



**NAIRJC**

**A Peer Reviewed Refereed International Journal**

DOI: 10.6947/nairjcbem2023.7.4.3

## INTEGRATED REPORTING: A ONE STEP AHEAD TOWARDS CORPORATE REPORTING

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### **ABSTRACT**

*The annual reports are long and getting longer. But, because reporting has evolved in separate, disconnected strands, critical interdependencies between strategies, governance, operations and financial and non-financial performance are not made clear. For growing demand for a broad information set from markets, regulators and civil society, a framework is needed that can support the future development of reporting, reflecting this growing complexity. Such a framework needs to bring together the diverse but currently disconnected strands of reporting into a logical, integrated whole, and show an organization's ability to create value now and in the future. Integrated Reporting brings together the material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated Reporting can reduce the reporting burden on organizations while improving investors, and other stakeholders, insight and understanding.*

**KEYWORDS:** *Integrated reporting, Corporate Governance, Stakeholders, Corporate reporting.*

## INTRODUCTION

Now a day's start the era of convergence in corporate reporting. Traditionally company reporting primarily consists of financial information of the organisation. The balance sheet, Income statement and the accompanying directors' report together outline the company's performance. In the past decades a shift has occurred in how companies report on the impact they have on their stakeholders. Companies started to explain their impact on the environment and wider society in Corporate Social Responsibility reports and a growing number of companies are now following their example. Over the last decade corporate social responsibility reporting has grown significantly – from 35 percent in 1999 to 80 percent of the companies listed in the Global Fortune 250 in 2008. Over the last years, a selected number of companies have started to integrate corporate social responsibility reporting into the annual report.

Long and complex reports are often impenetrable for many readers. The main aim of integrated reporting is to simplify the primary report so that it covers, concisely, only the most material information. An Integrated Report displays an organization's stewardship not only of financial capital, but also of the other capitals like. Manufacturing, human resource, intellectual, natural and social, their interdependence and how they contribute to success. This broader perspective requires reflection of resource usage and risks and opportunities along the organization's full value chain.

## INTEGRATED REPORTING

Integrated Reporting brings together the material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental situation within which it operates. It provides a clear and concise illustration of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated Reporting combines the most material elements of information currently reported in separate reporting strands like. financial information, chairman and director reports, corporate governance and remuneration, and sustainability in a coherent whole, and importantly shows the connectivity between them and explains how they affect the ability of an organization to create and sustain value in the short, medium and long term.

Integrated Reporting reflects what can be called “integrated thinking” – application of the collective mind of those charged with governance, and the ability of management, to monitor, manage and communicate the full complexity of the value-creation process, and how this contributes to success over time. It will increasingly be through this process of “integrated thinking” that organizations are able to create and sustain value. The effective communication of this process can help stakeholders, to understand not only an organization's past and current performance, but also its future spirit.

The main output of Integrated Reporting is an Integrated Report: a single report that the International Integrated Reporting Committee anticipates will become an organization's primary report, replacing rather than adding to existing requirements. Such a report enables evolving reporting requirements, both market- driven and regulatory, to be organized into a coherent narrative. An integrated report provides a clear reference point for other communications, including any specific compliance information, such as investor presentations, detailed financial information, operational data and sustainability information. Much of this information might move to an online environment, reducing confusion in the primary report, which will focus only on the matters that the organization considers most material to

long-term success.

## TRENDS IN CORPORATE REPORTING

Corporate reporting has become new catchphrase actions in recent years have highlighted the need for companies to produce high quality transparent financial statement using a set of globally accepted standards. Increasingly, investors are demanding additional, non-financial information on which to base their decisions. Increasing government legislation, customer pressure and the emergence of corporate governance at all levels means that reporting company's performance, policies and plans are becoming an important mainstream business activity.

Director's report as part of corporate report is considered the root of the annual report of the company. It is treated and indexes to corporate reporting but also accurate, unbiased and fair. The emerging trend in corporate financial reporting and especially director's report is more challenging to the Indian companies in the wake of gradual institutionalization of capital market and awareness among investors. Internationalization in business has put requirements for a new unified standard for companies' financial reporting.

Currently the way of presenting financial statement is not strictly defined in the accounting standards. As a result, business entities in different countries structure their financial statement presentation based on the established national practice. This leads to significant discrepancies in information disclosure level and companies' financial transparency from country to country, which makes financial analysis and international business comparisons less reliable. In order to address this problem, the International Accounting Standards Board and the Financial Accounting Standards Board undertook to create a unified future standard on financial statement presentation and corporate reporting.

## NEED OF INTEGRATED REPORTING

Since the current business reporting model was designed, there have been major changes in the way business is conducted, how business creates value and the context in which business operates. These changes are interdependent and reflect trends such as Globalization, growing policy activity around the world in response to financial, governance and other crises, heightened expectations of corporate transparency and accountability, actual and prospective resource scarcity, population growth and environmental concerns.

Against this background, the type of information that is needed to assess the past and current performance of organizations and their future resilience is much wider than is provided for by the existing business reporting model. While there has been an increase in the information provided, key disclosure gaps remain.

## FUTURE DIRECTION TOWARDS INTEGRATED REPORTING

The development of Integrated Reporting is designed to enhance and consolidate existing reporting practices and, through collaboration, consultation and experimentation, to move towards a reporting framework that provides the information needed to assess organizational value in the twenty first century.

The next steps that the International Integrated Reporting Committee will take in this direction are to undertake a pilot programme to encourage experimentation and innovation among companies and investors, to work with others to support the development of emerging measurement and reporting practices relevant to Integrated Reporting, to raise awareness among investors and other stakeholders and encourage organizations to adopt and contribute to the evolution of Integrated Reporting, to explore opportunities for harmonizing reporting requirements within and across jurisdictions and to develop institutional arrangements for the ongoing governance of Integrated Reporting.

## CONCLUSION

Long and complex reports are often creating confusion among many readers. A key objective for Integrated Reporting is to de-clutter the primary report so that it covers, concisely, only the most material information. Because traditional reporting occurs in silos, it encourages thinking in silos. Integrated Reporting reflects and supports integrated thinking, monitoring, managing and communicating the full complexity of the value creation process and how this contributes to success over time. Integrated Reporting demonstrates the extent to which integrated thinking is occurring within the organization. This broader perspective requires consideration of resource usage and risks and opportunities along the organization's full value chain.

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