

IFRS 8 Segment Reporting in Bangladesh: Insights into Practice and Determinants

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Abstract

This study examines IFRS 8 (International Financial Reporting Standards – Operating Segment) segment reporting compliance, disclosure, and its determinants among listed manufacturing companies in Bangladesh. Utilizing a content analysis of the annual reports, the paper transforms IFRS 8 segment reporting requirements into a binary disclosure index to quantify compliance and disclosure levels. It found that 64.13% of the sampled companies have identifiable segment reports, while 26.08% of companies have an IFRS 8 compliance score greater than 0. The average compliance score is 15.79% and average disclosure score is 11.68%. The regression analysis found that firm size, Big 4 audit, and full segment reporting type are positively associated with compliance and disclosure, while earnings per share (EPS) is negatively associated. The findings support Proprietary Cost, Resource-Based View, Agency and Ownership Structure theories, alongside revealing issues of weak enforcement and low reporting quality. This study highlights the urgent need for stronger oversight, capacity building, and regulatory incentives to improve IFRS 8 compliance and enhance stakeholder confidence in the market.

Keywords: Emerging Markets, IFRS 8, Manufacturing Sector, Bangladesh; Operating Segments, Segment Reporting

1. Introduction

The 2011 Bangladesh share market crash, subsequent corporate scandals, and bank failures, attributed in large part to regulatory failure and deceptive practices, severely undermined investor confidence and amplified public demand for transparency and accountability from public interest entities. In response to this crisis of confidence, the government enacted the Financial Reporting Act 2015, which established the Financial Reporting Council (FRC) as the statutory authority

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responsible for regulating and ensuring high-quality financial and non-financial reporting. Parallel to this, the Institute of Chartered Accountants of Bangladesh (ICAB) resolved to adopt International Financial Reporting Standards (IFRS) in full from January 1, 2018, superseding the previously implemented Bangladesh Financial Reporting Standards (BFRS). Given this significant regulatory evolution, it is now essential to investigate whether the formal adoption of IFRS can meaningfully enhance disclosure practices and, by extension, restore investor trust in public interest entities operating in a developing economy like Bangladesh. However, despite this formal adoption, questions remain regarding the depth and effectiveness of IFRS implementation in the local economic environment, creating a gap between the expectations of transparency and the actual reporting practices of listed companies, making it essential to examine both the level of compliance with IFRS and the quality of disclosures in practice.

The broader issue of compliance with accounting standards in Bangladesh presents a rich field of inquiry. This study narrows its focus to IFRS 8 – Operating Segments, which applies to entities whose debt or equity instruments are publicly traded. IFRS 8 is particularly critical and justifies this specific focus because it mandates the management approach, requiring the disclosure of the same key financial and non-financial information used internally by the entity's chief operating decision-maker. This requirement augments financial statements with enhanced information that provides crucial insight into management competency and internal decision-making, which is key to enhancing stakeholder confidence and providing users with the opportunity to develop deeper insights into a company's performance, position, and potential. Multiple studies support this claim, noting that the standard helps users assess a company's activities and economic conditions (Мюллер, et al., 2021), and that providing management information improves economic decision-making and forecasting capacity (Bosco, 2009); while (Mardini, et al., 2015) found the new reporting approach produced more understandable and relevant information. Consequently, evaluating compliance with IFRS 8 provides a direct measure of transparency and the practical effectiveness of mandatory IFRS adoption in a developing market setting.

By evaluating how Bangladeshi firms comply with and disclose segment information, this study examines the practical impact of the standard and sheds light on current reporting practices. The resulting insights can provide a basis for

recommending measures to address non-compliance, improve reporting practices, and ultimately enhance the credibility of financial reporting.

To achieve this, the study pursues the following primary objectives:

1. To evaluate the adoption status and extent of segment reporting by assessing both the level of compliance with mandatory IFRS 8 requirements and the overall level of voluntary disclosure provided by listed manufacturing companies in Bangladesh.
2. To identify and analyze the firm-specific determinants (including firm performance, size, corporate governance, industry, statutory auditor, annual reporting framework, and segment report type) that significantly influence the IFRS 8 compliance and disclosure outcomes.

The remainder of this paper is structured as follows. The Literature Review section reviews the relevant literature on segment reporting, including theoretical bases, empirical evidence on determinants, and methodological approaches, concluding with the articulation of the research gap and hypotheses. The Methodology section details the methodology, including the research framework, sample selection, data collection, construction of the dependent variables (Compliance Score and Disclosure Score), and empirical models. The Analysis section presents the descriptive statistics and the results of the multiple linear regression analysis. Finally, the Findings section discusses the findings, outlines the policy implications and recommendations, and the Conclusion section concludes the study.

2. Literature Review

The review of the literature covers the theoretical underpinnings of segment reporting, the global transition to IFRS 8, empirical evidence on disclosure level, and the factors influencing disclosure, culminating in the development of the study's hypotheses.

2.1 Theoretical Foundations and the Development of Segment Reporting

Segment reporting is a vital source of decision-useful information for stakeholders, facilitating granular analysis, enhancing security valuation (Tse, 1989), helping predict performance (Knutson, 1993), and improving earnings forecasts (Kang & Gray, 2013). The usefulness of segment information is considered essential to investment analysis (Herrmann & Thomas, 2000; Knutson, 1993).

Regarding IFRS 8, studies confirm its value relevance compared to previous standards (Kajüter & Nienhaus, 2017), noting improved disclosures (Janet Cereola & Dynowska, 2022). However, IFRS 8 adoption is associated with decreased quantity but increased quality of reporting, influenced by country characteristics (Aboud & Helfaya, 2021).

Empirical studies show varying disclosure levels. For instance, (Muatlib & Jafar, 2019) found that operating segment disclosure was high, profit and loss items were the most reported, while external revenue was the least disclosed. (Alanezi, et al., 2015) found that Kuwaiti listed companies' average disclosure level was 54%, ranging from 3% to 95%. (Pardal & Morais, 2011) confirmed similar patterns in Spanish firms, noting that a significant portion fails to meet mandatory Entity-Wide information requirements.

2.2 Determinants of Segment Reporting Disclosures

Numerous studies examine factors affecting segment disclosure levels and compliance, both pre- and post-IFRS 8 adoption. Firm size consistently emerges as a significant determinant. Larger firms exhibit higher compliance (Sucuahi, 2013; Street & Gray, 2002) and disclose more operating segments and information (Amado, et al., 2018; Fariás & Rodríguez, 2014; Prather-Kinsey & Meek, 2004). This aligns with the notion that size and country level significantly influences disclosure quality (Herrmann & Thomas, 1996).

