CORPORATE RISK REPORTING IN BOSNIA AND HERZEGOVINA

Josipa Grbavac, Zdenko Klepić, Nikola Papac

Faculty of Economics Mostar - University of Mostar, Bosnia and Herzegovina

Abstract

Corporate reporting in Bosnia and Herzegovina is traditionally focused on meeting the legislation frame for the financial reporting. Changes in business environment influence on business perspective of doing business but also on decision making process for wide range of corporate stakeholders. All the matters aforesaid contribute to the necessary changes in traditional financial reporting. Risk reporting is only a first step of corporate reporting process improvement. The institutional frames for risk corporate reporting are IFRS and relevant EU directives. This paper analyzes requirements for corporate risk reporting in EU and Bosnia and Herzegovina. Further, authors will analyze present situation of meeting institutional requirements for corporate risk reporting in Bosnia and Herzegovina on the sample of listing companies on Federation of Bosnia and Herzegovina Stock Exchange - SASE and give some recommendation how to improve it.

Key words: *risk reporting, institutional frame for risk reporting, quality of financial reporting*

1. INTRODUCTION

Corporate risk reporting is important in helping investors assess the risk profile of a company and enables them to align holdings to suit their risk tolerance. Rules on risk disclosure in company reports are designed to improve transparency of information for investors. Any improvement in transparency should reduce market distortions and increase the efficiency of capital markets.

The amount of information disclosed by public listed companies has increased substantially over the past few years, partly due to regulation and partly due to the increase in voluntary information provided the companies. While the quantity of information has increased, questions have been raised over the quality of information disclosed.

The paper analyzes the present situation of meeting institutional requirements for corporate risk reporting and type of risk information presented in companies' annual report in Bosnia and Herzegovina on the sample of listing companies on Federation of Bosnia and Herzegovina Stock Exchange - SASE.

2. QUALITY AND USEFULNESS OF DISCLOSURE FINANCIAL INFORMATION IN FINANCIAL REPORTING

Improvement of financial reporting quality becomes more and more important as the society realizes the benefit of high quality financial reporting. The main users of financial reporting are: investors, stockholders, employees, creditors, suppliers and buyers and government and tax institutions. All of them have the same aim – to have quality financial reporting as a base for a high quality decision making (no matter the different purpose of these financial reports).

In order to assess risk disclosure quality practices, the company disclosures are analyzed using the criteria based on conceptual frameworks suggested by professional accounting bodies IASB and FASB.

The revised Conceptual Framework for Financial Reporting (2010) distinguishes between two types of qualitative characteristics that are necessary to provide useful financial information:

- Fundamental qualitative characteristic (relevance and faithful representation) and
- Enhancing qualitative characteristics (comparability, timeliness, verifiability and understandability)

Relevant financial information is capable of making a difference in the decisions made by users. In order to make a difference, financial information has predictive value, confirmatory value or both.

The revised Framework carries forward the motion of materiality as an element of 'relevance'.

Materiality is an entity-specific aspect of relevance based on the nature or magnitude (or both) of the items to which the information relates in the context of an individual entity's financial report.

Faithful representation replaces the previously used term 'reliability'. Financial information that faithfully represents economic phenomena has three characteristics:

- It is complete
- It is neutral
- It is free from error

Comparability, verifiability, timeliness and understandability are qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented. Those characteristics should be maximized both individually and in combination. Comparability enables users to identify and understand similarities in items and differences among them. Consistent application of methods to prepare financial statements helps to achieve comparability. Financial information is verifiable when it enables knowledgeable and independent observes to reach a consensus on whether a particular depiction of an event or transactions is a faithful representation. Timeliness means that information is available to decision-makers in time to be capable of influencing their decisions. Financial information that is classified, characterized and presented in a clear and concise way is understandable.

So, the implementation of these accounting principles in financial reporting will enable quality of information presented in the published financial statement. Emphasizes on quality ensure transparent and well established decision making for different stakeholder.

