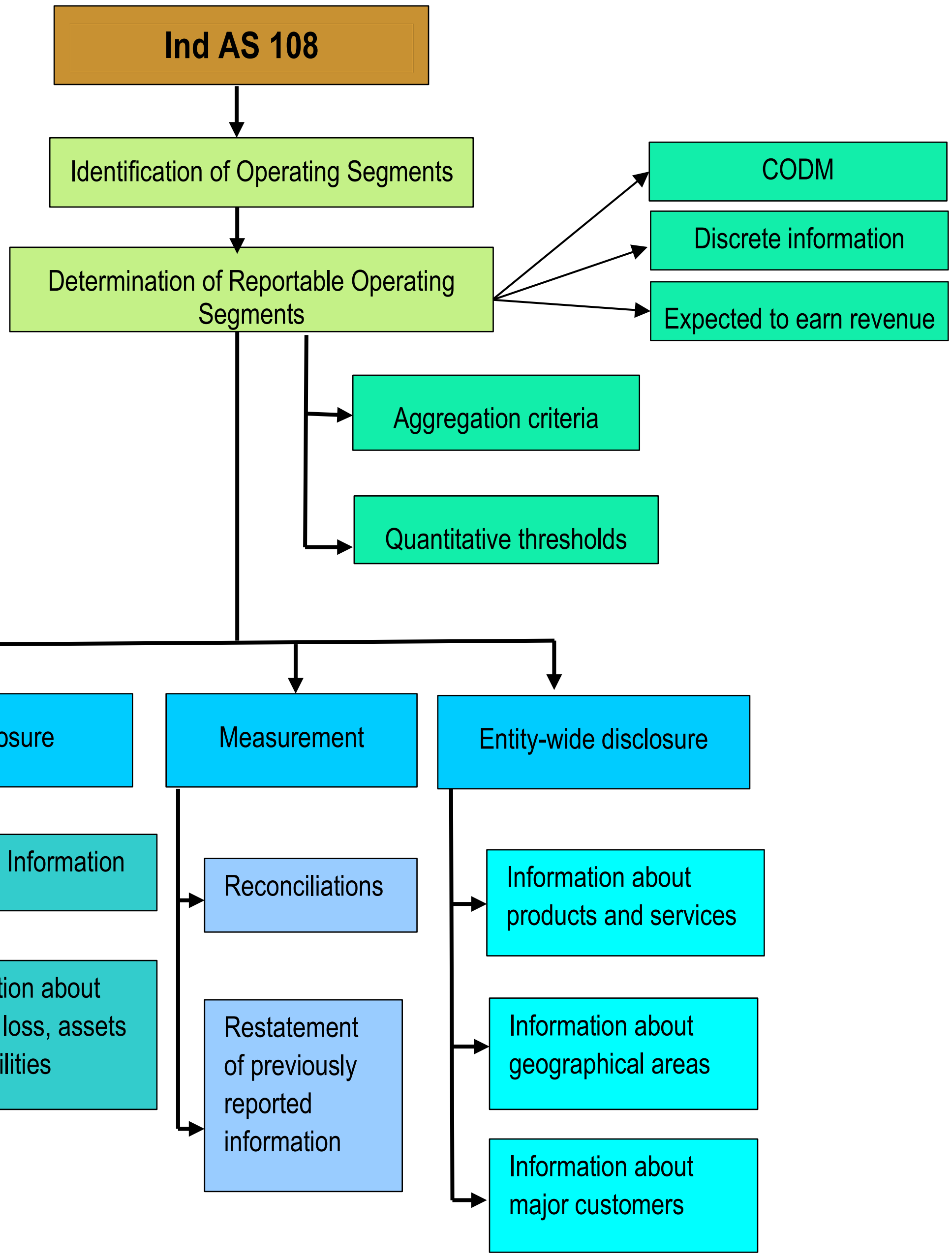
UNIT 3
INDIAN ACCOUNTING STANDARD 108 : OPERATING SEGMENTS

LEARNING OUTCOMES

After studying this unit, you will be able to:

- Explain the meaning of 'operating segments'
- Define the 'chief operating decision maker' (CODM)
- Identify the reportable segments and the application of aggregation criteria
- Comply with the disclosure requirement under Ind AS 108 with regard to operating segments
- Differentiate between Ind AS 108 and AS 17

UNIT OVERVIEW



3.1 CORE PRINCIPLE

An entity should 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 108 requires an entity to disclose information to enable the stakeholders to have insight into the entity's operations from the same perspective as that of its management. For instance, in case of an entity engaged in multiple lines of business / business activities (e.g., engineering, financial services and IT), the users of financial statements must have the information about the performance of each of its 'business activities' as perceived by management in order to make better and more informed decisions about their investments in the entity as a whole.

Similarly, an entity may be operating across multiple economic environments. 'Economic Environments' in general, are those factors which have an impact on the working of any business. These factors could include political and economic macro-systems, trade cycles, economic resources, statutory environment, income levels, industrial growth rates and many other such factors. These are dynamic in nature and are in a continuous state of change.

In view of these complexities, Ind AS 108 requires disclosure of information in a manner which enables users to make informed decisions based on their assessment of the economic environments in which the different businesses of an entity operate.

3.2 SCOPE

Ind AS 108 should apply to companies to which Indian Accounting Standards notified under the Companies Act, 2013 apply.

If an entity that is not required to apply Ind AS 108 but chooses to disclose information about segments that does not comply with Ind AS 108, it should 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 Ind AS 108 as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements.

Extract from: Hindustan Unilever Limited's Annual Report for 2021-2022

NOTE 46

The Company has presented segment information in the consolidated financial statements which are presented in the same annual report. Accordingly, in terms of Paragraph 4 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in these standalone financial statements.

3.3 OPERATING SEGMENTS

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and

(c) for which discrete financial information is available.

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.

A perusal of the above requirements for identifying an operating segment differs with requirements contained in Accounting Standard (AS) 17, *Segment Reporting*. According to AS 17, identification of business segment is determined by considering risk and returns derived from an identical product or service or group of related products and services. Similarly, identification of geographical segment is determined by considering the risk and returns from products and services within a particular economic environment.

Ind AS 108, however, requires the consideration of earning of revenues and incurring of expenses from a business activity, the operating results of which are regularly reviewed by entity's CODM and discrete financial information is available. It may be noted that AS 17 follows the approach of risk and return for determination of a business and geographical segment. Ind AS 108, however, follows the management approach meaning thereby that whichever business activity is considered by the management as a separate source of revenue will be considered as an operating segment, the operating results of which are regularly reviewed by CODM to make decision about resources allocation and performance measurement.

