

# Perception of Accounting Experts on the Implementation of Integrated Reporting in Sri Lanka

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## Abstract

The main purpose of this paper is to examine the perception of accounting experts on the implementation of integrated reporting in Sri Lanka. Integrated reporting provides a wide range of information especially financial and nonfinancial information to economic decision makers of the company. Primary data used in this study which was collected from accounting experts such as academician, auditors, professional accountants/ chief financial officer, accounting special degree graduated students, undergraduate students and accounting related professional studies students in Sri Lanka. Primary data collected through a 5 points Likert scale questionnaire. Questionnaire of this study covers two major parts, opportunities and benefits, challenges and disadvantages on the implementation of integrated reporting. Descriptive analysis performed in this study with the help of SPSS latest version. Mean analysis confirmed that opportunities and benefits on the implementation of integrated reporting are more than challenges and disadvantages on the implementation of integrated reporting in Sri Lanka. Further, this study found that there is a lack of knowledge and awareness regarding integrated reporting in Sri Lanka. Respondents of this study strongly recommended that there should be needed proper training program on integrated reporting for internal and external stake holders of the company

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**Index terms**— perception, opportunities, challenges, accounting experts, implementation, integrated reporting, sri lanka.

## 1 Perception of Accounting Experts on the Implementation of Integrated Reporting in Sri Lanka

Introduction the main objective of the financial statement preparation is to provide the information for economic decision makers. Financial accounting provides information to not only for the internal users but also to external users on the other hand management accounting provides information only to internal users generally to top-level management of the company. Financial and non-financial information should be needed to make the economic decision so economic decision makers are seeking and expecting financial and non-financial information. Traditional financial reporting is mostly providing financial information. There is a problem in traditional reporting which did not meet the expectation of financial statement users. There is a strong evolution of corporate reporting in the world.

Corporate reporting evolution can be considered as followings financial statements, environmental reporting, sustainability reporting, and integrated reporting. The main purpose of above corporate reporting evolution is to provide more information to the users and create value for the organization.

There is number of changes in financial reporting, accounting standards and auditing standard in Sri Lanka. Sri Lanka adopted international accounting standards and international reporting standards very first from 1 st

42 January 2012 even though there are a number of changes in Lanka Accounting Standards (LKAS) by CA Sri Lanka  
43 every year. Further integrated reporting is also very new financial reporting mechanism for Sri Lankan companies.  
44 Currently, every company has to prepare and adopt integrated reporting especially public listed company should  
45 adopt and prepare integrated reporting in Sri Lanka. There are a number of opportunities and benefits by the  
46 adoption of the integrated reporting at the same time there is a number of challenges and disadvantages by  
47 the adoption of integrated reporting in any country as well as in Sri Lanka. This study is mainly based on  
48 accounting expert's perception on the implementation of integrated reporting in Sri Lanka. As an accounting  
49 professional need to increase the quality of financial reporting to meet the stake holders' expectation. There  
50 are two main qualitative characteristics of financial information such as fundamental qualitative characteristics  
51 and enhancing qualitative characteristics. Here fundamental qualitative characteristics cover relevance and  
52 faithful representation. Enhancing qualitative characteristics include comparability, verifiability, timeliness and  
53 understandability. Accounting professionals hope that the adoption of the integrated reporting will increase the  
54 enhancing qualitative characteristics of financial information. Financial reporting should include all materiality  
55 information. If any information impacts on the economic decision of the users, then such information should be  
56 considered as materiality information. CA Sri Lanka is a high level accounting professional body in Sri Lanka. CA  
57 Sri Lanka has formed a committee titled the Integrated Reporting Council in association with the International  
58 Integrated Reporting Council (IIRC) on 05 July 2016. This committee main aim is to enable corporates and  
59 others interested to share knowledge on matters relating to the content, context, and implementation in Sri  
60 Lanka.