Auditor characteristics also play a role, with companies audited by Big 4 firms demonstrating better segment reporting (Kobbi-Fakhfakh, et al., 2018; Pardal & Curto, 2015). Industrial membership is highlighted as a comparative benchmark for compliance in emerging economies (Muatlib & Jafar, 2019).

Regarding financial performance, the relationship is mixed. Factors like profitability, indebtedness, and capital dispersion showed a positive link to disclosure (Pardal & Curto, 2015). Conversely, (Lucchese & Carlo, 2016) reported a negative association between disclosure magnitude and variables like growth rate, size, profitability, and ownership diffusion. They suggest that larger, profitable firms exercise managerial discretion to reduce disclosures. (Bugeja, et al., 2015) suggests that firms with higher percentage of profitable segments in concentrated and smaller industries may reduce disclosures.

In terms of corporate governance, research is varied. The characteristics of the Board and audit committee showed no significant correlation in some studies (Adriana, 2016), suggesting that the management may make the ultimate reporting decisions. However, other research supports that independent and larger boards (Hlel & Nafti, 2019) and characteristics like board size and foreign board membership generally promote IFRS compliance (Sanni, et al., 2020).

(Kopecká, 2016) explored the quality of segment information disclosure among Czech listed companies suggested that while a harmonized reporting framework could enhance informational value, practical challenges persist due to the information being strategic and for internal management in nature.

Finally, studies show that the firms which reported poorly under IAS 14 often failed to significantly improve under IFRS 8, suggesting the persistence of legacy reporting practices (Leung & Verriest, 2015). An increase in the number of disclosed segments is positively associated with industry diversity (Bugeja, et al., 2015).

2.3 Theoretical Explanation of the Status of Segment Reporting

The status and determinants of segment reporting disclosures are explained through several theories.

Positive Accounting Theory (PAT) and Proprietary Costs: PAT suggests that managerial decisions, including disclosure choices, are driven by self-interest and the need to manage contracts (e.g., debt, compensation) (Watts & Zimmerman, 1986). The Proprietary Cost Theory (a dimension of PAT) argues that firms restrict segment disclosures to prevent competitors from exploiting it, viewing this as a 'proprietary cost', due to the commercially sensitive insights it may provide (Berger & Hann, 2007; Botosan & Stanford, 2005; Harris, 1998; Hayes & Lundholm, 1996; Hope & Thomas, 2008; Verrecchia, 1983).

Agency, Ownership Structure, and Signaling Theory: According to Agency Theory, the separation of ownership and control creates information asymmetry, where managers (agents) may possess private information that the shareholders (principals) lack (Jensen & Meckling, 1976). In firms with dispersed ownership or complex organizational structures, typically the larger firms tend to disclose more due to increased market exposure, lower information dissemination costs, and have better capacity to mitigate agency costs and competitive threats (Herrmann &

Thomas, 1996; Herrmann & Thomas, 2000). Conversely, Signaling Theory posits that companies with favorable economic performance or prospects will voluntarily disclose more high-quality information to signal their value to the market while low-profit firms may strategically withhold information to conceal the reasons for poor performance and to avoid adverse market reactions (Alfaraih & Alanezi, 2011; Spence, 1973).

Resource-Based View (RBV): The Resource-Based View suggests that a firm's ability to perform (such as comply with complex standards) is a function of its internal capabilities and resources (Barney, 1991). Under IFRS 8's "management approach", segment reporting requires sophisticated internal accounting infrastructure and specialized human capital. Consequently, larger firms with superior "slack resources" are better positioned to absorb the technical and administrative costs of compliance, whereas smaller firms may face "resource poverty" that limits their reporting quality (Amado, et al., 2018; Herrmann & Thomas, 1996; Prather-Kinsey & Meek, 2004).

Upper Echelon Theory: It posits that organizational outcomes, including the quality of financial disclosures, are reflections of the values, experiences, and cognitive biases of the firm's strategic leaders (Hambrick & Mason, 1984). In the context of emerging markets like Bangladesh, the characteristics of the Board of Directors can play a pivotal role in shaping corporate transparency. Specifically, the presence of foreign directors is viewed as a source of "global expertise" and a "culture of compliance". According to this theory, directors with international experience bring diverse perspectives and a higher sensitivity to global reporting standards, which can mitigate local institutional weaknesses and encourage more rigorous adherence to IFRS 8 (Hambrick, 2007).

2.4 Methodology for Measuring Segment Reporting Disclosures

Measuring IFRS 8 compliance and disclosure typically involves developing a disclosure index checklist based directly on the requirements of IFRS (Ahmed, et al., 2022; Alanezi, et al., 2015; Ballas, et al., 2018; Mardini, et al., 2012). Researchers can employ content analysis of annual reports to collect data (Fakhfakh, 2017; Mardini, et al., 2015).

For instance, (Alanezi, et al., 2015) developed a 50-item Operating Segment Disclosure Index (OSDI), validated by professionals. The standard practice uses a binary scoring system ('1' for disclosed, '0' for non-disclosed, 'N/A' for non-

applicable) with equal weighting for all the items. The final disclosure is computed as a ratio: the total score divided by the maximum relevant score, reflecting the established prior disclosure literature practices.

2.5 Research Gap

A review of existing literature on segment reporting highlights several gaps. First, most empirical studies focus on the developed or major emerging markets, giving limited attention to countries like Bangladesh. Second, the previous research insufficiently explores sector-specific dynamics and the role of auditor characteristics, particularly the influence of Big Four versus local firms, on compliance. Third, while corporate governance variables are often explored, specific attributes like foreign board membership, family ownership, board diversity, and independence remain largely unexamined in relation to segment reporting. Additionally, studies often rely solely on Return on Assets, neglecting other performance dimensions. Finally, no prior studies have considered the type of annual reporting framework as a determinant of disclosure compliance. The framework type could indicate management's commitment to transparency and high-quality financial reporting or serve as a proxy for the regulatory environment.

2.6 Hypotheses

Based on the reviewed literature, the study forms its hypotheses regarding segment reporting compliance level as per IFRS 8, measured as compliance score (COMP_SCR) and segment reporting disclosure level as per IFRS 8, measured as disclosure score (DISC_SCR).

