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THE IMPLANTATION PROSPECTS OF INTEGRATED REPORTING FOR ENTERPRISES IN UKRAINE

Abstract.

Problem statement. The purpose of the article is to analyze and evaluate the prospects for the development of integrated reporting for Ukrainian enterprises.

Research results. Today, enterprises begin to communicate less exclusively in the language of finance and business accounting. Entrepreneurship should be focused on behalf of a wider range of stakeholders, and transparency is a good practice. When comparing the Guidelines for the preparation of a management report prepared by GRI and the recommendations of international integrated reporting standards, we can conclude that the requirements for the main sections of the reports are identical. Countries of the world in which official regulation took place much earlier and the process of forming the rules and conditions for the preparation and publication of integrated reports was completed now have the corresponding result of the dissemination of the trend and the need for the publication of integrated reports.

Conclusions. Enterprises that are ready to move to a new level of quality of their reporting should review their accounting policies, which should be based on the transition from traditional business accounting to sustainable development accounting. The prospect of implementing integrated reporting is no longer on the agenda. This is a reality that not only acts, but also spreads exponentially. Now for 2019, compulsory reporting is intended only for large and medium-sized enterprises. Their number is 16653 enterprises. But, small enterprises with an appropriate estimate of the book value of assets from 350 thousand to 4 million Euros and net income from sales from 700 thousand to 8 million Euros in the near future will be obliged to form and publish reports on their sustainable development.

Key words: integrated reporting, accounting, sustainable development, enterprise.

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ПЕРСПЕКТИВИ ВПРОВАДЖЕННЯ ІНТЕГРОВАНОЇ ЗВІТНОСТІ ДЛЯ ПІДПРИЄМСТВ УКРАЇНИ

Анотація. У статті проаналізовано ставлення та готовність підприємств до формування інтегрованих звітів. Проведено порівняння Методичних рекомендацій зі складання звіту про управління підготовлених МФУ та міжнародних стандартів інтегрованої звітності. Визначена кількість підприємств що формують інтегровану звітність у світі на 2019 рік за стандартом GRI G4 та G3. Доведена потреба трансформації звітності про сталий розвиток під тиском міжнародного і українського нормативно-правового регулювання. Оцінені перспективи впровадження інтегрованої звітності в Україні серед великих, середніх, малих та мікропідприємств.

Ключові слова: інтегрована звітність, облік, сталий розвиток, підприємство.

Problem statement. Currently lawmaker Ukraine prepared a substantial foundation for the introduction and implementation of integrated reporting. The general features, principles and essence of such reporting were identified. But as always during the implementation of any novelty there are obstacles in its practical implementation. And this applies to both the lawmaking process and practical implementation at the enterprise. The integrated reporting requirements set out today are not straightforward and may be interpreted and implemented differently. Large and medium-sized businesses need clarification about the rules and standards of integrated reporting, the obligation to create and publish it, and especially the responsibility.

Analysis of recent research and publications. According to the changes in the legislation of Ukraine from 2018, large and medium-sized enterprises should form a “Management Report” or “document containing financial and non-financial information that characterizes the state and prospects of the enterprise development and reveals the main risks and uncertainties of its activity” [1]. That is, this document may actually replace the financial statements, since it already has financial records. That is, based on the definition, we can assume that the new annual financial statements will not be a simple dry statement of the digital values of the enterprise. This document is universal for both the issuer of the report and for each stakeholder.

Many financial reporting scholars and researchers have always emphasized the expansion of financial reporting. Thus, Kucherko S.O. proposed to meet the requirements for timely and complete disclosure of information in the financial statements in order to meet the requirements of external and internal users for financial results, there is a need to expand the financial statements by including in its composition a form of 50-SG, detailing the indicator of sales revenue through sales channels, and costs for major articles and more [2].

The following positive results are possible from one or another improvement of information support: 1) Cost savings are possible by reducing (payroll, utilities, the cost of the software, mail costs, the cost of executing contracts, costs for the redistribution of raw materials); 2) Eliminate potential costs in the future (avoidance of future growth of staff, reducing data processing requirements, reducing the cost of maintenance); 3) Intangible benefits are possible (improving the quality of information, increasing of productivity, improving and accelerating service, new production facilities, more confident decisions, improved control, reducing late payments, full use of the software [3, p. 57; 4, p. 46].

Some authors emphasize that when specifying the purpose of assessing the effectiveness of social responsibility, there is an opportunity to choose the most favorable methods, a system of indicators and requirements for the necessary input information for conclusions

and making sound management decisions [5, p. 114].