## 61 2 II.

### 62 3 Literature Review a) Theoretical Review

63 According to International Integrated Reporting Council (IIRC), integrated reporting brings together material  
64 information about an organization's strategy, governance, performance and prospects in a way that reflects  
65 the commercial, social and environmental context within which it operates. It provides a clear and concise  
66 representation of how an organization demonstrates stewardship and how it creates and sustains value. An  
67 Integrated Report should be an organization's primary reporting vehicle. International integrated reporting  
68 council is providing proper guidance and guidelines regarding integrated reporting adoption and implementation  
69 as globally. Integrated reporting includes several categories of capitals such as financial capital, manufactured  
70 capital, intellectual capital, human capital, social and relationship capital and natural capital.

71 They are providing following guiding principles underpin the preparation and presentation of an integrated  
72 report such as strategic focus and future orientation, connectivity of information, stakeholder relationships,  
73 materiality, conciseness, reliability and completeness and consistency and comparability. An integrated report  
74 includes the following eight content elements such as organizational overview and external environment,  
75 governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook,  
76 the basis of preparation and presentation, and in doing so, takes account of: and general reporting guidance.

### 77 4 b) Empirical Review

78 Francesca (2018) stated that integrated reporting is a new communication tool that is gaining increasing attention  
79 among scholars, practitioners, and standard setters in both the private and public sectors. This study focuses some  
80 reflections based on case studies of public entities that differ regarding legal structures, locations, and business  
81 models to establish a strong legal and cultural requirement which is some common features exist. The main  
82 objective of this study was to discuss whether integrated reporting represents a new challenge for public sector  
83 organizations, specifically regarding their stakeholder engagement and their pursuit of greater accountability. This  
84 study was done through selected case studies. Case studies are examined through a theoretical framework based  
85 on the growing integrated reporting literature and specific objectives recognized by the integrated reporting  
86 framework. The Researcher found that there is no sufficient support for public sector entities for it to be  
87 considered the primary reference for accountability purposes also researched suggested that integrated reporting  
88 may be considered a tool to enhance stakeholder engagement, improve accountability and in turn, gain legitimacy.  
89 The Researcher pointed out the implementation of integrated reporting and standard setters are aware of the  
90 relevance of this new tool and are working to provide better support for integrated reporting preparation.

91 Charl (2014) the main objective of this study was to synthesize insights from accounting and accountability  
92 research into the rapidly emerging field of integrated reporting and proposes a comprehensive agenda for future  
93 research in this area. This study covered upon and synthesizes academic analysis and insights provided in the  
94 embryonic integrated reporting academic literature in conjunction with policy pronouncements. This study found  
95 that the rapid development of integrated reporting policy, and early developments of practice, present theoretical  
96 and empirical challenges because of the different ways in which integrated reporting is understood and enacted  
97 within institutions.

98 Indra (2013) pointed out to outline the concept of integrated reporting and to propose a template for integrated  
99 reporting in organizations. Conceptual model was founded on concepts proposed on integrated reporting by the  
100 King Report on Governance for South Africa (King III) and the International Integrated Reporting Council in  
101 the U.K. Findings of the study confirmed that the integrated report should explain the story of reaching the

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102 organization's vision, underpinned by its values, enacted by management, monitored by governance, and using  
103 facets of resources relating to financial capital, intellectual capital, social capital, and environmental capital.  
104 This study proposed an integrated reporting framework and provides an example of a template to be used in  
105 organizations.

106 Ranjita and Mohammad (2018) stated that Integrated Reporting (IR) stands for organizational reporting  
107 which is prepared for public disclosure and includes both financial and important non-financial information.  
108 Researchers pointed out the existing financial reporting standards are inadequate to address issues like the  
109 importance of intangible assets, corporate impacts on the environment, human health, societal conditions and  
110 corporate influence on the political process. They noted that traditional reporting model focuses on a relatively  
111 narrow account of the historical financial performance of the value creation process. This study focused on the  
112 degree of disclosure of Integrated Reporting requirements by the top eleven multinational companies of Bangladesh  
113 as per market capitalization. They used annual report content analysis; the findings show that the companies  
114 have lately started providing non-financial information regarding the environment, society, and governance along  
115 with financial figures. Researchers found that they are still providing this information in disconnected strands  
116 and as a part of Corporate Governance or CSR disclosures instead of linking these to financial information and  
117 providing it as an integrated report.