Table 1: Hypothesis – Compliance Level Determinants

H1.1 – Firm Performance has a significant association with Segment Reporting Compliance Level
H1.2 – Firm Size has a significant association with Segment Reporting Compliance Level
H1.3 – Corporate Governance has a significant association with Segment Reporting Compliance Level
H1.4 – Industry has a significant association with Segment Reporting Compliance Level
H1.5 – Statutory Auditor has a significant association with Segment Reporting Compliance Level
H1.6 – Annual Reporting Framework has a significant association with Segment Reporting Compliance Level

H1.7 – Segment Report Type has a significant association with Segment Reporting Compliance Level
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Table 2: Hypothesis – Disclosure Level Determinants

H2.1 – Firm Performance has a significant association with Segment Reporting Disclosure Level
H2.2 – Firm Size has a significant association with Segment Reporting Disclosure Level
H2.3 – Corporate Governance has a significant association with Segment Reporting Disclosure Level
H2.4 – Industry has a significant association with Segment Reporting Disclosure Level
H2.5 – Statutory Auditor has a significant association with Segment Reporting Disclosure Level
H2.6 – Annual Reporting Framework has a significant association with Segment Reporting Disclosure Level
H2.7 – Segment Report Type has a significant association with Segment Reporting Disclosure Level

The following is the summary of empirical evidence, categorizing the most notable factors into Firm Performance, Firm Composition, Corporate Governance, Ownership Structure, Industry, Auditor, Annual Report Framework, and Segment Report Type.

Table 3: Empirical Evidence of Explanatory Factors

Group	Explanatory Factor	Empirical Evidence	Hypothesis
Firm Performance	Profitability	(Alfaraih & Alanezi, 2011; Amado, et al., 2018; Bugeja, et al., 2015; Lucchese & Carlo, 2016; Street & Gray, 2002)	H1.1 & H2.1
Firm Composition	Size	(Amado, et al., 2018; Herrmann & Thomas, 1996; Lucchese & Carlo, 2016; Pardal & Curto, 2015; Prather-Kinsey & Meek, 2004; Street & Gray, 2002)	H1.2 & H2.2
Corporate Governance	Management	(Berger & Hamm, 2007; Botosan & Stanford, 2005; Harris, 1998; Hayes & Lundholm, 1996; Hope & Thomas, 2008)	
	Board Characteristics	(Hlel & Nafti, 2019; Sanni, et al., 2020)	H1.3 & H2.3
Industry		(Herrmann & Thomas, 1996; Muatlib & Jafar, 2019)	H1.4 & H2.4
Auditor		(Pardal & Curto, 2015)	H1.5 & H2.5

Group	Explanatory Factor	Empirical Evidence	Hypothesis
Annual Report Framework		(Kopecká, 2016)	H1.6 & H2.6
Segment Report Type		(Amado, et al., 2018)	H1.7 & H2.7

Source: Compiled by the Author

3. Methodology

3.1 Population and Sample

This study adopts a cross-sectional research design focusing on the listed manufacturing companies in Bangladesh. The initial population comprised 117 companies across seven purposively selected manufacturing industries. To ensure data integrity, certain firms were excluded based on two criteria: (i) insufficient information in their annual reports, or (ii) companies listed after the 2019 financial year. Following these exclusions, the final study sample consists of 92 firms.

Table 4: Sample Size and Distribution

Industry	No. of Companies	Selected Companies
Cement	7	7
Ceramics	5	5
Engineering	42	34
Food & Allied	20	11
Paper & Printing	6	3
Pharmaceuticals & Chemicals	31	28
Tannery	6	4
Total No. of Companies	117	92

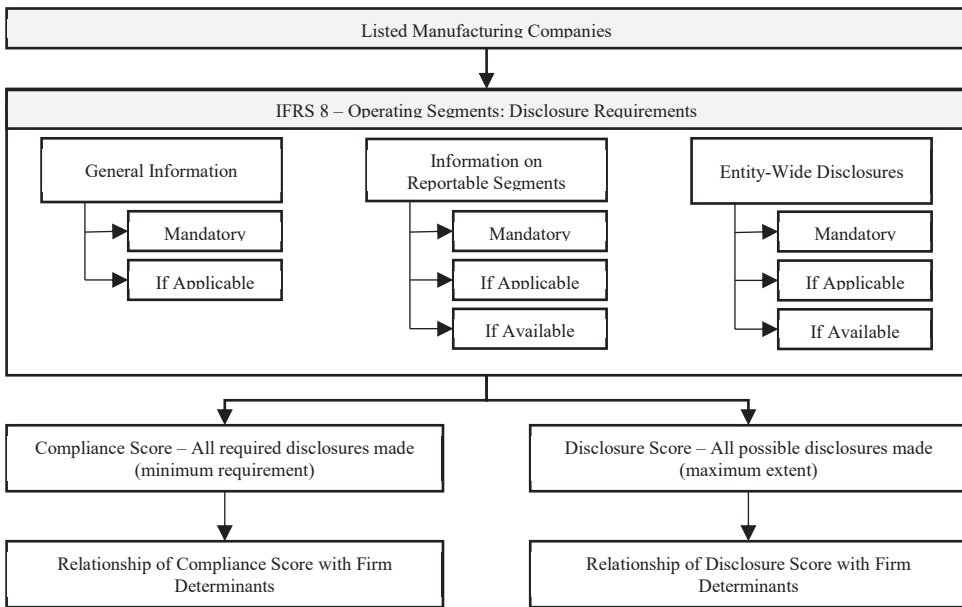
Source: Compiled by the Author

Data were primarily gathered from secondary sources with focus on annual reports for the year ending 2019. In line with the IFRS 8 management approach, segment information was extracted from the notes to the financial statements, specifically those regarding operating segments and any notes referred to within. For companies presenting consolidated financial statements, both the separate and consolidated notes were analyzed to ensure a comprehensive evaluation of disclosure quality.

3.2 Research Design

This study develops a framework to evaluate the level of compliance and extent of disclosure in segment reporting under IFRS 8. The framework is based on the disclosure requirements as per IFRS 8. By structuring the disclosure requirements, the paper quantifies the IFRS 8 compliance and disclosure level of the studied companies. The process of synthesizing IFRS 8 into quantifiable compliance and disclosure score has been discussed in the appendix. Figure 1 depicts how these requirements are translated into scores and how the measured scores are analyzed.

