PRACE NAUKOWE
Uniwersytetu Ekonomicznego we Wrocławiu

RESEARCH PAPERS
of Wrocław University of Economics

Nr 388

Teoria rachunkowości, sprawozdawczość i analiza finansowa

Redaktor naukowy
Bartłomiej Nita

Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu
Wrocław 2015

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znajdują się na stronie internetowej Wydawnictwa
www.pracenaukowe.ue.wroc.pl
www.wydawnictwo.ue.wroc.p

ISSN 1899-3192
e-ISSN 2392-0041

ISBN 978-83-7695-505-6

Wersja pierwotna: publikacja drukowana

Zamówienia na opublikowane prace należy składać na adres:
Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu
tel./fax 71 36 80 602; e-mail:econbook@ue.wroc.pl
www.ksiegarnia.ue.wroc.pl

Druk i oprawa: TOTEM

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PRACE NAUKOWE UNIWERSYTETU EKONOMICZNEGO WE WROCŁAWIU
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Teoria rachunkowości, sprawozdawczość i analiza finansowa ISSN 1899-3192
e-ISSN 2392-0041

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CONSOLIDATED REPORTING – BEYOND FINANCIAL STATEMENTS*

SKONSOLIDOWANE RAPORTOWANIE – WYCHODZĄC POZA RAPORTOWANIE FINANSOWE

DOI: 10.15611/pn.2015.388.34

Summary: Annual reports are outdated. They inform users about the history of the company, past events and financial results of those events, but there is not any information about future, strategy directions, intangibles, intellectual capital, sustainability and social responsibility. To manage companies managers must use a lot of different sources of information and perceive financial reports as something that must be but is not necessarily useful. They search for information they need and spend hours on searching, but not on managing. Professional bodies have noticed this problem and have started to search solutions. The most important part of those searches was to identify information needs of report users. Then the avalanche started and a lot of different reporting initiatives appeared on the market from The Balance Scorecard to Triple Bottom Line, from financial recommendations to non-financial reporting systems. Now managers can choose among those multi-dimensional reporting solutions, but still one thing is missing. Almost there are not any consolidation frames that would help to prepare one report for all kind of users apart from one report initiatives. The author has reviewed international literature to find factors which would help create reporting frames for one report in the nearest future.

Keywords: reporting, one report, operating review, strategic review.

Streszczenie: Roczne raporty są nieaktualne. Informują one użytkowników o zdarzeniach historycznych i finansowych rezultatach tych zdarzeń, ale nie ma w nich informacji o przyszłości, kierunkach strategicznych, składnikach niematerialnych, kapitale intelektualnym, odpowiedzialności społecznej przedsiębiorstw i o wielu innych jeszcze obszarach działalności przedsiębiorstwa. Menedżerowie, aby móc racjonalnie zarządzać przedsiębiorstwami, muszą wykorzystywać informacje pochodzące z różnych źródeł, co sprawia, że raporty finansowe są jednym z wielu, ale nie jedynym źródłem informacji zarządczych. Profesjonalne organizacje już dawno temu zauważyły problem braku dostępu do informacji zarządczych i zaczęły badać oraz rozwiązywać ten problem. Najważniejszym etapem tych badań była identyfikacja

* This article was funded by The National Science Centre allocated on the basis of a decision DEC-2011/03/hs4/01299.

potrzeb informacyjnych użytkowników raportów. Potem ruszyła lawina wielu różnych podejść i inicjatyw związanych z utworzeniem kompleksowego podejścia do raportowania działalności przedsiębiorstwa. Obecnie menedżerowie mogą wybierać pomiędzy różnymi wielowymiarowymi metodami raportowania, ale w dalszym ciągu brakuje w tych podejściach jednego elementu – ram konceptualnych, które dawałyby możliwość przygotowania jednego raportu przez wszystkie przedsiębiorstwa. W celu znalezienia wspólnych elementów różnych podejść do systemu raportowania autor dokonał przeglądu dostępnych w światowej literaturze podejść i inicjatyw dążących do utworzenia jednego raportu.

Słowa kluczowe: raportowanie, jeden raport, przegląd operacyjny, strategiczny przegląd.