118 Tudor (2016) noted that the emergence of integrated reporting had raised questions regarding the need for  
119 restructuring organizational reporting. The researcher stated this new system proposes interesting concepts  
120 around which the report revolves, respectively: the (six) capitals and value creation. The main objective of this  
121 study was to set the grounds for showing whether public sector reporting entities already have these concepts  
122 in focus in their practice and how close are their current annual reports to a standard integrated report. The  
123 study emphasized the main developments in public sector reporting and pinpoints the shift towards a balance  
124 between financial and non-financial elements. Further, this study covered on delineations for the integrated  
125 reporting fundamental concepts and outlined the basic model. The main findings of this study confirmed that  
126 the disclosure levels about the fundamental concepts of integrated reporting are high and the pool of data for  
127 the information required to compile an integrated report is consistent in the case of top universities. Further,  
128 there was still need for further guidance for certain elements of delineation regarding the fundamental concepts;  
129 the perspectives of implementing integrated reporting in these types of entities are promising.

130 Hugo and Macias (2017) evaluated the implementation of the integrated reporting (IR) framework in a group of  
131 Colombian enterprises. They used a multiple-case study in six enterprises that use the IR framework. Researchers  
132 conducted individual interviews of reporters and performed a documentary analysis. They found that few  
133 Colombian firms that use the IR framework all have ambitious expansion goals in the medium term.

134 Camilleri (2018) stated that organizations are increasingly disclosing financial and non-financial performance  
135 as they are encouraged to become more accountable and transparent to the providers of capital, and toward other  
136 interested parties. This study considered a critical review of key theoretical underpinnings that have anticipated  
137 the development of the corporations' integrated disclosures. This contribution posits that there are both costs  
138 and benefits for those organizations who intend using the integrated reporting framework. This study found that  
139 future avenues as it identifies knowledge gaps in the realms of the organizations' integrated reporting of capitals.

## 140 5 III.

## 141 6 Research Objectives

142 The main objective of this study is to examine the perception of accounting experts on the implementation of  
143 integrated financial reporting in Sri Lanka. Further, the followings are the sub-objectives of this study;

144 ? To identify the major limitation on adoption of integrated financial reporting in Sri Lanka. ? To find out  
145 the most appropriate way to encourage integrated financial reporting in Sri Lanka.

146 IV.

## 147 7 Methodology a) Sample

148 This study only considers accounting experts in Sri Lanka under the following four major categories such as  
149 academician, auditors, professional accountants/ chief financial officers, accounting; special degree graduated  
150 students, undergraduate students and accounting related professional studies students in Sri Lanka. Researcher  
151 selected 25 people from each category for this study based on convenience sampling. This study covers 100  
152 accounting experts in Sri Lanka. The response rate of this study is illustrated in Table 1.

## 153 8 b) Data Source

154 This study is mainly based on primary data from accounting experts in Sri Lanka. The researcher developed  
155 1-5 points Likert scale questionnaire. Then developed questionnaire used to collect data from accounting experts  
156 through Google form. Google survey form is one of the user-friendly, very cost effective and green environment  
157 technique to collect data for primary data related studies. Further, the researcher collected relevant depth of  
158 theoretical and empirical knowledge from published research papers and CA and IIRC publications regarding  
159 integrated reporting.

## 9 c) Hypothesis

161 This study considers only one hypothesis based on the accounting experts perception in Sri Lanka.

162 H 1 : Accounting experts are perceived more opportunities and benefits for Sri Lankan companies through  
163 implementing integrated reporting in Sri Lanka.

