

ISSUES OF REPORTING ORGANIZATIONS FINANCIAL RESULTS IN THE ESG FRAMEWORK

Armen Hakobyan

Armenian State University of Economics
Sc.D. in Economics, Professor
armen_hakobyan@hotmail.com

Qnarik Khachatryan*

Armenian State University of Economics, Lecturer
qnarik91khachatryan@mail.ru

Abstract: Currently, solutions to the problems of accounting and control of the financial results of the activities of organizations related to the ESG system are highlighted. In particular, this problem is exacerbated in the food industry, where the "agriculture-food processing-final realization" value chain clearly operates, in each of which the financial results arising from entrepreneurial activities with ESG requirements take special forms, which manifest not only in internal management, but also in public control challenges. The article introduces the principles of accounting for the results of the application of the ESG concept, as well as approaches to coordinating information in this direction.

Keywords: financial results, ESG concept, sustainability accounting, food processing, value chain, IFR-S standards

JEL code: M40, M41

Research objectives: interpret the formation of the financial results of the organizations' activities with the requirements of the ESG concept.

Research novelty: accountability approaches for the formation of financial results of food processing organizations were proposed, taking into account ESG discretionary requirements.

Introduction

Business efficiency, which in the past was traditionally considered from the point of view of profitability and mainly pursued private interests, has now expanded its scope to include the field of social responsibility, thereby also receiving public evaluations and expectations (Asatryan K., 2023). Today, in addition to aiming for favorable private financial indicators, organizations are gradually taking on social obligations, and in case of avoiding them, they face multiple risks of loss of business reputation (Galazova S.S., 2018). In recent years, in practice, the scope of responsible investments is gradually expanding, when investors and even banks refuse to make financial injections in organizations that mercilessly exploit nature and cause damage to the environment in the course of their business (Tshughuryan A, Khachatryan N. 2023).

In this regard, the concept of sustainable development is currently being promoted, according to which generations act on the principle of solidarity, using natural resources judiciously in such a way as to enable future generations to benefit from them as well (Sachini Senadheera, Yong Sik, 2022). Therefore, the sustainable development of business at the moment implies a

process of using resources, based on the solidarity of resource use by generations, and those organizations take public responsibility for reporting for them.

Research results

In the last decade, it became clear, that the public responsibility of organizations providing business reputation is not limited only to the requirements of natural use and environmental protection, but is also targeted at the solutions of social problems, the core of which is not only the person, but also the partnerships formed in different directions related to the entrepreneurial process (Tshughuryan A., Hakobyan A., Grigoryan L., & Bayadyan A., 2022). In other words, private business is required to form "delicacy" and benevolence towards its employees, suppliers, lenders, buyers, cooperating public structures, state agencies in such a way that trust is formed in the society regarding the financial stability of the organization's activities, as well as sustainable entrepreneurial activity. to development prospects (Vetrova M.A., 2022).

The field of public responsibility of organizations also includes the application of the business management system in such a way that the norms of corporate management are clarified more, transparent accountability of management results is applied, participatory management ("bottom-up") approaches are developed, a transition is made from directed management to creative management practices, from autonomous management to Institute of Self-Regulating Managers (Aramonte S. and Zabai A., 2023).

As a result of such a multi-layered system of social responsibility, the ESG decision-making institute is currently being activated, with a systematic accounting of environmental (E), social (S), and corporate management factors (G), without, of course, neglecting the financial aspects of the organization's activities.

It should be noted, that the ESG environmental criterion evaluates how the company solves and manages the risks of the environmental challenges it faces. Issues such as energy efficiency, waste management, greenhouse gas emissions, conservation of natural resources, and use of renewable energy are analyzed here.

On the other hand, the ESG social dimension evaluates how the organization regulates its relations with employees, customers, suppliers, local communities and other social actors. Here, solutions to issues such as fair labor relations, diversity and inclusion, workplace conditions and safety, community relations and the resulting positive social impact are highlighted.

Besides, ESG criterion evaluates the organization's management system and managerial decision-making mechanisms. It interprets the justification of the composition of the board of directors, the transparency of information publication, the management of risks of sustainable business development and internal control mechanisms. Participatory management, accountability and feedback between stakeholders are also emphasized here.

The analysis of the professional literature shows, that solutions to the problems of accounting and control of the financial results of the activities of organizations related to the ESG system are considered relevant (Hakobyan A., Gasparyan V., 2023). In particular, this problem is exacerbated in the food industry, where

the ‘agriculture-food processing-final realization’ value chain clearly operates, in each of which the financial results arising from entrepreneurial activities with ESG requirements take special forms, which manifest not only in internal management, but also in public pose control challenges.

Thus, in the agrarian sector, a problem is set in the direction of organizing the production of ecologically clean, organic high-quality agricultural products, which does not harm the health of consumers, prevents the inefficient and merciless exploitation of land areas and water resources. The food processing industry requires production with waste-free technologies, reduction of harmful technological emissions, collection and processing of returnable waste. In the supply process, uninterrupted operation of the logistics chain is required, so that the food on the way reaches the final consumers on time and with quality standards.

Naturally, such requirements create social obligations in terms of ESG in food production organizations, the implementation of which is accompanied by additional costs as well as additional income. And these financial results are currently gradually entering the field of reporting requirements, which is mainly carried out by accounting (Mnactsakanyan H. Gasparyan V., 2023).

In this regard, a practical problem arises as to what format accounting will present the financial results related to the implementation of ESG requirements in the published reports (Hakobyan A., Tshughuryan A., & Martirosyan G., (2023). Currently, the international accounting standards put into circulation do not make specific guidelines in the mentioned field, stating only the requirement of sustainable development

disclosures, the possibilities of risk management for their implementation, and the description of the business value chain model (IFRS S1, 2023). At the same time, mechanisms for accounting the results of the application of the ESG concept are not introduced, let alone information coordination approaches in that direction.

