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B.A. Mukhaeva [1], D.D. Yeshpanova [2]

[1,2]University of Narxoz,Almaty, Kazakhstan,
balzhan.mukhaeva@narxoz.kz, eshpanova@list.ru

PROBLEMS OF FORMATION AND DISCLOSURE OF INFORMATION ON SEGMENTS IN THE FINANCIAL STATEMENTS OF ORGANIZATIONS (IFRS 8)

Abstract. The relevance of the study lies in the fact that due to a fundamental revision of the rules of segment reporting in the direction of their adaptation to changing economic conditions and user requirements, it became necessary to analyze the effectiveness of these new rules, identify difficulties in their application in practice and ways to improve them.

Despite research in the field of segment reporting, there is currently no method for generating information necessary for preparing segment reporting, which allows companies that are not the flagships of the economy and do not have developed management accounting to effectively solve the problem of providing information on operating segment reporting. In this regard, the article discusses the problems of formation and disclosure of information in the financial statements of organizations, since financial and economic data together with the system of external and internal business conditions of an organization allow analyzing the contribution of each type of activity to the overall result of a company and substantively assessing the functioning of each segment.

Keywords: segment reporting, segment, diversification of activities, risk, international financial reporting standards, financial reporting.

Introduction - Modern challenges and threats of the global economy in the conditions of digitalization actualize the solution to the problem of maintaining the financial stability of companies in the Republic of Kazakhstan and ensuring a stable flow of investments into the economy of the country. Growing competition in the context of WTO accession and deepening economic and financial relations, expanding the scope of activities in the framework of horizontal and vertical cooperation, on the one hand, and on the other, the need to offer fundamentally new types of products (services) to meet the needs of the population require changes in management strategies organizations.

Diversification of the activities of many companies actualizes the detailed planning and control over the management of the organization of the effectiveness of new sales points and the results of sales of products (services), has a direct impact on the formulation and management of management accounting in organizations, justifies the need to bring together financial and management accounting. In this connection, accounting becomes not an end in itself, but a means of achieving the goals of the organization's development. One of the current areas of improving financial accounting is reporting on the segments of activity and presentation to the management and management of the organization for production management and making effective economic decisions [1].

One of the current areas for improving financial accounting is reporting on business segments and presenting it for decision-making in the field of production management and making effective economic decisions.

Describing the problems of formation and disclosure of information on the segments of financial statements of organizations, it should be noted that FRS 8 "Operating Segments" is an international financial reporting standard that discloses information about operating segments in annual and interim financial reporting, is effective from January 1, 2009 and regulates disclosure of information about operating segments in the annual and interim financial statements [2].

The firm should allocate information about each individual operating segment in IFRS 8, which, within its organizational structure, was determined at the level of the company's management. Through this approach to disclosing information about segments, users of financial statements have the opportunity to consider the business in detail. Financial and economic information in conjunction with the system of external and internal business conditions of the organization allow you to analyze the contribution of each activity to the overall result of the company and to objectively evaluate the functioning of each segment.

Literature review - In the foreign economic literature there are various factors that influence the choice and detailing of the reporting segments of economic activity, and in this regard, are analyzed and monitored by the management and managers of the organization, as well as other stakeholders.

So, D. Herrmann and W. Thomas (Herrmann D., Thomas W.) in their study indicate that the need for information to be disclosed by company management is often evaluated in terms of two criteria:

- quantitative, i.e. required amount of information disclosed;
- quality, i.e. usefulness of information for users of reporting.

Among the main factors that may affect the disclosure policy, these authors include: the residency of the company, the economic sector, the size of the company and the listing conditions of the stock exchange [3].

In addition to these factors, N. B. Nichols and D.L. Street (N.B. Nichols and D.L. Street) also highlight the "level of investor protection" guaranteed by national legislation [4].

So, Stanford Harris M. (Stanford Harris M.) classifies the main economic factors that may affect the decision to disclose one or another part of the enterprise as an independent segment as follows:

- "competitive environment" of the operating segment;
- motivation due to the planned benefit of disclosure;
- company size.

R.M. Hayes and R. Lundem (Hayes R.M., Lundholm R.) is devoted to analyzing the degree of detail of the information disclosed by segments. According to the authors, "... the meaning of disclosing information on specific segments exists only if they (segments) are characterized by consistently high economic characteristics ..." [5].

