

Indian Accounting Standard (Ind AS)

108

Operating Segments

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.

Scope

This Accounting Standard shall apply to companies to which Indian Accounting Standards (Ind ASs) notified under the Companies Act apply.

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.

What are 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 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.

What shall not be considered to be operating 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 this Ind AS, an entity's post-employment benefit plans are not operating segments.

How to identify an operating segment?

The term 'chief operating decision maker' 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 chief operating decision maker 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 described above 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 chief operating decision maker 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.

Generally, an operating segment has a segment manager who 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. 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 in paragraph 5 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 chief operating decision maker regularly reviews the operating results of both sets of components, and financial information is available for both. In that situation, the entity shall determine which set of components constitutes the operating segments by reference to the core principle.

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

2. 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. 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

Reportable segments

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

- (a) has been identified in accordance with above or results from aggregating two or more of those segments, and
- (b) exceeds the quantitative thresholds.

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 this Ind AS, the segments have similar economic characteristics, and these 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.

3. 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. Should X Ltd. 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.

Quantitative thresholds

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

Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments

The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of

- the combined reported profit of all operating segments that did not report a loss and
- the combined reported loss of all operating segments that reported a loss.

Its assets are 10 per cent 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.

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 per cent of the entity's revenue, additional operating segments shall be identified as reportable segments (even if they do not meet the criteria above) until at least 75 per cent of the entity's revenue is included in reportable segments

Information about other business activities and operating segments that are not reportable shall 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 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** 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 in accordance with increases above ten, the entity should consider whether a practical limit has been reached.

4. 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	400,000	250,000	25,00,000
Ayurveda	300,000	Nil	200,000	400,000
Others	800,000	41,00,000	550,000	600,000
Total for the entity	108,00,000	45,00,000	30,00,000	90,00,000

Which of the segments would be reportable as per the criteria prescribed in Ind AS 108?

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.

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

	External Sale (₹)	Internal Sale (₹)	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 Sales	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?

Answer

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% ($\frac{35,000}{50,000} \times 100$) of the entity's total external revenue. If the total external revenue reported by operating segments constitutes less than 75% of the entity total external 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% ($\frac{43,50,000}{50,00,000} \times 100$) of total entity revenues

6. Following are the details of various segments of an enterprise.

	(all figures are in Rs. Lakhs)												
	A	B	C	D	E	F	G	H	I	J	K	L	
External Sales	100	170	220		400	200	210	500	200	210	260	260	
	120												
Transfer to other Segments	0	30	30		100	0	40	200	20	0	60	0	0
Total Turnover	100	200	250		500	200	250	700	220	210	320	260	
	120												
Result	10	15	30		40	(10)	(60)	50	(3)	15	11	15	5
Assets	120	130	500		600	120	110	700	200	200	500	250	
	100												

Segment A has to be reported as per management discretion.

In previous year segments B, C, D, G and J qualified the 10% threshold limit test.

You are required to identify the reportable segments for current year.

Answer

Reportable Segments as per revenue

Total Revenue = 3330

10% of total revenue = 333

Thus, reportable segments = D, G

Total of all Profit-making segments = 191

Total of all loss-making segments = 73

Whichever is higher = 191

10% of higher = 19.1

Thus, reportable segments = C, D, F and G

Total Assets = 3530

10% of total assets = 35.3

Reportable segments = C, D, G and J

Reportable as per management discretion = A

Reportable for qualifying previous year threshold limit = B, C, D, G and J

Thus, overall reportable segments = A, B, C, D, F, G and J

Total external sale of segments = 2850

Total external sale of reportable segments = 1860

%age = $\frac{1860}{2850} = 65\%$

Thus further segments are required to be reported

7. P Ltd. Identifies the following as its segments and the respective contribution as a % of sales is given below. Identify reportable segments

Name of the Segment	% of Total Segmental Sales
1	22%
2	15%
3	6%
4	20%
5	15%
6	5%
7	9%
10	8%

Answer

Reportable Segments = 1, 2, 4 and 5

Total of Reportable segments = 72%

Thus, further segments are required to be reported

Disclosure

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.

To give effect to the principle in paragraph 20, an entity shall disclose the following for each period for which a statement of profit and loss is presented:

- (a) general information as described below;
- (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 shall be restated.

General information

An entity shall 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 organize the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated);
- (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.

Information about profit or loss, assets and liabilities

An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall 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 chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, 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 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.

An entity shall disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, 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 assets¹ other than financial instruments, deferred tax assets, net defined benefit assets (see Ind AS 19, *Employee Benefits*) and rights arising under insurance contracts.