Figure 1: Conceptual Framework – IFRS 8 Compliance and Disclosure Level



Source: Creation by the Author

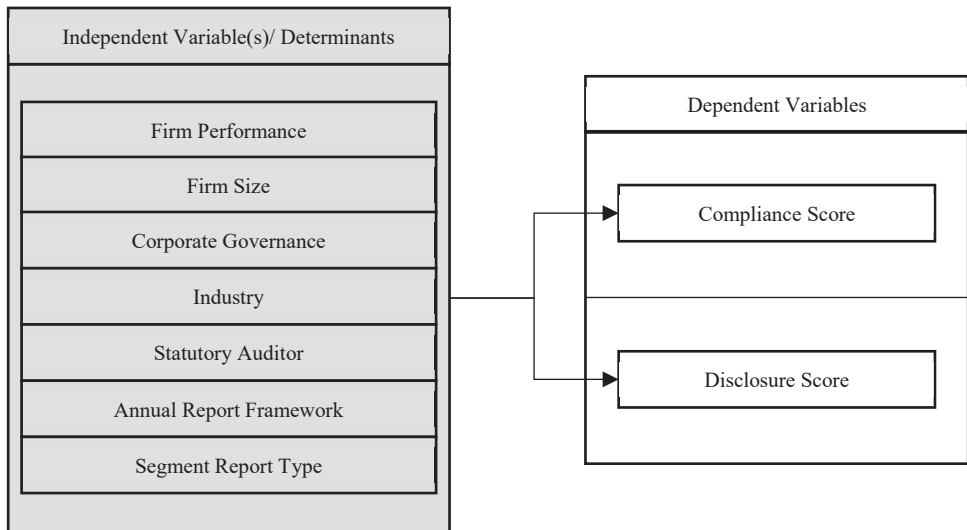
The following is the explanation of the dependent variables:

Table 5: Dependent Variables – IFRS 8 Compliance and Disclosure Level

Dependent Variable	Abbreviation	Type	Explanation
Compliance Score	COMP_SCR	(%)	Percent of requirements complied to: <ul style="list-style-type: none"> • Mandatory Requirements • Applicable Requirements
Disclosure Score	DISC_SCR	(%)	Percent of requirements complied to: <ul style="list-style-type: none"> • Mandatory Requirements • Applicable Requirements • Available (Optional) Requirements

The study then explores if firm performance, firm composition, ownership structure, corporate governance, and other firm specific factors have any effect on the level of compliance and disclosure of IFRS 8.

Figure 2: Determinants – IFRS 8 Compliance and Disclosure Level



Source: Creation by the Author

The following is the list of independent variables/determinants, identified under seven categories containing one or more variables.

Table 6: Determinants – IFRS 8 Compliance and Disclosure Level

Variable	Abbreviation	Type	Explanation
<i>Firm Performance</i>			
Earnings Per Share	EPS	Float	Basic Earnings Per Share (as reported in financial statements)
<i>Firm Composition</i>			
Firm Size	LnTA	Float	Ln (Total Assets)
<i>Corporate Governance</i>			
Foreign Board	FOREIGN	(%)	Percent of Foreign Directors (No. of Foreign Directors/Total Board of Directors)
Board Independence	INDEP	(%)	Independent-Non-Independent Director Ratio (No. of Independent Directors/Total Board of Directors)
<i>Industry</i>	INDUSTRY	Category	Industry the company belongs to. 7 Industries under the scope of this study. Information identified from DSE.
<i>Statutory Auditor</i>	AUDTYPE	Category	Form of affiliation audit firms have based on Auditors listed in BSEC Panel of Auditor 2020. Categories: 3 = Affiliated with Big 4; 2 = Affiliated with Foreign Firm; 1 = No Affiliation; 0 = Not Listed in BSEC Panel of Auditor 2020. Audit firm name identified from the independent auditors' report in the financial statements.
<i>Reporting Framework</i>	FRAMEWORK	Category	Type of reporting framework used for the annual report, identified from the disclosure in the annual report. General = Basic Reporting Framework that Complies with Corporate Governance Code 2018 of Bangladesh; IR = Integrated Reporting Framework; GRI = Global Reporting Initiative Framework.
<i>Segment Report Type</i>	TYPE	Binary	Identified from the financial statements and accompanying notes as per the requirements of IFRS 8. 0 = Entity-wide disclosures only; 1 = Full Segment Reporting.

The independent variables/determinants are then regressed with Compliance Level dependent variable and Disclosure Level dependent variable separately, which results in two separate models for analysis: Determinants of Compliance Level and Determinants of Disclosure Level.

3.3 Data Analysis

The study employed content analysis to examine segment disclosures in the annual reports. A binary coding method was used to assess compliance with each disclosure requirement: a value of '1' was assigned if the disclosure was present as per IFRS 8, and '0' otherwise. The items that are not applicable to a specific firm were not considered in its scoring. The study focused solely on the presence or absence of disclosures; qualitative assessment of the substance or authenticity of the disclosures was beyond its scope. As such, the study required an explicit disclosure of the requirements as per IFRS 8 for scoring. A Compliance Score was calculated based on the mandatory and applicable disclosure items for each company. Since not all items apply equally across the firms, the absolute compliance score was standardized to a 0–100% scale. Similarly, a Disclosure Score was constructed by combining both mandatory and applicable items with non-mandatory but relevant disclosures, and likewise converted to a 0–100% scale.

Descriptive statistics were calculated to assess the overall levels of compliance and disclosure, reflecting the status of IFRS 8 adoption. To evaluate the determinants of compliance and disclosure, the study used multiple linear regression analysis via STATA statistical software. The diagnostic checks for multicollinearity and heteroskedasticity were conducted and addressed to ensure the robustness of the analysis. For regression analysis, only companies whose segment reporting type (entity-wide disclosures and full-segment reporting) could be identified were considered, as only these companies could be considered as performing segment reporting.

Calculation of Compliance and Disclosure Score

Given the nature of IFRS 8, the total number of compliance and disclosure criteria varies depending on whether a company has reportable segments or only provides entity-wide disclosures. For companies required to present full segment reporting, there are 8 mandatory and 2 conditional compliance criteria, along with up to 15

additional applicable items, totaling between 10 and 25 compliance criteria. For disclosure, these companies may report 18 further items, resulting in a total disclosure range of 26 to 41 criteria, where certain “conditional” disclosures are waived if corresponding “available” disclosures are made. In contrast, the companies providing only entity-wide disclosures are subject to 4 mandatory, 2 conditional, and 6 applicable compliance criteria, totaling 6 to 11 compliance criteria. Their disclosure potential ranges from 10 to 15 criteria, including up to 6 additional “available” disclosures that may override “conditional” requirements. Each criterion is binary-scored (1 if disclosed, 0 otherwise), based on a simple content analysis approach. To address variability in the number of applicable items across firms, absolute scores are standardized to a percentage scale (0–100%), reflecting the proportion of applicable criteria satisfied by each company. This allows for consistent comparison of compliance and disclosure levels across firms with differing reporting obligations.