According to Yu.V. Lesnova, in practice the management of the organization combines the most "profitable" segments of activity with other segments that show a decrease in profits in order to increase their competitiveness [6].

Some studies by authors such as Alfonsoa E., Holliea D., Yu S.C., as a factor that may influence the decision of the organization's management to form and disclose information, highlight the size and ownership structure of the company. This is due to the fact that large companies, as a rule, allocate funds for the development of methodological support of accounting and reporting, which leads to a higher level of financial reporting [7].

Foreign authors Glaum M., Schmidt P., Street D., Vogel S. in their scientific publications they consider that the choice of activity segments directly depends on the ownership structure of the enterprise. Thus, in order to reduce administrative and management costs, companies with a more developed organizational structure have a stronger motivation to ensure a high level of transparency of financial reporting [8].

In their publications, Cooke T. on the impact of the size of the stock market and industry-type listing on information disclosure in the annual reports of Japanese listed corporations, notes that the level of information disclosure is directly related to the company's activities in foreign markets. The most detailed information on business segments is provided by companies conducting business in several geographic regions, as well as participating in trading on several stock exchanges [9].

In their studies, Lan Y., Wang L., Zhang X. on the peculiarities of voluntary disclosure of financial statement information indicate that return on equity is one of the factors affecting the level of disclosure of information [10].

There are a number of foreign studies that analyze the impact of IFRS 8 on the performance of an organization. In some countries (USA, Australia, UK) the law provides for more detailed disclosure of information in the financial statements of organizations than in others - for example, in Germany and France [11].

Thus, having considered the views of foreign scientists in the field of studying the formation and disclosure of information on segments in the financial statements of organizations, the author of the article made certain conclusions that users of financial information in the face of Kazakhstani entrepreneurs, managers, shareholders, investors, business partners and government bodies are interested in information, including an assessment of the effectiveness of business entities and allows analytically substantiate ways to improve its efficiency. Such information is not always available solely on the basis of data from the financial statements; therefore, recent changes in IFRS regarding the disclosure of information on operating segments are aimed at increasing the transparency of not only accounting (financial), but also management reporting. But at the moment in Kazakhstan, substantial revision and adaptation of foreign techniques to the modern domestic Kazakhstani system of financial and managerial accounting and presentation of financial statements of domestic economic entities is necessary, taking into account national peculiarities of financial accounting at enterprises.

Methodology–In accordance with the Law of the Republic of Kazakhstan dated February 28, 2007 No. 234-III “On Accounting and Financial Reporting”, the purpose of accounting and financial reporting is to provide interested persons with complete and reliable information about the financial position, performance results and changes in the financial position of individual entrepreneurs and organizations [12]. This information is needed by users of financial statements when making economic decisions. Economic decisions made by users require an assessment of the company's ability to create (generate) cash and cash equivalents, as well as the timeliness and stability of their creation.

Information on the performance of companies, in particular on its profitability, is required for:

- assessing potential changes in economic resources that it is likely to monitor in the future;
- forecasting its ability to create cash flows from the existing resource base;
- formation of judgments about the efficiency with which the company could use additional resources.

In this regard, information on the variability of the company's performance, that is, the disclosure of information on segments in the financial statements of organizations, according to IFRS 8, is of great importance.

The basis of IAS 8 is that a firm consists of various components of its business activities. Thus, in the understanding of IFRS 8, operating segments are components of a business that are capable of bringing economic benefits and directly affecting the overall results. These segments include any division of a company that carries out income-generating activities or the distribution of expenses within its function, the results of which are analyzed and taken into account by management when making management plans and decisions. That is, according to “IFRS Operating Segments”, it is rational to refer only important areas of the firm's activities to this grouping, on which the firm’s business depends to some extent.

IFRS 8 applies to separate financial statements of a company whose debt or equity instruments are traded on the open securities market, or which is preparing to issue any categories of instruments to the open market; applies to the consolidated financial statements of a group whose parent company is required to apply this standard in preparing its separate financial statements. Companies for which the application of standards is not mandatory, but which voluntarily provide information on segments, cannot characterize this information as “segment information” if it has not been fully prepared in accordance with IFRS 8 [13].