1. Introduction

Financial reporting is a very important part of a company reporting, but not the only one. It is based on many different accounting, financial and reporting standards, which complicate the preparation process of reports. This may lead to worse information access and may influence the decision making process. To avoid making irrational decisions managers support themselves with many different sources of information to do their job correctly. Research shows that they use financial data on a par with nonfinancial data, but the access to financial data is much easier than to other data. Research by ACCA [*Re-assessing ...,* p. 4] shows that 50% of respondents confirmed that the annual report was still their primary source of information, but 26% of responders indicated that it was difficult to assess a company's performance from the financial reports. Moreover, 47% respondents thought that financial reports were too long, 35% felt reports were too backward-facing, 35% responded said that they were too complex in their current form. When respondents were asked to say what kind of information they would like to have in reports, they answered as follows:

- 71% respondents think companies should be reporting more on potential risks that could affect their performance,
- 70% said that a company's key risks and how they intended to manage or mitigate them was the most pressing issue for them following economic crisis,
- 59% said that the inclusion of social and environmental data through and integrated report would add value.

Figure 1 shows the main sources of information to assess company performance.

50% of information needed by managers come from other than an accounting system sources, and this information which comes from annual reports is too aggregated, too backward-facing, useless to strategic management. Another survey [*Corporate reporting…*, p. 10] shows that narrative reporting focuses on:

- performance – 56% respondents,
- strategy and structure – 18% respondents,
- managing for value – 16% respondents,

• market overview – 10% respondents.

Data (as a sum of facts and events) are mostly qualitative in a narrative reporting, but not quantitative. Research shows that there is an information gap. Managers want more than annual reports offer. They want to know more about performance, market, relations and strategic directions. Unfortunately, the accounting system does not change as fast as the economy. To fill that information gap many different initiatives have been undertaken to set new reporting frames.

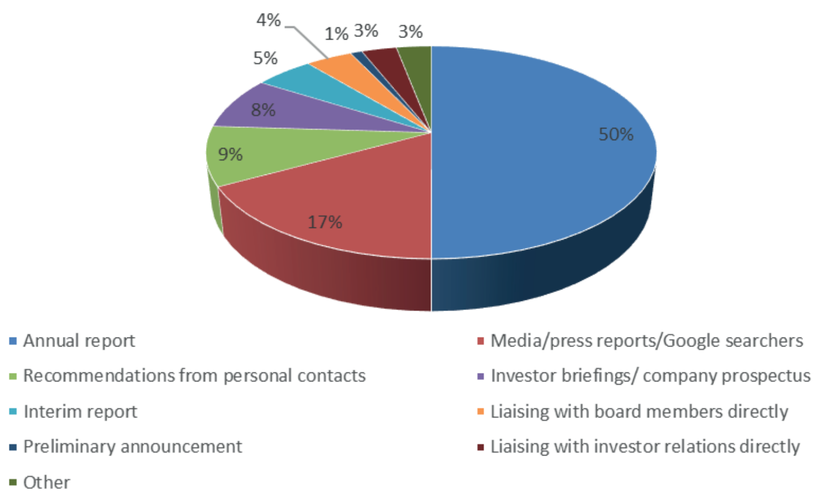

Figure 1. Main sources of information to assess company performance

Source: [Re-assessing…, p. 8].

Annual reports are still the main source of information on companies, but fast changing economy, new economy and information economy change the way companies operate.

The more complex the economy the more diverse the sources of information used by managers and stakeholders. The author has reviewed international literature about the users of corporate reports, their needs of information, and corporate reporting systems to answer the question if the accounting system is ready to face the changes in the economy.