## 10 d) Data Analysis Strategies

165 The researcher used descriptive analysis in this study with the help of latest SPSS version. Mainly descriptive  
166 analysis used to examine the mean value of opportunities and benefits, challenges and disadvantages on the  
167 implementation of integrated reporting in Sri Lanka.

## 11 V. Descriptive Analysis and Discussion

### 12 a) Demographic Profiles of the Respondents

170 Demographic profiles of the respondents are shown in the table 2, 3, 4 and 5. Demographic profiles cover age,  
171 gender, qualification and working experience of the respondents of the study. According to above table it can  
172 be seen that 50 percentage respondents are below 30 years old in this study. According to above table it can be  
173 found that most of the respondents are having their bachelor degree in the respective field. Integrated reporting  
174 is appropriate to achieve the true & fair view of the financial statements.

175 3.84 Implementation of integrated reporting will increase the transparency of the financial statements.

176 4.00 Implementation of integrated reporting will increase value of the organization.

177 4.11 Integrated reporting provides more financial and non-financial information rather than existing/  
178 traditional reporting.

### 13 4.36

180 Implementation of integrated reporting will increase the international comparability of financial statements.

### 14 4.09

182 The adoption of integrated reporting provides opportunity to increase local customers.

183 3.61 Implementation of integrated reporting will bring in more opportunities for accessing the global market  
184 for Sri Lankan Companies.

### 15 4.14

186 Implementation of integrated reporting will increase the understandability of financial statements.

187 4.18 Implementation of integrated reporting will increase the relevance of accounting information for economic  
188 decision making.

### 16 4.16

190 Implementation of integrated reporting will assure the greater accessibility to funds for Sri Lankan Companies.

### 17 3.70

192 Implementation of integrated reporting will provide the professional opportunities to Sri Lankan professionals  
193 across the globe.

### 18 4.05

195 Integrated reporting increase greater clarity on business issues and performance in Sri Lanka.

196 3.82 Integrated reporting increase corporate reputation in Sri Lanka.

197 3.98 Integrated reporting increase relationships between corporate management people and stakeholder of the  
198 companies.

### 19 4.16

200 Integrated reporting is a more efficient reporting in Sri Lanka.

201 3.82 Integrated reporting increase employee engagement.

202 3.75 Integrated reporting increase gross margins.

203 3.45 Average 3.95 or 79.1% Survey Question Regarding Challenges and Disadvantages on Implementation of  
204 Integrated Reporting in Sri Lanka. Integrated reporting is complicated in comparison to existing Sri Lankan.

205 3.59 Integrated reporting cannot be accepted as global reporting as they have not been implemented across  
206 the globe.

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207 **20 3.16**

208 Integrated reporting requires training for staff owing to its complexities.

209 4.18 Integrated reporting requires changes in the accounting process.

210 3.91 Integrated reporting requires significant changes in the Information Technology infrastructure.

211 4.07 Implementation of integrated reporting will increase the volatility in company's earnings.

212 3.66 Implementation of integrated reporting will require too much disclosure of financial information and  
213 non-financial information which is troublesome.

214 **21 3.59**

215 IIRC's integrated reporting frame work, recommendation and application are generally difficult to apply.

216 **22 3.20**

217 Implementation of integrated reporting will entail the huge cost in terms of training of staff, financial information,  
218 non-financial information and preparation.

219 **23 3.82**

220 IIRC's integrated reporting frame work is rule based.

221 3.50 Regular changes in reporting framework like integrated reporting cannot be adopted in Sri Lanka.

222 3.14 Implementation of integrated reporting will require the major changes in various existing laws, accounting  
223 policies, concepts and reporting preparation.

224 **24 3.57**

225 There is no proper awareness and training regarding integrated reporting in Sri Lanka.

226 3.77 Integrated reporting is not much needed for Sri Lankan companies.

227 2.55 Integrated reporting framework's eight elements provide all the areas of the companies.

