

INTERNATIONAL OUTLOOK: THE NOTES AND BUSINESS REPORT IN THE FRAME OF FINANCIAL REPORTING

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Abstract: *Are the accounting reports to be prepared on a yearly basis suitable for indicating problems, possibly for informing the stakeholders about the declining phase of an enterprise? The information needs of the various market operators are different thus the question is whether the management of an enterprise or possibly the owners place an emphasis on the adequate information. We examine the issue of social responsibility from a special approach in which, in addition to the corporate lifecycle models, there is a focus on the information content of the Hungarian and international accounting reports, moreover the content of the further report that is to be prepared but does not form a part of the accounting report. The aim of our research is to compare the notes and the further reports which meet the Hungarian, Rumanian, Slovakian and international standards and corroborate the quantitative data of the accounting report. By paralleling the notes and the further reports, we draw attention to the fact that one of the most important accounting principles i.e. the going concern concept, which the other principles are based on, will be (or will likely be) affected insofar as content of the enterprises' reports does not comply with the legislation. In addition to the addressees of accounting, the authors point at the issue of social responsibility based on those similarities which can be observed in the relations of the value-oriented corporate governance.*

Keywords: *accounting report, business report, IFRS, notes, international comparison (JEL. Code: M41)*

INTRODUCTION

Accounting is continuously developing in parallel to the economic development. In a well-functioning market economy, the market operators have reason to expect that objective information shall be available about the property, financial and income situation of enterprises. In order to ensure these things, it is necessary that those same economic events should be interpreted uniformly which are finally presented in the reports of enterprises. The global economic, social and environmental changes increasingly urge the corporations to take a responsible attitude to their direct and indirect environments, not only for others but for the future of corporation. It is extremely important that a corporation can recognise in time if it is not capable of increasing the value viz. this kind of situation calls for prompt intervention. In order to maintain the operability, the ability to renew and its

time interval are key issues. Are the Hungarian, Romanian, Slovakian and international accounting reports to be compulsory prepared on a yearly basis suitable for indicating problems, possibly for informing the stakeholders about the declining phase of an enterprise? Through the information content of the notes forming a part of the annual report and by means of ensuring publicity, we can obtain information about the property, financial and income situation of a corporation.

However, the information needs of the various market operators are different thus the question is whether the management of an enterprise or possibly the owners place an emphasis on the adequate information. The authors point at the issue of social responsibility based on the addressees of accounting (leaders of economic organizations, employers, market operators and authorities) and those similarities which can be observed in the relations of the value-oriented corporate governance. The economic crisis has put the

lifecycle investigation of enterprises in the limelight but now the examinations already focus on recognizing the declining phase as well; the accounting reports have come to the fore by this kind of examination. We can unequivocally answer yes to the question whether the accounting reports to be compulsory prepared on a yearly basis are suitable for indicating problems. And we have to answer no to the question whether the reports to be prepared once a year are merely sufficient. The reason for this is that we do not live in a static environment. The more dynamic an economic environment is, the bigger role the matter of time plays. Due to developments in accounting and not least in technology, we can prepare up-to-date analyses from the accounting statements. For this to happen, within the company, there is a need for an essential teamwork in which the controller should play a stressed role. Typical tasks of a controller are, through the cost planning and pricing, to establish the corporate value, to assess the possible risk factors, to monitor the planned and actual data regularly, to recognise the cause-and-effect relationships and to inform the management.