Under this approach, not only would enterprises be likely to report more detailed information but the knowledge obtained of the structure of an enterprise's internal organisation is valuable in itself because it highlights segments based on such structure. This approach results in the following significant advantages:

- An ability to see an enterprise "through the eyes of management" enhances a user's ability to predict actions or reactions of management that can significantly affect the enterprise's prospects for future cash flows.
- Information about those segments is generated for management's use and hence the incremental cost of providing information for external reporting would be relatively low.

Illustration 1

ABC Ltd. manufactures and sells healthcare products, and food and grocery products. Three products namely A, B & C are manufactured. Product A is classified as healthcare product and product B & C are classified as food and grocery products. Products B & C are similar products. Discrete financial information is available for each manufacturing locations and for the selling activity of each product. There are two-line managers responsible for manufacturing activities of products A, B & C. Manager X manages product A and Manager B manages products B & C. The operating results of health care products (product A) and food and grocery products (products B & C) are regularly reviewed by the CODM.

Identify reportable segments of ABC Ltd.

Solution

In this situation both the healthcare, and food and grocery product line meet the criteria for operating segments set out above. Therefore, it is likely that ABC Ltd.'s operating segments would be classified as being (i) healthcare and (ii) food and grocery segments.

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 Ind AS 108, an entity's post-employment benefit plans are not operating segments.

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3.3.1 Functions that are integral to business

In case of a company, where the activities of a function are an integral part of company's business (for example, research and development function for a pharmaceuticals or software company), this can be considered as an operating function provided that there is discrete information available that is regularly reviewed by the CODM.

3.3.2 Discontinued operations – whether an operating segment

If the discontinued operation

- continues to engage in business activities;
- whose operating results are reviewed by the CODM; and
- there is discrete information available to support the review

Then, it would meet the definition of an operating segment.

The term 'chief operating decision maker' (CODM) identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the CODM of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors or others.

For many entities, the three characteristics of operating segments clearly identify its operating segments. However, an entity may produce reports in which its business activities are presented in a variety of ways. If the CODM uses more than one set of segment information, other factors may identify a single set of components as constituting an entity's operating segments, including the nature of the business activities of each component, the existence of managers responsible for them, and information presented to the board of directors.

Illustration 2

The CEO along with other Board members do a review of financial information about various business segments and take decisions on the basis of discrete information available for these segments and are correctly identified as ***Chief Operating Decision Maker (CODM).*** *Review of only revenue information is done for decision making about those segments by the CODM. As per CODM, many segments require minimal costs due to centralization of costs.*

Analyse whether the review of only the revenue related information is sufficient for these segments to be considered as operating segments for the purposes of Ind AS 108 'Operating Segments'.

Solution

Many entities would be considering the decision making for segments on the basis of revenue growth – especially the ones aggressively trying to build a market share. Common examples would be businesses in the technology sector or those creating or launching new products from time to time. For them, the decision making for different regional segments would need revenue growth and related information for further investment decisions.

Merely examining revenue data by CODM without taking into account the corresponding expenses involved in generating that revenue may not provide adequate insights for determining how to allocate resources and measure the performance of a segment.

However, in the instant case, the logic given by the CODM is that since many segments require minimal costs (due to centralization of costs), therefore, revenue-only data is a fair representation of the operating results.

In the above case, review of the information that is based only on revenue data may be appropriate to consider that the segment meets the definition of an operating segment.

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Whether a committee of non-executive directors (NEDs) is likely to be the CODM.

NEDs are not usually involved in resource allocation decisions, other than at a very high level. Their role is primarily related to governance than a management role. Accordingly, it may be difficult to establish if they would meet the definition of the CODM.

However, a function (Board of directors), might include non-executive directors whose sole responsibility is governance. Such a function would be a CODM if the most significant operating, as well as strategic, decisions are made by that function, even if those non-executive directors do not participate in implementing such decisions.

Overlapping sets of components

Generally, an operating segment has a segment manager who is directly accountable to and maintains regular contact with the CODM to discuss operating activities, financial results, forecasts, or plans for the segment. The term 'segment manager' identifies a function, not necessarily a manager with a specific title. The chief operating decision maker also may be the segment manager for some operating segments. A single manager may be the segment manager for more than one operating segment. If the characteristics apply to more than one set of components of an organisation but there is only one set for which segment managers are held responsible, that set of components constitutes the operating segments.

The characteristics may apply to two or more overlapping sets of components for which managers are held responsible. That structure is sometimes referred to as a matrix form of organisation. For example, in some entities, some managers are responsible for different product and service lines worldwide, whereas other managers are responsible for specific geographical areas. The CODM regularly reviews the operating results of both sets of components, and financial information is available for both. In that situation, the entity should determine which set of components constitutes the operating segments by reference to the core principle.

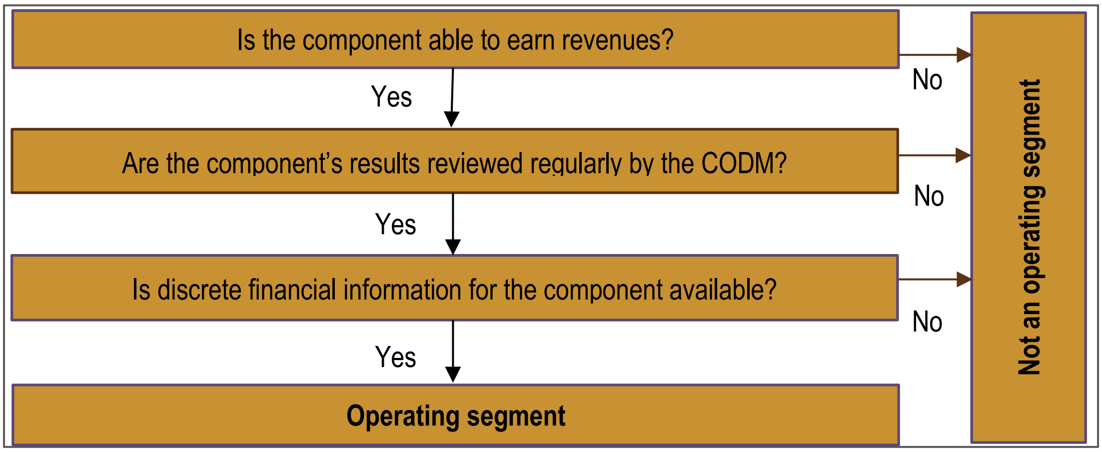

Illustration 3

X Ltd. is engaged in the manufacture and sale of two distinct type of products A & B. X Ltd. supplies the product in the domestic market in India as well as in Singapore. There are two regional managers responsible for manufacturing activities of product A & B worldwide and also two other managers responsible for different geographical areas. For internal reporting purposes, X Ltd. provides information product-wise and as per the geographical location of the company. The CODM regularly reviews the operating results of both sets of components.

