ABOUT SOME CONTROVERSIAL QUESTIONS REGARDING THE NON-FINANCIAL INFORMATION IN THE ANNUAL FINANCIAL STATEMENT (IN THE CONTEXT OF THE CIRCULAR ECONOMY)

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Abstract: *The topic of the study is set in the aspect of: the increasing needs of the users of financial and non-financial information in the Annual Financial Statement; legislative changes for disclosure of the non-financial information in the AFS in force since 1st January 2017; the lack of experience in Bulgaria for disclosure of non-financial information and the search for good practices in other countries where they exist and are developed. The main question which is related to the study is: Is a higher quality of the information in AFS achieved for the users through the disclosure of the non-financial information?*

Key words: *Non-financial information in the Annual Financial Statement, controversial questions*

The circular economy

Within the global economic space, the topics requiring the efforts of various interested parties are increasingly uniting scientists and specialists from the practice of several professional directions. One of said topics is related to the sustainable development, which foundations were laid back in the 1960s. The focus is placed on the relation between environment and the use of the limited natural resources, on economy and social well-being. A fundamental component in the scope of sustainable development, which started developing later, in the 1970s and is introduced as a new concept is *the circular economy*. *The basic idea asserted particularly by the circular economy, is related to the circular process in economy and the pursuit of low impact upon environment, by means of limitation of waste and the excessive use of resources and the possibility to use the goods, after their initial use, as raw material for secondary production, recycling, etc.* [19] Evidently, recovery appears to be a characteristic of the *circular economy*. The European Commission drew-up and published an action plan enforcing the circular economy in December 2015. [17] The regulatory changes affected accounting as well through the adoption of the European Directives 2013/34/EU and

2015/95/EU in the part concerning the reporting of non-financial information in the annual financial statements (AFS) of general purpose of undertakings, which the member states transposed into their national legislation.

Arguments on the timeliness of the topic

The arguments in support of bringing forward for discussion the topic related to the non-financial information in AFS of general purpose are found in multiple directions. This is due to its significance for various interested parties: users, authors, auditors, legal regulation with regard to its application.

In the first place, it is the significantly ***increased interest on behalf of investors and other users to the information*** (financial and non-financial one) in the AFS of the undertaking, and definitely ***with prognostic function***. Said interest appeared worldwide decades ago, but the growing demands of users of financial and non-financial information in AFS with prognostic purpose set the need of discussions, formulating proposals and activities on the topic, including also legislative ones. The progressively growing requirements of partners and other users to public accounting information (financial and non-financial one) with regard to its prognostic function are proved by several publications on the topic as well. [14,16,18]

The contemporary AFS is an ***integrated statement***[1]**,** considering the financial and non-financial information it comprises. Empirically, this assertion has been also confirmed in a study of 2013, where part of the outcome shows that: 92% of investors surveyed agreed or strongly agreed that financial and non-financial information should be more integrated. [18] It is no mere chance that, the title of the annual statement commonly accepted until recently as "accounting" was replaced by "financial". Said change is not at all formal, but it is meaningful. It is so, because the annual statement of an undertaking becomes more and more financial than just accounting. It comprises more and more tentative estimates, discounted estimates, etc. The financial information provides a view rather to the past and allows to reveal some issues in the operation of the undertaking, while the role of the greater portion of the non-financial information is perceived rather as an insight into future, allowing also projections and forecasts forming the bases of adequate business solutions to be undertaken, therefore their interrelated application is

[1]According to Lyutakova A., The Non-financial statement in Accountancy Act – the new title of the old non-financial information. An integrated financial statement is a process of creating an integrated statement comprising combined financial and non-financial statement, which as a whole explains the ability of the undertaking to create added value. As indicated by Lyutakova, the European Federation of Accountants defines corporate reporting as a combination of financial and non-financial information. When the non-financial information cannot be reported it should be disclosed (A recommendation by the Commission 2001/453/EC).

