

INTEGRATED REPORTING

Illustration 1

State the categories defined in the International IR Framework for capitals. Comment whether an organisation has to follow these categories rigidly

Solution:

Various categories of capital are:

- ◆ Financial
- ◆ Manufactured
- ◆ Intellectual
- ◆ Human
- ◆ Social and Relationship
- ◆ Natural

Organizations preparing an integrated report are not required to adopt this categorization or to structure their report along the above lines of the capitals.

Illustration 2 (MTP March'22)

Can a Not-for Profit organisation do the Integrated Reporting as per the Framework? **(2 Marks)**

Solution

The Framework is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.

Illustration 3 (MTP March'22)

Can an Integrated reporting be done in compliance to the requirements of the local laws to prepare a management commentary or other reports? **(2 Marks)**

Solution:

An integrated report may be prepared in response to existing compliance requirements. For example, an organization may be required by local law to prepare a management commentary or other report that provides context for its financial statements. If that report is also prepared in accordance with this Framework, it can be considered an integrated report.

If the report is required to include specified information beyond that required by this Framework, the report can still be considered an integrated report if that other information does not obscure the concise information required by this Framework.

Illustration 4

Does an integrated report need to be a stand-alone document?

Solution:

No. An integrated report can be either a stand-alone report or included as a distinguishable, prominent and accessible part of another report or communication. For example, it may be included at the front of a report that also includes the organization's full financial statements.

Mock Test Papers / Revision Test Papers / Past Exams

Question 1 (Past Exam – May 2022)

What is Integrated Reporting? Discuss any 5 salient features of Integrated Reporting Framework (6 Marks)

Solution:

Definition: Integrated reporting is a concept that has been created to better articulate the broader range of measures that contribute to long-term value and the role organizations play in society. Integrated Reporting is enhancing the way organizations think, plan and report the story of their business. Central to this is the proposition that value is increasingly shaped by factors additional to financial performance, such as reliance on the environment, social reputation, human capital skills and others.

The five salient features of Integrated Reporting Framework are as follows:

1. **Principle Based Approach:** This Framework identifies information to be included in an integrated report for use in assessing an organization's ability to create value. It does not set benchmarks for such things as the quality of an organization's strategy or the level of its performance.
2. **Targets the Private Sector or Profit-making Companies:** This Framework is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.
3. **Identifiable Communication:** An integrated report may be prepared in response to existing compliance requirements and may be either a standalone report or be included as a distinguishable, prominent and accessible part of another report or communication. An integrated report is intended to be more than a summary of information in other communications (e.g., financial statements, a sustainability report, analyst calls, or on a website); rather, it makes explicit the connectivity of information to communicate how value is created over time.
4. **Financial and Non-financial Items:** The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It, therefore, contains relevant information, both financial and other.
5. **Value Creation:** Value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs. That value has two interrelated aspects – value created for:
 - The organization itself, which enables financial returns to the providers of financial capital
 - Others (i.e., stakeholders and society at large)

Question 2 – (MTP Oct'21)

What is the organisational structure and role of IIRC in relation to integrated reporting. What considerations are kept in mind by IIRC while developing the framework. (5 Marks)

Solution

In 2010, the International Integrated Reporting Council (IIRC) was set up which aims to create the globally accepted integrated reporting framework.

The International Integrated Reporting Council (IIRC) is a global coalition of:

- Regulators
- Investors
- Companies
- Standard setters
- The accounting profession and NGOs

Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting. With this purpose, they issued the International Integrated Reporting (IR) Framework.

The framework has been developed keeping in mind the greater flexibility to be given to the entity and the management in the reporting but at the same time should target to report the value created by the organisation through various capital.