker does not have sufficient information to assess performance and make resource allocation decisions by service line. In the circumstances described, it would be likely that the entire operating unit represents an operating segment, not the individual service lines.

However, if the information provided to the chief operating decision maker contained revenue and gross profit by service line, sufficient financial information would be available to enable the chief operating decision maker to assess performance and make resource allocation decisions by service line.

Aggregate Operating segments



Example 7

Aggregation of Operating segments

ABC limited plans on acquiring XYZ limited, which is in the same line of business. Even though XYZ limited is in the similar business, it has its own engine assembly division, which will be beneficial for ABC limited. ABC limited wants to know whether the similar division can be aggregated if they have similar products, production processes, types of customer and methods of distribution. They have provided following additional information about company's reportable segments before acquisition and reportable segments of XYZ limited.

ABC limited ($ in mil)	
Operating Segment	**Total Revenue**
Electrical spare parts	3500
Truck engine	950
Auto engine	1200
Fuel components	1500
Others	700

XYZ limited ($ in mil)	
Operating Segment	**Total Revenue**
Electrical spare parts	2000
Truck engine	650
Auto engine	800
Engine assembly	1800
Others	250

Solution

ABC limited ($ in mil) [After acquisition]	
Operating Segment	**Total Revenue**
Electrical spare parts	5500
Truck engine	1600
Auto engine	2000
Fuel components	1500
Engine assembly	1800
Others	950

Example 8

Aggregation of Operating segments:

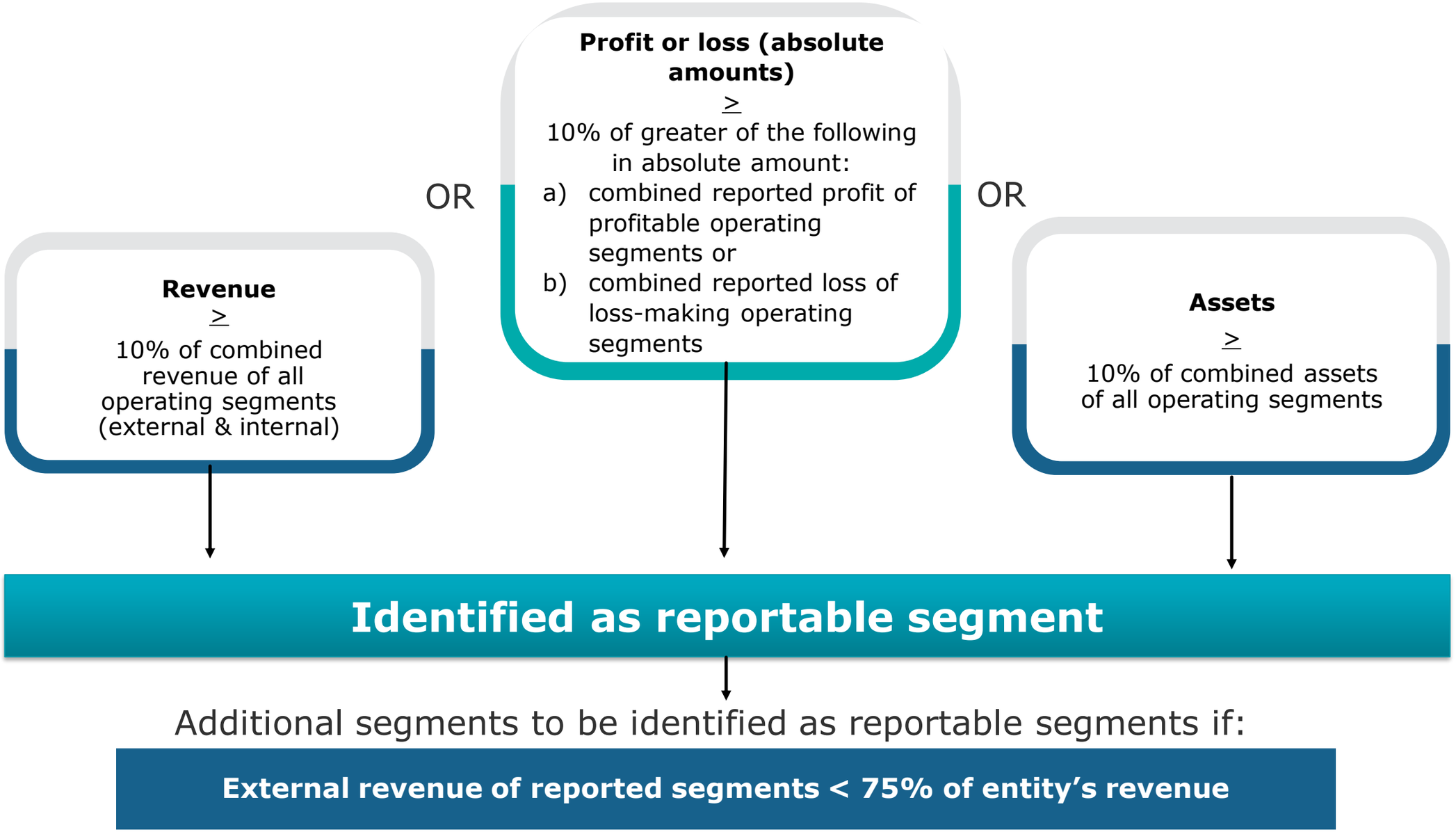
Entity H is a large retailer that operates two types of stores – clothing and home products (linens, decorative items and some clothing). For the purpose of Ind AS 108, Entity H determines that it has two operating segments – 'Clothing' and 'Home Products'. Management's report to shareholders published with the financial statements discusses the results of operations of the home product stores separately in a manner different from that of the clothing stores by describing different customer demographics, products offered and sales and profit margin trends. The chairman's report also stresses important distinctions between the two operating segments.