required. And another supporting statement "the financial information shows what is happening whereas the nonfinancial information shows why it is happening". [13]

The share of intangible assets in the composition of total assets used in the undertaking is increasing. The value of knowledge in the price of business effects is growing ***and they become a key factor for economic growth.*** The outcome of a study shows increased investor interest in intangible assets. Even further, "Assets managed under investment strategies incorporating non-financial information represented in excess of EUR 10.5 trillion globally, of which almost two thirds are managed by European investors." [18]

The discrepancy between business market value and its accounting valuation, resulting from the fact that the scope of contemporary traditional accounting does not cover items that have a significant impact on the operational business results, but could not be included in its statement since the criteria for recognition and assessment will not be met. Examples for such assets are: intellectual capital, customer loyalty, etc.

The existing ***different legal regimes in individual countries*** with regard to disclosure of non-financial information in the AFS of the undertaking makes such information incomparable, we have to note this further on. Up to date, there are differences in the regulation of non-financial information disclosure at national, regional and global level. For example, in Great Britain additional regulations are under development [21], in Germany "the final legal text is not available yet, but a preliminary draft published by the responsible ministry largely follows the original text of the Directive" [18], while at home – the Directive is transposed into the Accountancy Act and other ones. Furthermore, in individual countries, the requirements for disclosure of non-financial information in the AFS have different parameters, which for sure require a link between professional and legislative authorities in order to reach the European and international standardization, or at least a level of comparability and better understanding. Based on that, we think that they should strive to achieve comparability of non-financial information, in the same way as it is done for financial information, in view of improving its usefulness.

The ***pursuit of unification of the requirements*** to non-financial information in AFS is verified by the drafting of European Directive 2014/95/EU. There are visible efforts of the professional organizations and all interested parties to achieve standardization in view of enhanced quality of the non-financial information disclosed in AFS in the EU member states. Even prior to the issue of ED/2014/95/EU, some of the undertakings reported non-financial information. For example, for the first time Sony in 1994

prepared a report on corporate social responsibility. [22] Currently, about 6 000 companies will be affected EU-wide by the Directive, but no actual methodology and mandatory data have been developed and presented, which actually gives to us some grounds to assume that this will happen, because the corporate social responsibility topic is significant for the EU. [8]

In the Republic of Bulgaria, a new Accountancy Act is effective from the beginning of 2016. It *further develops* the requirements for disclosure of non-financial information compared to the old act. The adoption of the new Accountancy Act was prompted by the implementation of European Directives[2] concerning the information in the AFS. Only the requirement for preparation of Non-financial statement by the newly adopted act shall become effective from 1 January 2017[3], in accordance with the deadline generally set by the European Directive 2014/95/EU.

The bibliographic review clearly shows ***high publication activity of scholars from various countries***, including also Malaysia[4]. The topic of non-financial information is ***a topic under development***. Multiple publications evidence that scholars all over the world are studying the disclosure of non-financial information in various aspects, in order to indicate the respective points of discussion and to seek for adequate solutions. A bibliometric study shows that the analysis covered 787 academic articles on the topic of non-financial information published in 53 magazines over the timespan 1973 to 2013. [5] Some important questions among the ones raised are: How is non-financial information defined in literature? Can non-financial information be precisely defined? How has interest in non-financial information evolved overtime in the academic literature? etc. Obviously, ***interest in non-financial information is greater*** especially ***after 2000,*** which is confirmed by a study of the Canadian Institute of Chartered Accountants made in 2011. It indicates that the new perspectives for public interest and confidence in capital markets after 2000 set a new aspect and respectively new regulations concerning financial statements, which is related both to possibilities and risks. [9]

We consider that the ***lack of sufficient accrued experience in the preparation and disclosure of non-financial information during the transitional years in our country*** appears to be a serious argument for us to try searching the experience of other countries and to distinguish some controversial questions related to non-financial information in AFS.

