

Book of Abstracts

11th Environmental and Sustainability Management Accounting Network in Asia Pacific

(EMAN-AP 2019)

12th-13th August 2019

Danang, Vietnam

Committee of the EMAN - AP – 2019

The Environmental and Sustainability Management Accounting Network – Asia Pacific
(EMAN-AP)

University of Economics – The University of Danang

The International Institute of Knowledge Management (TIKM)

Tel: +94(0) 11 2044480

info@eman-ap-conference.org

Disclaimer

The responsibility for opinions expressed in abstracts, studies and other contributions in this publication rests solely with the authors, and this publication does not constitute an endorsement by the EMAN - AP or TIIKM of the opinions so expressed in them.

Official website of the conference

<https://eman-ap-conference.org/>

Book of Abstracts of 11th Environmental and Sustainability Management Accounting Network in Asia Pacific (EMAN-AP 2019)

Edited by Prof. Ki-Hoon Lee and Assoc. Prof. DOAN Ngoc Phi Anh

ISBN 978-955-3605-69-6

Copyright @ 2019 TIIKM

All rights are reserved according to the code of intellectual property act of Sri Lanka, 2003

Published by The International Institute of Knowledge Management (TIIKM), No: 531/18, Kotte Road, Pitakotte ,10100, Sri Lanka

Tel: +94(0) 11 2044480

Fax: +94(0) 11 2873371

ORAL PRESENTATIONS

1. The Adoption of Integrated Reporting Practice in Sri Lanka 02
Roshan Herath , Thilini Cooray, Nuwan Gunarathne, Dileepa Samudrage, Samantha Senaratne and Ki-Hoon Lee
2. Decent Work in Japanese Company - Current Status and Prospect - 05
Noriyasu Kunori
3. Uses of Environmental Management Accounting in Different Environmental Management Maturity Stages 09
A D Nuwan Gunarathne and Ki-Hoon Lee
4. CSR Disclosure and CSR Performance: A Study of Nonfinancial Performance Measure 11
Lan-Phuong Nguyen, Lionel Touchais and Jean-Laurent Viviani
5. Corporate Environmental Accounting: Theoretical Practices in India 12
CS Pallavi Biyani
6. Earnings Management And Initial Public Offerings on Manufacturing Sectors Companies 13
Andreas, Tatang Ary Gumanti and Nurhayat
7. Earnings Momentum and Accounting Conservatism 14
Sarayut Rueangsuwan and Somchai Supattarakul

[01]

THE ADOPTION OF INTEGRATED REPORTING PRACTICE IN SRI LANKA

Roshan Herath¹, Thilini Cooray¹, Nuwan Gunarathne¹, Dileepa Samudrage¹, Samanthi Senaratne¹ and Ki-hoon.Lee²

¹*Department of Accounting, University of Sri Jayewardenepura, Sri Lanka*

²*Griffith Business School, Griffith University, Australia*

ABSTRACT

Purpose - Integrated reporting (IR), which has introduced a new and innovative approach to current corporate reporting practice (Adams and Simnett, 2011; Higgins et al., 2014), is experiencing an upsurge in adoption in many countries with the issuance of International Integrated Reporting Framework (IIRF). However, still there is limited research as to the examination of current reporting practice of companies as to compliance with IIRF (Ahmed Haji and Anifowose, 2016; Kilic and Kuzey, 2018). In this context, this paper examines the extent and trend of IR practice of Sri Lankan companies. The study also examines how these companies have addressed the underlying principles of IIRF through the compliance of disclosure requirements of content elements of IIRF.

Sri Lanka as a country has witnessed a rapid diffusion of IR (Gunarathna and Senaratne, 2017; Gunarathna and Senaratne, 2018). The number of companies adopting IR has increased from 32 companies in 2015 to 85 companies by 2018. However, Gunarathna and Senaratne (2017) reveal that though IR had been an efficient choice for early adopting companies in Sri Lanka, for many late adopters, it had been a fashion choice. As revealed in this study, these demand side factors of diffusion have been supported by supply side factors of diffusion such as the propagation of IR among corporate entities by professional accounting bodies and business schools in the country. Hence, with the increase in the number of companies adopting IR in Sri Lanka, it has become a key consideration to assess whether and to what extent that these companies have complied with IIRF in the preparation of integrated reports.

Methodology - The study developed a comprehensive disclosure checklist based on the IIRF similar to the approach followed in the studies of Stent and Dowler (2015) and Kilic and Kuzey (2018). This checklist was used to content analyze the integrated reports of companies listed on the Colombo Stock Exchange (CSE). Multiple trained raters' method was used to avoid subjectivity and improve the accuracy of assessing compliance to IIRF while ensuring inter-rater reliability (Stemler and Tsai, 2008). A longitudinal analysis was carried out based on 171 integrated reports of 57 companies for three years from 2015/2016 to 2017/2018. Using the disclosure checklist, the total IR score and score of each content element was calculated for each company and these scores were analyzed statistically using one-way repeated measures - ANOVA analyses and paired sample t-test (Ahmed Haji and Anifowose, 2016).

