

ABSTRACT

Title of Dissertation Segment Reporting in Practice and Quality of Segment Information of Listed Companies in Thailand
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In Thailand, segment reporting practices have been a controversial issue over the past ten years. In fact, the origin of segmental disclosure is derived from Thai Accounting Standard (TAS) No.24, issued by the Institute of Certified Accountants and Auditors of Thailand (ICAAAT). This standard became effective for fiscal years beginning on or after January 1, 1994 and is based on IAS No.14 with no substantial difference. In 1997, when Thailand experienced the economic crisis, ICAAT reformed many accounting standards including TAS No.24 and issued TAS No.50, Segment Reporting, to replace TAS No.24 in the year 2000. TAS No.50 is also based on IAS No.14 (revised 1997) with no significant difference. However, it appears that TAS No.50 was delayed in being formally pronounced as one of accounting standard.

The purpose of this study is to examine the segment reporting practices of Thai listed companies, as well as the consistency and the usefulness of segment information. In terms of segment reporting practices, this study examines the extent of compliance under the existing segment reporting standard by using data collected during the period from 1992 to 2005 and analyzing this data based on (a) how listed companies identify their segments (i.e. business segments or geographical segments), and (b) what types of accounting information is provided in segment reporting.

The empirical findings of this study reveal that before TAS No.24 became effective (1992-1993), an insignificant number of listed companies voluntarily reported segment data in the notes of their financial statements. When TAS No.24

became effective in 1994, however, the proportion of firms disclosing segment information as a topic in the notes of their financial statements grew substantially. Since the year 1998 until now, the number of firms which reported information by multi-segments in the notes of their financial statements is greater than that of firms which report information by single segment (including firms not reporting any segments in the notes of their financial statements). More companies also decided to disclose their operating segmental information by industry lines rather than by geographical areas as their operating segments. However, a problem of compliance with the existing accounting standard still exists. Further, this study has found that although TAS No.50 has been delayed in being formally pronounced as one of accounting standard, some companies (approximately 10 percent in 2005) chose to adopt this accounting standard early.

The consistency of segment information is evaluated by comparing whether segment disclosures in the notes of financial statements are consistent with those in other parts of the annual reports, such as (a) introductory annual report materials and (b) the management discussion and analysis with the sample in 2005. The results show that a problem of identifying separate classes of companies' activities exists.

With respect to the usefulness of segment information, this study examines the value relevance of segment information and also considers the association between segment information and the companies' future performance by using the sample data collected during 1994-2005. The results reveal that the market uses the segment earnings in valuing securities and that the disclosures increase the explanatory power of the model. The empirical evidence also indicates that segment earnings and segment sales are associated with a company's future performance, but is weakly correlated in supported that future performance is associated more with segment information than with aggregate information. The latter result is probably due to the absence of external data.

The findings of this study might be of use to regulators and policy-makers in Thailand. This study can also be of benefit to investors who are interested in investing their money in the Thai capital market. Finally, this study adds to the current empirical literature on the market-based accounting research and extends the implication to Thailand and the emerging market.