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IND AS 108 Operating segments

What is
Op. Segments.
#1

Reportable
Segments
#2

Segment
Reports.
#3

#1 operating segments.

a) meaning:- It is a Component / Unit / Division of an entity which represents a line of Biz. (eg → TV Div & Mob. Div.) which can be sold or transferred

↳ Demerged.

b) 3 salient features.

If generates
or may generate
Revenue & incur
expense

its separate
operating &
financial reports
are available
(MIS Reports)

It is readily
reviewed by
Chief Operating
Decision maker
(CODM)

Can be person or
group of persons whose
functions are

allocate
resources

oversee
Performance

Responsible
for
Performance

Reviews
Performance.

c) Aggregation of multiple O.S. as one O.S.
Two or more O.S. of an entity can be
combined for reporting purpose as a single
O.S. if they have similar

Economic

Nature

Nature

Type

Distⁿ

Nature

Characteristics of Product or Service of prodⁿ process of Customer method of Regulatory Requirements (i.e. gross margin)

#2 Reportable Segments

i) It is an op. segments of the entity for which segment information is disclosed separately.

ii) An O.S. will be considered as R.S. if it meets any of the following test

Materiality TEST

A O.S. will be considered R.S. if it qualifies any one of the following test.

Revenue test

→ Revenue of Any O.S. is \geq 10% of combined Revenue of All O.S.

Revenue may be both External + Internal



Sales

Sales to
outsiders

Inter
segment
Sales.

Asset Test

→ Assets of any O.S. \geq 10% of Combined assets of all O.S.

Result Test

→ profits / Loss of any O.S. \geq 10% of Combined Results of All O.S.

means higher of

Combined losses of all segments which are in loss.

Combined profits of all segments which are in profits.

Comparative TEST

A O.S. will be considered as a R.S. in C.Y by default if it had satisfied materiality test in P.Y.

Overall TEST.

if $\frac{\text{Total Revenue of All R.S. (External)}}{\text{Total External Revenue of the entity (External)}} < 75\%$

then additional O.S. with highest external Revenue should be identified as R.S.

Checking process :-

$$\frac{\text{Total External Rev. of All R.S.}}{\text{Total External Rev. of entity}} \times 100 = \underline{\quad} \%$$

if $x\% < 75\%$ then
Select additional O.S. with
highest external Revenue.

iii) if mgmt of an entity wants to consider any other O.S. (which do not qualify any one of the test) as R.S. then they do so.

iv) All O.S. which are not R.S. should be combined & disclosed as **Other segments**

in segment Report.



#3 Segment Report.

i) what to Report.

- Segment Revenue
- Segment Results
- Segment Assets
- Segment Liabilities.
- Segment Depreciation
- Segment Capital expenditure during year
- Segment non-cash items.

ii) Format of Report.

Particulars:

i) Segment P/L

External Seg. Rev. (Gross)

— GST

Segmental Revenue (Net)

+ other op. income.

Total Revenue.

— Segment expense.

Segment profit/Loss.

	Rs 1	Rs 2	other	Total
External Seg. Rev. (Gross)	xx	xx	xx	xxx
— GST	(xx)	(xx)	(xx)	(xx)
Segmental Revenue (Net)	xx	xx	xx	xx
+ other op. income.	xx	xx	xx	xx
Total Revenue.	xx	xx	xx	xx
— Segment expense.	(xx)	(xx)	(xx)	(xx)
Segment profit/Loss.	xx	xx	xx	xx



+ unallocated income				xx
- unallocated Expense				(xx)
PBIT				xx
- Int & Fin. cost.				(xx)
PBT				xx
- Tax exp (C.T. & D.E.)				(xx)
PAT				xxx

ii) Segment A.S.L.

a) Assets.

Segment Assets.	xx	xx	xx	xx
unallocated invts.				xx
other unall. assets				xx
Total Assets				<u>xx</u>

b) Equity & Liability

Segment Liability	xx	xx	xx	xx
unallocated liability				xx
Sh. Capital				xx
Res				xx

Total equity & Liability

3) other information

Capital expenditure	xx	xx	xx	xx
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Depreciation

xx

xx

xx

xx



4) Geo geographical information

Total Revenue

Total Assets

Total Cap. exp.