You can agree with P.Y. Atamas [6, p. 83-84], that specific metrics for integrated reporting for businesses across industries should be different. The same R.O. Kostyrko and D.V. Prozorov are also right in substantiating the fundamental concepts and principles behind the development of corporate reporting when providing a holistic view of the methodological framework for integrated corporate reporting from a sustainable development perspective [7, p. 48]. But the business community needs «licensing» the results of their activities, to work with and differentiate from certain campaigns that are not only our industry but also our territorial competitors. At present, the purpose of modern business is not only to meet its own economic environmental and social needs. It is transformed into the goal of meeting the same challenges but for all stakeholders. That is why reporting should be considered in this context as a universal language and a form of providing information and automatically differentiating businesses in their relation to the economic, social and environmental environment.

Formulating the goals of the article. To analyze and evaluate the prospects of development of integrated reporting for Ukrainian enterprises.

Presenting main material. Today, businesses are starting to communicate less exclusively in the language of finance and business accounting. Entrepreneurship should be targeted on behalf of a wider range of stakeholders, and transparency is good practice. The ques-

tion is whether we can fully open ourselves? This question has always been posed every time for every ten years before every accountant before finalizing the financial statements.

Researchers and lawmakers of integrated reporting and other interpretations address a key topic that is still relevant in many countries: addressing the confusion about the purpose and focus of auditing reporting. Committee on the International Auditing and Assurance Standards Board (IAASB) works diligently to develop a guide to its ten key tasks to ensure energy efficiency through the collection of knowledge that already exists among those few who know how to address these issues. However, legislative and regulatory changes will also be needed to ensure progress, as well as some enterprising business leaders ready to develop and release a guaranteed integrated report for the first time. The business should start the trend of defining the content itself, the reports should reflect the business, its business model and strategy and thus differ from each other. We agree that the standardization of a management report will determine its content, but to a large extent, blanks will deprive businesses of the uniqueness that we currently have in our annual financial statements.

When comparing methodological recommendations for the preparation of the management report of the prepared by Ministry of Finance of Ukraine [8] and recommendations of international standards for integrated reporting, we can conclude that the requirements for the main sections of the report are identical (Table 1).

Table 1

Recommendations Guidelines for the preparation of a management report prepared by Ministry of Finance of Ukraine and international standards for integrated reporting

№ з/п	Recommendations on the content and procedure of the management report Method Recommendations № 982 of Ministry of Finance	International standards for integrated reporting (GRI, AA 1000, Global Compact)
1	Organizational structure and description of the enterprise	Appeal from senior management companies to interested users of reporting
2	Results of activity	Company characteristics Integrated report options Financial performance (financial statements and their interpretation)
3	Liquidity and liabilities	Economic indicators of activity
4	Environmental aspects	Characteristics of environmental activities
5	Social aspects and personnel policy	Indicators of social activity and social responsibility
6	Risks	Risks and opportunities
7	Research and innovation	Corporate governance, commitment, and stakeholder engagement
8	Financial investments	Corporate governance, commitment, and stakeholder engagement
9	Development prospects	Other significant issues of activity
10		<i>Organization of internal and external quality control of the report</i>

Source: [8; 9]

However, the main difference, other than set metrics or mandatory regulatory sections, is to organize internal and external quality control of the report. This point is still ambiguous and most debatable. Especially when it is not about financial indicators such as corporate culture or interaction with the environment in social and environmental interaction.

Today, there is a proposal in the market for audit and consulting services to assist in the preparation, formulation and publication of management reports. The preparation of a re-

port on the management of some audit firms starts from \$ 5,000. And this is a report that is up to 30-40 pages. Medium and large enterprise reports, respectively, will consist of at least 100 pages. And the cost of preparing such a report starts from \$ 10-15 thousand.

Countries in the world where formal regulation and formal rules for the preparation and publication of integrated reporting have been formalized and completed now have the relevant result of the trend and the need to publish integrated reports (Table 2).

Table 2

**Number of enterprises that create integrated reporting in the world at
2019 year by standard GRI G4 and G3, units**

№	Country	Enterprises that formulate integrated reporting, units.			
		Total	Including		
			Great	Medium	Small
1	Ukraine	22	22	-	-
2	USA	1165	571	453	135
3	Germany	449	237	110	89
4	Australia	358	187	101	66
5	France	277	99	145	31
6	Austria	236	102	24	109
7	Russia	160	120	19	21
8	Poland	140	101	18	19
9	Czech Republic	52	24	21	6
				
	In the world	14012	7950	3239	2665

Source: compiled by the author on the basis [10].

Of course, the data in Table 1 indicate that Ukraine is in the early stages of developing its policies and practices for integrated reporting requirements. As noted D.M. Trachova and L.A. Sakhno [11] the transition from standard Ukrainian accounting system to international standards will lead to a number of positive changes in meeting the information requirements of all users of information.