Can both the service lines be aggregated?

Solution:

It is unlikely to be appropriate for Entity H to aggregate the Clothing and Home Products operating segments into a single reportable operating segment for the purposes of the disclosures required under Ind AS 108, because the aggregation criteria in Ind AS 108 are not fully satisfied. The aggregation criteria require, among other conditions, similar economic characteristics, similar products and similar type or class of customer. The management report and the chairman's report describe different economic characteristics, product types and customer demographics, and stress some important distinctions between the two segments.

Determination of Reportable segments – Quantitative thresholds



Additional information about remaining operating segments



Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.



Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an ‘all other segments’ category, and the sources of revenue included in the category shall be described.



If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance, information about that segment shall continue to be reported separately in the current period even if it no longer meets the criteria for reportability.



If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated, even if that segment did not satisfy the criteria for reportability in the prior period.



There may be a practical limit to the number of reportable segments that an entity separately discloses beyond which segment information may become too detailed. Although no precise limit has been determined, segments upto ten can be considered as a practical limit.

Example 9

Identification of Reportable segments

PQR limited has provided the following information about the segments. Identify the Reportable segments on the basis of quantitative thresholds.

$ in million

	Revenue			Segment Profit / (Loss)	Segment Assets		Whether Reportable segment
Operating segment	External Revenue	Internal Revenue	Total Revenue				
Electrical spare parts	3,500	800	4,300	1,000	40	→	**Yes**
Truck and auto engine	1,750	240	1,990	350	28	→	**Yes**
Fuel components	1,000	0	1,000	(100)	5	→	**No**
Engine Assembly	100	3,000	3,100	340	22	→	**Yes**
Others	700	50	750	50	6	→	**No**
Total	7,050	4,090	11,140	1,640	101		

Example 10

Identification of Reportable segments

Significant limited has various operating segments. They are analyzing these segments for reporting purpose as per the provisions of Ind AS 108. Revenue data for operating segment 'A' is as below:

Rs. in Million

	Segment revenue	Total revenue (incl. Inter segment)	Segment loss	Total segment loss
Operating segment A	40	500	10	90
Total Segment profit				200

Operating segments A's assets are less than ten percent of total assets of all operating segments.
Whether segment "A" is reportable?