RELATIONSHIP BETWEEN CORPORATE LIFECYCLE MODELS AND MANAGEMENT ACCOUNTING

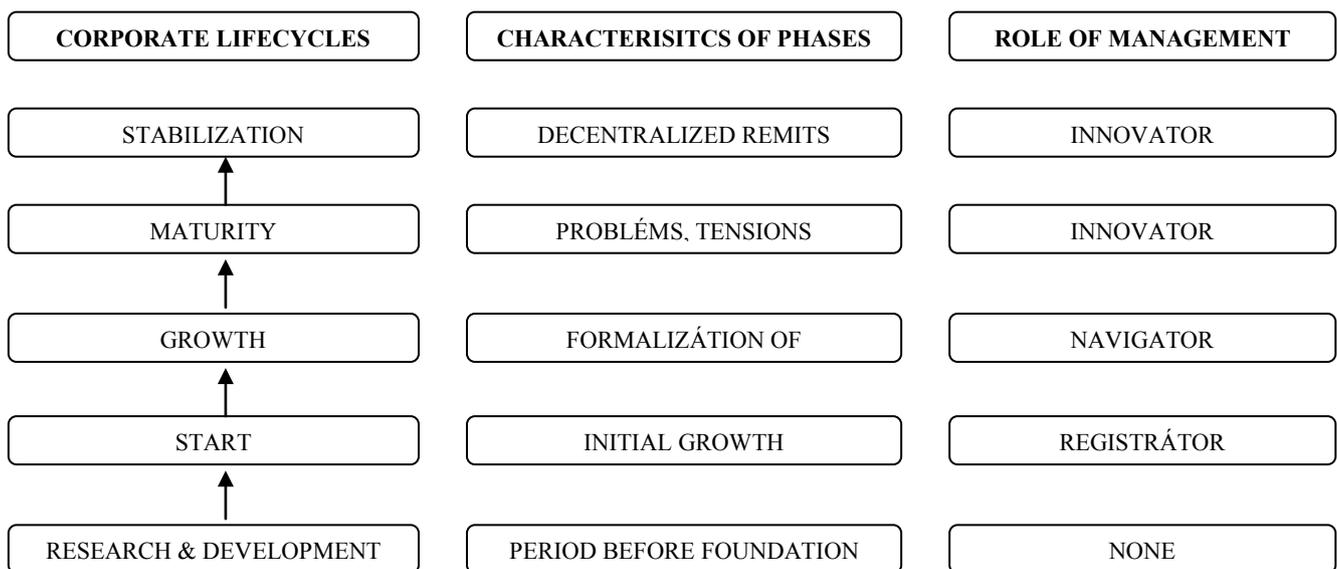
Corporate lifecycle models

The economic crisis has strongly put the enterprises into the spotlight. The enterprises have (had) to revise their strategies during which the management is (was) given a decisive role. Although, before the crisis, more and more researchers dealt with the problems of enterprises (PAKURÁR et al, 2012), particularly with the financing difficulties of small- and medium-sized undertakings, but the market challenges of

nowadays increasingly prompt the companies to review their future options (SZABO et al., 2013.; VERESNÉ, 2013).. More and more firm managers were forced to think about which lifecycle his/her enterprise could be found in and what opportunity he/she had to bring his/her company forward to a more developed lifecycle by proper planning, regulation, organisational development and motivation (NAGY-TOBAK, 2016). Numerous researchers have dealt with the lifecycle model of enterprises for half a century –(ADIZES 1992, GRENIER 1998, TIMMONS 1990, HISRICH – PETERS 1991, GÖBLÖS – GÖMÖRI 2004, KUCZI 2002, KŐHEGYI 2001, SALAMONNÉ 2006) etc. – who have presented the specificities and typical characteristics of different career phases of the enterprises. In the opinion of (MISKOLCZI 2012), based on the situation assessment carried out by means of lifecycle, the management can evaluate the problems according to the corporate life phase as well as can consciously determine and prioritise the tasks when shaping an enterprise’s further path of life. Albeit certain models are separately used in large scale, our experience shows that, during the practical investigations, it is worth evaluating as many models as possible for the company examined, in order to have the most comprehensive picture by various models. This picture serves as the basis of elaborating the alternatives for the further development of a given corporation (HORVATH - PAPP 2015). This treatise will set forth what role the controller plays in accomplishing the aforementioned tasks and reaching the targets.

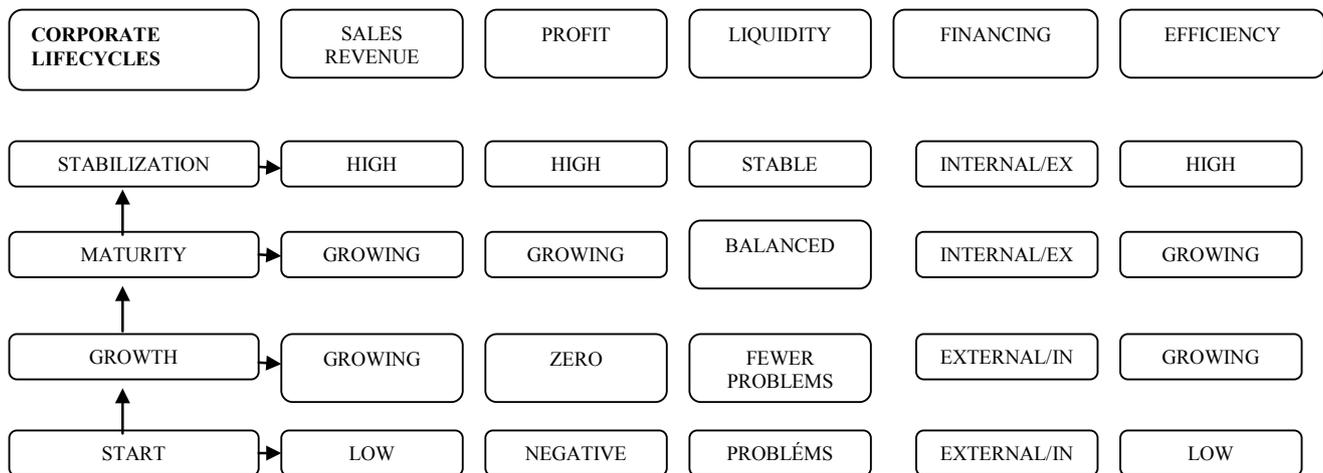
Despite the fact that (maybe) the typology of (ADIZES 1992) is the best-known, yet we rather wish to present the importance and role of management accounting in the analysis of corporate lifecycle through the model of (TIMMONS 1990). The main reason for this is that the model of Timmons is easily understandable and built on the rapidly growing enterprises thus the main characteristics can be seized well.