Comment, how should X Ltd. identify its operating segments.

Solution

In this situation, both the geographical sales areas and product areas may meet the criteria for operating segment. However, in such situation, it is more difficult to determine clearly which set of components should be identified as the entity's operating segments. In such situation the entity should determine which set of components constitutes the operating segments by reference to the core principle. The core principle is that the entity should 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. The entity should also assess whether the identified operating segments could realistically represent the level at which the CODM is assessing performance and allocating resources.

Therefore, X Ltd. should consider all the above factors and apply judgement to determine which component should be disclosed as operating segment.

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Illustration 4

CODM of XY Ltd. receives and reviews multiple sets of information when assessing the businesses' overall performance to take a decision on resources allocation. It receives the information as under:

- *Level 1 Report: Summary report for all 4 regions*
- *Level 2 Report: Summary report for 20 Sub-regions within those regions*
- *Level 3 Report: Detailed report for 50 Branches within the sub-regions*

State what factors and level should be considered for determining an operating segment.

Solution

We need to consider multiple factors (including but not limited to below):

- The process that CODM may use to assess the performance (Key Financial Matrix, KPIs, Ratio etc.);
- Identify the segment managers and their responsibility areas;
- The process of budgeting for resource allocations.

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3.4 REPORTABLE SEGMENTS

An entity should report separately information about each operating segment that:

(a) has been identified or results from aggregating two or more of those segments; and

(b) exceeds the quantitative thresholds.

Standard specifies other situations in which separate information about an operating segment should be reported.

Identify CODM

↓

Identify operating segments

↓

Determine reportable operating segments

↓

Disclose information about each reportable segments

3.5 AGGREGATION CRITERIA

Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of Ind AS 108, the segments have similar economic characteristics, and the segments are similar in each of the following respects:

(a) the nature of the products and services;

(b) the nature of the production processes;

(c) the type or class of customer for their products and services;

(d) the methods used to distribute their products or provide their services; and

(e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

Illustration 5

XY Ltd. has operations in France, Italy, Germany, UK and India. It wishes to apply aggregation criteria on geographical basis.

State, how will the aggregation criteria apply for reporting segments in the given scenario.

Solution

XY Ltd. needs to assess and prove that each country possesses the same economic characteristics. Factors including exchange control regulations, currency risks and economic conditions are required to be considered.

Considering above factors, it may be possible to aggregate the results of France, Italy and Germany (falling within EU region) and results of UK and India may be separately reported (no aggregation is permitted).

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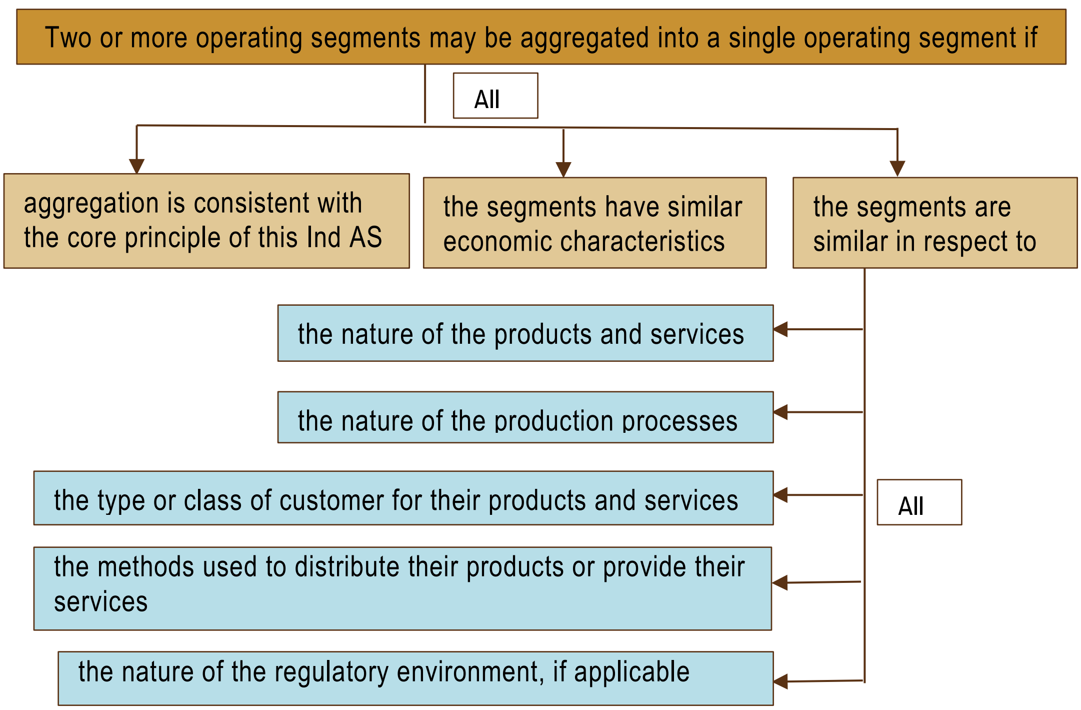

Illustration 6

X Ltd. is engaged in the business of manufacturing and selling papers. Varieties of paper like adhesive paper, anti-rust paper, antique paper, art paper etc., are manufactured and sold by X Ltd.

State whether X Ltd. should classify these papers into different segments.

Solution

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar with respect to various factors like nature of the product and production process, type of customers, method of distribution and regulatory requirement.

In case of X Ltd., so far as varieties of paper concerned, if all factors such as nature of the product and production process, type of customers, method of distribution and regulatory requirement are common, there is no need to create different segments for each type of paper.