Solution:

Segment A is not a separate reportable segment due to the following reasons.

Segment A does not satisfy the revenue test as its revenue, internal and external, is less than 10% of the aggregate internal and external revenues of all operating segments.

Segment A fails to satisfy the assets test as its assets are less than 10% of the total assets of all the operating segments.

Although A's losses are greater than 10% of total of all operating segments in loss, they are less than 10% of the total of all segments in profit (Total segment profit). The comparison required by the standard is with the total (profit or loss) that is greater in absolute terms. A's loss of 10 must be compared with the total for all operating segments in profits, which is 200. Accordingly, A's result is less than 10% of the total of all the operating segments.

Example 11

Identification of reportable segments

In the past three years, Entity K has grown from CU100 million in sales annually to over CU1 billion in sales annually as a result of five different acquisitions. Entity K and each entity it acquired were managed differently. Due to its significant growth through acquisitions, Entity K has recently reorganised its management structure and operating segments. Historical records that reflect information that is consistent with the new management structure are not available for all of the entities.

Is all five different acquisitions to be shown after reorganization?

Solution:

In this situation, it may be that the conditions for exemption from the requirement to restate comparative information under Ind AS 108 are met (information is not available and the cost to develop it would be excessive) due to the number and size of Entity K's recent acquisitions.

Example 12

Identification of additional operating segments to reach 75 per cent revenue threshold

Entity J has determined its reportable segments in accordance with Ind AS 108 and has noted that the reportable segments constitute 68 per cent of consolidated revenue. All remaining operating segments are of similar size.

Which of the remaining segments should Entity J consider as reportable?

Solution:

Ind AS 8 does not specify which of the remaining operating segments should be selected to achieve the 75 per cent threshold, and the operating segment chosen does not necessarily need to be the next largest by any of the measures. Judgement should be used, and each situation will be based on the individual facts and circumstances. Those additional operating segments included in order to achieve the 75 per cent threshold are treated no differently from any other reportable segment (i.e. the required disclosures are the same).



Disclosure

Disclosures pursuant to Ind AS 108

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

1. **General information about reportable segments:**
   - Factors used to identify entity's reportable segments, including the basis of organization
   - Judgements made by management in applying the aggregation criteria
   - Types of products and services from which each reportable segment derives revenue.
2. **Information about profit or loss (including specified revenues and expenses), assets and liabilities of reportable segments.**
3. **Explanation of the measurement of segment information**
4. **Reconciliations**



5. **Restatement of previously reported information**
6. **Entity-wide disclosures:**

(Required even if it is of no use to CODM & even if there is only 1 reportable segment)

- Information about products and services
- Information about geographical areas
- Information about major customers

The above information shall be provided only if the same is not provided as part of the reportable segment information.

Disclosure

Information about Revenues, Profit & Loss and Assets & Liabilities

For each Reporting Segment, the entity **shall report** (if reviewed by CODM or otherwise information is provided to CODM, even if not included in measurement of segment profit or loss:

(a) revenues from external customers;
(b) revenues from transactions with other operating segments of the same entity;
(c) interest revenue;
(d) interest expense;
(e) depreciation and amortisation;
(f) material items of income and expense disclosed in accordance with paragraph 97 of Ind AS 1, Presentation of Financial Statements;
(g) the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
(h) income tax expense or income; and
(i) material non-cash items other than depreciation and amortisation.

An entity shall report **interest revenue separately from interest expense** for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.