2. New economy, old accounting systems

In the early 80's of the last century an article by Kaplan was published in which the author emphasised the diminishing role of accounting in company information systems. Kaplan [Kaplan 1984, p. 95] found that most companies still used the same cost accounting and management control systems that had been developed decades ago for a competitive environment drastically different from these of today (or rather in those days). Most companies do not verify their accounting systems and do not adopt them to new internal and external conditions. This leads to the distortion in information on production costs and the prices of goods and services, and sometimes it can lead to a company bankruptcy. Changes can be ignored by companies which act on an uncompetitive market, but unfortunately most companies act on a highly competitive market where managers have to make decisions based on cost and prices of goods they produce. Kaplan emphasised the importance of nonfinancial aspects of manufacturing performance. In his opinion measurement systems for today's manufacturing operations has to consider [Kaplan 1984, p. 95-98]: quality, inventory, productivity, innovation and work force. All of those aspects are not the subject of an accounting reporting system and they are systematically omitted by accounting and financial reporting standards which are offered by many professional accounting and financial bodies. To improve control systems Kaplan [Kaplan 1984, p. 98-101] suggested that it required more accounting systems than the timely provision of relevant financial and nonfinancial data. The ROI measure which was developed in the early twentieth century to describe a financial situation of the company and its departments cannot be used this way anymore because of the influence of inflation on assets value. As Kaplan regarded [Kaplan 1984, p. 99] when fixed assets and inventory were not restated for price level changes after acquisition, net income was overstated and investments were understated. This is a normal consequence of recording of economic operations in accounting ledgers. In consequence those managers who have older assets will have better (higher) ROI and those who have invested and have relatively new assets will have worse (lower) ROI. This can lead to bad conclusions and to making bad decisions by managers. The accounting role is still not threatened, but its location is changing from the major player in reporting system of a company to a player who stands in the same row with other areas of activities of companies (i.e. production, company internal and external relations, nonfinancial activities which are not focused on accounting, undisclosed intangibles and many more). Though, Kaplan did not name the real reasons for changes which had taken place in the 80's, they were caused by transforming economy from the traditional economy (also called – the old economy) to the new economy. This transformation was nearly connected with the changing roles of different assets. The old economy, based on fixed assets and financial assets, where inventories played an important role in manufacturing, was in decline, but the new economy, new technology companies with a few fixed assets, but strongly supported by intellectual was in increase. Traditional measures lost their importance and there was an urgent need to find new ones better describing activities in the new economy. But what exactly is the new economy? According to Bryson [Bryson 2003, p. 276] the new economy generally includes the following elements:

- the belief that recessions were overcome and that stock prices, which had actually become bubble prices, represented legitimate possibilities for future wealth, i.e. the actual present value of firms,
- the productivity revival that occurred in the United States mostly in the second half of the 1990s,
- the ascension of knowledge roughly to the level of a factor of production, and the development of information and communications technologies to an extent that makes all sectors of the economy more productive,
- the institutional changes that were necessary for the firm's accommodation to the digital economy, the organization of the firm, the nature of industrial competition etc., which are transforming commerce, the economy, and society.

There are many unanswered questions about the new economy, but one thing is said strongly – the new economy means a new approach to a company organisation, cross-functional insight onto a company, fast information exchange, globalisation of economies and totally different approach to work organisation – more tasks (off-office work) less hours spent at work, close cooperation with other companies, building relations and many more. This means that the new type of entities have been created that use intellectual capital as the main source of productivity, and their assets do not play an important part in everyday activities. That is why the role of traditional accounting decreases and without an updated approach to the new economy entities the fair value of assets will have only symbolic meaning. The book value of the entities accounts for less than 50% of a company value.

It seems that the accounting system has stopped self-development due to a fast changing environment and this system cannot catch up with all on-going changes in economy.

3. Changing environment, growing complexity and communication gaps

The last big changes which influenced the accounting system were made during the industrial revolution and in the late 30's of the last century. The cost accounting and calculating system was created during that revolution and it serves us without any big changes at present. Since the revolution the financial and reporting bodies have introduced many different financial, reporting and accounting standards, which impede the way of preparing of reports. According to Brendt and Leibfried [Brendt, Leibfried p. 398] the main objective of financial reporting is the conveyance of a true and fair view on the economic situation of a company to the users of financial statements, but unfortunately this is not easy to meet. The reality is often too complex for being adequately captured by a set of accounting standards and regulations. The first significant limitation in expressing the true economic situation of a company in a set of financial statements is a widespread disregard of the intangible assets of a business. Values such as trademarks, employee workforce or company goodwill might well be significant, but they are excluded from most standards of financial reporting worldwide. The authors emphasize the importance of intangible assets, especially those which are not disclosed in assets. Figure 2 presents the gap between the book value and the market value of companies.

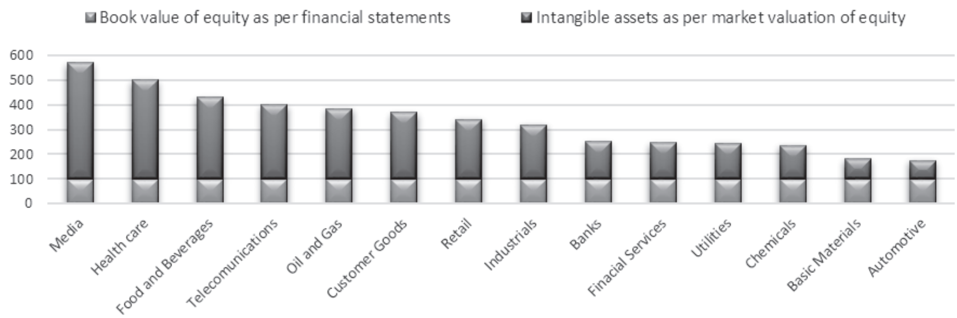

Figure 2. Accounting and market values in different industries

Source: [Berndt, Leibfreid 207, p. 399].