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Illustration 7

T Ltd is engaged in transport sector, running a fleet of buses at different routes. T Ltd has identified 3 operating segments:

- Segment 1: Local Route
- Segment 2: Inter-city Route
- Segment 3: Contract Hiring

The characteristics of each segment are as under:

Segment 1: *The local transport authority awards the contract to ply the buses at different routes for passengers. These contracts are awarded following a competitive tender process; the ticket price paid by passengers are controlled by the local transport authority. T Ltd would charge the local transport authority on a per kilometer basis.*

Segment 2: *T Ltd operates buses from one city to another, prices are set by T Ltd on the basis of services provided (Deluxe, Luxury or Superior).*

Segment 3: *T Ltd also leases buses to schools under a long-term arrangement.*

*While Segment 1 has been showing significant decline in profitability, Segment 2 is performing well in respect of higher revenues and improved margins. The management of the company is not sure why is the segment information relevant for users when they should only be concerned about the returns from overall business. They would like to aggregate the Segment 1 and Segment 2 for reporting under '**Operating Segment'***

Required:

State whether it is appropriate to aggregate Segments 1 and 2 with reference to Ind AS 108 'Operating Segments'; and also discuss, in the above context, whether disclosure of segment information is relevant to an investor's appraisal of financial statements.

Solution

Ind AS 108 '**Operating Segments'** requires operating segments to be aggregated to present a reportable segment if the segments have similar economic characteristics, and the segments are similar in each of the following aggregation criteria:

(a) The nature of the products and services

(b) The nature of the production process

(c) The type or class of customer for their products and services

(d) The methods used to distribute their products or provide their services

(e) If applicable, the nature of the regulatory environment

While the products and services are similar, the customers for those products and services are different.

In Segment 1, the decision to award the contract is in the hands of the local authority, which also sets prices and pays for the services. The company is not exposed to passenger revenue risk, since a contract is awarded by competitive tender.

On the other hand, in the inter-city segment, the customer determines whether a bus route is economically viable by choosing whether or not to buy tickets. T Ltd sets the ticket prices but will be affected by customer behavior or feedback. T Ltd is exposed to passenger revenue-risk, as it sets prices which customers may or may not choose to pay.

Operating Segment provides information that makes the financial statements more useful to investors. In making the investment decisions, investors and creditors consider the returns they are likely to make on their investment. This requires assessment of the amount, timing and uncertainty of the future cash flows of T Ltd as well as of management's stewardship of T Ltd's resources. How management derives profit is therefore relevant information to an investor.

Inappropriately aggregating segments reduces the usefulness of segment disclosures to investors. Ind AS 108 requires information to be disclosed that is not readily available elsewhere in the financial statements, therefore it provides additional information which aids an investor's understanding of how the business operates and is managed.

In T Ltd.'s case, if the segments are aggregated, then the increased profits in segment 2 will hide the decreased profits in segment 1. However, the fact that profits have sharply declined in segment 1 would be of interest to investors as it may suggest that future cash flows from this segment are at risk.

It is not mandatory to aggregate segments. An entity, if desires, can disclose separately information about segments that meet all the criteria. However, with regard to upper limit on number of segments to be reported, the entity should consider whether a practical limit has been reached.

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3.6 QUANTITATIVE THRESHOLDS

An entity should report separately information about an operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.

(b) Its reported profit or loss is 10% or more, in absolute amount, of the greater, in absolute amount, of

  (i) the combined reported profit of all operating segments that did not report a loss and

  (ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are 10% or more of the combined assets of all 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.

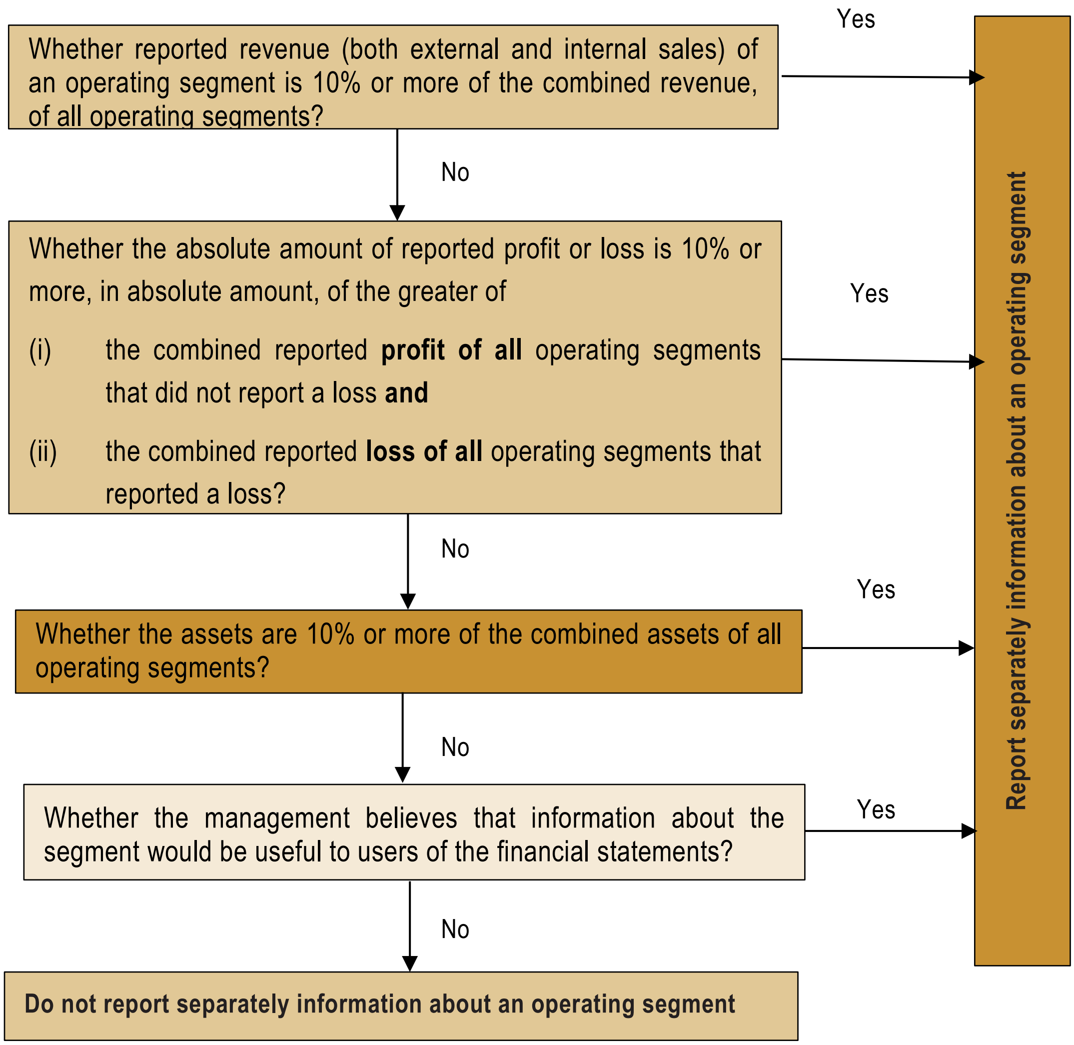

Illustration 8

X Ltd. has identified the following business components.