Disclosure

Information about Revenues, Profit & Loss and Assets & Liabilities

	Car parts CU	Motor vessels CU	Software CU	Electronics CU	Finance CU	All other CU	Totals CU
Revenues from external customers	3,000	5,000	9,500	12,000	5,000	1,000[(a)]	35,500
Inter-segment revenues	–	–	3,000	1,500	–	–	4,500
Interest revenue	450	800	1,000	1,500	–	–	3,750
Interest expense	350	600	700	1,100	–	–	2,750
Net interest revenue	–	–	–	–	1,000	–	1,000
Depreciation and amortisation	200	100	50	1,500	1,100	–	2,950
Reportable segment profit	200	70	900	2,300	500	100	4,070
Other material non-cash items:							
Impairment of assets	–	200	–	–	–	–	200
Reportable segment assets	2,000	5,000	3,000	12,000	57,000	2,000	81,000
Expenditures for reportable segment non-current assets	300	700	500	800	600	–	2,900
Reportable segment liabilities	1,050	3,000	1,800	8,000	30,000	–	43,850

Measurement

An entity shall provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment. At a minimum, an entity shall disclose the following:

(a) the basis of accounting for any transactions between reportable segments.

(b) the nature of any differences between the measurements of the reportable segments' profits or losses and the entity's profit or loss before income tax expense or income and discontinued operations

(c) the nature of any differences between the measurements of the reportable segments' assets / liabilities and the entity's assets / liabilities

(d) the nature of any changes from prior periods in the measurement methods

(e) the nature and effect of any asymmetrical allocations to reportable segments.

Example 13

Performance measure when different inventory valuation methods are used

An entity that operates a chain of grocery stores uses the weighted average cost formula to assign costs to inventories and cost of goods sold for financial reporting purposes, but the reports provided to the chief operating decision maker use last-in, first-out (LIFO) method for evaluating the performance of segment operations.

Solution:

The entity should use LIFO for its Ind AS disclosures, even though it uses the weighted average cost formula for measuring inventories for inclusion in its Ind AS financial statements. Ind AS 108 does not require segment information to be presented in the same manner as that used in the financial statements. The method used in preparing the financial information for the chief operating decision maker determines which measure is used for the Ind AS 108 operating segment note.

If the amounts reported for Ind AS 108 purposes are not prepared on the same basis as those reported in the financial statements, this will affect the explanation of the measurements of segment assets for each reportable segment and the reconciliations required to be presented in the financial statements.

Reconciliations

An entity shall provide reconciliations of all of the following:

(a) the total of the reportable segments' revenues to the entity's revenue.

(b) the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to the entity's profit or loss after those items.

(c) the total of the reportable segments' assets to the entity's assets

(d) the total of the reportable segments' liabilities to the entity's liabilities

(e) the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.

All material reconciling items shall be separately identified and described. For example, the amount of each material adjustment needed to reconcile reportable segment profit or loss to the entity's profit or loss arising from different accounting policies shall be separately identified and described.

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

Revenues	CU
Total revenues for reportable segments	39,000
Other revenues	1,000
Elimination of inter-segment revenues	(4,500)
Entity's revenues	35,500

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

Profit or loss	CU
Total profit or loss for reportable segments	3,970
Other profit or loss	100
Elimination of inter-segment profits	(500)
Unallocated amounts:	
Litigation settlement received	500
Other corporate expenses	(700)
Adjustment to pension expense in consolidation	(250)
Income before income tax expense	3,070

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

Assets	CU
Total assets for reportable segments	79,000
Other assets	2,000
Elimination of receivable from corporate headquarters	(1,000)
Other unallocated amounts	1,500
Entity's assets	81,500

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

Liabilities	CU
Total liabilities for reportable segments	43,850
Unallocated defined benefit pension liabilities	25,000
Entity's liabilities	68,850

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

Other material items	Reportable segment totals	Adjustments	Entity totals
	CU	CU	CU
Interest revenue	3,750	75	3,825
Interest expense	2,750	(50)	2,700
Net interest revenue (finance segment only)	1,000	–	1,000
Expenditures for assets	2,900	1,000	3,900
Depreciation and amortisation	2,950	–	2,950
Impairment of assets	200	–	200

The reconciling item to adjust expenditures for assets is the amount incurred for the corporate headquarters building, which is not included in segment information. None of the other adjustments are material.