228 3.41 Integrated reporting provides un-necessary information to economic decision makers of the companies.

229 **25 2.59**

230 Integrated reporting cannot be applied for next 10 -20 years in Sri Lanka. 7 reveals the average value of the  
231 respondents for opportunities and benefits, challenges and disadvantages on the implementation of integrated  
232 reporting in Sri Lanka. It can be seen the average respondents' value is 79.1 percentages for opportunities  
233 and benefits on the implementation of integrated reporting in Sri Lanka. Average value of respondents is 68.1  
234 percentage for challenges and disadvantages on the implementation of integrated reporting in Sri Lanka. Sri  
235 Lankan accounting experts feel that there are more opportunities and benefits on the implementation of integrated  
236 financial reporting rather than challenges and disadvantages according to the analysis of the study. According  
237 to the results of this study H 1 is accepted.

238 **26 VI. Conclusion and Recommendations**

239 Convert from traditional reporting into integrated reporting is not an easy task. There are a number of countries  
240 they are following integrated reporting in the current world. Also, there is a strong committee to provide guidance  
241 and framework for the integrated reporting which is international integrated reporting committee (IIRC). There  
242 are opportunities, benefits, challenges and disadvantages on the implementation of integrated reporting. Sri  
243 Lankan accounting experts confirmed that there are more opportunities and benefits rather than challenges and  
244 disadvantages on the implementation of integrated reporting in Sri Lanka. Further they perceived that 68.4  
245 percentages challenges and disadvantages on the other hand 78.1 percentage opportunities and benefits on the  
246 implementation of integrated reporting in Sri Lanka. It can be seen that there is no much deviation. Open ended  
247 question of this study, revealed that lack of awareness and knowledge regarding are the major limitation on the  
248 implementation of the integrated in Sri Lanka. Also Sri Lankan accounting experts suggested that there should be  
249 needed proper training program for the internal and external stakeholders of the company to increase and improve  
250 awareness and knowledge on integrated reporting which will lead to the high level integrated reporting practices  
251 in Sri Lanka. Finally, it can be concluded that there is more opportunities and benefits for every organization by  
252 adoption of integrated reporting in Sri Lanka. Professional institutions, universities, other relevant public and  
253 private institutions should try to give proper training to create awareness and knowledge on integrated reporting  
254 in Sri Lanka. <sup>1 2</sup>

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<sup>2</sup>( ) D Perception of Accounting Experts on the Implementation of Integrated Reporting in Sri Lanka

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Accounting Experts	Sent	Returned	Response Rate
Academician	25	14	56%
Auditors	25	09	36%
Professional Accountants/ CFO	25	09	36%
Professional Studies / Accounting Special Degree Students	25	12	48%
Total	100	44	44%

Figure 1: Table 1 :

2

Age	Number of Respondents	Response Rate
Below 30 years	22	50%
30-40 years	15	34%
40-50 years	06	14%
50-65 years	01	02%
Total	44	100%

Figure 2: Table 2 :

3

Gender	Number of Respondents	Response Rate
Male	30	68%
Female	14	32%
Total	44	100%

Figure 3: Table 3 :

3

Figure 4: Table 3

4

Qualification	Number of Respondents	Response Rate
Professional Qualification	07	16%
Bachelor	19	43%
Master	13	30%
Doctorate	05	11%
Total	44	100%

Figure 5: Table 4 :

**5**

Years	Number of Respondents	Response Rate
1-10 years	31	71%
10-20 years	08	18%
Above 20 years	05	11%
Total	44	100%

Respondents working experience is one to ten years in this study.

b) Descriptive Analysis

Table 6: Reliability Statistics (Cronbach's Alpha Test)

Questions	Number of Questions	Cronbach's Alpha
Opportunities and Benefits	17	0.883
Challenges and Disadvantages	17	0.837
Total	34	0.869

Figure 6: Table 5 :

**7**

Respondents Agreeing (percentage)

Figure 7: Table 7 :



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