Table 7: IFRS 8 Compliance and Disclosure Scoring

	Criteria Type	Number of Criteria	
		Full Segment Reporting (Type 1)	Entity-Wide Disclosures Only (Type 0)
A	Mandatory (+Conditional)	8+2=10	4+2=6
B	If Applicable	15	5
C	If Available	18	6
A+B	Total Compliance Criteria	10 to 25	6 to 11
A+B+C	Total Disclosure Criteria	26 to 41	10 to 15

Source: Creation by the Author

Compliance score is calculated by dividing number of criteria complied with by number of criteria the company must comply with.

$$COMP_SCR = \frac{\text{No. of Criteria Complied with}}{\text{Number of Criteria Company has to Comply with}} = 0\% \text{ to } 100\%$$

The result is a percentage that represents percentage of compliance with IFRS 8, which the study denotes as COMP_SCR.

Disclosure score is similarly calculated by dividing number of disclosures made by maximum number of disclosures that can be made by the company.

$$DISC_SCR = \frac{\text{No. of Disclosures Made}}{\text{Maximum Number of Disclosures that can be Made}} = 0\% \text{ to } 100\%$$

The result is a percentage that represents percentage of disclosures made as per IFRS 8, which the study denotes as DISC_SCR.

Model for Determinants of Compliance-Level

Compliance Score (COMP_SCR)

$$= \beta_0 + \beta_1 \text{Firm Performance} + \beta_2 \text{Firm Size} + \beta_3 \text{Corporate Governance} + \beta_4 \text{Industry} \\ + \beta_5 \text{Statutory Auditor} + \beta_6 \text{Annual Reporting Framework} + \beta_7 \text{Segment Report Type} + e$$

Model for Determinants of Disclosure-Level

Disclosure Score (DISC_SCR)

$$= \beta_0 + \beta_1 \text{Firm Performance} + \beta_2 \text{Firm Size} + \beta_3 \text{Corporate Governance} + \beta_4 \text{Industry} \\ + \beta_5 \text{Statutory Auditor} + \beta_6 \text{Annual Reporting Framework} + \beta_7 \text{Segment Report Type} + e$$

The models are to be tested at significance level of 95%.

Reliability and Validity of Coding for Compliance and Disclosure Score

To ensure the reliability and consistency of the manual content analysis, a two-step validation process was followed:

1. **Coding Protocol Rigor:** The disclosure index was developed directly from the specific provisions of IFRS 8. To minimize subjective interpretation, the coding instrument utilized the literal language of the standard (e.g., specific mandatory items like “Factors used to identify reportable segments”). This binary approach (1/0) reduces the “judgment calls” typically associated with qualitative content analysis.
2. **Intra-Coder Reliability:** To ensure the reliability and validity of the manual content analysis, an intra-coder reliability test was conducted. A random sample of 10 annual reports (10.86% of the dataset) was re-coded using the established IFRS 8 checklist. The intra-coder reliability was assessed using Cohen’s Kappa, resulting in a coefficient of 0.8650 ($z = 20.10, p < 0.001$), with

a percentage of agreement score of 98.11% which indicates a high level of agreement and confirms the robustness of the coding process based on the benchmarks of (Landis & Koch, 1977).

Table 8: Intra Coder Reliability Test – Cohen Kappa

Agreement	Expected Agreement	Kappa (κ)	Std. Err.	Z-value	Prob > Z
98.11%	86.03%	0.8650	0.0430	20.10	0.0000

Source: Compiled by the Author

4. Findings and Analysis

4.1 Descriptive Analysis

The analysis of financial statement notes revealed significant discrepancies between the claimed compliance and the actual disclosure practices. While the sampled firms explicitly referenced IFRS 8, these citations were frequently superficial or lacked the technical depth mandated by the standard. Specifically, several entities claimed adherence to IFRS 8 yet failed to provide either the requisite entity-wide disclosures or the detailed data for reportable segments. Furthermore, many notes omitted the basic general information required for substantive transparency.

Table 9: Segment Reporting Type Required as per IFRS 8

Segment Reporting Type	Freq.	Percent (%)
0 – Entity Wide Disclosures	44	74.58%
1 – Full Segment Reporting	15	25.42%
Total	59	100.00%

Source: Compiled by the Author

Due to these qualitative deficiencies, only 59 (64.13%) companies provided sufficiently granular data to accurately identify the specific type of reporting required. The qualitative discrepancies noted are reflected in the quantitative compliance metrics. Despite formal assertions of adherence to the standard, the empirical results reveal a significant shortfall in substantive reporting with only 24 companies (26.08%) achieved a compliance score (COMP_SCR) greater than zero, indicating that the vast majority of the sampled firms failed to provide even the most fundamental disclosures required by IFRS 8. This gap emphasizes the

necessity for more rigorous enforcement and a clearer internal understanding of IFRS 8 obligations within the manufacturing sector.

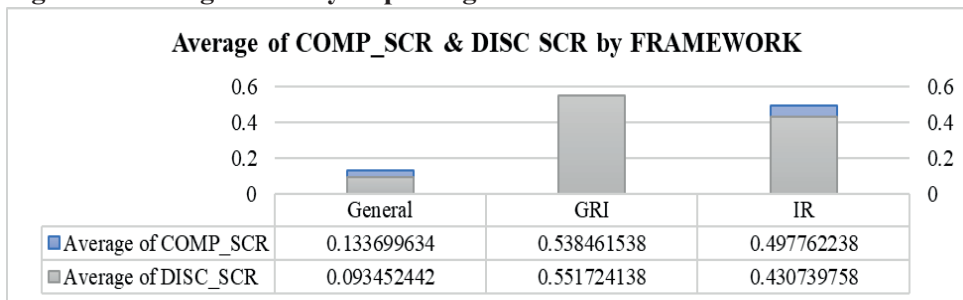
Table 10: Adoption of IFRS 8

Industry	Companies	Segment Reporting	IFRS 8 COMP_S CR>0	Average COMP_S CR	Average DISC_SCR
Cement	7	3	4	23.26%	16.90%
Ceramics	5	3	1	14.55%	11.11%
Engineering	34	20	9	17.21%	12.65%
Food & Allied	11	6	3	17.88%	16.83%
Paper & Printing	3	1	1	16.67%	8.97%
Pharmaceuticals & Chemicals	28	23	5	11.16%	7.64%
Tannery	4	3	1	18.18%	11.11%
Cumulative	92 (100%)	59 (64.13%)	24 (26.08%)	15.79%	11.68%

Source: Compiled by the Author

Figure 3 illustrates that companies adopting higher quality reporting frameworks such as the Global Reporting Initiative (GRI) and the Integrated Reporting (IR) exhibit significantly higher compliance and disclosure scores under IFRS 8. This suggests that the firms committed to enhanced transparency and comprehensive reporting are more likely to uphold IFRS segment reporting standards. However, it is important to note the limited adoption of these frameworks within the sample – only 5 companies adopted IR and just 1 company used GRI – indicating that the influence is based on a very small subset of firms.