Segment	***Revenue (₹)***		***Profit (₹)***	***Assets (₹)***
	External	***Internal***		
Pharma	*97,00,000*	*Nil*	*20,00,000*	*55,00,000*
FMCG	*Nil*	*4,00,000*	*2,50,000*	*25,00,000*
Ayurveda	*3,00,000*	*Nil*	*2,00,000*	*4,00,000*
Others	*8,00,000*	*41,00,000*	*5,50,000*	*6,00,000*
Total for the entity	*1,08,00,000*	*45,00,000*	*30,00,000*	*90,00,000*

Which of the segments would be reportable as per the criteria prescribed in Ind AS108?

Solution

Quantitative thresholds are calculated below:

Segments	Pharma	FMCG	Ayurveda	Others
% segment sales to total sales	63.40	2.61	1.96	32.03
% segment profit to total profits	66.67	8.33	6.67	18.33
% segment assets to total assets	61.11	27.78	4.44	6.67

Segment Pharma would separately reportable since they meet all three size criteria, though any one criteria is required. FMCG segment does not satisfy the revenue and profit test but does satisfy the asset test. So it would be separately reportable. Ayurveda segment does not meet any threshold. It may not be classified as reportable segment.

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An entity may combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment only if the operating segments have similar economic characteristics and share a majority of the aggregation criteria.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments should be identified as reportable segments (even if they do not meet the criteria) until at least 75% of the entity's revenue is included in reportable segments.

Note

- External revenue of reportable segments must be ≥ 75% of total revenue of the entity.
- Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if information about the segment is useful to users.

Non-reportable segments – After the appropriate aggregation and requisite tests are done (i.e. 10% tests done and 75% test met), information about other business activities and operating segments that are not reportable should be combined and disclosed in an 'all other segments' category separately from other reconciling items in the reconciliations. The sources of the revenue included in the 'all other segments' category should 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 should continue to be reported separately in the current period even if it no longer meets the criteria for reputability.

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 should be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the necessary information is not available and the cost to develop it would be excessive.

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, as the number of segments that are reportable increases above ten, the entity should consider whether a practical limit has been reached.

Illustration 9

An entity has branches in different parts of the country – catering to different customers and selling local made products (a product of one region is not sold in any other region). No region or product contributes more than 5% to total revenue of the entity.

Discuss how many segments are reportable.

Solution

Under the quantitative threshold, external revenue of reportable segments must be ≥ 75% of total revenue of the entity. Considering above case, minimum 15 operating segments need to be reportable (75% [threshold] / 5% {revenue}).

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3.7 DISCLOSURE

An entity should 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.

An entity should disclose the following for each period for which a statement of profit and loss is presented:

(a) general information;

(b) information about reported segment profit or loss, including specified revenues and expenses included in reported segment profit or loss, segment assets, segment liabilities and the basis of measurement; and

(c) reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items to corresponding entity amounts.

Reconciliations of the amounts in the balance sheet for reportable segments to the amounts in the entity's balance sheet are required for each date at which a balance sheet is presented. Information for prior periods should be restated.

3.7.1 General Information

An entity should disclose the following general information:

(a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated); and

(b) the judgements made by management in applying the aggregation criteria. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics; and

(c) types of products and services from which each reportable segment derives its revenues.

3.7.1.1 Factors that management used to identify the entity's reportable segments

Diversified Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.

3.7.1.2 Description of the types of products and services from which each reportable segment derives its revenues

Diversified Company has five reportable segments: car parts, motor vessels, software, electronics and finance. The car parts segment produces replacement parts for sale to car parts retailers. The motor vessels segment produces small motor vessels to serve the offshore oil industry and similar businesses. The software segment produces application software for sale to computer manufacturers and retailers. The electronics segment produces integrated circuits and related products for sale to computer manufacturers. The finance segment is responsible for portions of the company's financial operations including financing customer purchases of products from other segments and property lending operations.

Extract from Annual Report for 2021-2022 of Hindustan Unilever Limited

NOTE 46 SEGMENT INFORMATION

The Operating Segment is the level at which discrete financial information is available. Business segments are identified considering:

a) the nature of products and services

b) the differing risks and returns

c) the internal organisation and management structure, and

d) the internal financial reporting systems.

3.7.2 Information about profit or loss, assets and liabilities

An entity should report a measure of profit or loss for each reportable segment. An entity should report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to CODM. An entity should also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the CODM, or are otherwise regularly provided to the CODM, even if not included in that measure 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 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 should report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the CODM 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.

An entity should disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the CODM or are otherwise regularly provided to the CODM, even if not included in the measure of segment assets:

(a) the amount of investment in associates and joint ventures accounted for by the equity method; and

(b) the amounts of additions to non-current assets (For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period) other than financial instruments, deferred tax assets, net defined benefit assets (in accordance with Ind AS 19, *Employee Benefits*) and rights arising under insurance contracts.

The following table illustrates a suggested format for disclosing information about segment profit or loss, assets and liabilities. The same type of information is required for each year for which a statement of profit and loss is presented. Diversified Company does not allocate tax expense (tax income) or non-recurring gains and losses to reportable segments. In addition, not all reportable segments have material non-cash items other than depreciation and amortisation in profit or loss. The amounts in this illustration are assumed to be the amounts in reports used by the CODM.

Information about reportable segment profit or loss, assets and liabilities

	Car parts ₹	Motor vessels ₹	Software ₹	Electronics ₹	Finance ₹	All others ₹	Total ₹
Revenue 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[(b)]	-	-	-				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 item:							
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

(a) Revenues from segments below the quantitative thresholds are attributable to four operating segments of Diversified Company. Those segments include a small property business, an electronics equipment rental business, a software consulting practice and a warehouse leasing operation. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

(b) The finance segment derives a majority of its revenue from interest. Management primarily relies on net interest revenue, not the gross revenue and expense amounts, in managing that segment. Therefore, only the net amount is disclosed.

Extract from Annual Report for 2021-2022 of Hindustan Unilever Limited

Segment revenue relating to each of the above domestic business segments includes Income from Services provided to group companies, where applicable. Segment results relate to profit from continuing operations before other income, finance costs, exceptional items and tax

	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**

	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.

3.8 MEASUREMENT

The amount of each segment item reported should be the measure reported to the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues, expenses, and gains or losses should be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by the chief operating decision maker should be reported for that segment. If amounts are allocated to reported segment profit or loss, assets or liabilities, those amounts should be allocated on a reasonable basis.

