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## THE ISSUES OF ACCOUNTING INFORMATION FOR SUSTAINABLE BUSINESS DEVELOPMENT

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**Abstract:** Information on sustainable business development currently needs more coordination, which can be done by organizations through accounting reports. The currently published accounting and financial reports do not fully present information related to the sustainable development of business, because the latter implies non-financial indicators as well. The article presents recommendations for the inclusion of information related to sustainable development in the published financial statements of organizations, which will create an opportunity for internal and external stakeholders to make business-related strategies and administrative decisions.

**JEL code:** M40

**Keywords:** sustainable development, non-financial information, accounting standards, public interests of business, business with public responsibility

**Research objectives:** interpret the possibilities of consolidation and coordination of information on sustainable business development in financial statements of organizations

**Research novelty:** presented information accountability guidelines for sustainable business development, that enable users to assess business competitiveness in terms of public expectations

### **Introduction**

The competitive assessment of business is currently not limited to financial results, but is also considered in terms of sustainable development opportunities [1]. The goals of private interests and super profits of entrepreneurs are already opposed to the public expectations of business, when the task is to prevent environmental risks formed as a result of business, to increase the efficiency of natural use, to promote the qualitative growth of the human capital used, to create partnership social capital. In this regard, the problem is set to coordinate the information related to sustainable development, which will be implemented by the reports published by the organizations. And since the potential of sustainable business development is characterized by non-financial and financial information, problems of presentation of the accountability format

of sustainable business development information also arise in practice, which are waiting for their solutions [2].

### **Research results**

Entrepreneurship was originally initiated by enterprising individuals or groups motivated by self-interest. Producing material goods or providing services to the public, successful businessmen increased labor productivity, used efficient ways of using resources, and formed an additional result with a rational combination of production factors that served their own interests. Nowadays, the primary motivation of entrepreneurs in business organization is also profit, strengthening of financial stability and gaining competitive positions in the market.

However, the business cannot endlessly serve the owners and pursue individual interests, because it has immediate obligations beyond the entrepreneurial interests itself. In particular, the entrepreneur uses natural resources, minerals, recruited labor, which in fact is not the product of his activity and he was given a direct opportunity to use all of this. Therefore, the businessman is obliged to use these resources in such a way that they are available for future generations [3].

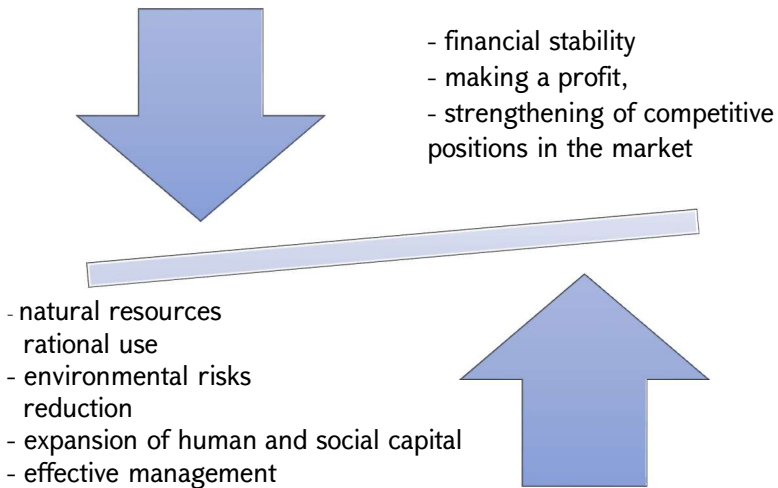
It is this fundamental approach that is at the root of the demand for sustainable business development. Ensuring the sustainability of business development requires, first of all, the transfer of such a potential of current production resources to the future, so that generations can continue their entrepreneurship and do not face

the fact of mercilessly exploited and depleted raw materials and natural resources, which in turn will disrupt the sustainable course of business. After all, business, by creating public goods and satisfying the consumer needs of humanity, also damages the environment to a certain extent and creates negative results from the public's point of view. In this sense, the "appetite" of private business interests from the point of view of sustainable development is restrained by the responsibility of efficient use of resources towards the public.

