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**DEVELOPMENT AND TESTING OF THE AUTHORS' METHOD ASSESSING  
AN ORGANIZATION'S BENEFITS FROM THE INTEGRATED  
REPORTING IMPLEMENTATION**

**РАЗРАБОТКА И АПРОБАЦИЯ АВТОРСКОЙ МЕТОДИКИ ОЦЕНКИ  
ВЫГОД ОРГАНИЗАЦИИ ОТ ВНЕДРЕНИЯ ИНТЕГРИРОВАННОЙ ОТЧЕТНОСТИ**

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*Nowadays, one of the pressing issues in the field of companies reporting, including enterprises of the textile industry, is the problem of incorporating into accounting practices integrated reporting, harmoniously combining information on the organization's financial standing and non-financial data related to such aspects of its activities as environmental protection, the implementation of various social programs as well as the corporate governance policy. The preparation of integrated reporting requires significant financial and non-financial costs from companies. This fully applies to enterprises of the textile industry. Therefore, showing benefits that a company could reap from incorporating the innovative reporting model is a task that needs to be addressed. This is the subject of this article. The authors have developed their own method that allows to clearly demonstrate and quantitatively assess benefits received by organizations from the formation of the new reporting format. The article presents its application using a practical example. The calculations have shown that key financial indicators, such as market capitalization, earnings per share and the amount of accounts payable, are growing at considerably higher rates for companies that have implemented integrated reporting than for those that do not compile such a reporting model.*

*Одним из актуальных вопросов в области формирования отчетности предприятий, в том числе текстильной промышленности, сегодня является проблема внедрения в учетную практику интегрированной отчетности, гармонично объединяющей информацию о финансовом состоянии компании и нефинансовые данные, касающиеся таких аспектов ее деятельности, как охрана окружающей среды, реализация разнообразных социальных*

*программ, а также политика в сфере корпоративного управления. Формирование интегрированной отчетности требует от организаций значительных затрат финансового и нефинансового характера. Это в полной мере относится и к предприятиям текстильной промышленности. Поэтому демонстрация выгод, которые компания может получить от инкорпорирования инновационной модели отчетности, является задачей, требующей своего решения. Этому посвящена данная статья. Авторами разработана собственная методика, позволяющая наглядно продемонстрировать и оценить в количественном выражении преимущества, получаемые предприятиями от формирования нового формата отчетности. В статье на практическом примере представлено ее применение. Проведенные расчеты показали, что такие ключевые финансовые показатели, как рыночная капитализация, прибыль в расчете на одну акцию и величина кредиторской задолженности, у компаний, инкорпорировавших интегрированную отчетность, растут значительно более высокими темпами, чем у тех, которые не формируют такую модель отчетности.*

**Keywords:** financial reporting, non-financial reporting, integrated reporting, advantages of implementing integrated reporting, financial indicators, market capitalization, earnings per share, revenue, accounts payable.

**Ключевые слова:** финансовая отчетность, нефинансовая отчетность, интегрированная отчетность, преимущества от внедрения интегрированной отчетности, финансовые показатели, рыночная капитализация, прибыль в расчете на акцию, выручка, кредиторская задолженность.

Integrated reporting is an effective method of presenting information on the business model of any company, including enterprises of the textile industry, since it contains concise data on how the organization's strategy, management system, performance and future plans taking into account the conditions of the external environment contribute to the creation and preservation of the company's value in the short, medium and long term [1; 2]. It constitutes a new reporting model that provides the most complete data on the enterprise's work, potential risks and prospects for its development as well as harmoniously combines financial and non-financial indicators characterizing the organization's activities [3].

Integrated reporting satisfies the information needs of stakeholders to a much greater extent than financial reporting. This is due to the fact that it reflects data not only on the achieved results of the enterprise's activities but also its strategic and tactical plans [4].

Stakeholders of corporate reporting are groups of individuals and organizations interested in results of the enterprise's activities as

well as dependent on them. Stakeholders include shareholders interested in receiving dividends and increasing the market value of the company's shares; creditors interested in repaying loans previously provided to the organization; the management and employees of the enterprise interested in the stability of its financial position in the long run; government agencies interested in the sustainable growth and development of the company and an increase in tax revenues to the budget; etc.

The main advantage of integrated reporting is providing concentrated financial and non-financial information on the organization's work, which makes it possible to conduct a comprehensive analysis of the company's activities and contributes to strengthening the trust of investors and other stakeholders [5; 6]. Apart from that, it allows to enhance control over the financial risk management process. The analysis of integrated reporting enables the organization's management to make informed decisions on the company's future plans, ways to mitigate possible risks and the most attractive directions of its development

[7]. For instance, if the company has an unfavorable climate in its team, its performance indicators deteriorate significantly, but this fact is not reflected in financial statements.

Integrated reporting improves the transparency of the organization's work and increases the trust of stakeholders in it [8; 9]. On the one hand, its implementation into the accounting practice of an enterprise helps to enhance its image and also increases the status of the organization, making it more attractive to potential investors and creditors. On the other hand, the incorporation of the innovative reporting model is associated with certain difficulties and problems [10].