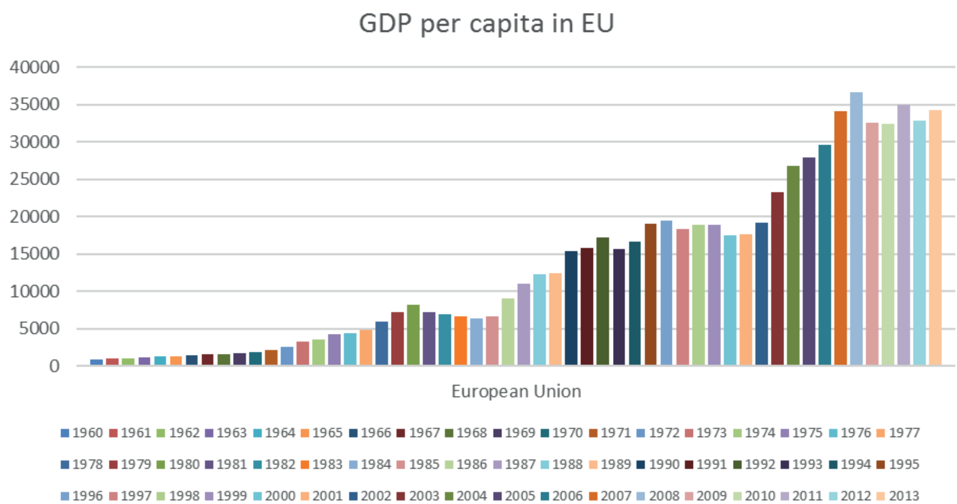

Figure 3. GDP per capita in the EU countries from 1960 to 2013

Source: http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Another thing which also concerns intangibles is depreciation and a basic assumption that the value of intangibles declines within the time. The value of an entity changes in time, and because of a general trend in economy, those changes add value to companies. Figure 3 shows changes in GDP per capita in EU countries from 1960 to 2013.

The economy changes in trends, but generally GDP grows in time. This leads to a conclusion that the value of entities also grows. If a company has a firm value as one of its assets, it will be depreciated in time and after 5 years that asset will be completely depreciated, but its market value will grow in time due to general changes in economy. The gap between a book value and a market value of a company may be quite significant. The important question would be: does the accounting system provide managers with up-to-date information on financial situation of an entity?

Traditional financial reporting [Beattie 2000, p. III], developed for manufacturing companies with mostly "hard" assets, and rooted in the periodic reporting of aggregated, historical, financial information, no longer satisfies users. According to Jenkis Report[1] to meet users' changing needs, business reporting must:

- provide more information with a forward-looking perspective, including management's plans, opportunities, risks, and measurement uncertainties,
- focus more on the factors that create longer term value, including non-financial measures indicating how key business processes are performing,
- better align information reported externally with the information reported to senior management to manage the business.

The same report indicates reasons (table 1) for using business reporting.

Table 1. Reasons for using business reporting

Type of users	Reasons for using business reporting
Investors	Help with investment decisions
Creditors	Help with credit decisions
Management and board members	Help with decisions about managing the business
Employee groups	Help understand compensation polices and a company's ability to meet compensation and benefit commitments
Competitors	Help evaluate competitive strengths and weaknesses and business strategy
Regulators	Help assess compliance with regulations
Academics	Provide data for research
The press	Provide data for articles
Users concerned with various social causes	Help assess company's involvement in areas of concern

Source: [http://www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/EnhancedBusinessReporting/Pages/JenkinsCommittee.aspx].

[1] http://www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/EnhancedBusinessReporting/Pages/JenkinsCommittee.aspx.

