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Abstract

This thesis is classified as conceptual approach which uses empirical material indirectly in form of previous studies and directly in the end of the thesis to illustrate the effects of new segment reporting standard in practice.

IFRS 8 Operating segments was issued in 2006 by IASB and became applicable in 2007 for the first time. Furthermore, it became obligatory for Finnish listed companies from the beginning of 2009. IFRS 8 introduces concept of management approach into segment reporting and extents segment reporting disclosure requirements from the ones the preceding standard IAS 14 had. IFRS 8 is somewhat similar to its sister standard, SFAS 131, in the United States. Endorsement of SFAS 131 brought major changes into segment reporting in USGAAP regime and similar changes are anticipated to take place in the IFRS regime too.

Objectives of the thesis could be described as a three fold. Firstly, to provide understanding of segment reporting in general by addressing information asymmetry as a background theory. Furthermore thesis assesses segment reporting in general, its benefits and problems, as well as the origins of it. Thesis also introduces the concept of management approach in segment reporting. Second objective of the thesis is to anticipate the effects and changes of IFRS 8 Operating segments and the concept of management approach will have on segment reporting in practice, specifically in Finnish segment reporting. Thirdly, objective is to provide a description of accounting practice. More specifically how is the new segment reporting standard applied into companies segment reporting, whether the standard is followed thoroughly, and what are the changes it has brought?

IFRS 8 operating segments has changed the segment reporting of early adopters in Finland. Both example companies reported more segments from financial year 2007 when complying with IFRS 8. Also reported line items increased in both cases. Lack of requirements on geographical segments did not weaken the information in IFRS 8 reporting. Entity-wide disclosure requirements of IFRS 8 assured that the information about geographical segments stayed at least at the same level than when complying with the preceding standard IAS 14. The findings of changes in segment reporting were in line with preceding studies of similar transition in USGAAP regime and the changes were correctly anticipated in the thesis.

Key words	Segment reporting, IFRS 8, IAS 14, SFAS 131, management approach
Further information	