[2]European Directive 2013/34/EU and European Directive 2014/95/EU. Refer to § 2 of the Additional Provisions of Accountancy Act.
[3] Refer to § 29 of Transitional and final provisions of Accountancy Act, effective from 1 January 2016.
[4] We note as far as the University Teknologi MARA, Malaysia is co-organizer of the current conference.

In this regard, it would be nice to ***look for the best practices*** and their feasibility under the existing national requirements, as well as developing the latter on basis of well-grounded standpoints. For example, Great Britain has been cited as a leading European country with regard to disclosure of non-financial statements. [12]

The expected regulatory changes with regard to non-financial information regulation are: requirements to undertakings that have to prepare non-financial information in their statements, incl. also by sectors; a system of indicators, their measurement and the form of non-financial information in view of enhancing its comparability; interconnection between financial and non-financial information, etc. The thesis is discussed in a number of publications at home and abroad. [11,12].

Some controversial questions

Authors' research of specialized literature and legal framework at home has been conducted with the purpose to pull out and formulate significant issues for discussion and a scheduled empirical study on the subject of non-financial information. In that regard and considering the diversity and significance of the outlined questions, we will try to systemize them in the following several tentatively differentiated groups, formulated for the purposes of the current study. The grouping has been done mainly in view of information optimization, due to the volume constrains to this exposition.

First group. Controversial questions related to the legal regime of non-financial information.

In the EU member states, including also the Republic of Bulgaria, the share of small and medium undertakings is above 90 % of the registered ones. This means that if, according to the rules of applicable accounting legislation, there is no obligation for them to disclose non-financial information, such obligation remains at the discretion of the management of said undertakings. In this regard, one major question is distinguished, namely – ***there is no requirement for obligatory disclosure of non-financial information to undertakings from sectors having strong negative impact on environment***, i.e. affecting directly environmental balance.

The following question is also set for discussion – ***What are the expected regulatory changes in non-financial information in AFS of the undertaking, including:***

For which undertakings, the preparation and disclosure of non-financial information shall be mandatory, whether not only quantitative criteria but also qualitative ones should be introduced, by focusing on the environmental impact. We also find it appropriate to develop the discussion with regard to the possibility to introduce additional criteria for reporting of

non-financial information ***by sectors***. It is known that the non-financial key indicators are rather specific to each branch and even to each individual undertaking. As far as key indicators of general sectoral nature exist, it could be possible to develop, establish and implement a methodology for reporting of non-financial information *both common to all undertakings and by sectors.* Empirical confirmation of the need of sectoral specifications was obtained by the research held in 2013 by ACCA. [18] We certainly support the recommendations to consider the sectorial membership of the undertaking when reporting non-financial information, as far as such membership significantly impacting environment really exists. Undoubtedly this appears to form the basis for debates, discussions on the topic, in order to achieve a better standardization and guidance for reporting of non-financial information.

The non-financial statement is subject to verification of its availability and audit in our country, pursuant to the provisions of Art. 37, para. 6, i.2 and i.4 of the Accountancy Act. In the specialized literature there is an ongoing discussion concerning the necessity of ***additional educational requirements*** to auditors. Some publications of the Institute of Certified Public Accountants (ICPA) show interest in the topic in our country. [4,20] The Canadian Institute of Chartered Accountants, in one of its studies also raises a number of questions related to non-financial information that are worth our attention, including: "Who should be doing the calculations and judgment involved, what relevant experience and educational background should the auditor or assurance provider have?" etc. [9] We think that the leading initiative in our country should be on behalf of ICPA.