The implementation of integrated reporting into the company's accounting practice considerably contributes to improving the enterprise's competitiveness. This is due to the fact that this reporting provides stakeholders with data that gives an understanding of how the company's key processes and related activities influence each other, how effective links are established between them as well as what are the possibilities of forming and increasing the organization's value.

The preparation of integrated reporting contributes to enhancing the efficiency of financial capital allocation in the economy as a

whole since this reporting provides the most complete and transparent data on the enterprise's activities [11]. The accumulation of such information implies the interaction and well-coordinated work of all departments of the company, which in turn helps to increase the level of corporate management effectiveness.

Integrated reporting gives a clear view of the financial, manufactured, human, intellectual, natural, social and relationship capitals importance in the organization's operation as well as their relationship. It not only reflects indicators characterizing the company's performance in the past but also discloses detailed information on its future plans, development forecasts, potential risks and prospects, which enables investors to make informed decisions on the directions of investing funds as well as individuals who determine public policies and regulatory bodies to identify possible risks of volatility in the markets and take appropriate measures to reduce them [12].

Integrated reporting is primarily aimed at meeting the information needs of stakeholders who are external to the organization, but it also brings certain benefits to internal users (Fig. 1).

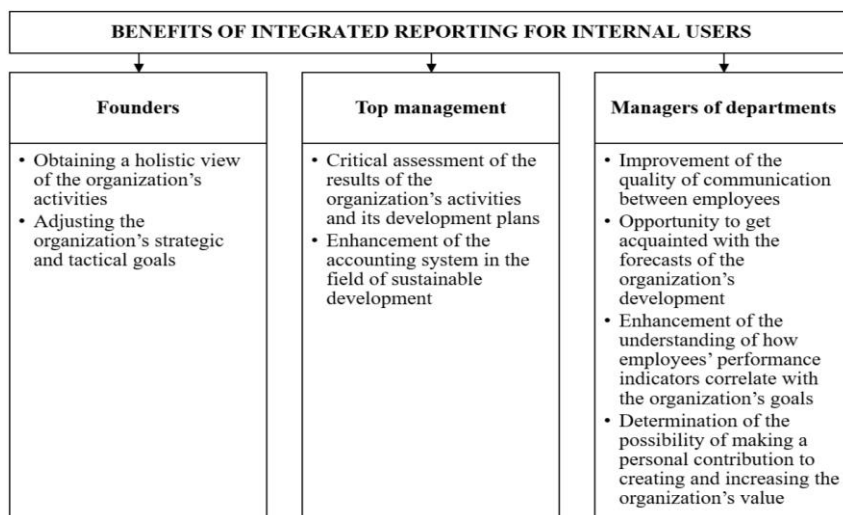


Fig. 1

With a view to reflecting the diversity of advantages that the generation of integrated reporting provides, the authors propose to systematize and classify them. To solve this prob-

lem, it is advisable to identify four aggregated groups of advantages presented in the figure below (Fig. 2).

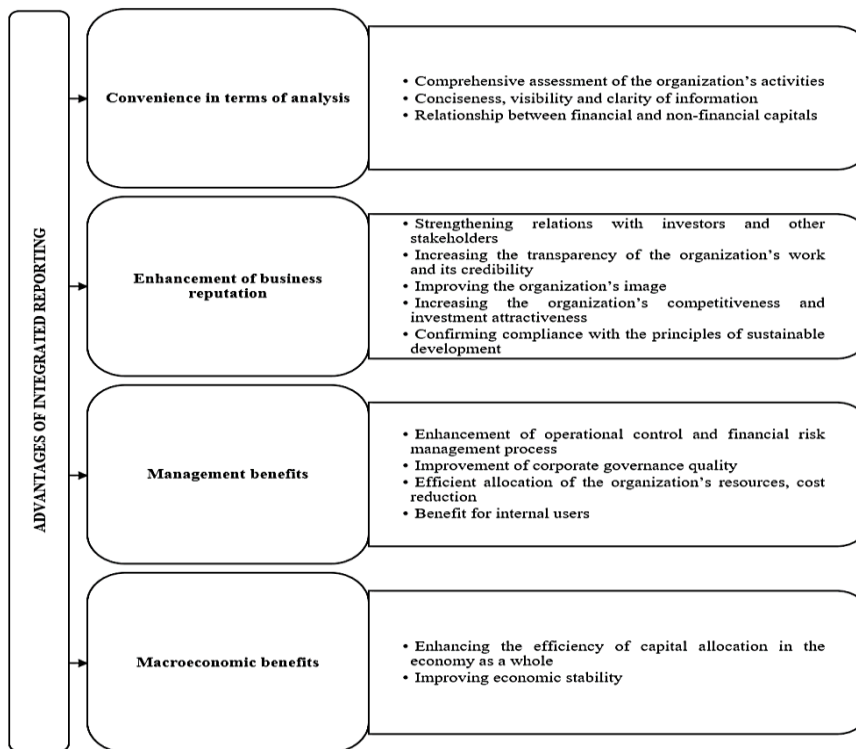
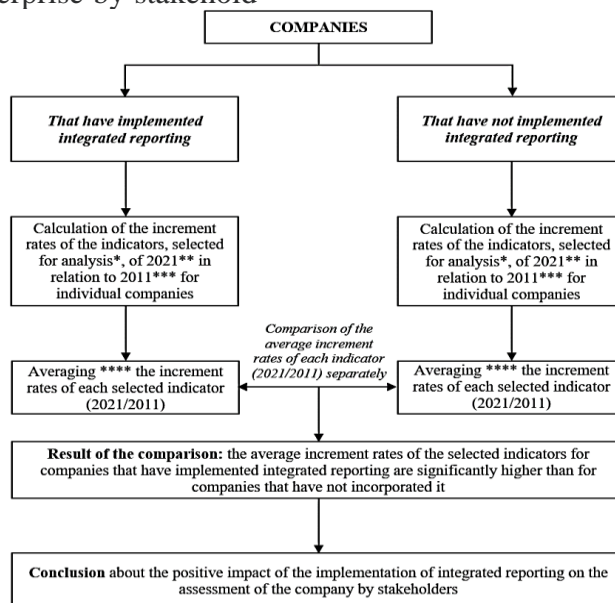