Segment reporting is compiled to help users of financial reports [14]:

- understand the performance of the company in past periods,
- assess the risks and profits of the company,
- make more informed decisions regarding the company as a whole.

Segment reporting allows for the analysis of income and expenses, financial results, cash flow, profitability of the organization in the context of business and geographical segments.

Presentation of information on financial reporting segments in accordance with international financial reporting standards is a pressing issue for many companies. A company must disclose information that would allow users of financial statements to evaluate the nature and financial impact of the types of commercial activities that it carries out, as well as the economic conditions in which it operates, disclosing the following information for each period for which a profit and loss statement is presented [15]:

- general information about the segments (description of products and services that generate income for each reporting segment);

- data on segment profit or loss, segment assets and liabilities and the basis for their evaluation;
- reconciliation of data on reporting segments with the data of financial statements for the company as a whole.

The economic literature presents a variety of reporting procedures for business segments, developed on the basis of the previously existing IAS 14 Segment Reporting and Accounting Regulations.

The principles of building segment reporting began to be discussed in the early 1960s, with the advent of corporations, which, in order to optimize the risks and profitability of an organization, began to develop activities in various geographical areas and branches of the economy, to produce various types of products, ie diversify your business. Segmented reporting has allowed us to better assess the profitability and riskiness of such a business.

When diversifying the activities of diversified corporations, segment reports began to help in determining the profitability of a particular type of production and to identify growth opportunities and risk factors in various segments that are part of the overall business.

Results of a research - By detailing the financial statements by segment, the company discloses information regarding the various types of goods and services it produces and the various geographic areas in which the company operates in order to help users of financial statements:

- better understand the performance of the company in previous periods;
- more accurately assess the risks and profits of the company;
- make more informed decisions regarding the company as a whole and its individual divisions [16].

In this regard, there are factors that are taken into account by companies in the allocation of business and geographical segments, which are shown in Table 1.

Table 1 - Factors taken into account by companies in the allocation of business and geographical segments

Segment	№	Factors
Housewifely	1	The nature of the goods or services (agricultural, industrial, etc.)
	2	The nature of the production processes (type of technology used), that is, the type or class of the customer consuming these goods (services), which may be individuals, corporate clients)
	3	Methods used to distribute goods or provide services (direct sales, Internet sales, etc.)
	4	The nature of the regulatory environment - banking, insurance, utilities
Geographic	1	The similarity of political and economic conditions
	2	Special risks associated with operations in a given geographic region
	3	Specialcurrencycontrolrules
	4	Currency risks
Note – compiled by authors		

In turn, with regard to the geographic segment, here it is necessary to note the following points, presented in Table 2, which must be taken into account when providing information.

Table 2 – Providing geographic segment information

№	Indicator	Information
1	Revenuesfromexternalcustomers:	received in the country where the company is registered or operates;
		distributed among all foreign countries from which the company receives revenue;
		received in a separate foreign country, if its value is significant;
		principles for determining the amount of revenue received in different countries;
2	Non-current assets, with the exception of financial instruments, deferred tax assets, assets on payment at the end of employment and rights arising under insurance contracts:	located in the country in which the company is located or is registered;
		located in all foreign countries in which the company has assets;
		located in a separate foreign country, if the value is significant.
Note – compiled by authors		

Application functionality -The basic principle of IFRS 8 is that the company must disclose information in such a way that external users of financial statements can evaluate the content and financial results of various types of the company's activities, as well as the economic conditions in which it operates. Therefore, when disclosing information by segment, IFRS 8 requires companies to disclose the following information, which is shown in Table 3.

Table 3 - Disclosure of various types of information on segments in the financial statements of organizations