The development of ***a system of indicators in order to obtain comparable non-financial information*** requires specific resources: time, funds, involvement of experts from various professional areas, etc. Authors' research of publication activity and legal framework shows that currently there is no generally accepted system of administering and reporting of non-financial information, comprising comparable data of the politics held by the undertaking, which is mainly due to difficulties in measuring the diverse indicators and the various needs of its users. This requires raising and considering the issue for the development of a system of comparable quantitative and qualitative indicators, which authenticity could be verified. In empirical aspect, an example for that are some publications of Harvard scientists working on a study of the factors affecting the non-financial information, as well as on the development of a system of comparable non-financial indicators. [10]

Expected regulatory changes in terms of more precise requirements to the preparation and disclosure of non-financial information in AFS. A lot of EU states have a national legislation, internal regulations governing the disclosure of financial and non-financial information. To harmonize the process, the EU decided to establish uniform rules through the introduction of ED 2014/95/EU, which sets the requirement for reporting of non-financial information. The outcome of an empirical study conducted in 2013 show that "84 % of the investors surveyed agreed, that established standardized reporting frameworks should be used by companies." [18]

Second group. Controversial questions related to the contents of non-financial information in AFS.

First of all, let's note ***the relationships or rather the absence of such relationships between financial and non-financial information.*** In our country, the non-financial information is discussed independently in art. 39, i. 2 of the Accountancy Act without any relationship with the information under Art. 39, i. 1 of the same one. In some cases references are made between financial and non-financial information for example to accounted revenues from sale of carbon emissions, as well as for recycled waste, which is in the aspect of the *circular economy*. Reference could also be made to provisions accrued by contractual penalties, greenhouse gas emission allowance reported as environmental assets, etc. [12]. The current way of presenting the non-financial information in the AFS isolates it from the financial one. Undisputedly, non-financial information supplements the financial one, but if something has not been disclosed, i.e. is hidden inside the financial information, it could hardly be presented in the Non-financial statement of the AFS. We believe that the necessity of improving the relationship between financial and non-financial information in AFS is one of the basic issues of the discussion under this topic, considering the integrated nature of AFS, as well as the fact that all efforts of theorists, practicians, professional organizations and legislative bodies should be focused on finding a balanced solution.

There is an existing discussion related to ***the requirement for disclosure of religious affiliation*** of the employees in the undertaking, affecting the individual. [12] Such information is related to the so called diversity policy and shall be reported as part of the non-financial information. We think that the non-financial information in AFS as a whole and in its part concerning the employees' religious affiliation is closely related to the culture of the society where the reporting takes place.

There are discussions in contemporary Accounting related to ***failure to state items which do not meet the criteria for distinguishability, recognition, trustworthy assessment and disclosure***, while at the same time they have an

impact on the operational result, respectively on the business price. And according to us, this appears to be another milestone in the discussion about non-financial information. In the current business conditions, the undertakings manage assets of significant value, which at the same time are not shown in their accounting balance sheet. There is a growing absolute and relative expression of: intangible assets, professional and moral-ethical virtues of employees, social and environmental responsibility of business to society, etc., to which currently the accounting standards for evaluation and recognition are not applicable, hence for disclosure in the financial section of the AFS. Currently, the business uses the possibility to report non-financial information particularly to legitimize this significant part of its assets, which for a great part of the undertakings is a key factor to increase their profitability[5]. Personnel, for example, "skills morale, and training of the workforce, can be as valuable to an organization as tangible assets." [13]

Next comes the controversial issue about the occurrence of ***unbalanced ratio between the current market value of business and its accounting value***. According to American studies in this area, the average ratio between the accounting and market values of companies is 1:6,5, even higher for companies with higher added value of personnel, which may reach 1:30. [15] Such misbalance reveals a significant amount of assets at the disposal of the company which are not reported by the accounting in company's balance sheet. In order to overcome this, the undertakings take advantage of the possibility to report the assets not listed in the accounting statement in the non-financial information section. In this regard, it is important to note that ***non-financial information*** has a more limited application in the current period, since its ***importance is reflected in business mainly in the long term.*** [7]. The assets reported through non-financial information, besides being rather assets of future economic importance, also ***do not affect the taxation in the reported period.***

There is another ongoing discussion concerning ***the impossibility to replace financial with non-financial information.*** Undoubtedly, non-financial information is an important supplement to financial information, but these indicators are not able to replace them. The essence of non-financial information, mainly may lead to meaningful explanations of imbalanced ratios between the accounting and market value of the company and future business solutions. In empirical aspect, a publication of scientists from the University of Primorska, Slovenia shows that the non-financial ratios may be considered as completing the financial ones, but for sure they are not able to replace them. [14] We consider that there should be more precise

[5] A number of studies under this subject have been done in various countries, incl. Malaysia, Ruanda, etc.

requirements with regard to their location, role and meaning in company's Financial Statements, as supplements to the financial information.