Figure 2: Corporate lifecycles (Timmons) and evolution of management role



Source (BÖCSKEI et al. 2011)

Figure 2: Lifecycle models and their main characteristics



Source: own editing based on specialized literature

In our opinion, the management accounting has a key role in ensuring that a corporation can reach the “top” as soon as possible and can stay there as long as possible. Information content of the management accounting has been reevaluated over the years.

In his study, (TIMMONS 1990) grouped the certain eras on the basis of time, income and number of employees. He divided the lifecycle of enterprises into five phases (Figure 2): starting from the phase of research and development (1-3 years before the foundation of enterprise) through the procedures of start (1-3 years of the enterprise), growth (from the 4th to the 10th year), and maturity (from the 11th year to the 15th year) up to the phase of stabilization (period after the 15th year). According to the author, the condition of moving to the next “status” is to solve a kind of decision-making situation which is generally under the responsibility of the founder, owner or the managing director. The “start-up” or else “starting phase” means the first one or two years in the majority of cases but it can happen that this phase may extend for seven years. According to Timmons, this is by far the most risky stage which requires an exhaustive direct management, energy, entrepreneurial talent and key people. In this phase, the failure rate of enterprises is 60% according to the theory. The second phase was named ‘high-growth stage’. This is the ramp-up stage of an enterprise; its period is often unlike per enterprise in the same manner as the extent of changes during the stage. At such a time, primarily the founding owners face difficulties with regard to mainly the transfer of power and decision-making authority. The enterprise then moves to the “maturity” from the ramp-up stage where the primary goal is already not the survival but the profiting perpetuance. Finally, the stage of stability closes this model which the author does not touch upon in detail.

ZSUPANEKNÉ (2008) describes that the model of Timmons is very similar to the stages of the traditional product life curve; in both cases, it can be observed that the phase of research & development is also mentioned albeit this is not part of the lifetime of a corporation as well as a

product. Compared to the product life curve, it can be also mentioned as a difference that Timmons does not deal with the declining stage of the corporate life path in its description.

The owners and managers of corporations (regardless of the management level) face different decision-making situations in each stage of the corporate lifecycles. Insofar as a manager sufficiently does not deal with the numbers as well as the coherences and business processes behind the numbers then it can result in a lack of information, a series of wrong decisions and the enterprise can find itself in an unstable economic situation. The most important task is to promote the up-to-date information of managers so that they can make effective business decisions and can operate the firm successfully (TAKÁCS, 2014.; SZÓKA, 2015). In the absence of applying the management accounting, the data of financial accounting regulated by the Accounting Act are tried to utilize for decision-making support purposes. Less information can be obtained from the aforementioned data since, in one respect, those ones step forward with some delay after closing a current period, on the other hand, these data concern the past events of an enterprise.

Nowadays, the management accounting and the controlling play a bigger and bigger role, the companies take the accounting needs of the management as starting point when elaborating their accounting system, of course bearing the legal provisions in mind (HÁGEN, 2009; HÁGEN-MÉHESNÉ, 2014; MÁTÉ – KÁRPÁTI, 2015; ZÉMAN, 2016; KALMÁR et al, 2016.; MUSINSZKI, 2016., KONDOROSINÉ –ZSIDÓ, 2017.). The up-to-date information provided by the management accounting are indispensable for the decision-making process and information supply of the managers (SISA-SZIJJÁRTÓ, 2016. BIRCEA, 2014). The criterion for introducing the management-oriented accounting system is to bring the “looking to the future” to the fore instead of/in addition to the investigation of past events.

ROLE OF REPORTS THROUGH INFORMATION CONTENT OF THE BUSINESS REPORT

Role of reports appearing in the national accounting laws

There is criticism related to the reports presented in the Accounting Law that the balance sheet and income statement contain historical data, concern a given date i.e. the balance sheet date thus the information gained is less suitable for possible rapid interventions. This is not a goal of the reports; the aim is to regulate the accounting in order to provide the market operators with a fair and value overall picture of the property, financial and income situation of the entities covered by the Accounting Law and with a view of the expected future plan and opportunities.

Among others, the business report has information content of the future plan and opportunities. By preparing the business report, the major goal is to present the property, financial and income situation of the enterprise in such way that the expected future risks are also taken into consideration in addition to the historical fact dat. With this in mind, development of the entrepreneur's business shall be reported in such way that both the financial and non-financial performance indicators shall be represented; it contributes to the presentation of a fair and true picture. This raises the question of how much it contributes to mapping the expected future risks, particularly knowing that the business report is not a part of the report however it is obligatory to prepare the business report and to acquaint the stakeholders with it.

