Interim and Segment Reporting

Name

Institution

An interim financial report is a set of financial statements that are condensed or completed to serve a shorter period than the fiscal year of a company. Interims either show the financial performance of the company on a semi, or quarter annually basis. An interim financial report keeps a company accountable; thus, transparency enhanced. The company's internal auditors review these reports. There ought to be a recognition and measurement principles that are applied in the interim financial report. Several processes can be used to identify a segment to be reported separately. The text below discusses more on interim and segment reporting.

Policies of accounting used in the most recent annual report are also used in the interim report. If policy changes, then there is a need for special disclosure (Mathuva 2015). Liabilities and assets are given recognition and for that reason, measured for interim reporting. Unlike the final annual statement, interim financial reporting requires great use of estimation methods (Rensburg & Botha, 2014).

In the fiscal year 2018, the company's revenue was at 68484, while in 2017, the income is at 70522. The figures show that there is a positive growth of 3.0%. The gross profit for the fiscal years 2018 and 2017 is 25392 and 25231. Thus, there is a positive growth of 1.0 %. 17148 and 14353 were the operating profit for 2018 and 2017, respectively, thus, growth of 19%. The profit after tax of the company stood at 16029 in 2018 and 14353 in 2017. The net profit gave a percentage growth of 12% (Mathuva 2015).

Looking at the quarter ending December 31, 2018, the revenue of the company was 17794. The quarter ending 31st December 2017 was 17273. The revenue growth when the two-quarter endings were compared was 3.0%. The gross profit for the quarter ending December 31, 2018, was 6344, while that of December 31, 2017, was 6433. The total profit growth for the two quarters is negative growth of 1.4%. The operating profit for the quarter ending December 31, 2018, is 4319, while that of the quarter ending December 31, 2017, was 4334. This means that there is negative growth of 0.3% in the operating profit. The profit after tax in the quarter ending December 31, 2018, is 5281, while that of 2017 was 5154. The profit after tax in the quarter endings of the two years had a growth of 2.5 %.

Regardless of the operating profit rising based on year, there has been a decrease in the quarterly numbers. The dropping insinuates that quarterly four was not very good for the company, regardless of the profit increase of 12% on an annual basis.

The interim reporting for the company is the same, both generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS) (Mathuva 2015). They both agree on the issue of condensed interim financial statements. When the company's temporary financial report is subjected to both GAAP and IFRS, the report remains unaltered.

The estimates used in GAAP are also used in IFRS (Rensburg & Botha, 2014). By the use of the forecast, the interim financial report remains unchanged. Both GAAP and IRFS agree to use estimate values. Using estimates can be closely related, and, therefore, no differences are easily noted.

The requirement that the interim financial information only presented to various security regulators applies to both GAAP and IRFS (Mathuva 2015). The face of the interim financial report seldom changes when given to the security regulators. The report requirements do not change when presents to these regulators.

The process of identifying a segment to be reported depends on the constitution formed by the business. The foundation of law is very crucial. A factor to consider when determining a segment to be separated is its reported revenue. The process of segment identification depends significantly on its income. The revenues should include all intersegment sales or transfers and also the sales to external customers. When the total foreign revenue reported by an operating segment has less than 75% of a company's revenue, more operating segments must be identified as reportable segments (Mathuva 2015).

The constitution provides relevant information and can be used as reference material in an audit. When carrying out a review, it is straightforward to scrutinize the revenue segment and come up with a correct check. This audit may provide the public with transparency in an entity (Mathuva 2015). Exact figures ease the work of an auditor; thus, less time is consumed to give a correct and reliable audit. The algorithm compares the sums of the segment; therefore, efficiency and transparency are enhanced.

Employing the legal framework in the identification process of the revenue may increase transparency in the entity. The legal involvement will absorb the constitution and national laws. Establishing the right to produce and sell based on federal laws may provide clarity. Transparency of involving the legal framework may attract investors, thus, increasing profits (Rensburg & Botha, 2014).

Conclusion

In conclusion, interim financial reports are very crucial for an entity. As described above, a company is kept accountable through the preparation of this report. The requirements of GAAP and IRFS may be similar in an interim report, as discussed. Finally, the process of identifying the reported segment is necessary since it is the same process that proves transparency in business.

References

Mathuva, D. (2015). The determinants of forward-looking disclosures in interim reports for non-financial firms: Evidence from a developing country.

Rensburg, R., & Botha, E. (2014). Is integrated reporting the silver bullet of financial communication? A stakeholder perspective from South Africa. *Public Relations Review*,*40*(2), 144-152.