Third group. Controversial questions concerning the quality of the non-financial information disclosed in the AFS.

Unlike the financial information presented in the AFS, ***the non-financial one uses different quantitative and qualitative measures***, which makes it incomparable between the individual undertakings, sectors and countries. The topic about *the evaluation has always been defined as a milestone of Accounting*. A statement expressed by David Wilson, comments: "It has been five hundred years since Paccioli published his seminal work on accounting and we have seen virtually no innovation in the practice of accounting – just more rules." [14] When using financial information, economic indicators are created and expressed through monetary measure, while the non-financial information is descriptive. Examples of its representation are: figures, absolute values (of customer satisfaction), as well as relative weights (number of claims per 1 000 products sold). The non-financial information comprises both quantitative and qualitative indicators, i.e. various measures are applied in order to measure it. Their main purpose is to cover and explain in a non-financial manner, interrelations that are significant for the undertaking, but are not covered by the traditional accounting due to failure to match the asset definition. The specialized literature suggests two approaches to overcome this issue: "the first one – to reshape the philosophy of accounting practices, and the second one – in traditional accounting, financial ratios to be explained in a non-financial, descriptive way". [14] The professional community clearly reveals tendencies for adopting and applying the second opinion, which is certified by the growing number of non-financial indicators represented in the AFS system of financial indicators. The issues related to disclosure of non-financial information raised for discussion abound in the accounting collegium. There are few of them, raised by a study of the Canadian Institute of Chartered Accountants, namely: Are we satisfied with the assessment of the financial impact on the surrounding and social environment and the regulations related to that? Is it possible non-financial information to be financial? and Why the non-financial information is in the context of AFS? [9] Having in mind the scope of the questions raised for discussion, we think that attention should also be drawn to ***the educational qualification of the persons***

drawing-up, auditing and using the integrated financial statements.

In the specialized literature there is also an ongoing discussion on the topic of ***possible, expected benefits or risks from the presentation of non-financial information*** in the AFS of the undertaking, including also its use for advertising purposes. In this respect, scientists from Ruanda, in their study analyzing the role of reported non-financial information during decision making in the private sector, come to the conclusion that "financial and non-financial information are important in the decision making process. Both parts of the information comprise valuable concepts that might contribute to interesting results if correctly applied." We would also add and correctly drawn-up, due to the possibility of "information noise" caused by various objective and subjective causes.

The manner of examining the ***level of "noise" while measuring non-financial information***, is related to the quality, reliability and usefulness of the non-financial information used. The noise is related to the possibility for change in presenting the measurement on behalf of the undertaking's management, by changes in the economic environment (for better or worse). The results obtained from the study conducted on the level of "noise" with non-financial information indicate that non-financial information is much more susceptible to external "noise" than the one subject to accounting valuation, and this appears to be an alarming signal. ***The way non-financial information is used by different users also has a great importance for its usefulness as a whole.*** The outcomes of the empirical study on the subject conducted in Ruanda indicate that non-financial information has to be a part of the managerial report, but to the extent it is voluntary, this provides significant benefits for organizations in accordance with their *commitment to users and reputation*. [13] Furthermore, the non-financial information very often is used for political decisions, etc. This is one aspect to view financial information, which relates it to the culture of the society where the business entity operates.

