

Concept of a Segment-Supported Group Management

1. The breakdown of a group into segments in accordance with the principle of the *management approach* presumes group accounting. It is the consolidated group accounts which are broken down into segments (using a transitional system) in accordance with the provisions of the IAS 14/SFAS 131. In other words: without consolidated group accounts a numerical division of the group into segments – right across all individual companies – is not possible. Each segment can be broken down into sub-segments, conceptually and in real terms. The sum of the sub-segments results in the segment.
2. The reasoning and management of a group in segments (business areas in hierarchical levels) is fundamental. How fundamental this approach is for top management is shown by the annual reports of the groups. Indeed, the so-called “Key Figures” (business volume, EBITDA, EBIT, employees) are presented in them in the first, prominent position for the group as a whole. Immediately next to them – obviously of equal standing in their fundamental significance – there are, however, the “Key Figures” of the individual segments, to some extent also of the sub-segments (business areas).
3. If the reasoning, management and numerical documentation in segments are fundamental, then this must apply not only for the reports but, in particular, also for the strategic planning. It can, therefore, systematically not only result in the legal obligation for segment reporting. The method and the instruments for a detailed, highly flexible segment-supported group planning as indispensable basis for segment-supported group direction must therefore be both requirement and obligation for the top management of every company.
4. Conception and realisation of a segment-supported group *planning* are a value in themselves. They have nothing to do with a certain software, no matter how similarly natured – at least in principle and initially. For a better understanding of the concept of a segment-supported group planning the following theses can be formulated:
 - Thesis 1: A group is broken down with the aid of a consolidated, actual group account into a sum of operative actual segments, an actual transitional system and a non-operative balance made up of actual reserve, actual accrued liabilities and financial actual values subject to tax or paid. If this statement is correct it must also be possible to put together the group again from the broken down actual parts – numerically exactly – without using conventional accounting.

- Thesis 2: The precisely laid down basic values for the description of the operative segments in accordance with IAS 14/SFAS 131 give not only a static description of the segments, they at the same time provide the basic values for a dynamic rendering of accounts of the segment. An operative segment can therefore also be considered as segment company which is to be defined legally.
- Thesis 3: Each operative segment or segment company can, in a closed rendering of accounts, simulate any desired planned financial statements using the basic values laid down by IAS 14/SFAS 131.
- Thesis 4: If the sum from actual segments and transitional system results in the operative part of actual group accounts, then the sum must also produce the operative part of planned group accounts from planned segments built up in precisely the same way.
- Thesis 5: The operative part of planned group accounts put together from planned segments, with a non-operative balance made up from planned transfer reserve, planned accrued liabilities and financial planned values subject to tax or paid, must result in consolidated planned group accounts which are numerically precisely of equal accounting value.

Realisation of a segment-supported group management

In order to make the concept of a segment-supported group management fit for practice, the correctness of the above abstractly formulated theses must be established numerically. In other words: already consolidated actual group accounts are to be broken down into actual segments in accordance with IAS 14/SFAS 131. From the actual segments a second, engineered set of group accounts is to be formulated using a completely new type of software approach. These must agree precisely in structure and content with the first conventionally created group accounts, which is to be shown through a detailed comparison.

ASRAP possess the required software approach. The mathematical basic structure of a set of linear equations as basis of the double-entry bookkeeping is converted by the software into the reality of the accounting. The complex procedures of a segment-supported group planning are made usable, software-technically, as basis for a highly flexible and unlimitedly variable segment-supported group management system.