Financial processes are complex. Complexity is defined as follows – it is the state of being difficult to understand and apply [*Final report*…, p. 18]. According to ACIFR [*Final report* …, p. 18] the complexity in financial reporting refers to the difficulty for:

- investors to understand the economic substance of a transaction or event and the overall financial position and results of a company,
- people who make preparations to properly apply generally accepted accounting principles and communicate the economic substance of a transaction or event and the overall financial position and results of a company,
- other constituents to audit, analyse, and regulate a company's financial reporting.

Considerable complexity [*Complexity in financial*…, p. 11] can originate from the intricacy of commercial transactions and events themselves. There have been identified the following significant causes of complexity [*Final report*…, p. 19]:

- complex activities – the increasingly sophisticated nature of business transactions can be difficult to understand, particularly with respect to the growing scale and scope of companies with operations that cross international boundaries and financial reporting regimes,
- incomparability and inconsistency – incomparable reporting of activities within and across entities arises because of factors such as the mixed attribute model, bright lines, and exceptions to general principles,
- nature of financial reporting standards – standards can be difficult to understand and apply for several reasons, including:
  - the existence of opposing points of view that were taken into account when developing standards,
  - the challenge of describing accounting principles in simple terms for highly sophisticated transactions,
  - the presence of detailed guidance for numerous specific fact patterns,
  - the impact of multiple bodies setting standards,
  - the development of such standards on the basis of an incomplete and inconsistent conceptual framework,
- volume – the vast number of formal and informal accounting standards, regulations, and interpretations, including redundant requirements, make finding and evaluating the appropriate standards and interpretations challenging for particular fact patterns,
- audit and regulatory systems that complicate the use of professional judgement,
- educational shortcomings – undergraduate and graduate education in accounting has traditionally emphasized the mechanics of double-entry bookkeeping, which favours the use of detailed rules rather than the full understanding of relevant principles,
- information delivery – the need for information varies by investor type and is often driven by legal risk, rather than investor needs. In addition, the lack of a holistic approach to disclosures, the amount and timing of information, and the

method by which it is transmitted, may result in complex and hard-to-navigate disclosures that cause investors to sort through material that they may not find relevant in order to identify pieces that are.

The arguments which financial reporting critics lift are as follows [Beattie 2000, p. 2-3]:

- the fundamental entity and going-concern assumptions upon which the current reporting model is based are undermined by short-term strategic alliances. This is because companies are no longer relatively stable groupings of the factors of production,
- the periodic nature of current reporting sits uncomfortably with the real-time nature of modern information flows,
- the high degree of information aggregation is no longer necessary or desirable, since the large quantities of information can now be conveyed cheaply and reliably,
- the historical, backward-looking perspective of the traditional model is not fully consistent with the manufacturing and commercial flexibility now required for company survival and success.

No information or very limited access to data leads to the communication (information) gaps. There have been identified the following gaps [Eccles, Herz, Keegan, Phillips 2001, p. 131]:

- information gap – the difference between the importance analysts and investors attach to a measure and how satisfied they are that their information needs on that measure are met by companies' managers,
- reporting gap – the difference between the importance managers attach to a measure and how actively they work to report on it,
- quality gap – the difference between the importance managers attach to a measure and the reliability of the information their internal system provides,
- understanding gap − the difference between the importance managers and on the other hand analysts and investors attach to a measure,
- perception gap − the difference between how actively managers think they work to report on a measure and how analysts and investors perceive the adequacy of the information.

To make annual reports less complex and more understandable they have to be [*Louder than words*… 2009, p. 15-50]:

- targeted (understand the problem) – provide relevant information that meets important user needs, reflect the reality of the business,
- proportionate (balance the costs and benefits of regulation) – should limit constant change by intervening only when an area is high-risk and change will bring obvious benefit,
- coordinated (consider what other regulators are doing) – regulators should understand what other national and international regulators are doing in a particular area,

- clear (deliver an understandable solution) – keeping regulations simple and user-friendly,
- focused – highlight important messages, transactions and accounting policies and avoid distracting readers with immaterial clutter,
- open and honest – provide a balanced explanation of the results –good and bad news,
- clear and understandable – plain language, only well-defined technical terms, consistent terminology and easy-to-follow structure,
- interesting and engaging – get the point across with a report that holds the reader's attention.

Growing economy makes intangibles the most important resources (and assets) for companies (even those of traditional way of operating). The answer to the changing environment is the growing number of accounting, reporting and financial standards, which drives to the growing complexity of company reports. Accounting bodies concentrate on true and fair value of entities but forget about the report users and their needs. This is the direct cause of the communication gap and the different perception of annual reports by managers and stakeholders.