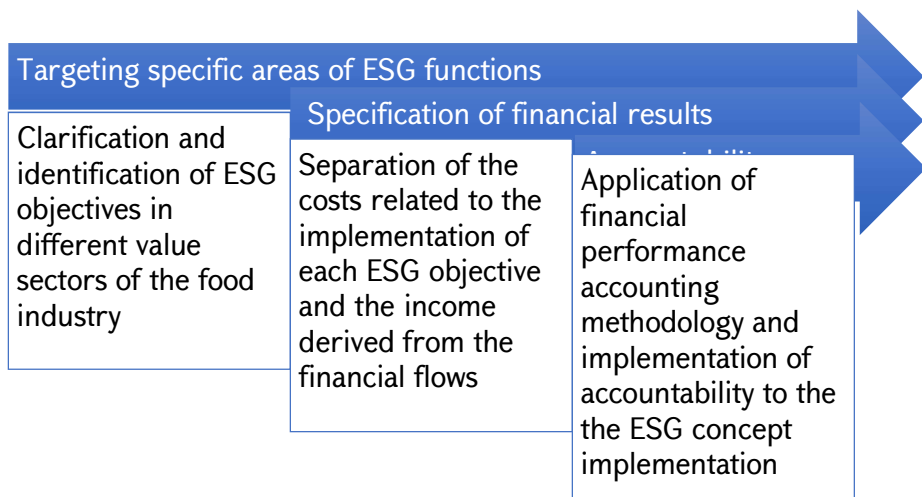


Figure 1. The mechanism of formation of information system for control of financial results of ESG functions

In our opinion, information on financial results related to the application of the ESG concept in the food industry should be coordinated through double-entry accounting (see Figure 1.). And in this regard, we consider it necessary to solve a number of interrelated methodological problems, such as:

- ✓ The specification of ESG goals in different links of the value chain of the food industry and their recognition as an accounting object;
- ✓ Separation of the costs related to each ESG function and the income arising from the general financial flows of the business and their entry in the accounting system;
- ✓ Development of an accounting methodology with double entry of financial results, related to the application of the ESG concept, using special accounts and accounting correspondence for this purpose, which will be integrated into the system of accounting for expenses and incomes of the organizations.

Conclusion

Having ESG system of information flows, in practice, it will be possible to monitor the financial results in the process of applying the sustainable development framework, and to identify in which part of the value chain of the food industry the organizations have financially advantageous positions. In particular, by making additional investments in the direction of the production of ecologically clean agricultural products, the beneficiaries are demanding information on what additional incomes are received from that field of agribusiness.

Moreover, by organizing food processing, organizations are currently striving for circular production, where the functions of waste collection, recycling and re-direction of production are carried out, accompanied by both additional costs and additional revenues arising from them. And if the results of the listed processes are budgeted in advance, then the accounting of financial

results and information accountability in the ESG system will significantly increase the monitoring of the costs and income formation of the food industry value chain.

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ԿԱԶՄԱԿԵՐՊՈՒԹՅԱՆ ՖԻՆԱՆՍԱԿԱՆ ԱՐԴՅՈՒՆՔՆԵՐԻ ՀԱՇՎԵՏՎՈՒԹՅԱՆ ՀԻՄՆԱԽՆԴԻՐՆԵՐԸ ESG ՇՐՋԱՆԱԿՈՒՄ

Արմեն Հակոբյան

Հայաստանի պետական տնտեսագիտական համալսարան,
տնտեսագիտության դոկտոր, պրոֆեսոր

Քնարիկ Խաչատրյան

Հայաստանի պետական տնտեսագիտական համալսարան,
դասախոս

Բանալի բառեր - Ֆինանսական արդյունքներ, ESG հայեցակարգ, կայուն զարգացման հաշվետվողականություն, սննդի վերամշակում, արժեշխթա, IFR-S ստանդարտներ

Ներկայումս կարևորվում են ESG համակարգին առնչվող կազմակերպությունների գործունեության ֆինանսական ար-

դյունքների հաշվառման և վերահսկողության հիմնախնդիրների լուծումները: Հատկապես, այն սրվում է սննդի արդյունաբերության ոլորտում, որտեղ հստակ գործում է «գյուղատնտեսություն-վերանշակում-վերջնական իրացում» արժեքային շղթան, որի օղակներից յուրաքանչյուրում առանձնահատուկ ձևավորումներ են ստանում ESG պահանջներով ձեռնբեցական գործունեությունից բխող ֆինանսական արդյունքները, որոնք իրենց դրսևորումներով ոչ միայն ներքին կառավարչական, այլև հանրային վերահսկողության մարտահրավերներ են ձևավորում:

Այս առումով գործնականում հիմնախնդիր է ծագում, թե ինչ ձևաչափով է հաշվապահական հաշվառումը ներկայացնելու ESG պահանջների իրականացման հետ կապված ֆինանսական արդյունքները՝ հրապարակվող հաշվետվություններում: Ներկայումս շրջանառության մեջ դրված հաշվապահական միջազգային ստանդարտները նշված ոլորտում կոնկրետ ուղղորդումներ չեն անում, նշելով միայն կայուն զարգացման բացահայտումների պահանջը, դրանց իրագործման ռիսկերի կառավարման հնարավորությունները, գործարարության արժեշղթայի մոդելի նկարագրությունը:

Հոդվածում ներակայացվում են ESG հայեցակարգի կիրառման արդյունքների հաշվառման սկզբունքներ, ինչպես նաև այդ ուղղությամբ տեղեկատվության համակարգման մոտեցումներ:

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