Only 5% of Ukrainian enterprises will form and submit a management report. Moreover, only a small part and only large enterprises with a book value of assets of EUR 20 million, a net turnover of EUR 40 million and an average number of employees of 250 people.

Of course, large enterprises not only have the financial capacity to provide a cost-effective reporting process, but they can also "show" something. However, the main problem is the lack of standardization. Large enterprises are the largest contributors to environmental pollution. Therefore, the permitted variability in the performance of the management report makes it possible to hide the abuse and uncontrolled emissions of pollutants.

The prospect of developing non-financial or integrated reporting is to standardize the management report. This standardization should

have the limits of the permitted formats for particular industries or types of production. If it is metallurgy, then indispensable indicators are not only pollution but reduction rates. Therefore, standardization of sustainability reporting is inevitable. Moreover, this standardization should influence the rethinking and motivation of small and middle enterprises to participate equally. In the long term, they will also be required to produce management reports or extended financial statements for social and environmental performance.

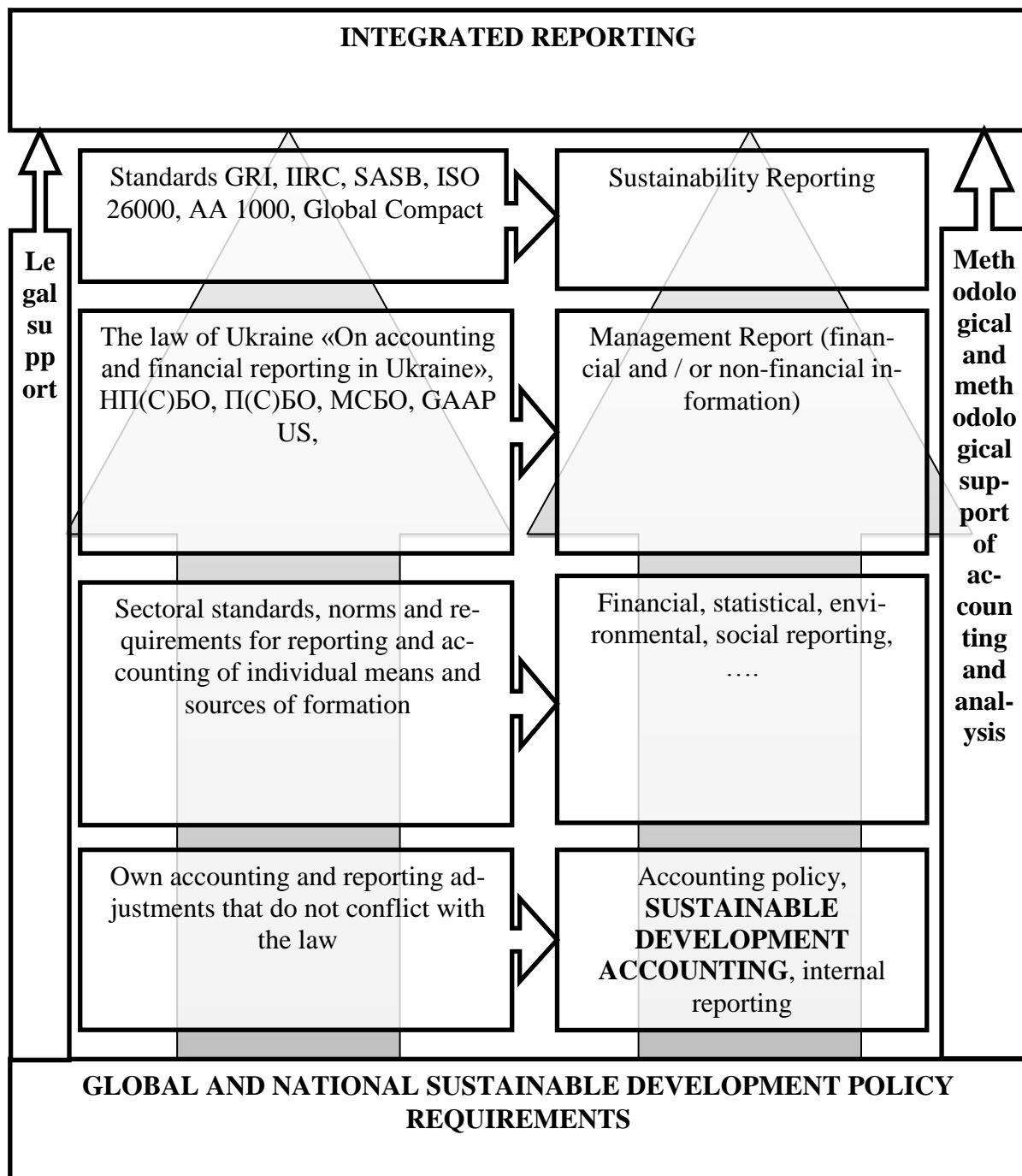
When conducting, for example, financial analysis in the context of sustainable development concepts, it appears to be a possible, desirable and even necessary element for enterprises that want to conduct qualitative, accurate and complete analysis that will fully control the activities and take timely measures to prevent problematic situations. [12, p. 21]. However, financial analysis is not the definitive tool in providing a complete picture of the enterprise. And especially when it comes to determining its position and attitude to the environment in environmental and social terms.

