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INTEGRATED REPORTING – THE NEW DIRECTION IN THE CORPORATE REPORTING

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Abstract

According to the World Commission on Environment and Development as a result of the enormous scales of poverty, the emerging ecological crisis and the alteration in the balances of the environment and the climate, humanity has entered an era of global uncertainty. The world is facing the elaborate task to encounter a manner to solve these social, environmental, economic and other problems. The alterations in a perspective impose changes in the range and the content of accountability. Each acting enterprise represents an inseparable part of the society. By accomplishing its activity it affects different stakeholders: investors, creditors, employees, customers, suppliers, regulators and the community in general. The enterprises' corporate reporting was primarily connected with the disclosure of the annual financial statements reflecting their financial status. The concern over the impact of the enterprises on the environment and the people, as well as the growing information necessity of the stakeholders, require an alteration in the conventional reporting. The enlarged volume and content of the contemporary corporate reports and the absence of a relation between the incorporated financial and non-financial information presented in separate reports determine the necessity of preparing one single integrated report.

Keywords: *Corporate reporting, non-financial information, integrated reporting, capital*

1 INTRODUCTION

Transport has a crucial role in the development of each country's economics. On the one hand, transport can be considered to be a fundamental element of the reproduction process. On the other hand, transport is an element of the other industries' reproduction process and by serving production, exchange and consumption, creates a connection between them and encompasses all the streams of material and labour (Jelezov, 2010) resources converting itself into a factor on which depends the improvement of the other economics industries.

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The field of services in Bulgaria generates approximately 65% of the countries' gross (Ministry of Transport) added value whilst the "Transport, storage and mailing" sector ensures direct employment to about 136,000 people.

Roughly 65% of the proportion of goods carried in Bulgaria occupies the road freight transport. The augmentation of the road freight (passenger as well) transports volume during the last decade and the related pollution of the environment as well as the enlargement of the number of road accidents, obstruct the achievement of one of Bulgaria's transport policy's most fundamental purposes –

achieving sustainable development in transport (the goods carried from the road transport in 2016 have increased by 13.17 % to 2010).

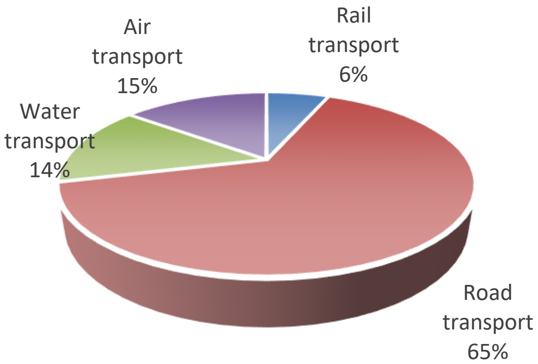

Figure 1 Relative share of road freight transport based on goods carried in thousand tonnes in 2016 (NSI, 2016)

Table 1 Goods carried – road transport in thousand tonnes during 2010 – 2016

Years	2010	2012	2014	2016
For payment	48,053	65,282	75,734	82,543
For own account in general	130,013	140,376	153,262	147,136

Source: (NSI, 2016)

All positive and negative effects with respect to the realization of freight transport by enterprises that are essential for stakeholders and society, in general, must reflect on the preparation of an integrated report.

2 INTEGRATED REPORTING IN THE TRANSPORT SECTOR

The financial information has always been a constructive element of a corporate accountability. Irrespective of this, the economic situation is subjected to dynamic alterations mainly due to the globalization which requires that the enterprises reacted to the stakeholders' requirements. Currently, non-financial information acquires more and more importance which is conducive to the upgrade of the corporate accountability over the creation of financial information by composing an integrated report.

What is the integrated reporting?

One of the definitions in the economic literature determines integrated reporting as "a process that represents outcomes (by an annual integrated report) concerning the manner enterprises create value over time and their influence from the economic, social and ecological point of view". (Busco, 2013)

As a result of the definition stated above, consequently, enterprises are to include in their corporate accountability data regarding the financial performance as well as information in three basic directions: environmental tolerance, social justice, and economic viability. These are the three pillars constructing the sustainable development's concept of the enterprises. By integrating non-financial information in the financial statement, companies accept the economic, social and environmental impact of their behavior. Stakeholders, however, receive the necessary information with respect to controlling and the making of management and investment decisions from the enterprises.

3 THE CAPITAL IN THE CONTEXT OF THE INTEGRATED REPORTING

From an accounting point of view, the capital is a source of every enterprise' assets formation. There are different classifications of the capital according to the point of view. For example, for the realization of their activity companies use equity (represent the invested funds by the owners) including realized profits) as well as liabilities (a capital provided by external sources). They, however, (the equity and the liabilities) possess their own constituent elements that form this classification, etc.

As per the International Integrated Reporting Framework (IIRF) the capital represents a stock of value that increases, decreases or transformations into a result of the enterprise's activity. (IIRC, 2013)

The classification of the capital accepted by the International Integrated Reporting Council (IIRC) is a little bit more different than the standard accounting concepts. The capital is considered in the context of the sustainable development and it is classified as a financial, manufactured, human, intellectual, social and natural (table …). As opposed to the conventional reporting's range, these types of capitals incorporate the so-called "invisible" capital.

