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Abstract

The prior regulation considering segment reporting in FAS (Finnish Accounting Standards) before IFRS adoption, from the beginning of 2005 at the latest, has been narrow. The amount of information required under IAS 14 is substantially more comprehensive. Under FAS the data required by segment contained only the distribution of revenue among industries and geographical areas and in some cases the distribution of earnings. IAS 14 dictates how the reportable segments should be determined. IAS 14 also includes guidance about primary and secondary segment reporting formats. The guidance about items reported within a segment, combining and excluding reportable segments, restating the comparative prior period segment information and pricing the inter-segment transfers are also detailed in IAS 14. Due to this significant difference compared to FAS regulations, a great challenge for Finnish enterprises is to follow IAS 14.

The purpose of the research is to discover and analyze the changes in Finnish segment reporting and to investigate whether segment disclosures have improved in Finland. Segment reporting under IAS 14 is compared with the information disclosed under FAS in Finland. In addition, the research analyzes the future prospects of segment reporting under IFRS and in Finland.

The current research revealed several changes in the segment disclosures of Finnish listed enterprises. Mainly the amount of information reported increased significantly. The adoption of IAS 14 is regarded as a positive change considering Finnish segment reporting. Especially for its target group, users of financial statements, the standard provides valuable new information not available from Finnish listed enterprises under the previous accounting legislation in Finland. However, since Finnish listed companies had accustomed themselves to the narrow segment reporting regulation, the companies sometimes regarded requirements of IAS 14 as excessive and too revealing. This research indicates, despite some minor evidence of data loss, that segment reporting has improved in Finland after the adoption of IAS 14. In the future, the further development of segment reporting standard, the skillfulness and effectiveness of the auditors, and market supervision will determine the real value of segment disclosures in Finland.

There is an active IASB project considering segment reporting. Exposure Draft 8 would replace IAS 14 and align segment reporting with the requirements of the US standard SFAS 131. In Finland ED 8 is mostly considered positively, as it will provide new, beneficial information to the users of financial statements. However, the management approach of ED 8 is a challenge to the supervision of segment disclosures and the possible rapid changes may be experienced problematic in the firms following IFRSs.

Key words	Segment reporting, IAS 14, IFRS
Further information	