Role of IFRS reports

The criticism related to the reports presented in the Accounting Law – according to which the reports are built on historical data and the future conceptions and plans are not presented – does not necessarily apply to the IFRS reports. Though the reports prepared according to international financial reporting standards are, as a matter of course, similarly concerning a given date i.e. the balance sheet date but the report itself strives to represent the vision of company in several places (TÓTH – DARABOS, 2016). (For instance, among others, the Assets held for sale and discontinued operations shall be included in separate rows on the asset side of the balance sheet and the related liabilities – namely the equipment or even whole activities which are held for a future sale and representing a significant order of magnitude – shall be included among the liabilities. This is to be done so that the stakeholders can be aware of the firm's future sales plan which could even entail the questioning of the going concern principle in certain cases, in case of outsourcing an activity being significant from the point of view of a company. The result obtained by the discontinued operation and the result from the sale of activity itself shall also appear in separate rows in the balance sheet and income statement.) Also, the aim of the reports has been determined in a different way: this is to provide the stakeholders and potential investors. The emphasis is placed on the usefulness. IAS 1 identifies the following parts of the financial statement:

- Statement of Financial Position
- Statement of Total Comprehensive Income
- Statement of Changes in Equity
- Notes

Table 1. The Notes and the business report (Hungary - IFRS)

Content of business report (Hungary)	Notes (Hungary)	Notes (IFRS)
<ul style="list-style-type: none"> – economic environment, – internal decisions influencing the expected development of the business entity <p>Presentation of the events after balance sheet date, in particular with regard to the significant processes</p> <p>Presentation of establishments</p>	<p><i>It shall contain those quantitative data and text explanations which are</i></p> <ul style="list-style-type: none"> – prescribed by law, and necessary for the true and fair presentation of – property and financial situation of the entrepreneur, – operating result in addition to details in the balance sheet and income statement. <p>In the notes, the information shall be also presented that is related to the specific activities and prescribed by other legislation.</p> <p><i>The following shall be presented:</i></p> <ul style="list-style-type: none"> – foreign establishments, – name and registered office of each commercial company: which is a subsidiary of the entrepreneur, that the entrepreneur manages jointly with another entrepreneur, which is an associated company of the entrepreneur, which is the entrepreneur's enterprise in other participations. 	<p><i>According to the standard IAS1, the proposed order of notes is the following (Lakatos et al., 2013):</i></p> <ul style="list-style-type: none"> - declaration of the financial statement's compliance with IFRS, – basis of preparing the financial statement (assessment principles and methods), special accounting policy prescriptions for the significant transactions, economic events and which are essential to interpret the financial statement, – additional information concerning all financial statement parts, in the order of presentation of statements and rows, – other disclosures including the contingent liabilities, unrecognised contractual obligations (amount of the approved dividends proposed up to approving the publication of financial statements), non-financial disclosure (e.g. address, legal form, registered office of registration, main activity, ultimate parent company). <p><i>Obligatory presentation of segments determined on the basis of standard 'IFRS 8 Operating Segments'.</i></p> <p><i>Based on IFRS 12, the following shall be published:</i></p> <p>the nature of the investment in</p> <ul style="list-style-type: none"> – subsidiaries, – joint associations (joint activity and joint enterprise as well), – associated enterprises, – structured business entities not to be consolidated , <p>risks involved, impacts on the property, financial and income situation of the business entity.</p>

Source: Act C of 2000 on Accounting (Hungary), IAS1, IFRS Framework

Table 2. The Notes and the business report (Romania)

Content of business report (Romania)	Notes (Romania)
<p>Presentation of the economic environment influencing the activity and development of enterprises, by means of financial and non-financial indicators as well as additional explanations.</p> <p>The business report shall contain:</p> <ul style="list-style-type: none"> - - expected development opportunities of the enterprise - - presentation of the research and development programs - - information regarding the reacquisition of treasury share - - presentation of establishments - - detailed description concerning the use of financial instruments. 	<p>The sum of quantitative data and text explanations which are required to understand the data in the balance sheet and income statement, the property and financial situation.</p> <p>Information related to the specific activities and prescribed by law shall also be presented in the notes.</p>

Source: 1802/2015 of the Ministry of Finance

The Notes classified as notes are a much wider information source. It is not mandatory to prepare the business report, the financial statement (its parts listed above) shall be separated from other parts of the annual report since the annual report can include other statements and reports but those ones do not fall under the IFRS's. (LAKATOS et al, 2013.) There is an obligation for the business report in the Hungarian Accounting Law, namely the analysis of the business entities' performance, for which the professions of accountancy and finance have developed a wide range of indicators. Due to the need for a simple comparability to other business entities, the IFRS's have striven to unify the calculation of a sole indicator and to regulate its requirements of presentation (IAS 33); the only requirement is to calculate and present the basic and diluted

indicators of the earnings per share (EPS) at the end of the income statement and in the Notes.