The specialized literature rightfully raises the question – ***what are the quality control systems of disclosed non-financial information*** – internal and external. The topic concerning quality control of the information reported in AFS is of great importance, since it appears to be the main source for decision making by users external to the undertaking. In the publication activities

under review, a number of authors, working on the topic, underline the necessity to build an adequate control system of non-financial information and its deeper interrelation with the financial one. [7] We definitely think that it is necessary to organize and place adequate control both inside the undertaking and by external authorities with regard to the integrated statement, and furthermore, to determine the duties of the persons involved in control activities.

A key issue lying at the basis of all studies related to the topic of non-financial information in AFS is ***how does non-financial information publicly disclosed, usually through the web site of the undertaking, affect the quality of AFS,*** respectively the decisions made based on it by different interested parties. We consider that, we have to seek the answer to all controversial questions presented herein in direct compliance precisely with the enhancement of quality of non-financial information, hence its enhanced usefulness for the users it is addressed to. The examples of empirical studies conducted by scholars from various countries in this aspect are multiple, for example in Malaysia [15] and in Latvia [2].

A controversial question which is of great significance for the current study is presented in a study under the following subject: ***What do investors expect from non-financial reporting?*** **by ACCA in 2013.** [18] On 16 April 2013 the European Commission presented new requirements for disclosing of non-financial information to all big companies in the EU. The results show that in order investors to use non-financial information, it has to be comparable between the undertakings; the non-financial information has to be better integrated with financial information and that the accounting mechanism has to be a part of Non-financial information, rather by means of a new mechanism for its provisioning. The study comes to the conclusions for: encouragement of the use and harmonization of the existing framework for reporting compared to the growing demand for comparability; responsibility for the mechanism of preparing non-financial information. The results show that many companies place efforts to understand how non-financial information is perceived by investors and which is the most efficient way to report it. Undertakings need more instructions on how to present these regulatory requirements in practice and how to integrate financial and non-financial data.

Fourth group. Controversial questions related to the preparation of non-financial information.

The thesis for ***teamwork during the preparation of non-financial information in AFS*** is increasingly asserted**.** The contemporary AFS of general intended use, drawn up by the undertakings has become an ***integrated statement***, via which the undertakings clearly demonstrate their commitment

to society. The preparation of such integrated statement involves various experts [16] in the field of: IT-specialists, photographers, environmental experts, sociologists, managers, market experts, electronic data are being audited, etc., where accountants still have the main and coordinating part. Considering the evidences that: the form of publishing financial and non-financial information by the undertaking is digitalized and it is published in the web space, which has become a standard[6], as well as, that the most commonly used channel to access non-financial information is the company's web site, the role of technical experts is growing.

Fifth group. Controversial questions related to the value (added value, efficiency) of the reported non-financial information.

In the discussion on the topic of non-financial information, the thesis for ***search of efficiency*** is asserted***. This refers to the costs: benefits ratio*** during the preparation and disclosure of the non-financial information in AFS of general intended use in the undertaking. As a result of a study on the subject, Romanian scholars come to the conclusion that proceeding from the hypothesis for growing financial information disclosure, this should correspond to a growing revenue of the undertaking. Furthermore, sometimes non-financial information is being related to higher costs, rather than to benefits out of its preparation, especially for small companies with uniform business. [7] The fact that for companies disclosing non-financial information the costs are significantly raised, including such for: salaries, information technologies, etc. is indisputable. Bearing in mind that non-financial information is intended for external users mainly, the management should also consider whether the undertaking may come to the point of higher costs incurred than benefits gained from its preparation.

Undoubtedly, ***non-financial information raises the price of AFS.*** It is so, because it comprises diverse information, which has to be prepared by non-accountants also, for example: sociologists, IT-experts, environmental experts, market specialists and other experts. In the course of works related to the preparation and disclosure of non-financial information in AFS the leading part belongs to the accounting specialists, along with multi-discipline teams of experts in the preparation of integrated financial statement, which definitely leads to higher cost of the AFS of any undertaking.