Fig. 2

In order to test the hypothesis, put forward by the authors, about the positive impact of implementing the innovative reporting model on the assessment of the enterprise by stakehold-

ers and its quantitative evaluation, the authors have developed the algorithm, the essence of which is presented in the figure below (Fig. 3).



\* revenue, owners' equity, credits and loans, accounts payable, market capitalization, earnings per share (selected as indicators that best characterize the level of stakeholders' trust in the company)  
 \*\* 2021 was chosen as the last reporting year at the time of the analysis for which integrated reports of all the studied companies were published  
 \*\*\* 2011 was chosen as the last year in which none of the studied companies had yet compiled integrated reporting  
 \*\*\*\* by the simple arithmetic mean method

Fig. 3

As part of testing the proposed algorithm, the authors selected a group of companies whose integrated reports are publicly available and whose shares are listed on stock exchanges

(due to the need to calculate market capitalization) as well as a group of organizations that do not compile any type of non-financial reporting as of 2021.

According to the legislation of the Russian Federation, all companies that list their shares on stock exchanges are required to prepare financial statements in compliance with the International Financial Reporting Standards (IFRS).

Enterprises of the textile industry were not included in the analyzed samples due to the fact that the list of Russian textile companies placing their shares on stock exchanges is very limited.

As candidates that could be included in the analyzed samples, the authors considered a number of Russian organizations operating in the textile industry which at different periods of time listed their shares on stock exchanges.

They include Obuv Rossii Group which, among other activities, is also involved in the production of fabrics and places its shares on the Moscow Exchange; OOO Salyut-Textil that was previously a publicly traded company, but whose shares have not been in free circulation for a long time; AO Kolomenskiy Zavod Khlopchatobumazhnoy Produktsii, the historically large textile enterprise, which also ceased trading shares many years ago; ZAO Moskovskaya Fabrika Tekhnicheskogo Sukna that changed its organizational and legal form from an open to a closed joint-stock company and now does not participate in public auctions; knitwear and silk factories of the former USSR, some of which once listed their shares on trading platforms, but currently almost all of them have closed or ceased active trading of shares. Thus, the majority of enterprises that could potentially be included in the analyzed samples changed their organizational and legal form and ceased listing their shares.

Given the extremely small number of Russian issuers in the considered segment of the textile industry as well as the lack of publicly available integrated reporting prepared by them, they could not act as an object of study of the organization's benefits from the implementation of integrated reporting. Therefore, the research was conducted on the basis of enterprises of various sectors of the economy that met the specified selection criteria.

The authors identified indicators like revenue, owners' equity, debt burden in the form of credits and loans, accounts payable, market

capitalization and earnings per share as metrics that most clearly demonstrate advantages of integrated reporting. These indicators reflect the level of stakeholder trust which is closely related to the transparency of the company's reporting.

Among the selected indicators, the amount of an organization's equity and market capitalization are key metrics each of which has its own specifics and is used for different purposes of assessing the enterprise value.

A company's market capitalization, the amount of its equity and enterprise value are interrelated indicators that reflect various aspects of business valuation.

Thus, capitalization reflects the market opinion on the current state of the company and its growth prospects. The amount of capitalization depends on investors' expectations regarding the future development of the organization.

A company's equity is the difference between its assets and liabilities; it includes shareholders' capital, reserves and accumulated profit. Its amount is closely related to enterprise value since a high share of equity indicates the financial stability of the organization, which makes investments in such a business less risky for investors and has a positive effect on the market valuation of the company. A high share of equity gives the organization the potential to attract borrowed funds on favorable terms, which in turn leads to a decrease in the cost of capital and thereby increases the value of the company in the eyes of investors.

The majority of the indicators selected for analysis are significantly influenced both by the organization's environmental policy and environmental risks. Thus, enterprises with a positive environmental reputation can expect an increase in revenue due to additional sales of their products to environmentally conscious buyers. They could count on more favorable terms for obtaining debt financing as well as increased demand for their shares from potential investors. Thus, environmental risks indirectly affect most of the indicators selected for the study.