RELATION BETWEEN NOTES AND BUSINESS REPORT, PROVIDING A TRUE AND FAIR VIEW

By means of quantitative data and text explanations, the Hungarian accounting reports also present those items, beyond the items of the balance sheet and income statement, which are necessary for a true and fair presentation of the entrepreneur's property and financial situation as well as operating result. Whilst the notes leans on historical factual data, the business

Table 3. The Notes and the business report (Slovakia)

Content of business report (Slovakia)	Notes (Slovakia)	Notes for micro-enterprises (Slovakia)
<p>It contains the closing of the bookkeeping period and the auditor's certificate as well as it summarizes the following information:</p> <ul style="list-style-type: none"> - the company's future potential for development, - risks and uncertainties related to the company, - company's impact on the environment and employment, - characterization of the events after the balance sheet date, in particular with regard to the significant processes, - expected future improvement in the company's activity, - costs of activities related to the research and development, - information related to the reacquisition of treasury share, - proposal for distributing the profit or covering the losses, - data related to the existence of foreign establishments, - information related to the financial assets applied by the company. <p>The business report provides a balanced and overall analysis about the company as a whole as well as it contains quantified forecasts, financial and non-financial indicators.</p>	<p>Information illustrated in the notes should be usable, significant, understandable, comparable and verifiable. The indicated data shall be represented not just for the current accounting period but in relation to the immediately preceding period as well. This is a summary of those quantitative data and information which are necessary to understand the information in the company's balance sheet and income statement as well as the property and financial situation.</p> <p>Structure of the notes:</p> <ol style="list-style-type: none"> 1. Information related to the accounting unit: commercial name; registered office; date of foundation and establishment; description of economic activity; average number of employees; date of compiling the bookkeeping closing of the immediately preceding period; legal title of annual report. 2. Data related to the participation in the consolidation unit 3. Further information: <ul style="list-style-type: none"> - applied accounting principles and methods, - information related to the data in the balance sheet, - information related to the costs, yields and income tax, - data of off-balance-sheet accounts, - other assets and deficits, - information related to the beneficiary parties, - facts of events occurred between the balance sheet date and the date of compilation, - review of changes in equity, - cash flow statement. <p>The statement of cash flow forms a part of the notes in each case when the bookkeeping unit is bound to get an auditor to certify the closing of bookkeeping closing.</p>	<p>The notes of micro-enterprises are also needed to be compiled in such way that the information described in the annexes shall be useful, significant, comparable and reliable. Structure of the notes:</p> <ol style="list-style-type: none"> 1. General data: designation and registered office of legal entity or Christian and surname of natural person; data related to the consolidation unit; counted average number of employees, 2. Information related to the accepted procedures: such as assessment procedures; data related to the depreciation plan; applied accounting principles and methods, 3. Information complementing the balance sheet and income statement: information related to the unscheduled costs and yields, liabilities, treasury shares, bodies and obligations of the company. <p>In the notes, the accounting units (micro-enterprises) can announce information beyond the content structure prescribed.</p>

Source: Opatrenie Ministerstva financií Slovenskej republiky

report focuses on the expected opportunities and plans, in strict accordance with the structure of notes.

The strict connection between the business report and the notes is indicated by *the principle worded as a goal of the business report* according to which, by the assessment of annual report, it wishes to present the enterprise's property, financial and income situation, the course of business together with the main risks and uncertainties in such way that a true and fair picture can be provided based on both the historical factual data and the expected future data. In addition to the presentation of the business firm's establishment, it includes the representation of the firm's economic environment together with the internal decisions influencing the expected improvement. In addition to the presentation of the events become known between the balance sheet date and the preparation of balance sheet, the opportunities concerning the future also come to the fore.

In Slovakia, according to the European Union Directive 2013/34/EU to be followed from 20 July 2013, the Ministry of Finance of Slovakia enacted the Order MF/15464/2013-74 according to which the accounting entities classified as micro-enterprises are allowed to prepare a simplified bookkeeping closing. The aim of the simplification is to reduce the administrative load of the micro-enterprises. Within the meaning of that order, the structure of notes has changed as well. In accordance with the directives mentioned above, those companies are classified as micro-enterprises which do not exceed the following criteria at least in two cases until the date of compiling the bookkeeping closing: the balance sheet total is EUR 350 000, the annual turnover is EUR 700 000 as well as the average number of employees is 10 persons in the accounting period (STANLEY, 2014).

According to the legislation currently in force in Slovakia, an annual report shall be prepared by each accounting unit whose bookkeeping closing is required to be approved by an auditor (ŠKULTÉTY – KRIŠKOVÁ, 2014A). The Notes of reports according to IFRS shall be systematic in accordance with the provisions of Standard IAS1 and every item of the elements of financial statements shall be referred. Given that a large part of the reports prepared according to the IFRS is consolidated report, the presentation of interests in other business entities has also a key role among the disclosures.

RESEARCH AND EXPERIMENTAL DEVELOPMENT

Role and gravity of the research and experimental development in the national economy are shown by the fact that the costs for the research and experimental development of the current year shall be reported in detail not only in the notes but the areas of research and experimental development as well as the results obtained and expected shall be touched upon in the business report as well.

In Notes of IFRS, the separation of research and development phases, the conditions of representing the development as property element and the presentation of their fulfilment shall be touched upon.

Table 4. The Notes and the business report (Hungary - IFRS)

Content of business report (Hungary)	Notes (Hungary)	Notes (IFRS)
For the area of research and development	Research and experimental development	Costs of the research shall be debited to the result. Costs of the development shall be activated in all cases (it is not a possibility but liability). There are 5 conditions for the representation of the experimental development as an asset (whether it is feasible technically; whether there is an intention to carry out; whether the technical, financial and other conditions are available for the realization; whether there is ability to use or sell; whether it is provably able to generate profit). To present the fruition of these ones is a requirement.