Sixth group. Controversial questions related to the form of the non-financial information disclosed in AFS.

There is an existing discussion in the specialized publications at home about ***the title, under which non-financial information is announced by the undertaking.*** According to Ali Veysel, the title "Non-financial statement" is

[6]Refer to Accountancy Act, Art. 49 (2), b. B

more appropriate than the current "Non-financial declaration", since it is translated by the European Directive 2015/95/EU. We think that there should be correspondence between the meaning, contents and intended use of this relatively new information in AFS.

In the specialized literature there is an ongoing discussion on the topic ***whether non-financial information should be presented in the language of national economy only***, where the individual undertaking / group operates, or on the contrary – non-financial information, having in mind the wide range of local and foreign users, should be presented in the local and in English language as well. The discussion is relevant, as far as demands of interested parties outside the country of operation of the undertaking are considered. A publication on the topic comes to the conclusion that the web site in foreign language for Romanian companies has less impact on their market prices, because the annual and internal financial statements have a greater impact. [3] We think that since there is no specific regulation to this matter at home, when assessing the number of languages in which non-financial information shall be published (in Bulgarian only or in a foreign language as well), one should take into consideration its actual users.

Due to the fact that there is no standard developed, uniform methodological guidelines on the preparation of non-financial information in AFS and the different measures applied, the ***level of detail in non-financial information disclosure is different.*** "The IIRC has argued that it is not necessarily intended that organizations be required to disclose forecasts or projected results. Rather, they should simply disclose the material raw information that would enable investors and other stakeholders to run models or make their own predictions about the future value creation potential of the organization". [9] This shows that a discussion on the topic could only bring benefits to a possible future regulatory specification of the level of details in non-financial information, considering the actual demands of the interested parties.

Some other questions, of no less importance, could be also drawn in the context of non-financial information, for example related to: the impact of sanctions, provisioned by the legislation effective in our country, and whether the role of non-financial information in AFS is rather formal or real, but due to the volume constrains to our exposure, our pursuit is to place some of them for review and to provoke a discussion on some of them.

Conclusions and trends

Contemporary global society is informational one, but information may either help a business entity raise its value or may heart it, for example

reporting for violations related to harmful emissions into air. Therefore, the precise preparation, reporting, auditing and use of financial and non-financial information in the integrated AFS of the undertaking become increasingly important to many interested parties. In that sense, the topic is exceptionally relevant and is dynamically developing. It has high scientific, practical and regulatory activity. Even if the topic is new and there are various ongoing initiatives, the expectations of the accounting community, of auditors and practice are directed to even more precise regulations, to achieve more fine arrangement of the legal regulation of non-financial information with regard to its reporting, quality, comparability and relationship with financial information, as far as non-financial information appears to be supplementary to financial information. In the different countries there are different legal regulations existing, and just recently by the implementation of ED 2014/95/EU, actions, although initial, on the synchronization of commonly accepted rules have been undertaken in our country. The form in which non-financial information is currently prepared places it in isolation from the financial one, which is related to some constrains in its use. This places the necessity to choose comparable objects and based on this to build a measuring system, which will increase the comparability of non-financial information, hence its usefulness. We are convinced that the undertakings should not just copy indicators used by other undertakings. On the contrary, the undertaking will be in a solid position, if it selects the disclosed non-financial information and interrelates it with the financial one in the AFS. Definitely, currently a number of benefits but also risks are derived from the reporting and use of non-financial information in the AFS. Therefore, it is required to develop adequate control systems to test non-financial information, to ensure lack of mistakes and omissions which might affect the business decisions. And last but not least, we consider that the topic of non-financial information is related also to the culture of society and business, to the environment where the undertakings operate and where the control systems function. Of course, this discussion is closely related to the sensitive issue about the deficiencies of traditional accounting in recognizing, evaluating and presenting the assets of contemporary business. This explains that the standardization process is definitely related to the need for time, resources and many more discussions on the subject.

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