If the CODM uses only one measure of an operating segment's profit or loss, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment profit or loss, assets and liabilities should be reported at those measures. If the CODM uses more than one measure of an operating segment's profit or loss, the segment's assets or the segment's liabilities, the reported measures should be those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

An entity should 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 should 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 (if not apparent from the reconciliations). Those differences could include accounting policies and policies or allocation of centrally incurred costs that are necessary for an understanding of the reported segment information;

(c) the nature of any differences between the measurements of the reportable segments' assets and the entity's assets (if not apparent from the reconciliations. Those differences could include accounting policies and policies for allocation of jointly used assets that are necessary for an understanding of the reported segment information;

(d) the nature of any differences between the measurements of the reportable segments' liabilities and the entity's liabilities (if not apparent from the reconciliations. Those differences could include accounting policies and policies for allocation of jointly utilised liabilities that are necessary for an understanding of the reported segment information;

(e) the nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss; and

(f) the nature and effect of any asymmetrical allocations to reportable segments. For example, an entity might allocate depreciation expense to a segment without allocating the related depreciable assets to that segment.

Illustration 10

GH Ltd. has four distinct operating segments. The management of GH is concerned as it is unsure on how common costs be reasonably allocated to different operating segments. They intend to allocate management charges, interest costs of internal funding, cost of management of properties and pension costs.

Analyse, whether such costs need to conform to the accounting policies as used to prepare the financial statements.

Solution

Ind AS 108 does not prescribe any specific basis but suggests that a reasonable basis to be used in allocation of common costs. Here, it may not be reasonable to allocate management charges to most profitable segment. However, it may be reasonable to charge interest costs of internal funding on the basis of actual usage over time, even if majority of funds are used for running a loss-making segment.

A reasonable manner of allocation of above costs could be:

Management Charges: These may be allocated based on Net Assets invested or Revenue earned by the segments. It needs to be understood if there is an operating segment which is yet to earn revenue, it would fail to have any costs being allocated.

Interest costs: As mentioned above, these may be allocated on the basis of actual usage and time.

Cost of management of properties: Based on value of property used at each segment.

Pension costs: Based on salary expenses of each segment**.**

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Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the significant accounting policies except that pension expense for each operating segment is recognised and measured based on cash payments to the pension plan. Diversified Company evaluates performance based on profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses.

Diversified Company accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e., at current market prices.

3.8.1 Reconciliations

An entity should 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 if the segment assets are reported;

(d) the total of the reportable segments' liabilities to the entity's liabilities if segment liabilities are reported; and

(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 should 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 should be separately identified and described.

The following illustrate reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the entity's corresponding amounts. Reconciliations also are required to be shown for every other material item of information disclosed. The entity's financial statements are assumed not to include discontinued operations. The entity recognises and measures pension expense of its reportable segments on the basis of cash payments to the pension plan, and it does not allocate certain items to its reportable segments.

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Revenues	**₹**
Total revenues for reportable segments	39,000
Other revenues	1,000
Elimination of intersegment revenues	(4,500)
Entity's revenues	35,500
Profit or Loss	**₹**
Total profit or loss for reportable segments	3,970
Other profit or loss	100
Elimination of intersegment profits	(500)
Unallocated amounts:	
Litigation settlement received	500
Other corporate expenses	(750)
Adjustment to pension expense in consolidation	(250)
Income before income tax expense	3,070
Assets	**₹**
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
Liabilities	**₹**
Total liabilities for reportable segments	43,850
Unallocated defined benefit pension liabilities	25,000
Entity's liabilities	68,850

Other material items	Reportable Segment totals ₹	Adjustments ₹	Entity totals ₹
Interest revenue	3,750	75	3,825
Interest expenses	2,750	(50)	2,700
Net interest revenue (finance segment only)	1,000	-	1,000
Expenditure 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.

3.9 RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION

If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, should be restated unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive should be made for each individual item of disclosure. Following a change in the composition of its reportable segments, an entity should disclose whether it has restated the corresponding items of segment information for earlier periods.

If an entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods, including interim periods, is not restated to reflect the change, the entity should disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.

3.10 ENTITY-WIDE DISCLOSURES

Some entities' business activities are not organised on the basis of differences in related products and services or differences in geographical areas of operations. Such an entity's reportable segments may report revenues from a broad range of essentially different products and services, or more than one of its reportable segments may provide essentially the same products and services. Similarly, an entity's reportable segments may hold assets in different geographical areas and report revenues from customers in different geographical areas, or more than one of its reportable segments may operate in the same geographical area. Certain information required should be provided only if it is not provided as part of the reportable segment information required by Ind AS 108.

3.10.1 Information about products and services

An entity should 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 should be disclosed. The amounts of revenues reported should be based on the financial information used to produce the entity's financial statements.

Extract from Annual Report for 2021-2022 of Hindustan Unilever Limited

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**

3.10.2 Information about geographical areas

An entity should 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. If revenues from external customers attributed to an individual foreign country are material, those revenues should be disclosed separately. An entity should disclose the basis for attributing revenues from external customers to individual countries; and

(b) non-current assets (For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period) 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 should be disclosed separately.

The amounts reported should be based on the financial information that is used to produce the entity's financial statements. If the necessary information is not available and the cost to develop it would be excessive, that fact should be disclosed. An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries.

The following illustrates the geographical information required (Because Diversified Company's reportable segments are based on differences in products and services, no additional disclosures of revenue information about products and services are required.)

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

Revenue are attributed to countries on the basis of the customer's location.

Extract from Annual Report for 2021-2022 of Hindustan Unilever Limited

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**

3.10.3 Information about major customers

An entity should provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10% or more of an entity's revenues, the entity should 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. For the purposes of Ind AS 108, a group of entities known to a reporting entity to be under common control should be considered a single customer. However, judgement is required to assess whether a government (including government agencies and similar bodies whether local, national or international) and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity should consider the extent of economic integration between those entities.

The following illustrates the information about major customers. Neither the identity of the customer nor the amount of revenues for each operating segment is required.

Revenues from one customer of Diversified Company's software and electronics segments represent approximately ₹ 5,000 of the Company's total revenues.