On the other hand, when exploiting the resources of the business environment and pursuing personal interests, entrepreneurs give their own "justifications" in the sense that business activities are accompanied by risks of compensation for damages and therefore, from their point of view, obtaining super profits by bypassing the requirements for efficient use of resources can be considered justified. In this case, it is recorded that profit-seeking business is characterized by potential risks, when by attracting and using resources, entrepreneurs have the possibility of forming losses, especially when applying innovative ideas, therefore, the private sector is justified in making excessive profits at the expense of inefficient use of sustainable development resources. in his own way [4].

However, from the point of view of the public, such an approach is not acceptable, because business activity in this case is considered from the point of view of public interests [5]. In such a case, society is interested in the sustainable development of business and evaluates entrepreneurship not only from the point of

view of creating public goods, but also from the point of view of continuing business and expanding the economic potential supporting it. The public is waiting for answers to such questions as: how the natural resources consumed during business are compensated, what is the efficiency of natural use, how is the damage caused to the environment as a result of business prevented, to what extent do businessmen contribute to the expansion of the quality of the human capital used, and finally, how is the efficiency of business management ensured through information transparency, participatory administration, in terms of social capital formation [6].



***Figure 1. Sustainable development accounting information flows<sup>2</sup>***

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<sup>2</sup> Composed by authors

Therefore, we can conventionally present accounting reporting information characterizing the sustainable development of business in two directions: "from below" and "from above". The information generated from below is purely financial and economic, and their beneficiaries are business partners who evaluate the sustainability of entrepreneurship from the point of view of accumulated financial and economic reserves (see diagram 1). And the users of the information formed "from above" are the subjects of the public sector (state departments, territorial self-government bodies, non-governmental organizations, etc.), which pursue public interests of sustainable business development. Moreover, in the currently published accounting financial reports, financial and economic information related to sustainable development is considered dominant over information serving public interests (see Figure 1).

Therefore, it is considered necessary to shift the center of gravity of information flows for sustainable business development from "bottom" to "top".

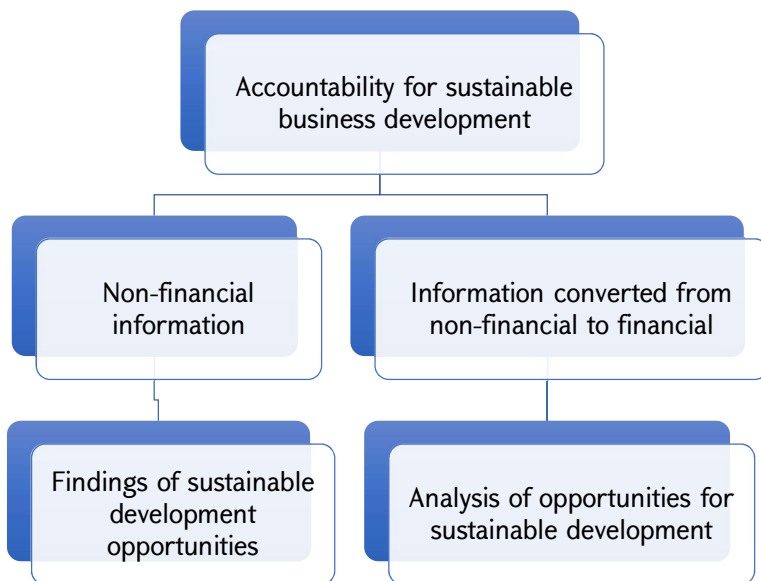
This process is currently being intensified along with preparations for the publication of a new generation of international financial accounting standards. Today, the drafts of IFRS-S1 and IFRS-S2 standards have already been put into circulation, which guide how the disclosures of sustainable business development, as well as climate change as a result of entrepreneurship, should be presented in published accounting reports.

However, it is still a matter of discussion how the non-financial information of sustainable business development should be

disclosed in financial reports, where all indicators are presented in monetary value [7]. We believe that the solution to this problem can be implemented in two directions.

a/ to present non-financial information related to the sustainable development of business with non-monetary indicators in published accounting reports,

b/ to convert the non-financial information related to the sustainable development of business into dram measures and present them with value indicators in the published accounting reports (see Figure 2).