4. The future of corporate reporting – changes that must be made

Surveys and research show that traditional financial reporting loses its importance. Managers who want to lead and develop companies must have varied information on company performance. Stakeholders who want to invest their capital must have easy access to information on companies, and this information should be included in company reports. Unfortunately annual reports neither provide managers nor stakeholders with needed information. The major reason why this happens is the lack of knowledge on managers and stakeholders needs and limited access to information about the company. Most reports are emitted in a traditional way − on paper, in limited copies and directed to a few users.

Figure 4 shows basic differences between old (traditional) reports and new reports which are open to their users – no matter who they would be. The new reports are easy to access, internet-based that can be retrieved on demand and users can search through data bases online any time they want (unfortunately only in the most sophisticated reporting systems). The information is not limited to financial data but users have access to any kind of data (market-orientated, financial-orientated, production-orientated, and others). It can be done from each part of the world which makes companies globally orientated, and reports – continuously changing.

OLD	NEW
Shareholder focus	Stakeholder focus
Paper based	Web based
Standar idised information	Customised information
Company controlled information	Information a vailablefrom a variety of sources
Periodic reporting	Continuous reporting
Distribution of information	Dialogue
Financial statements	Broader range of performance measures
Past performance	Greater emphasis on future prospects
Historical cost	Substantial value-based information
Audit of accounts	Assurance of underlying system
Nationally orientated	Globally orientated
Essentiall y static system	Continuously changing model
Preparer-led regulations	Satisfying market-place demands

Figure 4. Reporting in a period of change – shift from old reporting models to new reporting models

Source: [Collier 2009, p. 133].

Only a few companies in the world use integrated reporting to communicate with their stakeholders. One report [Eccles, Krzus 2010, p. 10-11] provides a conceptual platform that is supplemented by the technology platform of the company's Web site, from which much more detailed data can and should be provided to meet the information needs of a company's many stakeholders. Eccles and Krzus have identified two meanings of one report:

- the first and most narrow meaning is a single document, either in paper or perhaps electronically provided as a PDF file. It is the way of communicating to all stakeholders that the company is taking a holistic view of their interests,
- the second and broader meaning is reporting financial and non-financial information in such a way that it shows their impact on each other.

The weakness of financial reporting is a result of what investors want to know and what reports do not provide. Table 2 shows what investors want to know.

Eccles, Herz, Keegan and Phillips have emphasised the importance of risk reporting. They have identified three main groups of risk factors: start-up risks, internet risks and retailing risks. SEC in Risk Disclosure Requirements has identified four major group of risk: market risk, credit risk, operational risk and accounting risk. Collier [Collier 2009, p. 133] has showed changes in reporting which are driven by globalisation, new technology and changes in legislation.

AICPA [*Meeting the information*… 1994] based on information needs of users identified the following areas of business reporting improvement:

Table 2. What investors want to know

Structure	Navigation	Messaging
1. Some form of narrative sequence with a beginning, a middle, and an end. 2. Clear linkage form markets to strategy to key performance. 3. An integrated structure: • do not mention one thing as being important and then fail to mention it anywhere else in the report, • do not hide important information away at the back of the report, • do not suddenly introduce a new idea and say it is a key to the business halfway through the annual report.	1. Clarity. 2. Messages backed up by evidence. 3. Plain speaking. 4. Plain English. 5. Balanced discussion of performance.	1. A good table of contents, or even an index. 2. Summaries of the information included in each section or even on each page or spread. 3. Individual sections clearly delineated. 4. Clear linkage between the narrative section of the annual report and the financial statement. 5. Good navigational aids on each page/spread.

Source: [*Reporting leadership*... 2006, pp. 6, 8,10].