The values of the above indicators were obtained from open data sources such as published reports, the National Register of Corpo-

rate Non-Financial Reports, websites of Russian and foreign companies, market data aggregators (Market Cap, Companies-MarketCap.com, StockMarket-Cap.org), the website of Russia's largest community of traders and investors (Smart-lab.ru) and the global online directory of corporate responsibility reports (Corporate Register).

While conducting the analysis, 2011 and 2021 were taken for comparison. The choice of 2011 is due to the fact that this year none of the enterprises selected by the authors for the study has yet prepared integrated reports in accordance with the norms of the official international document.

The authors' confidence in the absence of integrated reports for 2011 is due to the fact that the first official document regulating the procedure for compiling integrated reporting – the International Integrated Reporting Framework – was released in December 2013. There-

fore, organizations began to generate integrated reports, meeting the requirements of this document, for accounting periods starting in 2013. All integrated reports, prepared and published by companies for reporting periods before 2013, could be considered a prototype of integrated reporting.

2012 was not chosen by the authors for the study due to the fact that the draft document called 'The International Integrated Reporting Framework' was presented this year and some enterprises, interested in the implementation of integrated reporting, had already begun to make attempts to incorporate the innovative reporting model into their accounting practices in the process of preparing their reports for 2012.

The choice of 2021 is due to the fact that this year is the last reporting year at the time of the analysis for which integrated reports of all the studied organizations have been published.

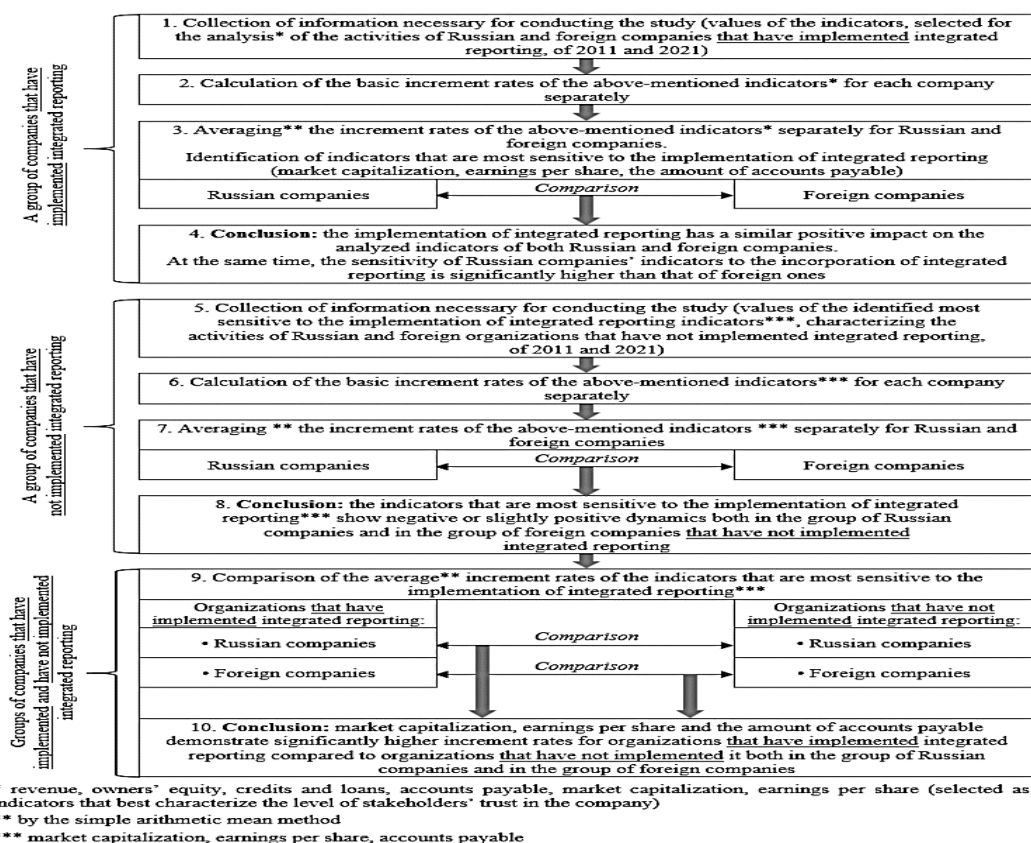


Fig. 4

During the ten-year period under study (2011–2021), the activities of the companies, selected for the analysis, were generally influenced by the same economic and institutional factors. The exception is the fact of the implementation

of integrated reporting: some organizations have incorporated it into their accounting practices, while others have not.

Potential differences in the conditions of the functioning of enterprises related to their

industry affiliation are offset by the presence in the sample of companies operating in different sectors of the economy. Thus, conducting the analysis according to the algorithm proposed by the authors, it is possible to assess the impact of the incorporation of integrated reporting on key indicators demonstrating the degree of stakeholder confidence in the organization functioning in any sector of the economy, including enterprises of the textile industry.

The developed algorithm was applied separately to a group of Russian organizations and a group of foreign companies with the aim of identifying the peculiarities of the impact of implementing integrated reporting, associated with Russian specifics (Fig. 4).

The histograms, constructed by the authors, clearly show changes in the analyzed performance indicators of Russian (Fig. 5) and foreign (Fig. 6) organizations that compile integrated reporting.