Figure 3: Average Score by Reporting Framework



Source: Compiled by the Author

4.2 Determinants of Compliance and Disclosure

Determinants of Compliance Score

The pairwise correlation analysis indicates a small to moderately positive association of the Compliance Score (COMP_SCR) with key variables, including Earnings Per Share (EPS), Natural Log of Total Assets (LnTA), Percentage of Foreign Directors (FOREIGN), Annual Reporting Framework (FRAMEWORK), and Segment Report Type (TYPE).

Table 11: Pairwise Correlation – COMP_SCR

EPS	LnTA	FOREIGN	INDEP	INDUSTRY	AUDTYPE	FRAMEWORK	TYPE
0.2465	0.3987	0.3463	-0.0880	-0.0934	0.0719	0.1984	0.7189

Source: Compiled by the Author

The fitted regression model for COMP_SCR shows no signs of multicollinearity (VIF < 10 for all variables), and heteroskedasticity is addressed using “robust” parameter in STATA.

Table 12: Regression Output – COMP_SCR

Fitted Regression Model (Robust): Dependent Variable – COMP_SCR			
	R-squared	=	0.8310
	Root MSE	=	.15985
<i>Determinants</i>	<i>Coef.</i>	<i>P-value</i>	<i>VIF</i>
EPS	-.0030823	0.025	1.92
LnTA	.028367	0.032	1.57
FOREIGN	.3555061	0.068	1.63
INDEP	-.3309955	0.193	1.18
INDUSTRY			
Ceramics	-.0906158	0.522	2.33
Engineering	-.0996609	0.465	6.20
Food & Allied	.1496	0.415	3.97
Paper & Printing	-.1838772	0.235	1.52
Pharmaceuticals & Chemicals	-.104017	0.445	6.43
Tannery	-.0898813	0.460	2.02
AUDTYPE			
Local	-.0161178	0.862	5.03
Foreign Affiliated	-.0615037	0.320	6.94

Big 4 Affiliated	.3992386	0.001	5.21
FRAMEWORK			
General	.2829438	0.053	6.60
IR	.2241125	0.249	5.48
SEGMENT REPORT TYPE			
Full Segment Reporting	.533998	0.000	1.63
cons	-.6405649	0.085	

Source: Compiled by the Author

The model explains 83.1% of the variance in COMP_SCR. It also reveals that EPS is a statistically significant ($p = 0.025$) and negatively associated (coef. = $-.0030823$) with COMP_SCR. Thus, the study can reject null hypothesis and conclude that – Firm Performance, represented by Earnings Per Share has a significant association with Segment Reporting Compliance Level (H1.1). Similarly, LnTA has a statistically positive association ($p = 0.032$; coef. = $.028367$) with COMP_SCR allowing the study to reject null hypothesis and conclude that – Firm Size has a significant association with Segment Reporting Compliance Level (H1.2).

FOREIGN (Percentage of Foreign Directors) (H1.3) is significant at 10%, thus we raise a flag regarding its potential as a determinant of compliance score. The study does not find statistically significant association of INDUSTRY (H1.4) with COMP_SCR.

The study finds that audit firms affiliated with the Big 4 have a statistically significant and positive association ($p = 0.001$; coef. = $.3992386$) with COMP_SCR revealing that companies audited by Big 4 associated firms have better compliance level with segment reporting. Thus, the study rejects null hypothesis and conclude that Statutory Auditors has a significant association with Segment Reporting Compliance Level (H1.5).

In terms of Annual Reporting Framework (H1.6), “General” is statistically significant at 10% ($p = 0.053$) and may be a potential determinant. Finally, the fitted model reveals that the companies who do “Full Segment Reporting” has better compliance which is statistically significant ($p = 0.000$; coef. = $.533998$). The study, therefore, rejects null hypothesis & concludes that Segment Reporting Type has a significant association with Segment Reporting Compliance Level (H1.7).

Determinants of Disclosure Score

The pairwise correlation analysis for DISC_SCR yields results similar to those of COMP_SCR. Small to moderate positive associations are found with EPS, LnTA, FOREIGN, FRAMEWORK, and TYPE.

Table 13: Pairwise Correlation – DISC_SCR

EPS	LnTA	FOREIGN	INDEP	INDUS TRY	AUDTYP E	FRAME WORK	TYPE
0.1892	0.3996	0.2547	-0.0939	-0.1089	0.0758	0.2216	0.7122

Source: Compiled by the Author

The overall result is expected as disclosure scores are essentially an extension of compliance score; and similar factors are likely to affect both.

The fitted regression model for DISC_SCR also addresses multicollinearity and heteroskedasticity similarly in STATA.

Table 14: Fitted Regression Model – DISC_SCR

Fitted Regression Model (Robust): Dependent Variable – DISC_SCR			
		R-squared	= 0.7967
		Root MSE	= .13617
<i>Determinants</i>	<i>Coef.</i>	<i>P-value</i>	<i>VIF</i>
EPS	-.0026601	0.050	1.92
LnTA	.027731	0.037	1.57
FOREIGN	.1543357	0.211	1.63
INDEP	-.2596288	0.151	1.18
INDUSTRY			
Ceramics	-.1359995	0.119	2.33
Engineering	-.1251239	0.120	6.20
Food & Allied	.0978655	0.446	3.97
Paper & Printing	-.3294649	0.001	1.52
Pharmaceuticals & Chemicals	-.1294922	0.089	6.43
Tannery	-.1151623	0.087	2.02
AUDTYPE			
Local	-.0827513	0.310	5.03
Foreign Affiliated	-.0437668	0.439	6.94
Big 4 Affiliated	.2629929	0.004	5.21
FRAMEWORK			
General	.1278304	0.290	6.60

IR	.175392	0.403	5.48
SEGMENT REPORT TYPE			
Full Segment Reporting	.4123225	0.000	1.63
cons	-.4758467	0.160	

Source: Compiled by the Author

The model explains 79.67% of the variance in DISC_SCR. Fitted model reveals EPS ($p = 0.050$; coef. = $-.0026601$) and LnTA ($p = 0.037$; coef. = $.027731$) to be statistically significant determinants, and thus, the study rejects the null hypotheses. It concludes that Firm Performance has a significant association with Segment Reporting Disclosure Level (H2.1), and Firm Size has a significant association with Segment Reporting Disclosure Level (H2.2). Association of EPS with DISC_SCR is negative and LnTA with DISC_SCR is positive, same as COMP_SCR.

