Quality, determinants and consequences of integrated reporting in South Africa

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1. What is Integrated Reporting (IR)?
   - A new corporate reporting framework that reports **financial and sustainability information** in a single document showing their connection.
   - IR seeks to address the **lapses in traditional standalone reporting approaches** which has been criticised (Robertson & Samy, 2015).
   - Involves communication of strategy, governance, performance and prospects leading to the creation of value (IIRC, 2013, pp. 7).

2. Why Research Integrated Reporting?
   - Despite the benefits attributed to IR, there is little empirical support which has led to calls for research to **establish the business case for IR adoption** (Simnett & Huggins, 2015) and provide information for policy decisions by regulators (de Villiers, Rinaldi & Unerman, 2014).
   - IR has been subjected to limited standardisation, regulation and research activity (Velte & Stawinoga, 2016) with **theoretical investigations and standalone case studies** dominating the literature (Robertson & Samy, 2015).

3. Research Questions
   - Focusing on the South-African context which is the only **mandatory context** for IR practice and thus providing opportunity to study IR over a longer period the following questions are posed:
     - How does quality of IR improve the quality of accounting information?
     - How does the quality of IR affect the sustainability performance of compliant firms?
     - How does corporate governance affect the quality of IR?
     - How does financial performance determine the quality of IR?
     - How does political visibility determine the quality of IR?

4. Methods
   - **100 firms** on the Johannesburg Stock Exchange selected based on market capitalisation.
   - Integrated Reports of the firms from 2011 to 2016 are content analysed and the quality determined by a **weighted index** based on IR checklist by Zhou, Simnett and Green (2017).
   - Partial-least-square structural equation modelling (PLS-SEM) approach is used to analyse the data.

5. Significance
   - Findings to provide empirical support for the outcomes of IR and contribute to debate of a **business case for IR adoption**.
   - Provides information to capital market regulators and governments considering the policy to **mandate IR** and the IIRC for IR promotion.

References


Images courtesy The IIRC (www.integratedreporting.org)