Home

foreign

Total

xxx

xxx

xxx

xxx

xxx

xxx

xxx

xxx

xxx

Question# 1

ILL 8 ICAI SM

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

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

Solⁿ :-

Segments	Revenue	Rev %	Profits	Profit %	Anet	Anet %
Pharma	9700000	63%	2000000	66%	5500000	61%
FMCG	400000	3%	250000	8%	250000	27%
Ayurveda	300000	2%	200000	7%	400000	4%
Others	4900000	32%	550000	18%	600000	7%
	<u>15300000</u>		<u>3000000</u>		<u>9000000</u>	

a) Pharma, FMCG & others are reportable



Segments as per threshold Limits of materiality test.



b) External Revenue \Rightarrow Pharma 97L

FMCH -

Others 8L

105L

$$\text{Overall test} = \frac{105L}{108L} \times 100 \Rightarrow 97.22\% > \underline{\underline{75\%}}$$

Question# 2

TYK Q. 1 ICAI SM, SIMILAR TO DEC20

Which of the segments would be reportable

SEGMENT	EXTERNAL SALES (₹)	INTERNAL SALES (₹)	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 ?

Solⁿ :-

Revenue test.

Segments.	External	Internal	Total (₹)	% $(\frac{q}{100L} \times 100)$
A	3000000	-	3000000	30%
B	650000	-	650000	6.5%
C	850000	100000	950000	9.5%
D	500000	4900000	5400000	54%

5000000

10000000



a) Segment A & D are R.S. ∴ it
Crossed threshold limit of Revenue test.

b) Segment C is a R.S. ∴ mgmt wants it

c) Total external revenue of R.S.

i.e.

A	30L.
C	5L
D	8.5L
	<hr/>
	43.5L.

Overall test = $\frac{43.5L}{50L} \times 100 = 87\% > 75\%$

∴ Overall test is satisfied.

Question# 5

SIMILAR TO NOV 22, PRATICE Q. 1 ICAI SM

ABC Limited has 5 operating segments namely A, B, C, D and E. The profit/ loss of respective segments for the year ended 31 March, 20X1 are as follows:

SEGMENT	PROFIT / (LOSS) IN CRORE
A	780
B	1500
C	(2300)
D	(4500)
E	6000
TOTAL	1480

Based on the quantitative thresholds, state which of the above segments A to E would be considered as reportable segments for the year ending 31 March, 20X1

Solⁿ :- Result test.

(₹ in cr)



a) Total profits of all o.s. which are in profits.
 $\Rightarrow 780 + 1500 + 6000$
 $\Rightarrow 8280$

b) Total losses of all o.s. which are in losses.
 $\Rightarrow 2300 + 4500 = 6800$

Higher of a & b = 8280

Segment	P/L	% = $\frac{P/L}{8280} \times 100$	Remarks
A	780	9.4%	-
B	1500	18.1%	Reportable
C	(2300)	28.1%	Reportable
D	(4500)	54.1%	Reportable
E	6000	72.1%	Reportable.

Question# 6 **SIMILAR TO JAN 21, PRATICE Q. 2 ICAI SM**

XYZ Ltd. has eight segments namely A, B, C, D, E, F, G and H. The information regarding respective segments for the year ended 31 March, 20X1 is as follows:

SEGMENT	A	B	C	D	E	F	G	H
External sales	0	255	15	10	15	50	25	35
Inter-segment sales	100	60	30	5	-	-	-	-
Total	100	315	45	15	15	50	25	35
Segment result Profit (Loss)	5	(90)	15	(5)	8	(5)	5	7
Segment assets	15	47	5	11	3	5	5	9

Identify which of the above segments out of A. to H would be considered as reportable segments of XYZ Ltd. for the year ending 31 March, 20X1?

Soln:-

Segments	Revenue	Rev. %	P/L	P/L %	Asset	Asset %
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A	100	17%	5	5%	15	15%
B	315	53%	(20)	20%	47	47%
C	45	8%	15	15%	5	5%
D	15	3%	(5)	5%	11	11%
E	15	3%	8	8%	3	3%
F	50	8%	(5)	5%	5	5%
G	25	4%	5	5%	5	5%
H	35	6%	7	7%	20	20%
	600		Profit = 40		100	

Profit = 40

100 = 100 (higher)

External Revenue of R.S. \Rightarrow

A	0
B	255
C	15
D	10
	<hr/>
	280
	<hr/>

Overall test $\Rightarrow \frac{280}{405} \times 100 = 69\%$

\therefore Additional segments to be added with highest external Revenue.

\therefore Existing External Rev. of R.S. $\geq 75\%$ of 405.