Source: Act C of 2000 on Accounting (Hungary), IASI, IFRS Framework

Under the Romanian legislation (Order 1802/2015 of the Ministry of Finance), the research and experimental development activities and the results obtained shall be reported in the business report. However, in the notes, the following items shall be generally reported in detail: the most typical investments and their historical cost, accumulated amortisation, value adjustment, net book value and the principles used during the assessment.

Table 5. The Notes and the business report (Romania)

Content of business report (Romania)	Notes (Romania)
Presentation of the research and experimental development activity	There is no explicit provision. Under legislation, the historical cost, accumulated depreciation and impairment loss shall be presented in case of the most typical investments (fixed assets).

Source: 1802/2015 of the Ministry of Finance,

According to the legislation currently in force in the Slovakian Republic, it is necessary to indicate the costs of activities related to the research and development in the annual report (ŠKULTÉTY – KRIŠKOVÁ, 2014b). The company shall report its research and experimental activity in the notes (in point F) as follow:

- costs spent on research in the current marketing year,
- non-capitalised costs spent on research and experimental development in the current marketing year,
- capitalised costs spent on research and experimental development in the current marketing year.

In case of the intangible fixed assets, the following features of the experimental development shall be indicated in the notes: capitalised value, historical cost, increment, depreciation, residual value, method/principle of assessment and value adjustment.

Table 6. The Notes and the business report (Slovakia)

Content of business report (Slovakia)	Notes (Slovakia)
Presentation of the activities related to the research and experimental developments and the costs of those ones	As a part of the intangible fixed assets, point F of the notes deals with the historical cost, increment, depreciation, residual value and value adjustment of the capitalised value of the experimental development.

Source: *Opatrenie Ministerstva financií Slovenskej republiky*

FINANCIAL INSTRUMENTS, RISK MANAGEMENT

In the notes of the Hungarian accounting report, the financial instruments and derivatives shall be presented in detail, with regard to the specificities, in a defined structure; among others, its expected impact on the cash flow and the results as well as change in the fair revaluation of revaluation reserve of the current year shall be expounded. In addition to the hedges, those off-balance-sheet items as well as the financial impact and business purpose of those off-balance-sheet agreements shall be also expounded whose risks and benefits are needed to be known so that the financial situation of the entrepreneur can be judged realistically. In the business report, the focus is on the utilization of financial instruments, criteria of assessment at fair value and the hedging nature of derivatives. In case of the risk management and hedge policies, the risks (price-, loan-, interest-, liquidity- and cash

flow risks) shall be substantiated by quantitative data.

Due to the complexity of the topic, the financial instruments are subject to regulatory scope of more IFRS's: IAS 32 summarizes the rules concerning the presentation, IFRS 9 (formerly IAS 39) summarizes the rules concerning the representation and assessment as well as IFRS 7 summarizes the rules concerning the publication. In this case, the aim of the disclosures is to give the users of financial statements the ability to create a clear picture of the importance of financial instruments possessed by the business entity.

In the notes of the Romanian accounting report, the financial instruments and derivatives shall be presented in detail according to groups and specificities. More special attention should be paid to the determination of fair value of the above and their comparison to their net book value. Process of evaluating the financial instruments and their presentation at fair value also play a key role in the business report. Furthermore, the risk management policy of enterprises as well as the price-, interest-, liquidity- and cash flow risks shall be also touched upon in detail.

According to the Slovakian legislation, the financial instruments and their derivatives shall appear in the notes of the bookkeeping closing. Among others, the groups, distribution, features and fair value of the financial instruments as well as the principles of evaluating them are included. In case of the derivatives, beyond the general specificities, those circumstances shall be separately described which can influence the sum, time and uncertainty of the future cash flow. Appearance of the data related to the financial

Table 7. The Notes and the business report (Hungary - IFRS)

Content of business report (Hungary)	Notes (Hungary)	Notes (IFRS)
utilization of the financial instruments: – classification for investment- or trading purposes, – in case of the fair value measurement, the ranking from the point of view of assessment, – hedge or non-hedge nature of the derivatives, insofar as these ones have significant effect on the property situation.	the financial instruments': – groups, – fair value. – the derivatives' – groups, – extent (at contract value), – due date, – expected impact on the cash flow and the result (fair value). change in the revaluation reverse of the fair value measurement in the current year,	items related to the financial instruments and their groups: – disclosures related to the balance sheet – disclosures related to the income statement – other disclosures main elements of the accounting policy, hedge accounting, fair value – risks related to the financial instruments, qualitative disclosures, quantitative disclosures – handover of financial assets
risk management policy, hedge policy and: – price-, – loan-, – interest-, – liquidity-, – cash flow risks supported by quantitative data.	hedges': – efficiency, – how large loss (or profit) was counterbalanced in the result of the current year. total sum of those financial liabilities: – which are of importance from viewpoint of the assessment of financial situation but which do not appear in the balance sheet. – nature, – business purpose, – financial impacts, of off-balance-sheet items and arrangements not included in the balance sheet; the risks or benefits arising from them shall be presented in order to estimate the financial situation of the entrepreneur.	