Results - The study finds a steady increase in the extent of compliance of integrated reports of Sri Lankan companies with the content elements of IIRF during the period under consideration. Hence,

the overall IR disclosure score has increased overtime and this increase is statistically significant. However, the individual scores of contents elements show a variation as to the compliance with the disclosure requirements of IIRF. A high level of compliance is particularly observed as to the content elements – ‘Organizational Overview and External Environment’, ‘Governance’, ‘Business Model’, ‘Performance’ and ‘Basis of Presentation and Preparation’. In case of ‘Risks and Opportunities’, though companies show a significant improvement in the provision of disclosures as to risks and risk management, the majority has not addressed the opportunities and their responses towards the opportunities. Most companies stand behind their disclosures in the content elements – ‘Strategy and Resource Allocation’ and ‘Future Outlook’ compared to the expectation of the IIRF. Based on their level of compliance to IIRF, the study finds that individual companies operate at different stages of maturity as to IR practice ranging from ‘starting the journey’ to ‘progressing’ and to finally ‘leading’. Further, the findings indicate that companies show an improvement in the application of guiding principles - ‘Connectivity of Information’, ‘Stakeholder Relationships’, ‘Materiality’ and ‘Consistency and Comparability’ of IIRF. In contrary, the insufficient disclosures as strategy and allocation of resources and future outlook with the tendency to show more positive disclosures lead to question the application of the guiding principles of ‘Strategic Focus and Future Orientation’ and ‘Reliability and Completeness’ in IR practice in Sri Lankan companies.

Originality/value- The study contributes to existing literature in several ways. Firstly, this paper develops a comprehensive checklist to evaluate how companies in an emerging market have complied with IIRF in producing integrated reports. Secondly, the existing studies have examined IR practice as of a particular stage (Wild and van Staden, 2013; Adams, 2014; Setia et al., 2015). Hence, little is known about the trends in compliance with IIRF in producing integrated reports by companies. This study shows the trends of IR practice and its evolution in a country context, where IR is not a mandatory requirement. Thirdly, the study also shows the compliance of integrated reports with the underlying principles of IIRF and the changes in reporting practices of the companies with the adoption of IR.

Practical implications – The study provides evidence to policy makers and practitioners as to the specific elements of IR that would require an improvement in line with IIRF. Further, this study motivates the professional accounting bodies and other institutions, which organize IR awards, to review the evaluation criteria currently used in their competitions. This study also highlights to professional accounting bodies and accounting academics, the need to incorporate IR into the accounting education to strengthen IR practice in the country.

Keywords: Sri Lanka, integrated reporting, disclosure checklist, content analysis, value creation

References

- Adams, C.A. (2014), “Changing the way business is done: a critical review of two South African integrated reports” , *The Sustainability and Integrated Reporting Handbook*, Alive2Green.
- Adams, S. and Simnett, R. (2011), “Integrated Reporting: An opportunity for Australia's not-for-profit sector”. *Australian Accounting Review*, Vol. 21 No. 3, pp.292-30.
- Ahmed Haji, A. and Anifowose, M, (2016), "The trend of integrated reporting practice in South

- Africa: ceremonial or substantive?", *Sustainability Accounting, Management and Policy Journal*, Vol. 7 No. 2, pp.190-224.
- Gunarathne, N. and Senaratne, S. (2017), "Diffusion of integrated reporting in an emerging South Asian (SAARC) nation", *Managerial Auditing Journal*, Vol. 32 No. 4/5, pp. 524-548.
- Gunarathne N. and Senaratne, S. (2018), "Country readiness in adopting Integrated Reporting: A Diamond Theory approach from an Asian Pacific economy", in Lee, K. and Schaltegger S., (Eds.), *Sustainability Accounting in the Asia Pacific Region*, Springer, Cham, pp. 39-66.
- Kılıç, M. and Kuzey, C. (2018), "Determinants of forward-looking disclosures in integrated reporting". *Managerial Auditing Journal*, Vol 33 No.1, pp.115-144.
- Setia, N., Abhayawansa, S., Joshi, M. and Huynh, A.V. (2015), "Integrated reporting in South Africa: some initial evidence", *Sustainability Accounting, Management and Policy Journal*, Vol. 6 No. 3, pp. 397-424.
- Stemler, S. E., and Tsai, J. (2008), Best practices in interrater reliability: Three common approaches. In J. W. Osborne (Ed.), *Best practices in quantitative methods*, pp. 29-49, Los Angeles: Sage.
- Stent, W. and Dowler, T. (2015), "Early assessments of the gap between integrated reporting and current corporate reporting", *Meditari Accountancy Research*, Vol. 23 No. 1, pp. 92-117.
- Wild, S. and van Staden, C. (2013), "Integrated reporting: an initial analysis of early reporters, paper presented at the Massey University Accounting Research Seminar, Auckland.