The Fitted model for DISC_SCR does not find any statistically significant association of disclosure score with corporate governance factors (H1.3). However, it does reveal that “Paper & Printing” industry (H1.4) has a statistically significant negative association with disclosure score indicating that companies in that particular industry disclose less than other industries in general. Given the low sample count of the industry, the study refrains from drawing a strong conclusion. The study notes that industry may be a determinant of disclosure score.

The study finds “Big 4” Statutory Auditor to have positive statistically significant association with Disclosure Score. The study thus rejects the null hypotheses and concludes that Statutory Auditor has a significant association with Segment Reporting Disclosure Level (H2.5).

The study does not find statistically significant association of Annual Reporting Framework (H1.6), with DISC_SCR. Conversely, the study finds Segment Report Type – “Full Segment Reporting” to have positive statistically significant association with Disclosure Score and concludes Segment Report Type has a significant association with Segment Reporting Disclosure Level (H2.7). The significant findings for DISC_SCR are like the findings for COMP_SCR.

Table 15: Summary of Findings

Variable	H1	Compliance Score Result	H2	Disclosure Score Result
Firm Performance EPS	H1.1	Reject Null Hypothesis (p=0.025) (coef.= -.0030823)	H2.1	Reject Null Hypothesis (p=0.050) (coef.= -.0026601)
Firm Composition Firm Size (LnTA)	H1.2	Reject Null Hypothesis (p=0.032) (coef.= .028367)	H2.2	Reject Null Hypothesis (p=0.037) (coef.= .027731)
Corporate Governance	H1.3	<i>Flag raised (FOREIGN)</i> (p=0.067) (coef.= .028367)	H2.3	Cannot Reject Null Hypothesis
Industry	H1.4	Cannot Reject Null Hypothesis	H2.4	<i>Flag raised (Paper & Printing)</i> (p=0.001) (coef.= -.3294649)
Statutory Auditor Big 4	H1.5	Reject Null Hypothesis (p=0.001) (coef.= .3992386)	H2.5	Reject Null Hypothesis (p=0.004) (coef.= .2629929)
Reporting Framework	H1.6	<i>Flag raised (General)</i> (p=0.053) (coef.= .2829438)	H2.6	Cannot Reject Null Hypothesis
Segment Report Type Full Segment Reporting	H1.7	Reject Null Hypothesis (p=0.000) (coef.= .533998)	H2.7	Reject Null Hypothesis (p=0.000) (coef.= .4123225)

Source: Compiled by the Author

5. Discussion on Findings

This section examines how the determinants dictate segment reporting strategies. The findings reveal a statistically significant negative relationship between Earnings Per Share (EPS) (H1.1 and H2.1) and segment reporting compliance and disclosure. This provides robust evidence for Proprietary Cost Theory, suggesting that highly profitable firms strategically limit disclosure to protect profitability (Berger & Hann, 2007; Botosan & Stanford, 2005; Hayes & Lundholm, 1996; Hope & Thomas, 2008). This finding aligns with (Lucchese & Carlo, 2016) and (Bugeja, et al., 2015) who argue that the management strategically limits information in less competitive markets.

Conversely, Firm Size (LnTA) (H1.2 and H2.2) emerged as a significant positive determinant. The findings support the Resource-Based View (RBV), suggesting that the larger firms leverage their superior organizational capabilities and financial resources to meet the technical demands of IFRS 8 (Amado, et al., 2018; Pardal & Curto, 2015; Prather-Kinsey & Meek, 2004). Furthermore, this aligns with Agency Theory and Ownership Structure Theory, as larger firms, facing higher information asymmetry, use enhanced segment reporting as a monitoring mechanism to satisfy a broader base of stakeholders and maintain corporate legitimacy (Herrmann & Thomas, 1996).

The quality of segment reporting compliance and disclosure is further shaped by the strength of external oversight and internal reporting systems. We find that Big 4 Auditor (H1.5 and H2.5) affiliation significantly enhances both compliance and disclosure levels. Under Agency Theory, the auditor acts as a critical external monitoring mechanism; firms hire Big 4 auditors to signal “reporting quality” to international investors, thereby reducing agency friction (Pardal & Curto, 2015).

Additionally, the adoption of Full Segment Reporting (H1.7 and H2.7) is a strong predictor of segment reporting quality. This validates the IFRS 8 Management Approach, demonstrating that when a firm’s internal organizational structure is already aligned with segmental monitoring, the transition to external reporting is more seamless (Amado, et al., 2018). This suggests that “reporting infrastructure” is a prerequisite for transparency in the emerging markets.

Finally, we analysed several factors that provide insight into the specificities of the Bangladeshi regulatory environment. The presence of a Foreign Board showed weak statistical significance ($p < 0.10$) (H1.3). Interpreted through Upper Echelons Theory, this suggests that foreign directors may bring a “culture of compliance” and global expertise to local boards, though their influence may currently be tempered by local institutional norms.

Other factors, such as Industry type and the Annual Reporting Framework, remained inconclusive. This lack of significance highlights the nascent stage of the industry specific practices and advanced reporting frameworks (like GRI or IR) in Bangladesh. These exploratory findings suggest that in the Bangladeshi context, firm-specific economic, monitoring, and reporting drivers currently outweigh broader institutional pressures such as board influence, industry norms or voluntary reporting frameworks.

6. Conclusion

The integrity of financial reporting is a cornerstone of investor confidence and a primary driver of both domestic and foreign direct investment. IFRS 8 occupies a unique space compared to most accounting standards, emphasizing the disaggregation of information rather than the recognition and measurement of accounting elements, enabling the transparency of organizational architecture through the “management approach”. Regardless, the segment information mandated under IFRS 8 is crucial for users’ decision-making, especially in evaluating operational performance and risk.