Source: *Act C of 2000 on Accounting (Hungary), IAS, IFRS Framework*

Table 8. The Notes and the business report (Romania - Slovakia)

Content of business report (Romania)	Notes (Romania)	Content of business report (Slovakia)	Notes (Slovakia)
Financial instruments: – presentation of the significant effect on the property and financial situation – presentation of the fair value measurement	Presentation of the fair value measurement of the financial instruments. Presentation of groups and specificities of the derivatives. Presentation of groups of the fixed financial assets. Presentation of the net book value and fair value of the fixed financial assets	Based on the impact on the financial and property position of the corporation, presentation of features of the financial instruments and derivatives. Description of assessment of the financial instruments and derivatives.	Groups, distribution, assessment principle and fair value of the financial instruments. Grouping and features of the derivatives as well as their impact on the future cash flow. Grouping of the fixed financial assets and short-term financial assets, their assessment principles and book values.
Presentation of the risk management policy of the enterprise. Presentation of the risks of price, interest, liquidity and cash-flow.		It provides an overall picture of the risks and uncertainties of the company's current situation. A specific requirement regulates the necessity of examining the risk management, hedging policy as well as the risks of price, loan, liquidity and cash flow. The subject of analysis can be quantified indicators as well as indicators expressed in non-monetary value.	It appears only indirectly

Source: 1802/2015 of the Ministry of Finance, Opatrenie Ministerstva financií Slovenskej republiky

instruments and their derivatives depends on size of the company preparing the notes. The annual report summarizes the influence of financial instruments and their derivatives on the property and financial situation of the company.

The business report provides a transparent picture of the company's current position, uncertainties and risks. If it is necessary for the purpose of assessing the assets, sources or financial situation of the bookkeeping unit, it is also obligatory to list the following information in the annual report (the necessity is specified by special regulations):

- risk management tools, policy and methods of the company
- in particular with regard to the main types and transactions and the applied policy in case of the hedging derivatives,
- price risks, loan risks, liquidity risks and cash flow-related risks.

The risks are indirectly presented in the cash flow statements of notes.

EMPLOYMENT

In the course of the Hungarian accounting reporting, the obligation to provide information of employment appears both in the business report and the notes. Whilst the quantitative data dominates in the notes, the business report creates (or can create) the possibility for knowing *the employment policy of the firm*, future opportunities and the possible alternatives of the improvement. In an unfavourable economic environment, it is not certain that the companies can correctly assess the possible future and the possible targets of employment policy. ODOR et al. (2011) describes the fair and sound information providing should be primarily the social responsibility of the

owner and the management.

In the IFRS report, 4 categories of the allowances can be distinguished based on the Standard IAS 19 'Employees' allowances': short-term allowances, long-term allowances, severance payments and allowances paid after the termination of employment. Amongst the disclosures, information regarding the allowances is also presented based on this kind of grouping.

Table 9. The Notes and the business report (Hungary - IFRS)

Content of business report (Hungary)	Notes (Hungary)	Notes (IFRS)
Representation of the employment policy	– Employed workers': – average statistic headcount, – recognised per staff group: payroll expenses, and other employee-related payments.	– disclosures related to short-term allowances, – disclosures related to long-term allowances, – disclosures related to severance payments, – disclosures related to allowances paid after the termination of employment

Source: Act C of 2000 on Accounting (Hungary), IAS1, IFRS Framework

According to the Romanian legislation, the business report shall contain the rules regarding the employment policies of enterprises. As in the Hungarian rules, the notes

Table 10. The Notes and the business report (Romania - Slovakia)

Content of business report (Romania)	Notes (Romania)	Content of business report (Slovakia)	Notes (Slovakia)
Representation of the employment policy	<ul style="list-style-type: none"> – The employees' average statistic headcount of presented per staff group – Detailed presentation of the employees' payroll expenses (net wage, paid duties and contributions) – Other employee-related payments – Value of advances and loans paid for the board members and members of the management body, determination of the interest rate – Pensions and similar allowances paid for the former board members and members of the management body – 	Representation of data related to employment	By quantified data, it presents: <ul style="list-style-type: none"> – average headcount of employees, – for the accounting closing date, number of employees and headcount of workers in managerial position, – data of liabilities related to board members and members of the management body, – obligations to and claims against the employees, – expenditures related to staff (wage, social and health deductions, advance tax and other contributions)

Source: Order 1802/2015 of the Ministry of Finance, Opatrenie Ministerstva financií Slovenskej republiky

contains numerical data regarding the average statistic number of workers, wage costs of employees and other personnel payments.

In Slovakia, the annual report points at the impact of bookkeeping unit on the employment by means of different financial and non-financial indicators. The formal requirements of employment-related information are not clearly defined but the annual report most commonly contains the clarification of information in the bookkeeping closing as well as the presentation of employment policy of the company. The notes contain the quantified values related to the employees, such as:

average number of employees of the enterprise,

number of employees to the date of compiling the bookkeeping closing as well as the number of workers in managerial positions of the total headcount.