***Figure 2. Non-financial information disclosure channels for sustainable business development<sup>3</sup>***

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<sup>3</sup> Composed by authors

Moreover, disclosures of non-financial information can present users with opportunities that will contribute to sustainable business development. In this case, by commenting on the findings included in the reports, potential investors and other interested partners will have the opportunity to evaluate the organizations' efforts in the directions of environmental protection, human and social capital preservation. And when non-financial information is transformed into financial information using monetary measures, users are also given the opportunity to conduct a complex analysis of sustainable business development and make qualitative conclusions as a result.

### **Conclusion**

Information on sustainable business development currently needs more coordination, which can be done by organizations through accounting reports. At the same time, accounting reports aim to present non-financial information as well, which will make it possible to identify further opportunities for sustainable development. It is still a matter of discussion among specialists, in which direction the non-financial information of the sustainable development of the business will be presented - with natural or value indicators. If the non-financial indicators of the process of sustainable business development are transformed and completely presented in monetary terms, it becomes possible to include them in complex analytical calculations and make systematic assessments of the potential for sustainable development. Therefore, at present, when preparing accounting reports, the organizers are faced with the task of moving the center of information formation from financial results to the information sphere of results arising from non-financial activities for the sustainable development of business.



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## **ԲԻԶՆԵՍԻ ԿԱՅՈՒՆ ԶԱՐԳԱՑՄԱՆ ՀԱՇՎԱՊԱՀԱԿԱՆ ՏԵՂԱԿՏՎՈՒԹՅԱՆ ՀԻՄՆԱԽՆԴԻՐՆԵՐԸ**

### **Հայկ Մնացականյան**

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### **Վահե Գասպարյան**

Հյուսիսային համալսարան, ասպիրանտ

**Բանալի բառեր** – կայուն զարգացում, ոչ ֆինանսական տեղեկատվություն, հաշվապահական ստանդարտներ, գործարարության հանրային շահեր, հանրային պատասխանատվությամբ գործարարություն

Գործարարության կայուն զարգացման տեղեկատվությունը ներկայումս առավել համակարգման կարիք ունի, որն հնարավոր է իրականացնել կազմակերպությունների կողմից հրապարակվող հաշվապահական հաշվառման հաշվետվությունների միջոցով: Ընդ որում, հաշվապահական հաշվետվություններով նպատակադրվում է ներկայացնել նաև ոչ ֆինանսական տեղեկատվություն, որով հնարավոր կդառնա բացահայտել գործարարության կայուն զարգացման հետագա հնարավորությունները: Դեռևս մասնագետների շրջանում քննարկման առիթ է հանդիսանում, թե որ ուղղությամբ է ներկայացվելու բիզնեսի կայուն զարգացման ոչ ֆինանսական տեղեկատվությունը՝ բնափային, թե արժեքային ցուցիչներով: Եթե բիզնեսի կայուն զարգացման գործընթացի ոչ ֆինանսական ինդիկատորները

փոխակերպվում և ամբողջովին ներկայացվում են դրամային չափայնությամբ, ապա հնարավորություն է ստեղծվում դրանք ընդգրկելու համալիր վերլուծական հաշվարկներում և կատարելու կայուն զարգացման պոտենցիալի համակարգային գնահատումներ: Հետևաբար, ներկայումս հաշվապահական հաշվետվություններ կազմելիս կազմակերպությունների առջև խնդիր է դրվում գործարարության կայուն զարգացմանը տեղեկատվության ծանրության կենտրոնը ֆինանսական արդյունքներից տեղափոխել ոչ ֆինանսական գործունեությունից բխող արդյունքների տեղեկատվական ոլորտ:

Հոդվածում առաջարկություններ են ներկայացվում կազմակերպությունների հրատարակվող հաշվապահական հաշվետվություններում կայուն զարգացմանն առնչվող տեղեկատվության ընդգրկման ուղղությամբ, որով հնարավորություն կստեղծվի ներքին և արտաքին շահառուներին կայացնելու գործարարությանն առնչվող ռազմավարական որոշումներ:

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