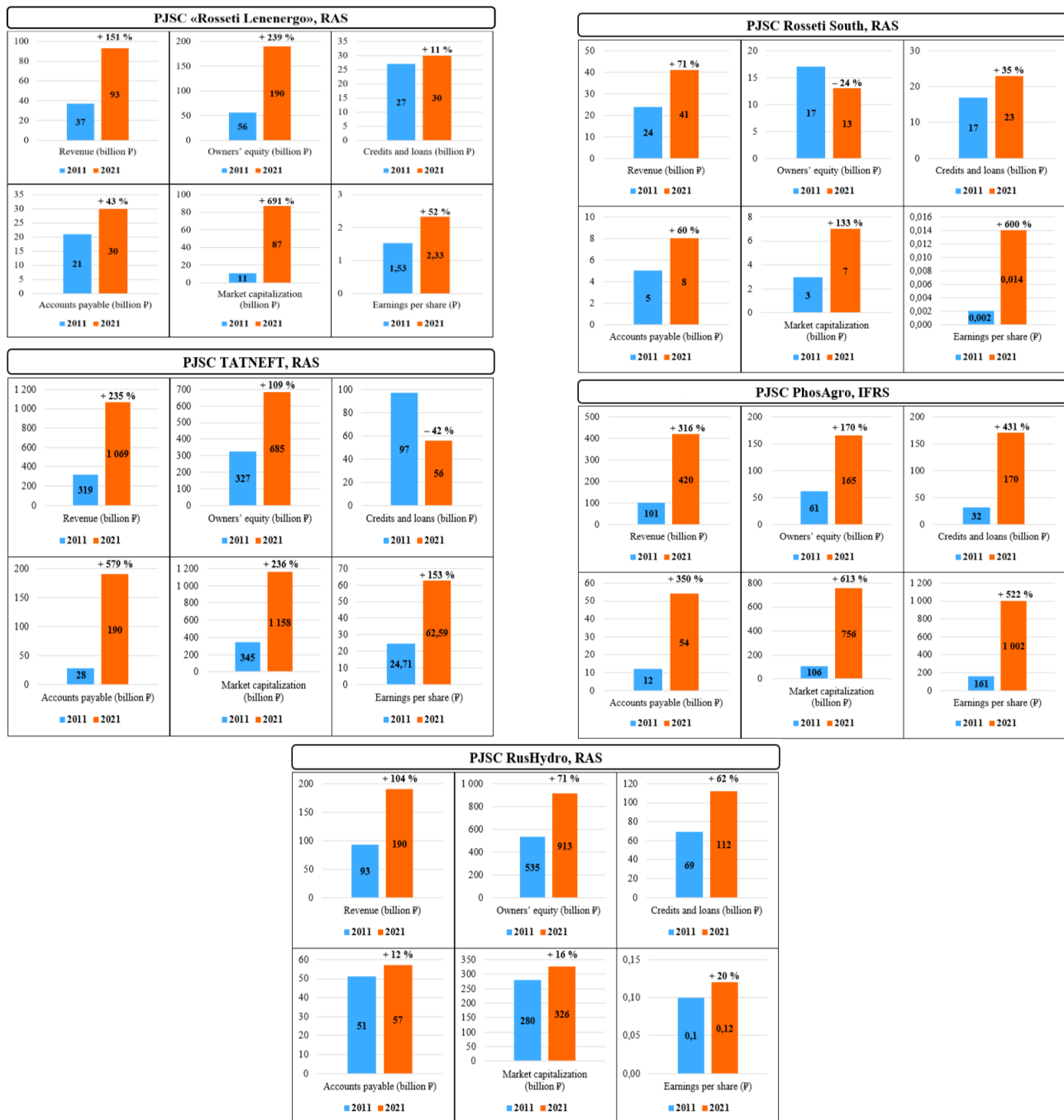


Fig. 5

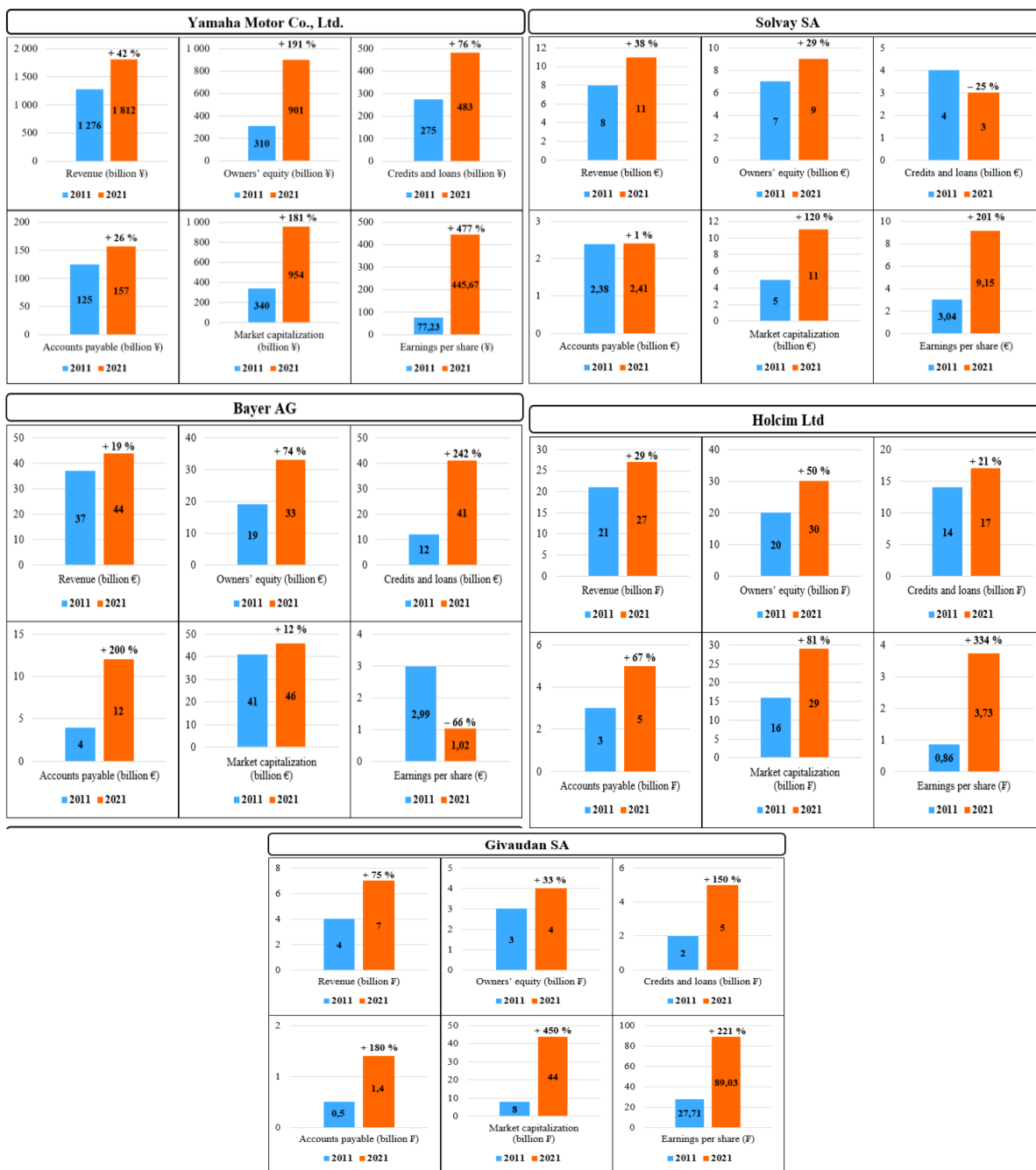


Fig. 6

The data, presented in the diagrams (Fig. 5), indicate that for all the Russian enterprises under study that prepare integrated reports most indicators demonstrate growth. A similar trend is observed for foreign organizations that have incorporated integrated reporting into their accounting practices (Fig.6). Thus, the authors conclude that the implementation of the innovative reporting model brings tangible benefits to companies and their stakeholders both in Russia and abroad.

To identify indicators that are most sensitive to the incorporation of integrated reporting, the increment rates of indicators (2021/2011), calculated for individual enterprises, were averaged by the simple arithmetic mean method separately for Russian and foreign companies. The figure below shows the average basic increment rates (%) of key indicators (2021/2011) in the group of Russian organizations and the group of foreign enterprises that prepare integrated reporting (Fig. 7).

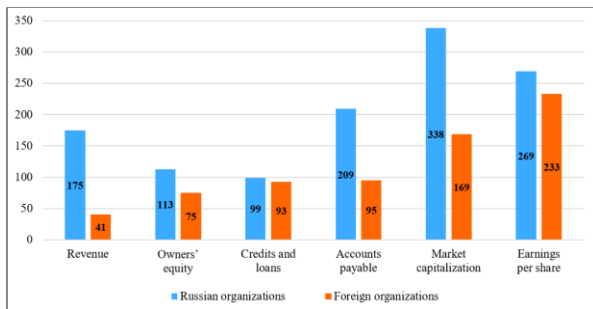


Fig. 7

The data presented in the diagram (Fig. 7) demonstrate that for Russian and foreign companies, that have implemented integrated reporting, the indicators that are most sensitive to its incorporation are market capitalization, earnings per share and accounts payable.

At the same time, in the case of Russian enterprises most of the analyzed indicators show a much higher increment rates compared to foreign companies. For example, the increment rate of market capitalization observed in Russian organizations, that have implemented integrated reporting, exceeds the same indicator demonstrated by foreign companies by two times, and the increment rate of accounts payable is more than two times higher.

According to the authors, this is largely due to the higher rate of inflation in Russia compared to foreign countries. It is also attributable to the fact that the level of stakeholder trust in relation to foreign enterprises has traditionally been higher due to the stricter standards of social and environmental responsibility of business in foreign countries. That is why the incorporation of integrated reporting has a greater impact on the degree of stakeholder confidence in Russian organizations.

As a result of the implementation of integrated reporting, Russian enterprises are beginning to disclose not only financial indicators but also non-financial information characterizing social, environmental and governance aspects of their activities. This indicates the improvement of their corporate culture and contributes to a significant increase in their market attractiveness.

