

**A SURVEY ON THE PRACTICES AND  
IMPLEMENTATION OF SEGMENT  
DISCLOSURES BY MALAYSIAN  
COMPANIES**

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## **ABSTRACT**

As the country moves towards becoming an industrialized country by the year 2020, Malaysian companies are expected to be more diversified both in products and services as well as locations. In line with these expectations, companies must make sure that their financial reports are immaculate: useful, relevant, timely and transparent. The forthcoming implementation of trade agreements such as AFTA, WTO and others make it more relevant for Malaysian companies to prepare the best reports particularly segmental reports.

In this study, an attempt has been made to examine the practices of Malaysian companies on segmental reports. The issuance of IAS 14 (Revised) and MASB 22 was made with the hope of an improved segmental reporting. Although the compliance rate has slightly improved after the issuance of IAS 14 (Revised), the findings have found that Malaysian companies are currently disclosing only the minimum requirement of the Standard.

Although the findings of this research revealed that the respondents believed on several benefits of segmental reporting the content disclosure is still very minimal. A comparative study with selected US and UK companies implied that the Malaysian Companies in general and their accountants in particular need to be deliberately informed of a seek way of presenting their information segmentally. It is also proposed that the Malaysian Institute of Accountants (MIA) should take a more proactive role to educate the accountants.

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# CHAPTER ONE

## BACKGROUND

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### 1.1 INTRODUCTION

As business expand and become more complex because of acquisitions, mergers and globalize operations, companies realize the need to provide useful and transparent financial reports to their users. As a result of this need, the International Accounting Standard Board has issued a relevant Standard known as IAS 14 to deal with the presentation of financial statements for companies involved with diversified operations.

The provision of segmental reporting requires disaggregated financial information by a diversified company that is involved in different types of business activities or has operations in different geographical areas. Analysis of disaggregated financial information of a diversified company provides useful data for users in assessing the past performance as well as the future prospects of the company.

A diversified company is defined as:

*“ a company which either is so managerially decentralized, so lacks operational integration, or has such diversified markets that it may experience rates of profitability, degrees of risk, and opportunities for growth which vary within the company to such an extent that an investor requires information about these variations in order to make informed decisions ”*

(Mautz, 1968).

With the influence of corporate acquisitions and mergers, the Malaysian corporate sector has undergone tremendous development. Many local corporations have also internationalized their operations.