Table 2 Types of capitals as per IIRF

Types of capitals	The essence of the capital
Financial capital	Source of means that are available for the enterprise in order to produce goods or provide services and are received by financing with equity, debt, grants.
Manufactured capital	Manufactured products in a naturally-substantial form that are available for the enterprise during the production of goods or the provision with services.
Human capital	Incorporates the human abilities and experience as well as employee's loyalty and motivation towards the improvement of the enterprise's activity.
Intellectual capital	It concerns knowledge-based intangible assets that provide a competitive advantage to the company.
Social capital	Includes values, behavior attitude, loyalty and confidence that the enterprise improves and builds with regard to providers; customers, business partners and, thus, it operates, i.e. all social attitudes that are conducive to the creation and maintenance of the company's value;
Natural capital	These represent the receipts of resources concerning the production of goods or the performance of services. It consists of all-natural resources that are of great significance to the economic efficiency and human life;

Source: (IIRC, 2013)

The resources are, practically, form part of the enterprise's capital, are used in its activities and represent a factor for its market successes, however, they do not take part in the composition of the financial statement and are determined as "invisible" capitals. These are research costs and developments, costs of qualification and re-qualification of the employees, the enterprise's image, etc.

4 INTERACTION BETWEEN DIFFERENT TYPES OF CAPITALS IN THE VALUE CREATION PROCESS. ECONOMIC VALUE ADDED

Every enterprise by executing its activities, transforms, increases or decreases different types of capitals as a result of which it creates value over time. Every company oriented towards the value creation per the shareholders creates value per the rest of the stakeholders.

- Employees – value creation for the employees with increasing the possibilities for a future development and higher incomes;
- Shareholders – an investment of a capital in the enterprise and value creation for the shareholders by guaranteeing future incomes;
- Managers – they manage the enterprise by balancing between defending the owner's interests, on the one hand, and increasing their own incomes, on the other, and by doing so, a value is created both for the enterprise and the managers;
- Investors – they increase their incomes, i.e. the companies create value for the investors by dint of the earning per share as well as the creation of conditions for the augmentation of the company's stock exchange;
- Creditors – by executing their activity the enterprise generates cash flow by which the repayment of the principal and the interests on loans are guaranteed, thereby creating value for the creditors;
- Society – by paying its own taxes the enterprise creates value for the community as a whole.

The capitals' interaction and the value creation process are fundamental concepts of the integrated reporting.

One of the methods for measuring the enterprise's created value is the index EVA (economic value added) that is used as an evaluation of economic activity's efficiency.

The economic value added is an indicator regarding the company's residual income. By dint of EVA, the value's growth that the enterprise creates for the shareholders is measured. The index occupies a position between the profit and the value of incorporating information from the accounting statement, on the one hand, and adding the "invisible" capital, on the other.

From the integrated reporting's point of view, "the invisible" capital summarizes and represents the intellectual, human, social and natural capitals which are announced as non-financial information.

With the integrated reporting's entry in the corporate reporting, the researches regarding the connection between non-financial information and the enterprise's financial performance get deepen.

In order to explore the connection between financial and non-financial information, key indicators are to be brought out regarding the measurement of the created value over time by the enterprise based on the different capitals interactions.

To measure the financial performance, the indicator EVA should be used.

Equation 1

EVA = NOPAT – WACC * Ic
NOPAT – net operating profit;
WACC – the cost of capital;
Ic – invested capital; (Kasarova, 2013)

To research the distinct types of capitals participation in the enterprise's value created, the following indicators are brought out:

- **Human capital**

Indicator 1: the ratio of the average number of employees for a certain period to revenue (sales);

Indicator 2: the ratio of the employees' costs including payments, costs of qualification and re-qualification etc. for a certain period to revenue (sales);

- **Intellectual capital** – the ratio of deployment costs of the ERP systems with respect to the expenditure on research and development activities or another intangible asset for a certain period to revenue (sales);

- **Manufacturing capital**

Indicator 1: the ratio of the non-current assets value with respect to the means of transport incorporated in the enterprise's activities for a certain period to revenue (sales);

Indicator 2: the ratio of the tkm produced for a certain period to revenue (sales);

- **Social capital** – the ratio of the average payment that the enterprise pays to its employees to average country payment per a certain period. The result is relative to revenue (sales);
- **Natural capital** – the ratio of the tax costs on the different types of cargo vehicles, however, these costs are preferential for the enterprise whose transport means fulfill to the European emission standards (EURO 3, EURO 4, EURO 5 and EURO 6, EEV) to revenue (sales).

In order to search the dependencies relations between financial and non-financial information, the following model is presented:

Equation 2

EVA = f (NFI / Sales, X)

NFI / Sales – represents the dependency between main non-financial indicators (displayed above) and the revenue for a certain period.

For comparison of EVA and the non-financial coefficients and measurement of the caused consequence, a correlation analysis should be executed that is going to be the subject of further research.

5 CONCLUSIONS

The more and more increasing attention regarding the corporate responsibility, requires a better corporate accountability, an increased corporate transparency, and improved disclosure. Currently, the enterprises are obliged to report their financial performance. The conventional financial reporting is considered to be insufficient and enterprises have to announce financial and non-financial information with respect to their completed activities: financial and economic, managerial, social, ethical and environmental reflecting, reflecting all stakeholders' interests.

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