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

	Year ended 31st March, 2022			Year ended 31st March, 2021		
	External	Intersegment	Total	External	Intersegment	Total
Revenue						
Home care	16,570	-	16,570	13,957	-	13,957
Beauty & Personal care	19,567	-	19,567	18,038	-	18,038
Foods & Refreshment	14,105	-	14,105	13,204	-	13,204
Others (includes Exports, Consignment, etc.)	2,204	-	2,204	1,829	-	1,829
Total Revenue	**52,446**	**-**	**52,446**	**47,028**	**-**	**47,028**

Disclosure

Sample of Disclosure on Information about Revenues, Profit & Loss and Assets & Liabilities

	Year ended 31st March, 2022			Year ended 31st March, 2021		
	External	Intersegment	Total	External	Intersegment	Total
Result						
Home care	3,183	-	3,183	2,773	-	2,773
Beauty & Personal care	5,392	-	5,392	5,134	-	5,134
Foods & Refreshment	2,623	-	2,623	2,189	-	2,189
Others (includes Exports, Consignment, etc.)	568	-	568	456	-	456
Total Segment Results	**11,766**	**-**	**11,766**	**10,552**	**-**	**10,552**
Finance costs			(106)			(117)
Other Income			258			410
Profit from continuing operations before exceptional items and tax			**11,918**			**10,845**
Exceptional items - income/ (expenditure)			(44)			(239)
Profit before tax from continuing operations			**11,874**			**10,606**
Tax expense						
Current tax			(2,840)			(2,520)
Deferred tax charge/ (credit)			(147)			(86)
Profit for the year from Continuing Operations (A)			**8,887**			**8,000**
Profit for the year from Discontinued Operations (B)			5			(1)
Profit For the Year (A+B)			**8,892**			**7,999**
Less: Non Controlling Interest			(13)			(4)
Profit for the Year			**8,879**			**7,995**

Other Information

	Segment Assets		Segment Liabilities	
	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2022	As at 31st March, 2021
Home care	3,999	3,175	3,755	3,404
Beauty & Personal care	6,239	5,910	5,670	5,636
Foods and Refreshment	49,669	49,510	3,140	3,358
Others (includes Exports, Consignment, etc.)	1,413	1,068	682	608
Total	**61,320**	**59,663**	**13,247**	**13,006**
Unallocated Corporate Assets / (Liabilities)	9,197	9,094	8,183	8,057
Total Assets / (Liabilities)	**70,517**	**68,757**	**21,430**	**21,063**

	Year ended 31st March, 2022			Year ended 31st March, 2021		
	Capital expenditure	Depreciation/ Amortisation	Non-cash expenses other than depreciation	Capital expenditure	Depreciation/ Amortisation*	Non-cash expenses other than depreciation
Home care	280	213	38	366	245	89
Beauty & Personal care	512	544	44	407	472	105
Foods & Refreshment	361	300	34	1,684	324	73
Others (includes Exports, Consignment, etc.)	59	34	12	48	33	3

*In addition to the above, ₹15 crores (2020-21: ₹60 crores) of accelerated depreciation has been charged to exceptional items under a restructuring project.

Entity-wide Disclosure

All entities (including entities that have a single reporting segment) shall provide information about:

- Products and Services
- Geographical areas
- Major Customers

Information about products and services

An entity shall report the revenues from external customers for each product and service, or each group of similar products and services, unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact shall be disclosed

<u>Sample of Disclosure on Information about products and services</u>

Segment-wise Revenue from operations

The Company has following major segments:-

(a) Home Care include Fabric Solutions, Home and Hygiene, etc
(b) Beauty & Personal Care include Skin Cleansing, Skin Care, Hair Care, etc
(c) Foods & Refreshment include Tea, Health Food Drinks and Coffee, etc
(d) Others include Exports, Consignment, etc.