№	Indicator	Information
1	General information	factors used to determine the reporting segments of a company, including the principles of its organization (for example, whether its organizational structure is based on the types of products and services provided, geographical location, jurisdictions or when determining it, a combination of factors was used, and whether segments were combined);
		types of products and services for which each reporting segment receives its revenue.
2	Quantitative information	revenue from sales to external customers;
		revenue from operations conducted with other operating segments of the same company;
		interest income or interest income minus interest expense;
		interestexpense;
		depreciation;
		substantial items of income and expenses;
		the company's share in the profit or loss of associates and joint ventures;
		income tax expense and income;
		material non-monetary items other than depreciation.
3	Descriptive information	principles of accounting for transactions between reportable segments;
		the nature of the differences between the estimates of profit or loss of the reportable segments, as well as the company's profit and loss before tax and discontinued operations. These differences may include accounting policies and policies for the distribution of general business expenses that are necessary to understand the information on the reporting segment;
		the nature of the differences between the asset estimates of the reportable segments and the company's assets. These differences may include accounting policies and policies for the distribution of shared assets that are necessary to understand the information on the reportable segment;
		the nature of the differences between the estimates of the liabilities of the reportable segments and the liabilities of the company. These differences may include accounting policies and policies for the distribution of general obligations that are necessary to understand the information on the reportable segment;
		the nature of changes compared to previous periods in the valuation principles used to determine the profit or loss of the reporting segment, as well as the effect of these changes on the segment profit or loss estimate;
		the nature and effect of the asymmetric distribution between the reporting segments.
Note – compiled by authors		

Table 4 - Differences between IFRS (IAS) 14 and IFRS 8

Analysis	IFRS (IAS) 14	IFRS 8
Methods for estimating revenue, profit or loss, assets and liabilities of segments	IAS 14 required that segment information be prepared in accordance with the same IFRS principles used to prepare consolidated financial statements.	Unlike IAS 14, the new standard does not establish assessment methods, but requires an explanation of how the performance, assets, and liabilities of each operating segment are measured. IFRS 8 requires that the amounts included in the financial statements for each segment are determined in accordance with the same accounting principles used in management reporting. Therefore, now total amounts of revenue, profit or loss, assets and liabilities may differ from each other, and it will be necessary to reconcile them.
SegmentAssignmentRules	IAS 14 provided for a symmetric allocation: if any item is included in the segment's profit or loss, the corresponding assets and liabilities should also be allocated to the assets and liabilities of that segment	They are more flexible than IAS 14. Unlike IAS 14, IFRS 8 allows for independent distribution and assessment of income and expenses, and also suggests the possibility of inclusion in a specific segment of general business expenses. Companies only need to explain in the notes how profit or loss, as well as assets and liabilities are evaluated for each reportable segment. Including companies should describe the most significant cases of asymmetric distribution of elements between segments, which may be based on the accounting policies of the segments, the financial result from domestic sales, the nature of any changes from previous periods [18]
Note – compiled by authors		

The new standard is based on the management approach and management reporting of the company, which allows investors to evaluate the performance of the company based on the same information that management uses when making operational decisions. Therefore, we have shown the differences between IAS 14 and IFRS 8, which are shown in Table 4 [17].

In the conditions of market relations, systematic information on the progress and results of activities of separate divisions of the organization is especially important, allowing for analysis and evaluation of the results. division and give a qualitative assessment of the feasibility and effectiveness of these costs, ensuring control over the costs of the center m responsible.

Thus, in order to stimulate business efficiency, the role of an adequate assessment of the contribution of each segment to the final results of an organization’s activities is enhanced. The basis for this assessment is information summarized in the organization’s management segment reporting, as the company is required to provide separate information in the financial statements for each operating segment that has been identified as an operating segment or is a combination of two or more operating segments.

Conclusions - The key characteristic of modern business is its versatility. Indeed, the times when companies specialized in one type of activity receded into the past, receiving all financial results only thanks to it. Today, business structures are moving away from the path of mono-business and are moving to a format for distributing their efforts to various segments, developing activity in which they get financial results. Since this practice began to spread to the markets of all countries, for international types of cooperation it became necessary to develop additional international standards of financial reporting that would regulate such issues. This is how the IFRS 8 standard IFRS 8 emerged, which is an important management tool that replaced the expired IAS 14 “Segment Reporting” [19].

In the context of global trends for a diverse business, such a tool as IFRS IFRS 8 solves several problems at once when preparing financial statements:

- firstly, this standard allows to present the business of the organization not only in the context of the activity segments themselves, but also with details on the goods / services / regions / combinations of the indicated factors;
- secondly, the standard serves a deeper understanding of the structural and managerial features of the organization that influence the financial results;
- thirdly, IFRS 8 discloses additions to the general financial data of an organization in parallel with the reconciliation of segmental data with general reporting data [20].