V.M. Zhuk when comparing the Soviet reporting system with the existing and newly created system of reporting on the results of

economic, social and environmental activities, emphasizes that after the thoughtless reforming of the domestic accounting system, there is a chance to restore the status of the main function of management, information security and predictability in Ukraine [13, p. 25]. Nowadays, it is possible to review the requirements

and structure of integrated reporting and its further development.

The further development of integrated reporting depends on the regulatory framework and accounting and analytical support, which should be regulated by several levels of regulation (Drawing 2).



Drawing 1. Transformation of Sustainable Development Reporting under the pressure of international and Ukrainian regulatory framework *

*Source: compiled by the authors

Businesses that are ready to move to a new level of quality in their reporting should review their accounting policies, which should be based on the transition

from traditional business accounting to sustainable development accounting. Previously presented Fig. 1 is not news to a modern business entity that has long changed its attitude to the environment. Now it is only necessary to create transparent reporting.

The prospect of implementing integrated reporting is no longer on the agenda. This is already a reality that is not only acting but also spreading geometrically. Therefore, in table. Figure 2 presents the current state and pro-

spects of implementation of integrated reporting in Ukraine among all business entities.

from traditional business accounting to sustainable development accounting. Previously presented drawing 1 is not news to a modern business entity that has long changed its attitude to the environment. Now it is only necessary to create transparent reporting.

The prospect of implementing integrated reporting is no longer on the agenda. This is already a reality that is not only acting but also spreading geometrically. Therefore, in table 3 presents the current state and prospects of implementation of integrated reporting in Ukraine among all business entities.

Table 3

Prospects for implementation of integrated reporting in Ukraine

YEAR	Business entities, units										
	TOTAL	big	average			small			microenterprises		
		Legal entities	Legal entities	Individuals	Total	Legal entities	Individuals	Total	Legal entities	Individuals	Total
2010	2183928	586	20983	355	21338	56796	11520	68316	300445	1793243	2093688
2011	1701620	659	20753	306	21059	58468	12615	71083	295815	1313004	1608819
2012	1600127	698	20189	361	20550	57587	10516	68103	286461	1224315	1510776
2013	1722070	659	18859	351	19210	55332	9689	65021	318477	1318703	1637180
2014	1932161	497	15906	712	16618	45676	9483	55159	278922	1580965	1859887
2015	1974318	423	15203	307	15510	43573	3982	47555	284241	1626589	1910830
2016	1865530	383	14832	281	15113	43459	5839	49298	247695	1553041	1800736
2017	1805059	399	14937	317	15254	44818	7506	52324	278102	1458980	1737082

*Source: compiled by authors based on data [14]

Currently, for 2019, mandatory reporting is only for large and medium-sized businesses. Their number is 16,653 enterprises. But in our opinion, small businesses with an appropriate estimate of the carrying value of assets from 350 thousands to 4 mln. EUR and net sales revenue from 700 thousands to 8 mln. EUR in the near future will be obliged to formulate and publish reports on their sustainable development. And if that doesn't happen, there will be an evolutionary change in the thought and purpose of entrepreneurship, and small businesses will definitely report to their stakehold-

ers in terms of environmental, social and governance.

Conclusions. Today, all business entities and government institutions need to understand, that integrated reporting should be a tool not only for transparency of activity and control over environmental and social activities, but, in the first place, as a means of encouraging a change in the main objective and purpose of entrepreneurship - to achieve maximization of economic profits while progressively increasing environmental and social capital. It is these two capitals that should increase around the business entity. Integrated reporting and accordingly the accounting

and analytical process of its formation are on par with the means of achieving the main goals of sustainable development: from poverty reduction to partnership for sustainable development.

In order to achieve better effect and substantially improve the indicators and components of the global Sustainable Development Goals in Ukraine as a whole, it is necessary to gradually expand the categories of entrepreneurship that should formulate and publish standardized management and sustainable development reports. These categories should not be limited to medi-

um-sized enterprises only. Small businesses producing more than 50% of GDP (Gross Domestic Product) must provide integrated reporting. Of course, these innovations need gradual regulation. However, certain types of business with certain types of activity are required to produce a management report regardless of size and ownership. This is especially true for the chemical and mining industries. Further research will be linked to exploring options for sustainability reporting for small and micro businesses.

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