- types of information: standard setters should develop a comprehensive model of business reporting indicating the types and timing of information that users need to value and assess the risk of their investments,
- more flexible reporting: a report should provide forward-looking information as well as historical information; report on each business segments; focus on the information that senior management uses to manage the business; focus on measurement; balance the costs and benefits of business reporting,
- financial statements: improve disclosure of business segment information; address the disclosure and accounting for innovative financial instruments, improve disclosures about the identity, opportunities, and risks of off-balance-sheet financing arrangements and reconsider the accounting for those arrangements; report separately the effects of core and non-core activities and events, and measures at fair value of non-core assets and liabilities; improve disclosures about the uncertainty of measurements of certain assets and liabilities; improve quarterly reporting by reporting on the fourth quarter separately and including business segment data,
- auditor involvement: allow for flexible audition association with business reporting, whereby the elements of information on which auditors report and the level of auditor involvement with those elements are decided by agreement between a company and the users of its business reporting; the auditor profession should prepare to be involved with all the information in the comprehensive model, so that companies and users can call on them to provide assurance on any

of the model's elements; the profession should continue its projects on other matters related to auditor association with business reporting,
- facilitate change: national and international standard setters and regulators should increase their focus on the information needs of users, and users should be encouraged to work with standard setters to increase the level of their involvement in the standard-setting process; standard setters should adopt a longer-term focus by developing a vision of the future business environment and users' needs for information in that environment,
- explanation of a business nature including the linkage between events and activities and financial impact on a company of those events and activities,
- provide management's perspective,
- focus on measurement to help users understand a company's performance relative to that of competitors and other companies,
- promptly communicate important changes affecting a company,
- communicate effectively and efficiently.

Collier [Collier 2009, p. 133] indicates four major future directions in which corporate reporting should change i.e.: reporting on shareholder value, risk reporting, web-based reporting and international harmonisation. FASB [*Improving business*... 2001, p. 6] identified six important categories of information for stakeholders:
- business data – for example high-level operating data and performance measurements that management uses to manage business,
- management's analysis of business data – for example the reasons for changes in the operating and performance-related data, and the identity and past effect of key trends,
- forward-looking information – for example opportunities and risks including those resulting from key trends, management's plans, including critical success factors and the comparison of actual business performance to previously disclosed opportunities, risks and management plans,
- information about management and shareholders – for example directors, management, compensation, major shareholders and transactions and relationships among related parties,
- background about the company – for example broad objectives and strategies, scope and description of business and properties and impact of industry structure on the company,
- information about intangible assets that have not been recognized in the financial statements.

Apart from financial statements corporate reports may include [*Meeting the fair*... 2013, p. 2]:
- to be fair and balanced:
– a chairman's statement discussing not only company achievements, but also setbacks,

– a CEO's review being honest about the control issues faced by the company and giving a flavour of what these were,
– openness about negative feedback from employees on the company's approach to performance management, personal development and career management, and actions taken in response,
– an audit committee report discussing specific accounting and auditing issues,
– information provided on a significant environmental event,
– achievements against KPIs reported honestly,
– a clear explanation of how and why a safety KPI was changed in that year,
– clear linkage from strategy to KPIs and clear track record in terms of KPI achievements,
– presentation of adjusted and unadjusted figures, both used consistently in the company's analysis,
• to be better understood:
– company strategy being presented by means of an analogy,
– a personal letter from the chair to the Remuneration Committee,
– a performance section providing a clear and concise explanation of all KPIs,
– a governance section clearly mapping out how governance decisions are made project by project,
– primary statements accompanied by commentary to help readers understand movements between the years,
– individual disclosure notes having a "headline" explaining in simple terms what the disclosure shows.

Finally, business reporting may have positive effects on [Schuster, O'Connell 2006]:
• cost situation,
• accounting system,
• business strategy,
• corporate governance,
• capital market.

Eccles, Herz, Keegan and Phillips identified five major benefits of better disclosure [Eccles, Herz, Keegan, Phillips 2001, pp. 191-198]:
• increased management credibility,
• more long-term investors,
• increased analyst following,
• improved access to new capital,
• higher share values.

Reporting model has changed. The major user of reports is not a shareholder but a stakeholder, and data used to prepare a company report are not only financial but also non-financial. Moreover, non-financial information seems to play a more important role in the decision making process – what is emphasized by managers and stakeholders. The reporting system must be supported by non-financial information, forward-looking without which it will still be only a historical picture of a company.