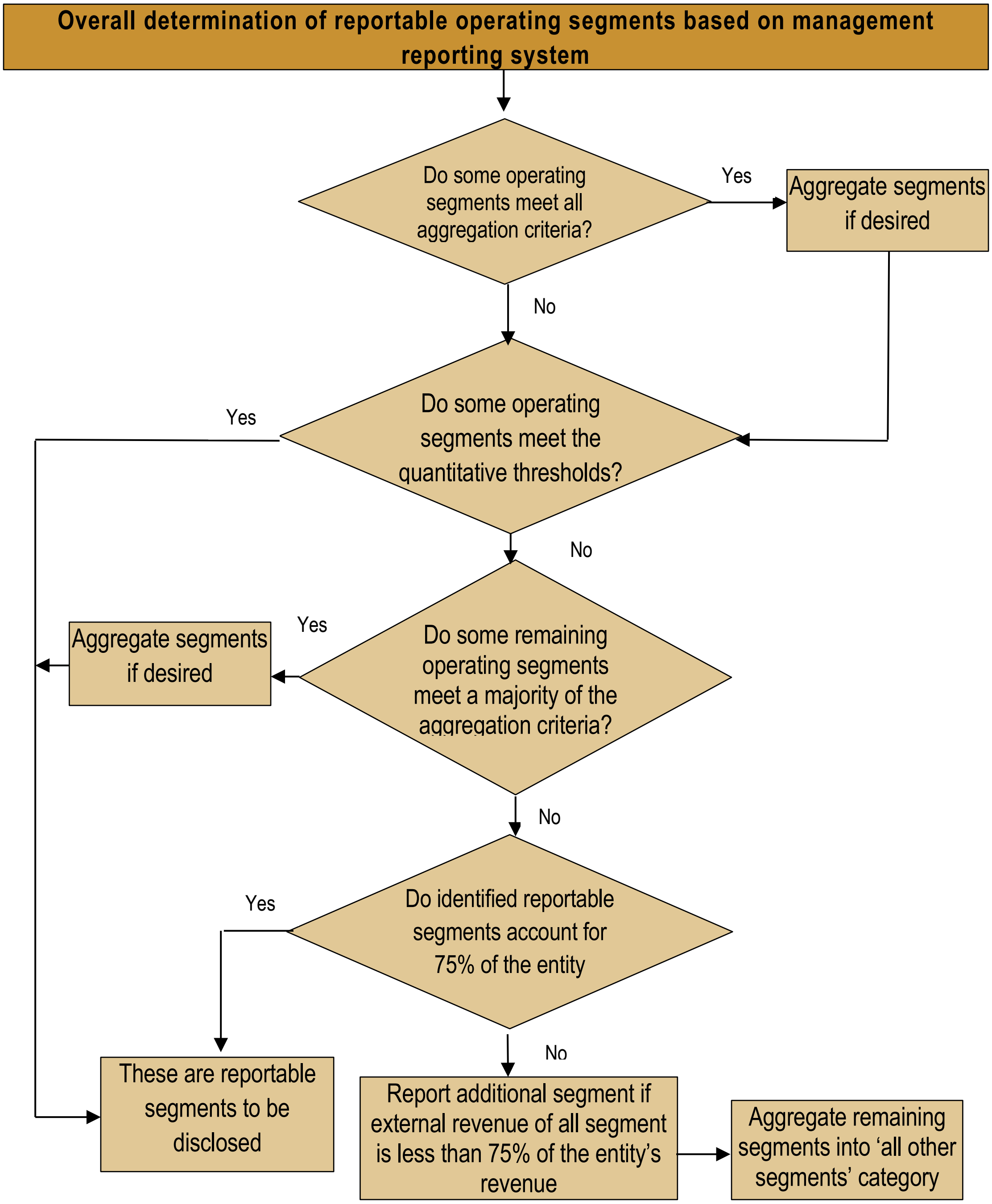
Extract from Annual Report for 2021-22 of Hindustan Unilever Limited

Revenue from major customers

The Group is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.

Diagram to assist in identifying reportable segments

The following diagram illustrates how to apply the main provisions for identifying reportable segments as defined in Ind AS 108.



3.11 SIGNIFICANT DIFFERENCES IN IND AS 108 *VIS-A-VIS* AS 17

S. No.	Particulars	Ind AS 108	AS 17
1.	*Approach for identification of segments*	Identification of segments under Ind AS 108 is based on 'management approach' i.e., operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker.	AS 17 requires identification of two sets of segments; one based on related products and services, and the other on geographical areas based on the risks and returns approach. One set is regarded as primary segments and the other as secondary segments.
2.	*Basis for reporting the segments*	Ind AS 108 requires that the amounts reported for each operating segment should be measured on the same basis as that used by the chief operating decision maker for the purposes of allocating resources to the segments and assessing its performance. It does not define the terms segment revenue, segment expense, segment result, segment assets and segment liabilities.	AS 17 requires segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements. Accordingly, AS 17 defines segment revenue, segment expense, segment result, segment assets and segment liabilities.
3.	*Aggregation criteria*	Ind AS 108 specifies aggregation criteria for aggregation of two or more segments and also requires the related disclosures in this regard.	AS 17 does not deal specifically with this aspect.
4.	*Disclosure in case of single reporting segment*	Ind AS 108 requires certain disclosures even in case of entities having single reportable segment.	AS 17 states that in case there is neither more than one business segment nor more than one geographical segment,

			segment information as per this standard is not required to be disclosed. However, this fact shall be disclosed by way of footnote.
5.	*Disclosure of Interest*	Ind AS 108 requires separate disclosures about interest revenue and interest expense of each reportable segment, therefore, these aspects have not been specifically dealt with.	As per AS 17, interest expense relating to overdrafts and other operating liabilities identified to a particular segment should not be included as a part of the segment expense. It also provides that in case interest is included as a part of the cost of inventories and those inventories are part of segment assets of a particular segment, such interest should be considered as a segment expense. These aspects are specifically dealt with keeping in view that the definition of 'segment expense' given in AS 17 excludes interest.
6.	*Disclosure basis*	Ind AS 108 requires disclosures of revenues from external customers for each product and service. Regarding geographical information, it requires the disclosure of revenues from customers in the country of domicile and in all foreign countries, non-current assets in the country of domicile and all foreign countries. It also requires disclosure of information about major customers.	Disclosures in AS 17 are based on the classification of the segments as primary or secondary segments. Disclosure requirements for primary segments are more detailed as compared to secondary segments.

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Questions

1. X Ltd. has identified 4 operating segments for which revenue data is given below:

	External Revenue (₹)	Internal Revenue (₹)	Total (₹)
Segment A	30,00,000	Nil	30,00,000
Segment B	6,50,000	Nil	6,50,000
Segment C	8,50,000	1,00,000	9,50,000
Segment D	5,00,000	49,00,000	54,00,000
Total Revenue	**50,00,000**	**50,00,000**	**1,00,00,000**

Additional information:

Segment C is a new business unit and management expect this segment to make a significant contribution to external revenue in coming years.

