

## FINANCIAL STATEMENTS OF THE FOOD INDUSTRY IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

**Nonna KHACHATRYAN**  
Ph.D., associate professor at YSU  
**Qnarik KHACHATRYAN**  
ASUE lecturer

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**Introduction.** In practice, it is not always possible to represent the results of the business process with the principles of sustainable development in the reports published by commercial organizations with financial indicators, and that is why the disclosures presented in the reports with non-financial indicators, which in turn require standardization, are currently being activated [Alekseeva, et al., 2022, 57]. Currently, the international accounting standards for the publication of sustainable development information have been put into use, in which the key objectives of the disclosure of information on the results of the business process with the principles of sustainable development are emphasized [IFRS S1, 2022]. Organizations in particular are challenged to inform reporting stakeholders what strategic sustainability risk management model is in place, how sustainability risks and opportunities are targeted, and most importantly, how the risk management process is implemented. Financial information disclosures related to cash flows, access to financing, and changes in the cost of capital are also highlighted. In particular, the organization should reveal quantitative and qualitative information about how the risks and opportunities related to sustainability have affected the financial condition of the economic activity, financial results and cash flows during the reporting period [FRS S1, 2022].

**Methodology.** The collection of information related to sustainable development in organizations is most effective in the accounting system, when special metrics related to environmental protection are used. Here, the methodological problem arises to present those metrics with value designations, which will then be used in the accounting information system. Accountability of sustainable development results also contains methodological problems. In particular, the question arises as to how to integrate financial and non-financial information in one report. In this regard, in the last decade, the International Accounting Federation has presented many methodological developments, even publishing international accounting standards related to sustainable development.

**Literature review.** The issues related to financial statements and accountability of the food industry in the context of sustainable development are widely discussed in economic literature. We have mainly considered the works of Alekseeva I. and Popova E., who

concentrate more on standardization of disclosing information in non-financial accounting of commercial organizations [Alekseeva, et al., 2022, 57-67], as well as Melnik M. [Melnik, 2019, 58-64], discusses the entire system of indicators designed for the integrated accounting. While examining financial statements and accountability we pay keen attention to IFRS S1 general requirements for disclosure of sustainability-related financial information and the sustainability accounting standard for the processed foods and sustainability accounting standards.

**Analysis.** It should also be emphasized that, in practice, solutions to the problem of measuring non-financial indicators reflecting the process of sustainable development of organizations are proposed. To this end, the Sustainability Accounting Standards Board (SASB) was established in 2011 as a non-profit, standards-setting organization whose mission is to create and develop industry-specific standards that help stakeholders in sustainable development to obtain reliable information in an organized manner. about the risks and opportunities in the organizations, to assess the environmental, social, and administrative risks on changes in the capital, cash flows, and financial results of the organizations in the short-term, medium-term, and long-term, using criteria developed based on the specifics of the industry. Currently, the SASB standards define subsets of environmental, social and environmental issues most relevant to financial performance and enterprise value for 77 industries, including the food industry. SASB standards present sustainability information that interprets how a business generates financial results and increases the value of its capital [IFRS S1, 2022]. In particular, the "Food Processing" SASB standard requires comments related to the value chain of the business model. Food companies use a significant amount of agricultural inputs, much of which is produced under the influence of drought or is otherwise subject to changing weather patterns [SASB, 2017, 132]. This effect may lead to inflation and may affect the company's financial results. Finally, climate change, water scarcity, and land use restrictions pose risks to the company's long-term operations. Furthermore, agricultural raw materials from suppliers whose production complies with social and environmental principles give food processing companies the assurance that their products are released in a way that reduces the risk of reputational damage.

Findings related to agricultural supplies to the food industry in terms of compliance with social and environmental requirements are particularly important. Moreover, they should make up at least 80% of the volume of agricultural raw materials supplies. Attention is paid to the evaluation of the results of the use of energy-saving technologies in the supply sector. Taking into account all this, SASB standards present indicators that make it possible to make non-financial information measurable, transfer it to the field of comparability and present it in published reports (see table 1).

**Table 1.** Non-financial indicators of sustainable development of food industry organizations<sup>1</sup>

Non-financial indicators	Measuring
Saving of used water resources	Technical
Improvement of quality properties of supplied raw materials	Technological
Waste processing	Technological
Implementation of energy-saving technologies	Technical
Maintaining the health of the workforce	Sociological
Increasing equity in business value chain	Economical
Ensuring the safety of food sold	Healthcare

It should be noted that the integrated reports of food industry results in the budgeting system are mostly related to financial information. Moreover, if to some extent the obvious losses related to the sustainable development of the organization are included in the management accounting system, then the corresponding "hidden" losses arising from economic transactions, as a rule, in business, they generally bypass the accounting system.

In this sense, in the professional literature, the definition and application of eco-carriers in food industry organizations is proposed as a solution to this problem. In this case, they comment on how much damage was done to the environment as a result of the economic operation, how this damage was compensated in the reporting period, and on what principle (separately or integrated) is presented the sustainable development of business. Disclosure information in the entity's published financial statements. Moreover, the structure of repeated registration of the results of activities aimed at sustainable development requires the use of special accounts from food processing organizations, due to which, according to the monetary scale, on the one hand, reporting the volumes of consumption of natural resources in the period, and on the other hand, the contribution of the organization in the field of their restoration [Melnik, 2019, 58].

Therefore, eco-drivers act as additions to the expenditure streams, which form ESG assets and sustainable development-supporting activities in the financial statement of organizations. And if these assets are recorded in the accounting period with double registration in the financial accounting system, then the liabilities formed against them can be paid off within several years. Therefore, every transaction related to ESG developments is recorded with eco-drivers, on the one hand reducing the profit of the organization, on the other hand creating liabilities. It is on this principle that specialized literature recommends publishing integrated reports of financial results by organizations.

<sup>1</sup> Sustainability accounting standard | processed foods |, SASB 2017, pages 3-5

The authors also express the opinion that reports published by organizations cannot give a complete picture of the formation of financial results if they do not integrate financial and non-financial information. Moreover, it is even encouraged by the organizations to publish reports within the framework of ecosystems, which specifically record what services the environment provides to the economic activity and instead, what resources the activity spends on restoring the damages caused to the ecosystem.

Based on all this, we recommend to be guided by financial and non-financial information during the budgeting of financial results, taking into account both the standards for the presentation of financial reports and the standards for the presentation of non-financial information (see Figure 1).



**Figure 1.** Formation of integrated accountability of financial results of food industry organizations

**Conclusions.** Thus, in the context of budgeting of financial results in food processing organizations, we highlight a number of approaches to the presentation of integrated reports.

First, during the budgeting of financial results, the component of non-financial results should also be taken into account, thereby creating informational opportunities to make managerial decisions in the range of business model values.

Second, to organize integrated reporting of financial results in such a way that the user of the reports can understand how manageable the revenues and expenses generated by organizations in the business ecosystem become.

Third, organizations should present the integrated information of financial results in a standardized format, based on the sectoral features of ESG standards, which will create an opportunity to conduct comparative analyzes in the competitive field.

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**Nonna KHACHATRYAN, Qnarik KHACHATRYAN**

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Currently, the activity of organizations is not evaluated only from the point of view of profitability. The evaluation of the activities of organizations contributing to sustainable development is also put in the foreground. Therefore, if the published financial reports in the recent past represented the economic side of the organization's activities and were mainly of interest to private stakeholders, now the public also demands the publication of non-financial reports. The article discusses the methodological issues of preparing reports integrated with non-financial and financial information in food processing organizations and suggests ways to solve them.