5. Recommendations to changes in annual reporting

The major directions in which business reporting should evolve are:

I. making financial reports less complex and more understandable,

II. developing narrative reporting to provide stakeholders and managers with more up-to-date information about company.

To make financial reports less complex and more understandable SEC Commission published a set of recommendations which may reduce substantive complexity, influence the standards-setting process, develop audit process and compliance. Finally, to make financial information more accessible SEC published recommendations about delivering financial information. AICPA[2] also published a set of recommendations to improve business reporting. A comprehensive business model by AICPA should:

- focus reporting on users' needs for information,
- broaden the focus from financial statements to the wider array of information necessary to meet users' needs for information,
- identify high-priority projects for standard-setting agendas,
- provide a platform for considering cost-benefit issues,
- provide a framework for setting specific standards in a manner that is directionally consistent and integrated with other standards and users' needs for information,
- streamline reporting by purging redundancies in disclosure and identifying unnecessary disclosure requirements,
- organize reporting in a manner that users retrieve information easily,
- provide users and companies with a menu of reporting elements that would facilitate their agreement about the types of information to be provided to users in particular.

The most popular and complete narrative reporting framework has been developed by The International Integrated Reporting Council (IIRC). It contains [*Integrated reporting*...]:

- fundamental concepts that underpin integrated reporting,
- guiding principles that inform about the concept of an integrated report and the way information is presented,
- content elements to be included in an integrated report,
- additional considerations in the preparation and presentation of an integrated report.

The content of an integrated report is presented in Table 3.

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[2] http://www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/EnhancedBusinessReporting/Pages/JenkinsCommittee.aspx.

Table 3. The content of an integrated report by IRC SA and IIRC

IRC SA key components of an integrated report	IIRC key components of an integrated report
Report profile: What is the scope and boundary of the report?	
Organisational overview, business model, and governance structure: How do we create value and make decisions?	Organisational overview and business model: What does the organisation do and how does it create and sustain value in the short-, medium- and long-term?
Remuneration policies: What is our approach towards remuneration?	Governance and remuneration: What is the organisation's governance structure, and how does governance support the strategic objectives of the organization and relate to the organisation's approach to remuneration?
Understanding the operating context: What are the circumstances under which we operate?	Operating context, including risks and opportunities: What are the circumstances under which the organisation operates, including the key resources and relationships on which it depends and the key risks and opportunities that it faces?
Strategic objectives, competencies, KPIs and KRIs: Where do we want to get and how do we intend to get there?	Strategic objectives and strategies to achieve those objectives: Where does the organization want to get and how is it going to get there?
Account of the organisation's performance: How have we fared over the reporting period?	Performance: How has the organisation performed against its strategic objectives and related strategies?
Future performance objectives: Informed by our recent performance, what are our future objectives?	Future outlook: What opportunities, challenges and uncertainties is the organisation likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?
Analytical commentary: What are the views of the leadership about the organisation?	

Source: [Integrated reporting. Prototype…; Integrated reporting. Navigating your… 2012].

There are plenty reporting models and frameworks that may be used to satisfy users' information needs. Some good examples are shown in table 4.

Table 4. Examples of financial and non-financial reporting initiatives

Initiative	Focus
The triple bottom line	Strategic management and reporting of financial, social and environmental performance
The balance scorecard	Strategic management and reporting of financial, customer, process and knowledge assets; recently extended into environmental sustainability
UK Operating and financial review	Strategic financial and non-financial performance reporting
Australian legislation for public sector organisations	Intellectual capital
ASX principles of good corporate governance and best practice recommendations	Governance
MERITUM Guidelines – measuring intangibles to understand and improve innovation management	Intellectual capital
Danish guidelines on intellectual capital reporting	Intellectual capital
Keizai Doyukai	Corporate social responsibility / sustainability
Guideline for intellectual property information disclosure	Intellectual capital
The Global Reporting Initiative	Triple bottom line / sustainability

Source: [*Extended performance…*, p. 3].

To choose the best reporting model, those who prepare it have to get to know users' needs for information without which company reports will not change and will be reduced to financial reports and historical data.

6. Conclusions

Changes are always difficult to make, but changes in the very complex economy are inevitable and are a must. Almost 35% of investors decision [*Measures that matter 1997*, p. 13] are based on non-financial data which means that without these data investors will not be able to make decisions or just allocate their capital in a different way. Professionals use non-financial data to evaluate a company or to make more accurate earnings forecasts. Unfortunately, most of these data are taken from sources not-connected to financial reports, but closely related to market and business surroundings. This must be changed because the accounting system is the only reliable data basis on company operations and much has been done so far to make financial reports more useful, but this has also caused bigger complexity of reports. Now we stand before a big challenge – to make reports less complex, more understandable and more useful for every kind of users.

If standard setters and professional bodies take into account information needs of users, it will make annual reports a better tool for stakeholders' decisions.

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