	Year ended 31st March, 2022	Year ended 31st March, 2021
Home Care	16,578	13,959
Beauty & Personal Care	19,460	17,964
Foods & Refreshment	14,105	13,204
Others (includes Exports, Consignment, etc.)	1,050	869
Total	**51,193**	**45,996**

Information about geographical areas

An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:

(a) revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues.
(b) non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts (i) located in the entity's country of domicile and (ii) located in all foreign countries in total in which the entity holds assets. If assets in an individual foreign country are material, those assets shall be disclosed separately.

Sample of Disclosure on Information about geographical areas:

Additional Information by Geographies

Although the Group's operations are managed by product area, we provide additional information based on geographies.

	Year ended 31st March, 2022	Year ended 31st March, 2021
Revenue by Geographical Market		
India	50,327	45,283
Outside India	2,119	1,745
	52,446	**47,028**
Carrying Amount of Segment Assets		
India	60,771	59,256
Outside India	549	407
	61,320	**59,663**

Geographical Information	Revenue[a] ₹	Non-Current Assets ₹
United States	19,000	11,000
Canada	4,200	-
China	3,400	6,500
Japan	2,900	3,500
Other countries	6,000	3,000
Total	35,500	24,000

Information about major customers

An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues:

- the entity shall disclose that fact,
- the total amount of revenues from each such customer, and
- the identity of the segment or segments reporting the revenues.

The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer.

Few Other Key Points to be noted

As per paragraph 19 of Ind AS 108, there is no limit on the number of reportable segments. However, it does state that if the number of reportable segments identified exceeds ten, an entity should consider whether a practical limit has been reached.

Ind AS 108 does not provide an exemption from disclosures on the ground that the board or management deems such disclosures prejudicial to the interests of the entity. Even if management of an entity concludes that disclosure of certain segment information will be prejudicial to the interests of the entity, the entity is required to make necessary disclosures.

Entity outside the scope of Ind AS 108 and choosing to disclose segment information has two options:
(a) comply with all the requirements of the Standard and term the same as 'Segment Information / Reporting'; or
(b) provide selective disclosures without using the term 'Segment Information/Reporting'.

As per paragraph 13 of Ind AS 108, an operating segment that does not meet any of the quantitative thresholds may also be considered reportable, and separately disclosed if management judges it to be useful to users of the financial statements.

If the measurement bases of the information provided to the chief operating decision maker differs from the measurement bases of the Ind AS financial statements, Reconciliations are required that separately identify and describe each adjustment needed to reconcile the total of all the reportable segments' profits or losses to the consolidated profit or loss

Changes in reportable segments after the reporting period

An entity’s reportable segments should reflect its organisational structure and the information reviewed by its chief operating decision maker **as at the end of the reporting period**. An entity’s reportable segments should not be amended to reflect changes in its internal organisation after the end of the reporting period but before the financial statements are authorised for issue.

Ind AS 108 states that an operating segment is a component of an entity 'whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance'. **The chief operating decision maker’s decisions and assessments would have been based on the internal structure that existed at the end of the reporting period, not on a structure that was introduced only after the end of that period.**

This conclusion is in keeping with the general principle that financial statements should be prepared so as to reflect events occurring up to the end of the reporting period and conditions existing at the end of the reporting period. Note that IAS cites a **major restructuring after the reporting period as an example of a non-adjusting event.**



Ind AS vs IFRS

Ind AS vs IFRS

Topic	Ind AS 108	IFRS 8
Scope	Applicable to companies to which Indian Accounting Standards (Ind ASs) notified under the Companies Act apply.	Applicable to entity whose debt or equity instruments are traded in public market or is in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.


Any
QUESTIONS?



Thank you

CA. YASHWANTH KUMAR. M

Mobile : 9094300149
Email id : yashwanth.kumar@ymail.com