Which of the segments would be reportable under the criteria identified in Ind AS 108?

2. X Ltd. operates in coating industry. Its business segments comprise **Coating** (consisting of decorative, automotive, industrial paints and related activities) and **Others** (consisting of chemicals, polymers and related activities). Certain information for financial year 20X1-20X2 is given below:

(₹ in lakhs)

Segments	External Revenue (including GST)	GST	Other operating income	Result	Asset	Liabilities
Coating	2,00,000	5,000	40,000	10,000	50,000	30,000
Others	70,000	3,000	15,000	4,000	30,000	10,000

Additional information:

1. Unallocated income net of expenses is ₹ 30,00,00,000
2. Interest and bank charges is ₹ 20,00,00,000
3. Income tax expenses is ₹ 20,00,00,000 (current tax ₹ 19,50,00,000 and deferred tax ₹ 50,00,000)
4. Unallocated Investments are ₹ 1,00,00,00,000 and other assets are ₹ 1,00,00,00,000.
5. Unallocated liabilities, Reserves & surplus and share capital are ₹ 2,00,00,00,000, ₹ 3,00,00,00,000 & ₹ 1,00,00,00,000 respectively.
6. Depreciation amounts for coating & others are ₹ 10,00,00,000 and ₹ 3,00,00,000 respectively.
7. Capital expenditure for coating and others are ₹ 50,00,00,000 and ₹ 20,00,00,000 respectively.
8. Revenue from outside India is ₹ 6,20,00,00,000 and segment asset outside India ₹ 1,00,00,00,000.

Based on the above information, comment how X Ltd. would disclose information about reportable segment revenue, profit or loss, assets and liabilities for financial year 20X1-20X2.

3. An entity 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 the First-In, First-Out (FIFO) method for evaluating the performance of segment operations.

   State the cost formula to be used for Ind AS 108 disclosure purposes.

Answers

1. Threshold amount is ₹ 10,00,000 (₹ 1,00,00,000 × 10%).

Segment A exceeds the quantitative threshold (₹ 30,00,000 > ₹ 10,00,000) and hence reportable segment.

Segment D exceeds the quantitative threshold (₹ 54,00,000 > ₹ 10,00,000) and hence reportable segment.

Segment B & C do not meet the quantitative threshold amount and may not be classified as reportable segment.

However, the total external revenue generated by these two segments A & D represent only 70% [(₹ 35,00,000 / 50,00,000) x 100] of the entity's total external revenue. If the total external revenue reported by operating segments constitutes less than 75% of the entity total revenue, additional operating segments should be identified as reportable segments until at least 75% of the revenue is included in reportable segments.

In case of X Ltd., it is given that Segment C is a new business unit and management expect this segment to make a significant contribution to external revenue in coming years. In accordance with the requirement of Ind AS 108, X Ltd. designates this start-up segment C as a reportable segment, making the total external revenue attributable to reportable segments 87% [(₹ 43,50,000/ 50,00,000) x 100] of total entity revenues.

In this situation, Segments A, C and D will be reportable segments and Segment B will be shown as other segment.

Alternatively, segment B can be considered as a reportable segment as well as it meets the definition of operating segment. If Segment B is considered as reportable segment:

External revenue reported: ₹ 30,00,000 + ₹ 6,50,000 + ₹ 5,00,000 = ₹ 41,50,000

% of Total External Revenue = ₹ 41,50,000 / ₹ 50,00,000 = 83%

Accordingly, Segments A, B and D will be reportable segments and Segment C will be shown as other segment.

2. Segment information

(A) Information about operating segment

(1) the company's operating segments comprise:

Coatings: consisting of decorative, automotive, industrial paints and related activities.

Others: consisting of chemicals, polymers and related activities.

(2) Segment revenues, results and other information. (₹ in Lakhs)

	Revenue	Coating	Others	Total
1.	**External Revenue (gross)**	**2,00,000**	**70,000**	**2,70,000**
	GST	(5,000)	(3,000)	(8,000)
	Total Revenue (net)	1,95,000	67,000	2,62,000
	Other Operating Income	40,000	15,000	55,000
	Total Revenue	2,35,000	82,000	3,17,000
2.	**Results**			
	Segment results	10,000	4,000	14,000
	Unallocated income (net of unallocated expenses)			3,000
	Profit from operation before interest, taxation and exceptional items			**17,000**
	Interest and bank charges			(2,000)
	Profit before exceptional items			**15,000**
	Exceptional items			Nil
	Profit before taxation			**15,000**
	Income Taxes			
	-Current taxes			(1,950)
	-Deferred taxes			(50)
	Profit after taxation			**13,000**
3.	**Other Information**			
(a)	**Assets**			
	Segment Assets	50,000	30,000	80,000
	Investments			10,000
	Unallocated assets			10,000
	Total Assets			**1,00,000**

(b)	**Liabilities and Shareholder's funds**			
	Segment liabilities	30,000	10,000	40,000
	Unallocated liabilities			20,000
	Share capital			10,000
	Reserves and surplus			30,000
	Total liabilities and shareholder's funds			**1,00,000**
(c)	**Others**			
	Capital Expenditure	(5,000)	(2,000)	(7,000)
	Depreciation	(1,000)	(300)	(1,300)
Geographical Information				**(₹ in lakhs)**
		India (₹)	**Outside India (₹)**	**Total (₹)**
	Revenue	2,55,000	62,000	3,17,000
	Segment assets	90,000	10,000	1,00,000
	Capital expenditure	7,000		7,000

Notes:

(i) The operating segments have been identified in line with the Ind AS 108, taking into account the nature of product, organisation structure, economic environment and internal reporting system.

(ii) Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments. Unallocable assets include unallocable non-current assets and other current assets. Unallocable liabilities include unallocable current liabilities and net deferred tax liability.

(iii) Corresponding figures for previous year have not been provided. However, in a practical scenario the corresponding figures would need to be given.

3. The entity should use First-in-first-out (FIFO) method for its Ind AS 108 disclosures, even though it uses the weighted average cost formula for measuring inventories for inclusion in its financial statements. Where chief operating decision maker uses only one measure of segment asset, same measure should be used to report segment information. Accordingly, in the given case, the method used in preparing the financial information for the chief operating decision maker should be used for reporting under Ind AS 108.

However, reconciliation between the segment results and results as per financial statements needs to be given by the entity in its segment report.