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U.S. GAAP VS. IFRS: SEGMENT REPORTING AT-A-GLANCE

Increasing globalization coupled with related regulations continues to put pressure on moving towards a common global accounting framework – International Financial Reporting Standards (IFRS). Currently, more than 100 countries use IFRS, so if your business goals include global expansion, it is critical to educate yourself about the impact of IFRS on your financial reporting processes and business now. To gain a better understanding of what IFRS means for your organization, we have prepared a series of comparisons dedicated to highlighting significant differences between IFRS and U.S. generally accepted accounting principles (GAAP). This particular comparison focuses on the significant differences between U.S. GAAP and IFRS related to segment reporting. For other comparisons available in this series, refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series.

A discussion about U.S. GAAP and IFRS would not be complete without mentioning the status of the Securities and Exchange Commission's (SEC) activities focused on determining whether the application of IFRS by U.S. registrants should be required or allowed. While the SEC has not made any final decisions with respect to use of IFRS by U.S. registrants, its activities are ongoing. For more information, refer to our IFRS Resource Center.

The guidance related to segment reporting in U.S. GAAP is included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 280, *Segment Reporting*. In IFRS, the guidance related to segment reporting is contained in IFRS 8, *Operating Segments*.

Both U.S. GAAP and IFRS require segment disclosures for entities whose equity or debt securities are traded in a public market (or entities that are in the process of issuing such securities), and both are based on a management approach, under which the definition of an operating segment includes a requirement that the operating results of the component of the entity be regularly reviewed by the entity's chief operating decision maker. While the guidance in U.S. GAAP and IFRS is very similar, there are some significant differences. These significant differences are summarized in the table on the following page.

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	U.S. GAAP	IFRS
Relevant guidance	ASC 280	IFRS 8
Entities with matrix-style organizations	Entities with matrix-style organizations are required to determine their segments based on products and services offered, rather than geography or other measures.	All entities, including those with matrix-style organizations, are required to determine their segments using the management approach. Under that approach, an entity determines operating segments by reference to the core principle of IFRS 8: "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."
Disclosure of liabilities	Entities are not required to disclose segment liabilities.	Disclosure of segment liabilities is required if such a measure is regularly reported to the chief operating decision maker.

These are the significant differences between U.S. GAAP and IFRS with respect to segment reporting. Refer to ASC 280 and IFRS 8 for all of the specific requirements applicable to segment reporting. Refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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