Also, the notes provide information about the composition of liabilities related to the workers in managerial positions and about the expenditures related to the workers (wages, bonuses, social and health duties and advance tax of the employees).

ENVIRONMENTAL PROTECTION

The environmental protection strongly appears both in the notes of the Hungarian accounting report and the business report. By the regulation of provisioning, the expected future costs (non-statutory environmental-related costs) are numerically presented in the report as well, in addition to the environmental-related liabilities. Related environmental protection policy, closely related measures, their impacts and results shall be presented in the business report. Beyond the financial and economic items, the legislator markedly demonstrates the issue of responsibility as well. The environmental disasters in recent years have got the economic operators to focus on the stressed role and importance of preventive measures.

The IFRS financial statements specially do not regulate the subject of environmental protection and the disclosure requirements compulsorily do not include this subject either. The environmental-related information is presented in those

other parts of the annual report which are independent of the financial statements.

Table 11. The Notes and the business report (Hungary)

Content of business report (Hungary)	Notes (Hungary)
presentation of environmental protection: <ul style="list-style-type: none"> – environmental policy and its set of instruments applied by the entrepreneur, – environmental actions, – results of fulfilment of the environmental-related actions, – environmental improvements: projects realized in the past or to be realized in the future and grants related to them, – environmental-related responsibility, – role of environmental determining and influencing the financial situation of the entrepreneur. 	presentation of environmental protection: <ul style="list-style-type: none"> – tangible assets directly serving to protect the environment, – by hazard class: – hazardous waste, – substances harmful to the environment: initial and final stocks, quantitative value data of the growth and reduction of the current year, – environmental obligations, – sum of provisions for the future costs serving to protect the environment, – environmental-related costs incurred, – amount of expected costs for environmental and recovery liabilities.

Source: Act C of 2000 on Accounting (Hungary)

The environmental protection may appear in the business report of the Romanian accounting report and its notes as well. The legislation currently in force (Order 1802/2015 of the Ministry of Finance) does not regulate the detailed presentation of the environmental policies. Depending on the entrepreneurial needs, extent of the enterprise and activity area, the following items can be presented in the business report, in more or less detail: environmental policy or general environmental measures applied by the enterprises. Additionally, the notes can itemize the intangible and tangible assets directly serving to protect the environment, the environmental obligations as well as the sum of provisions for the future costs serving to protect the environment.

In Slovakia, in accordance with the legislation currently

Table 12. The Notes and the business report (Romania - Slovakia)

Content of business report (Romania)	Notes (Romania)	Content of business report (Slovakia)	Notes (Slovakia)
The detailed presentation of environmental policies is not provided by the accounting legislation currently in force. Depending on the entrepreneurial needs and the field of activity, the following things may be presented in the business report, in more or less detail: – environmental policy applied by the enterprises – general environmental actions.	The detailed presentation of environmental policies is not provided by the accounting legislation currently in force. Depending on the entrepreneurial needs and the field of activity, the following things may be presented in the business report, in more or less detail: – intangible and tangible assets directly serving to protect the environment (valuation, period of use, depreciation, impairment loss, accumulated amortisation, net book value) – environmental obligations, – sum of provision for the future costs serving to protect the environment.	The annual report contains the examination of activity of the company based on the impact on its environment.	The presentation liability of environmental-related features is not provided by the legislation currently in force. Depending on the activity of company, the following item may be detailed in the notes: sum of provision for the future costs serving to protect or recover the environment.

Source: Order 1802/2015 of the Ministry of Finance, Opatrenie Ministerstva financií Slovenskej republiky

in force, there is no specific regulation on the presentation of environmental-related information and data. In the business report, it is obligatory to indicate the impact of corporate activity on the environment. The business report can be enlarged with environmental-related data if it is necessary based on different individual arrangements. In the notes, the environmental-related details are presented in the course of creating the provisions. Other statistic statements contain the expenditures spent on the fixed assets purchased relating to the environmental protection, the environmental-related costs as well as the yields resulting from the environmental protection.

CONCLUSION

The global economic, social and environmental changes have increasingly urged the corporations to take a responsible attitude to their direct and indirect environments, not only for others but for the future of corporation. But, what does the employers' responsible behaviour – also known as CSR (Corporate Social Responsibility) – mean? According to the responsibility interpreted in a strategic way, the corporations shall behave responsibly towards their environment and the society as a whole. We would like to draw attention to a specific and broad interpretation of the responsibility: it shall appear in the reports and the business report which does not form a part of the report. According to these, the corporations should be able to survive in the long-term, if no then the market operators shall not be deceived. The legislators have also represented this expectation of theirs in the accounting laws of each nation, viz. that, in the going concern principle, they have enforced the suitability for the future operation and further continuation of the activity. The lawmaker handles the going concern principle with particular importance since the implementation of other principles is based on the existence of this principle. In the IFRS, this principle is a determinant so-called underlying presumption. It also means that the accounting principles cannot be applied in that case if the going concern principle does not apply. As a person entitled to represent the enterprise

is obliged to sign the business report thus we have reason to hope that the social responsibility of numerous firms will also include the presentation of content “the report is socially responsible” in the near future.

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