In accordance with the developed research trajectory (Fig. 4), the authors calculated and analysed metrics, most sensitive to the incorporation of the innovative reporting model, for Russian (Fig. 8) and foreign (Fig. 9) organizations, that do not compile integrated reports, for the same time periods: 2011 and 2021.

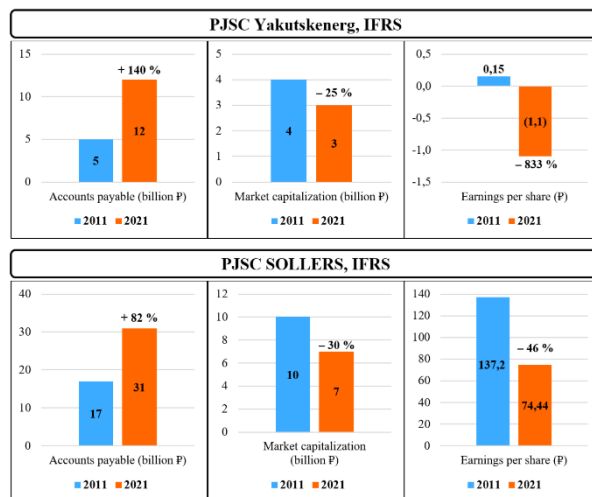
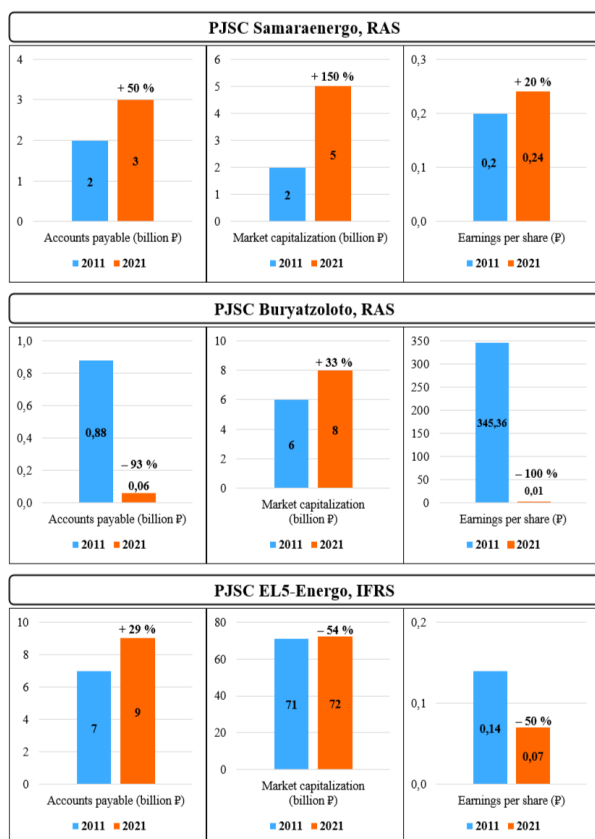


