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KC5 – CORPORATE STRATEGY AND CONTEMPORARY ISSUES

MARCH 2019

Assignment

Developments in financial reporting practices

The global economic crises in the past two decades along with the collapse of large global and local firms brought about much needed developments in mandatory and voluntary financial reporting practices. Such developments attempt to make companies more transparent and accountable to its multiple stakeholders worldwide, leading to the enhancement of the efficiency of global financial markets. Parallel to this, there have been changes to local practices in financial reporting too. Corporate collapses during this period have also prompted changes to the existing code of best practice on corporate governance.

In addition to the mandatory disclosures, financial reporting now also encourages voluntary disclosures with a view to providing all stakeholders valuable and holistic information about a firm's past performance and future sustainability. Furthermore, during the last two decades, the scope of financial reporting has expanded to incorporate intangible assets, rather than being merely restricted to reporting on physical and financial assets. Subsequently, companies have started to provide concise communication about their strategy, performance and prospects in relation to their external environment, thus leading to value creation in the short, medium and long run.

Within this background, in addition to financial statements, companies have begun to communicate their impact on critical sustainability issues, such as climate change, human rights and social well-being, as well as provide objective evidence on environmental performance as public disclosures. Moreover, supplementary information on risk identification and management is also seen in recent annual reports of companies.

Required:

Select a company listed on the Colombo Stock Exchange and **prepare** a report to its board of directors.

In your report:

- (a) Identify the major developments that occurred in the recent past globally and locally in financial reporting practices/regulations.
- (b) Discuss the evolution of financial reporting practices of the selected company in order to keep up with the developments identified in (a) above.
- (c) Evaluate the adequacy of existing financial reporting practices of the selected company emphasising their limitations.
- (d) Propose recommendations to improve the current financial reporting practices of the company reflecting on (c) above.

(Total: 20 marks)

Assessment criteria and marking scheme

	Assessment	Marks (%)
1.	Identification of the recent developments in the financial reporting context ((a) above)	20
2.	Discussion on the financial reporting developments of the selected company ((b) above)	20
3.	Critical evaluation of the adequacy of financial reporting practices of the selected company ((c) above)	30
4.	Conclusion and recommendations ((d) above)	20
5.	Overall presentation and writing of the report	10