This study demonstrates that segment reporting compliance and disclosure within the Bangladeshi manufacturing sector remain significantly low, hindered by strategic proprietary concerns and resource constraints. To bridge this gap, urgent and coordinated actions are needed. Key measures include conducting stakeholder workshops to improve understanding, mandating the recruitment of certified accounting professionals, and providing structured training to enhance internal capacity. The audit firms should more actively pressure clients for compliance, and the non-compliant companies should be required to seek technical or consultancy support to develop proper reporting systems. To enhance compliance, the regulators should implement a “carrot and stick” model, offering tax incentives and public recognition for transparency while enforcing fines or delisting for persistent non-compliance. Additionally, the firms must modernize internal infrastructure through responsibility accounting and up-to-date Accounting Information Systems (AIS). These digital advancements can reduce the marginal cost of compliance and align internal data with external reporting, ultimately fostering a high-quality financial reporting environment.

Future research on segment reporting under IFRS 8 may explore several promising directions. One key area is the development of longitudinal studies that track compliance and disclosure patterns over time and compare against internal reporting practices, particularly across both public and private companies in a wider range of industries. Such studies can shed light on how firms’ ability and willingness to comply evolve, and how internal reporting practices align or diverge from external disclosures. Cross-country comparative analyses may further reveal how institutional, regulatory, and enforcement environments shape segment reporting behavior. In addition, qualitative and mixed-method research involving

different stakeholders such as – preparers, auditors, regulators, and users – can provide nuanced insights into the perceived quality, usefulness, and practicality of segment information. Researchers may also consider incorporating more detailed governance variables such as board expertise, audit committee activity, or ownership concentration to better understand internal influences on compliance. Lastly, examining the performance consequences of segment reporting – such as impacts on investor decision-making, cost of capital, or market valuation – could enrich the understanding of the real-world value of enhanced disclosure.

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Appendix – IFRS 8 Disclosure Requirements

The research framework begins by identifying the disclosure requirements which are developed directly from the requirements listed in IFRS 8 – Operating Segments. The disclosure requirements as per IFRS 8 are grouped into three categories:

1. General Information
2. Information on Reportable Segments
3. Entity-wide Disclosures

Companies are classified into two categories based on their reporting obligations:

1. *Full Segment Reporting Entities*: Companies that are required to report on all three IFRS 8 categories.
2. *Entity-wide Disclosure Only Entities*: Companies that are not required to report on specific operating segments but must provide general and entity-wide disclosures.

The full list of requirements applicable for the above entities is provided below. The compliance and disclosure scores are based on these requirements as applicable.

Table 17: IFRS 8 – Disclosure Requirements

Information Criteria	Disclosure Requirement
General information	
Factors used to identify reportable segments	Mandatory
Basis of organization	Mandatory
Judgement in aggregation criteria	If Applicable
Brief description of operating segments aggregated	If Applicable
Assessed economic indicators for aggregation	If Applicable
Types of products & services of reported segment	Mandatory
Reportable Segment Disclosures	
<i>Information about profit or loss, assets and liabilities</i>	
Profit & Loss of Segment	Mandatory
Total Assets & Liabilities of Segment	If Available
Revenue - External Customers	If Available
Revenue - Internal Transactions	If Available
Interest Revenue	If Available
Interest Expense	If Available

Information Criteria	Disclosure Requirement
Depreciation & Amortization	If Available
Material Items of Income & Expense	If Available
Profit & Loss - Joint Ventures	If Available
Income Tax	If Available
Material Non-cash Item	If Available
Investment in associates & joint-ventures	If Available
Addition to Non-current Assets	If Available
Measurement	
Basis of accounting for transactions between reportable segments	Mandatory
Differences between measurement of Profit & Loss of Segment vs Entity	If Applicable
Differences between measurement of Assets of Segment vs Entity	If Applicable
Differences between measurement of Liabilities of Segment vs Entity	If Applicable
Changes from prior period in measurement methods	If Applicable
Asymmetrical allocations to reportable segments	If Applicable
Reconciliations	
Total reportable segments revenue to entity's revenue	Mandatory
Total reportable segments profit & loss to entity's profit & loss	Mandatory
Total reportable segments assets to entity's assets	If Applicable
Total reportable segments liabilities to entity's liabilities	If Applicable
Total reportable segments other material items to entity's	If Applicable
Restatements	
Restatements due to changes in structure of internal organization	If Applicable
Old & New basis of segmentation in case of non-restatement	If Applicable
Entity-wide disclosures	
Information about products and services	
Revenues from external customers for each (group) product and service	If Available
Non-reporting Disclosure	Conditional
Information about geographical areas	
Revenues from external customers - Domestic Country	If Available
Revenues from external customers - Foreign Country	If Available
Basis for attributing revenues from external customers to individual countries	If Available
Non-current assets - Domestic Country	If Available
Non-current assets - Foreign Country	If Available
Non-reporting Disclosure	Conditional
Information about major customers	
Disclosure of Major Customer	Mandatory
Total amount of revenues from each major customer	If Applicable

Information Criteria	Disclosure Requirement
Identity of segment(s) relying on major customer(s)	If Applicable

Based on these requirements identified from IFRS 8, the study prepares a disclosure index and assesses the segment reporting practices of the sampled companies in two levels:

1. *Compliance* (minimum requirement)
2. *Disclosure* (maximum extent)

The *Compliance Score* (COMP_SCR) is computed as the percentage of mandatory and applicable IFRS 8 disclosure requirements fulfilled by a company:

1. *For full segment reporters*: compliance is measured across all three categories.
2. *For entity-wide disclosure only reporters*: compliance is measured across the General Information and Entity-wide Disclosure categories only.

The *Disclosure Score* (DISC_SCR) represents the percentage of all possible disclosures (mandatory, applicable, and available/optional) that a company provides:

1. *For full segment reporters*: this includes optional disclosures across all three categories.
2. *For entity-wide disclosure only reporters*: this includes optional disclosures from the General and Entity-wide categories.

Thus, the research framework links:

1. IFRS 8 requirements to measurable compliance and disclosure scores, and
2. Compliance and disclosure scores to firm-specific determinants, forming the basis for analyzing the influence of independent variables on compliance and disclosure outcomes.

This structured approach allows the study to quantify segment reporting practices and examine the factors influencing compliance and transparency in financial reporting.