Fig. 8

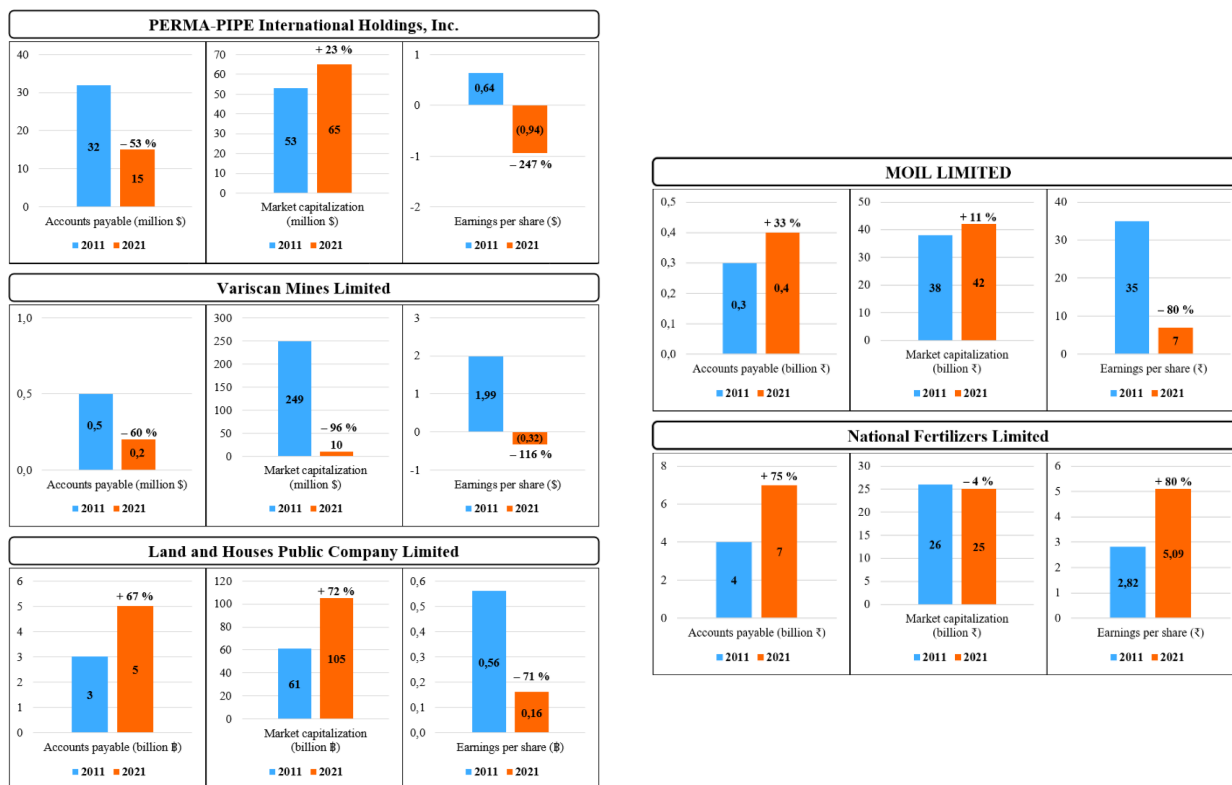


Fig. 9

Then, using the simple arithmetic mean method, the basic increment rates (%) of the analyzed indicators (2021/2011), calculated for individual companies, were averaged for a group of Russian companies and a group of foreign enterprises (Fig. 10).

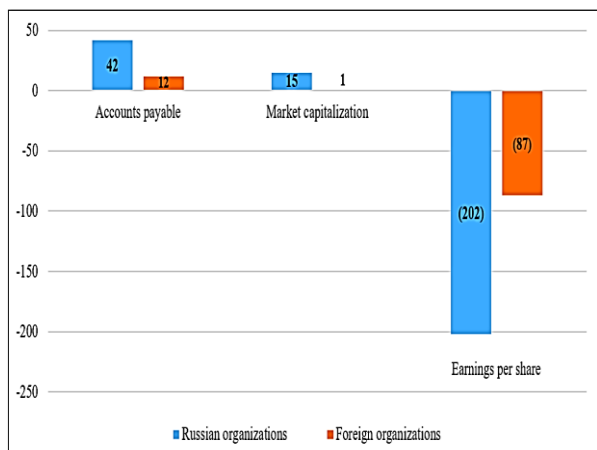


Fig. 10

According to the data presented in the diagram (Fig. 8), for Russian organizations, that have not implemented integrated reporting, the indicators that react most to its incorporation in most cases show a decline. For instance, earnings per share of Russian companies that

have not implemented the innovative reporting model decreased by 202% on average (Fig. 10), while the same indicator of those, that have incorporated it, increased by 269% (Fig. 7).

For foreign enterprises, that have not implemented integrated reporting, indicators such as accounts payable, market capitalization and earnings per share also mostly demonstrate negative dynamics (Fig. 9). On average, earnings per share decreased by 87%, while market capitalization and accounts payable remained virtually unchanged (Fig. 10).

Based on the data presented in the diagram (Fig. 10), it is clear that for Russian enterprises the majority of the studied indicators show more noticeable dynamics compared to foreign organizations.

The results of the calculations – the average basic increment rates (%) of the indicators most sensitive to the implementation of integrated reporting (2021/2011) in groups of Russian organizations and groups of foreign companies that have incorporated and have not implemented it into their accounting practices – are clearly presented in aggregated form in the table (Table 1).

Table 1

| Financial indicator   | Organizations that have implemented integrated reporting |         | Organizations that have not implemented integrated reporting |         |
|-----------------------|--|---------|--|---------|
|                       | Russian  | Foreign | Russian  | Foreign |
| Market capitalization | + 338  | + 169   | + 15   | + 1     |
| Earnings per share    | + 269  | + 233   | - 202  | - 87    |
| Accounts payable      | + 209  | + 95    | + 42   | + 12    |

As shown in the table, for domestic and foreign organizations, that have not incorporated integrated reporting, the basic increment rates of market capitalization and accounts payable are considerably lower than for companies that have implemented the innovative reporting model, and earnings per share demonstrate a significant decrease. Thus, the authors' hypothesis about the positive impact of incorporating integrated reporting on the assessment of the enterprise by stakeholders has been confirmed.

### CONCLUSIONS

1. In this article, the authors have identified and systematized advantages obtained by external and internal stakeholders as a result of the implementation of integrated reporting.

2. To analyze the value of benefits derived by organizations and their stakeholders through the incorporation of integrated reporting, the authors developed and practically applied the algorithm that made it possible to obtain a quantitative assessment.

3. It has been established that the indicators most sensitive to the implementation of the innovative reporting model are metrics reflecting the market attractiveness of companies of any industry, including Russian textile enterprises: market capitalization and earnings per share.

4. Accounts payable also show high sensitivity to the incorporation of integrated reporting by the organization, which indicates an increase in the level of business partners' trust in the company.

5. Currently, the scope of organizations' new reporting model is expanding and its importance for the contemporary society is increasing.

6. The emergence and development of integrated reporting concept is a significant stage in the evolution of the accounting system. The preparation of this reporting enables financial market participants to evaluate the enterprise's strategy and the efficiency of its implementa-

tion as well as to determine the company's potential. This statement is absolutely relevant in relation to enterprises of the textile industry enterprises.

7. Integrated reporting allows a wide range of stakeholders to analyze the organization's prospects and evaluate the effectiveness of its management and decision-making system.

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