

Accounting Standards Interpretation (ASI) 20¹ (Revised)

Disclosure of Segment Information

Accounting Standard (AS) 17, Segment Reporting

ISSUE

1. Whether an enterprise, which has neither more than one business segment nor more than one geographical segment, is required to disclose segment information as per AS 17.

CONSENSUS

2. In case by applying the definitions of ‘business segment’ and ‘geographical segment’, contained in AS 17, it is concluded that there is neither more than one business segment nor more than one geographical segment, segment information as per AS 17 is not required to be disclosed. However, the fact that there is only one ‘business segment’ and ‘geographical segment’ should be disclosed by way of a note.

BASIS FOR CONCLUSIONS

3. The paragraph of AS 17 dealing with ‘Objective’ provides as under:

“The objective of this Statement is to establish principles for reporting financial information, about the different types of products and services an enterprise produces and the different geographical areas in which it operates. Such information helps users of financial statements:

- (a) better understand the performance of the enterprise;

¹ Published in ‘The Chartered Accountant’, August 2005, pp. 324. The authority of this ASI is the same as that of the Accounting Standard to which it relates. The contents of this ASI are intended for the limited purpose of the Accounting Standard to which it relates. ASI is intended to apply only to material items.

- (b) better assess the risks and returns of the enterprise; and
- (c) make more informed judgements about the enterprise as a whole.

Many enterprises provide groups of products and services or operate in geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects, and risks. Information about different types of products and services of an enterprise and its operations in different geographical areas - often called segment information - is relevant to assessing the risks and returns of a diversified or multi-locational enterprise but may not be determinable from the aggregated data. Therefore, reporting of segment information is widely regarded as necessary for meeting the needs of users of financial statements.”

In case of an enterprise, which has neither more than one business segment nor more than one geographical segment, the relevant information is available from the balance sheet and statement of profit and loss itself and, therefore, keeping in view the objective of segment reporting, such an enterprise is not required to disclose segment information as per AS 17. The disclosure of the fact that there is only one ‘business segment’ and ‘geographical segment’ and, therefore, the segment information is not provided by the concerned enterprise is useful for the users of the financial statements while making a comparison among various enterprises.