Existing
Shortage

⇒ 303.75

280

23.75



∴ Addⁿ segment to be included in R.S.
⇒ Segment F.

Hence Segment A, B, C, D & F are R.S.

Question# 3

TYK Q.2 SM, SIMILAR TO JULY 21, (8 MARKS), MAY 23 (16 MARKS)

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 Lacs)

Segments	External sales	Tax	Other operating income	Results	Assets	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 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

Solⁿ:- Segment Report.

₹ in Lacs.

Particulars:

	Coating	Other	Total
1) Revenue	200000	70000	270000
External seg. Rev. (Gross)			
- GST	(5000)	(3000)	(8000)
Segmental Revenue (Net)	195000	67000	262000
+ Other op. income.	40000	15000	55000
<u>Total Revenue.</u>	<u>235000</u>	<u>82000</u>	<u>317000</u>

2) Results:

Segment Results	10000	4000	14000
Unall. Revenue			3000
PBIT	10000	4000	17000
- Int & B. ch.			(2000)
PBT	10000	4000	15000
- Tax exp.			
CTE			(1400)
DTE			(500)
<u>PAT</u>	<u>10000</u>	<u>4000</u>	<u>13000</u>

3) Assets:

Seg. Assets.	50000	30000	80000
Investments.			10000
Unallocated Assets.			10000



5000 3000 10000



4) Equity & Liabilities.

Seq. Liability	30000	10000	4000
Unall. Liability			2000
R/Ss			3000
Sh. Cap.			1000
	<u>30000</u>	<u>10000</u>	<u>10000</u>

5) Cap. exp.

5000	2000	7000
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6) Dep.

1000	3000	4000
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Geographical

Rev.	India	O/S India	Total
	287000	30000	317000
Assets	50000	10000	10000

Question# 7		NOV 23			
Haymond Limited has three segments H, M & D. The following information is provided for the year ending 31st March, 2023:					
PARTICULARS	SEGMENTS			HEAD OFFICE	
	H	M	D		
Sales to M	500	-	-		
Sales to D.	-	5	-		
Other Sales (Domestic)	10	-	-		
Sales (Export)	680	170	40		
Operating Profit/(Loss) before tax	30	5	(8)		
Reallocated cost from Head Office	4	2			
Interest cost	2	3	1		
Fixed Assets	20	4	12		5
Net Current Assets	12	4	9		3
Long Term Liabilities	2	1	12		2

Other information:
 (i) Share Capital amounts to 40,00,000
 (ii) Reserve & Surplus amounts to 12,00,000
 Prepare segment information as per Ind AS 108

(A) Information about operating segment

- (1) The company's operating segment comprise: H, M & D
- (2) Segment revenue, results and other information

Haymond Ltd.
Segment Information / Report

(All amounts are ₹ in lakhs)

Particulars	Reportable Segments			Head Office/ Unallocated items	Total
	H	M	D		
1. Segment Revenue					
Sales:					
Domestic	10	—	—	—	10
Export	<u>680</u>	<u>170</u>	<u>40</u>	—	<u>890</u>
External Sales	690	170	40		900
Inter-segment sales	<u>500</u>	<u>5</u>	<u>—</u>	—	<u>505</u>
Total Sales	1,190	175	40		1,405
Less: Inter-segment sales	<u>(500)</u>	<u>(5)</u>	<u>—</u>	—	<u>(505)</u>
Total Sales / Revenue	<u>690</u>	<u>170</u>	<u>40</u>		<u>900</u>
2. Results					
Segment result	30	5	(8)		27
Reallocated cost	<u>(4)</u>	<u>(2)</u>	<u>(2)</u>		<u>(8)</u>
Profit from operation before interest, taxation and Exceptional items	26	3	(10)		19
Finance cost (Interest expense)	<u>(2)</u>	<u>(3)</u>	<u>(1)</u>		<u>(6)</u>
Profit before tax and exceptional items	<u>24</u>	<u>0</u>	<u>(11)</u>		<u>13</u>
3. Information in relation to assets and liabilities					
Reportable segment non-current assets	20	4	12	5	41
Reportable segment net current assets	<u>12</u>	<u>4</u>	<u>9</u>	<u>3</u>	<u>28</u>

Total Assets	<u>32</u>	<u>8</u>	<u>21</u>	<u>8</u>	<u>69</u>
Non-current liabilities	2	1	12	2	17

B. Geographical Information

	Domestic Sales	Export Sales	₹ in lakhs Total
External sales	10	890	900

given. ~~cash~~

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