All of the above information in the process of disclosure form the most complete layer of data about the company, making financial statements as reliable and useful to the user as possible.

Thus, the banking system is one of the main factors affecting the ability of the state to pursue an independent and effective economic policy and modernization of the economy [21].

Б.А. Мухаева [1], Д.Д. Ешпанова [2]

[1,2]Нархоз университеті,Алматы қ., Қазақстан,

ҰЙЫМДАРДЫҢ ҚАРЖЫЛЫҚ ЕСЕПТІЛІГІНДЕ СЕГМЕНТТЕР БОЙЫНША АҚПАРАТТЫ ҚАЛЫПТАСТЫРУ ЖӘНЕ АШУ МӘСЕЛЕЛЕРІ (ХҚЕС 8)

Аннотация. Зерттеудің өзектілігі сегменттік есептілік ережелерін өзгертілетін экономикалық қызметтерге және пайдаланушылардың талаптарына бейімдеу бағытында түбегейлі қайта қарауға байланысты, осы жаңа ережелердің тиімділігін талдау, оларды тәжірибеде қолдану қиындықтарын анықтау және оларды жақсарту жолдарын қарастыру қажеттілігі туындады.

Сегменттік есептілік саласындағы ғылыми зерттеулерге қарамастан қазіргі уақытта экономиканың флагмандарына жатпайтын және дамыған басқарушылық есепке ие емес компанияларға операциялық сегменттер бойынша есептілікті ақпараттық қамтамасыз ету міндетін тиімді шешуге мүмкіндік беретін сегменттік есептілікті дайындау үшін қажетті ақпаратты қалыптастыру әдістемесі жоқ. Осыған байланысты мақалада ұйымның қаржылық есептілігінде ақпаратты қалыптастыру және ашу мәселелері қарастырылды, өйткені қаржылық және экономикалық деректер ұйым бизнесінің сыртқы және ішкі шарттары жүйесімен жиынтығында фирманың жалпы нәтижесіне қызметтің әрбір түрінің үлесін талдауға және әрбір сегменттің жұмыс істеуін нақты бағалауға мүмкіндік береді.

Түйін сөздер:сегменттік есептілік, сегмент, қызметті әртараптандыру, тәуекел, қаржылық есептіліктің халықаралық стандарттары, қаржылық есептілік.

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Б.А. Мухаева [1], Д.Д. Ешпанова [2]

[1,2]Университет Нархоз, Алматы, Казахстан

ПРОБЛЕМЫ ФОРМИРОВАНИЯ И РАСКРЫТИЯ ИНФОРМАЦИИ ПО СЕГМЕНТАМ В ФИНАНСОВОЙ ОТЧЕТНОСТИ ОРГАНИЗАЦИЙ (МСФО 8)

Аннотация. Актуальность исследования заключается в том, что в связи с кардинальным пересмотром правил сегментной отчетности в направлении их адаптации к изменяющимся экономическим условиям и требованиям пользователей, возникла необходимость анализа эффективности этих новых правил, выявления трудностей в их применении на практике и путей их улучшения.

Несмотря на научные исследования в области сегментной отчетности в настоящее время отсутствует методика формирования информации, необходимая для подготовки сегментной отчетности, позволяющая компаниям, не относящимся к флагманам экономики и не обладающим развитым управленческим учетом, эффективно решить задачу информационного обеспечения отчетности по операционным сегментам. В связи с этим в статье рассмотрены проблемы формирования и раскрытия информации в финансовой отчетности организаций, так как финансовые и экономические данные в совокупности с системой внешних и внутренних условий бизнеса организации позволяют проанализировать вклад каждого вида деятельности в общий результат фирмы и предметно оценить функционирование каждого сегмента.

Ключевые слова: сегментная отчетность, сегмент, диверсификация деятельности, риск, международные стандарты финансовой отчетности, финансовая отчетность.

Information about the authors:

Mukhaeva B.A.– Ph Ddoctoral student University of Narxoz balzhan.mukhaeva@narxoz.kz, https://orcid.org/0000-0002-4063-6623

Yeshpanova D.D.–associate professorUniversity of Narxoz, eshpanova@list.ruhttps://orcid.org/0000-0003-3215-5122

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