Measurement

The amount of each segment item reported shall be the measure reported to the chief operating decision maker 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 shall 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 measure of the segment's assets and segment's liabilities that are used by the chief operating decision maker shall be

reported for that segment. If amounts are allocated to reported segment profit or loss, assets or liabilities, those amounts shall be allocated on a reasonable basis.

If the chief operating decision maker 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 shall be reported at those measures. If the chief operating decision maker 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 shall 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 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 (if not apparent from the reconciliations). Those differences could include accounting policies and policies for 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.
- (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.

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 these 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

(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.

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 recognizes 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	3750	75	3825
Interest expenses	2750	(50)	2700
Net interest revenue (finance segment only)	1000	-	1000
Expenditure for assets	2900	1000	3900
Depreciation and amortisation	2950	-	2950
Impairment of assets	200	-	200

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, shall 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 shall be made for each individual item of disclosure.

Following a change in the composition of its reportable segments, an entity shall 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 shall 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.

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. Information required shall be provided only if it is not provided as part of the reportable segment information required by this Ind AS.

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

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. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.
- (b) non-current assets² 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.

The amounts reported shall 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 shall be disclosed. An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries.

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. For the purposes of this Ind AS, a group of entities known to a reporting entity to be under common control shall 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 shall consider the extent of economic integration between those entities

8. X Ltd. is operating in coating industry. Its business segment comprise coating and others consisting of chemicals, polymers and related activities. Certain information for financial year 20X1-20X2 is given below:

(` in lakhs)

Segments	External sale	Tax	Other operating income	Result	Asset	liabilities
Coating	200,000	5000	40,000	10,000	50,000	30,000
Others	70,000	3000	15,000	4,000	30,000	10,000

Additional information:

1. Unallocated revenue 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. Investments `1,00,00,00,000 and unallocated assets `1,00,00,00,000.
5. Unallocated liabilities, Reserve & 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 `3,00,00,00,000 and segment asset outside India `1,00,00,00,000.

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

Answer

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	Coatings	Others	Total
External sales (gross)	200,000	70,000	270,000
Tax	(5,000)	(3,000)	(8,000)
External sales (net)	195,000	67,000	262,000
Other operating income	40,000	15,000	55,000
Total Revenue	235,000	82,000	317,000
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
Other Information			
(a) Assets			
Segment Assets	50,000	30,000	80,000
Investments			10,000
Unallocated assets			10,000
Total Assets			100,000
(b) Liabilities/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/shareholder's funds			100,000
(c) Others Capital Expenditure		5,000	2000
Depreciation		1,000	300

Geographical Information (` in lakhs)

	India (`)	Outside India (`)	Total (`)
Revenue	287,000	30,000	317,000
Segment assets	70,000	10,000	80,000
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 fixed 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 practical Scenario the corresponding figures would need to be given.

9. A Company has an inter-segment transfer pricing policy of charging at cost less 5%. The market prices are generally 20% above cost. Is the policy adopted by the company correct?

Ind AS 108 'Segment Reporting' requires that inter-segment transfers should be measured on the basis that the enterprise actually used to price these transfers. The basis of pricing inter-segment transfers and any change therein should be disclosed in the financial statements. Hence, the enterprise can have its own policy for pricing inter-segment transfers and hence, inter-segment transfers may be based on cost, below cost or market price. However, whichever policy is followed, the same should be disclosed and applied consistently. Therefore, in the given case inter-segment transfer pricing policy adopted by the company is correct if followed consistently.

	Ind AS 108	AS 17
Scope	Ind AS 108 is applicable to companies which are covered under Ind AS in accordance with the Companies Act, 2013 and related rules	AS 17 is applicable to non-SMCs.
Determination of Segments	Segments are identified based on how the financial information is regularly reviewed by the CODM	AS 17 requires an entity to identify two types of segments- business and geographical, using a risk and rewards approach

Measurement	<ul style="list-style-type: none"> • Same measurement basis as used by CODM-reconciliation to financial statements needed. • Terms such as segment assets, Segment revenue, segment asset and segment liability are not defined. 	<ul style="list-style-type: none"> • Measurement basis in conformity with financial statements. • Segment revenue, segment expense, segment result, segment asset and segment liability have been defined.
Aggregation criteria	Ind AS 108 requires an entity to aggregate segments with similar economic characteristics	No specific guidance under AS 17
Entity wide disclosures	Entity wide disclosures regarding information about products and services, information about geographical areas, information about major customers are required- this would equally apply to entities having a single reportable segment	Disclosures required based on classification of segments as primary or secondary