3. INSTITUTIONAL FRAME FOR CORPORATE REPORTING IN EU AND BOSNIA AND HERZEGOVINA

Every "potential" candidate country for the European Union membership begins its association process through negotiations with the EU representatives. Main objective of those negotiations is to reconcile and adjust its laws and regulations to the EU legislation. Therefore, since Bosnia and Herzegovina wants to be a part of the European society, harmonization of its financial reporting with financial reporting of other member countries is just one of many steps facing Bosnia and Herzegovina in the years ahead.

3.1. Institutional frame for corporate reporting in EU

Institutional frame for corporate reporting in EU regulates different EU Directives and IAS/IFRS. The directives that refer to financial reporting in EU in recent years were: The Forth Council Directive, the Seventh Council Directive and Transparency Directive which regulates transparency of financial statement for companies listed on EU stock exchange.

The European Union has published the new Accounting Directive (2013/34/EU) of the annual financial statements, consolidated financial statements and related reports of certain types of undertakings on 29 June 2013. These Directives replaces the Fourth and the Seventh Council Directive.

Fourth Council Directive from 1978 presents the most comprehensive set of accountancy regulation in EU. This directive relates to private and public companies no matter what their size is. Beside the

laid down and design of balance sheet and the profit and loss accounts and minimum content of the notes on the accounts and the annual report Directive gives alternative in financial reporting for small and medium companies. So the small and medium companies can produce a shortened Balance Sheet, Profit and Loss Account, and Notes to financial statements. However, the shortened schemes for small companies must not in any way affect the quality of financial statements.

Seventh Council Directive from 1983 presents a continuation of The Four Directive and refers to consolidate financial reporting in EU. This Directive prescribes:

- that the companies have obligation to consolidate their financial statement when the parent company has authority to control one or more daughter companies
- schemes for consolidated financial statements

Eighth Council Directive from 1984 – relate on the statutory audit of financial statement. This directive describes obligation criteria for carrying out the statutory audits of accounting documents in EU countries. The absence of some part that will deal with public monitoring and no control on audit companies and licensed auditors influenced that New Directive of auditing was issued in 2006.

The new Accounting Directive (2013) - updates the EU's accounting framework. The main objective of the new accounting directive is to reduce the administrative burden for small companies and, to a certain extent, improve the quality and comparability of the information disclosed in their financial statements. In particular, it:

- consolidates existing directives on individual and company accounts
- incorporates the directive that permits micro-entities to prepare a very simple balance sheet and profit and loss account with virtually no notes .[1]
- requires Member States to distinguish small companies from larger ones
- reduces the information to be provided by small companies in the notes to the accounts
- removes the EU requirement for small companies to be audited (though Member States can take a more proportionate approach).

The Directive does not adopt the IFRS for SMEs as this is considered to be too burdensome for smaller companies. Member States may, however, permit or require the IFRS for SMEs provided that it is modified to comply with the Directive.

The Member States are required to transpose it into national law by 20 July 2015, but may provide that its provisions shall apply only to financial statements for financial years beginning on 1 January 2016 or during the calendar year 2016.

Transparency Directive (2004) is a directive that in greater detail deals with the area of financial reporting transparency of EU listing companies. The aim of this directive is harmonization of transparency postulate that is establishment of requirement for the public disclosure of current and periodical financial reports information for EU listing companies. So in order to achieve higher degree of transparency of listed companies this directives prescribes:

- harmonized publishing deadlines - at the latest four months after the end of each financial year for annual financial reports and two months for interim financial reports.
- the condense of the annual financial report - the audited financial statements and the management report
- time of avalanche of the financial report - financial reports must remain available to the public for at least five years.

[1] Micro entities are companies with less than 10 employees, a turnover of €700,000 and/or a balance sheet total of not more than €350,000

- the condense of the half-yearly financial reports – According to IAS 34 the half-yearly financial reports shall include set of financial statements and the interim management report
- the condense of the interim management reports (major related parties' transactions and indication of important events that have occurred, together with a description of the principal risks and uncertainties facing management) for listing companies in the first and third quarter.
- obligation of publishing information on Internet.
- harmonization of ad hoc reporting.

In order to remove the obstacles and to effectively implement new transparency requirements in the community, a special control of national competent authorities is requested that shall ensure timely availability of information under this directive. For that reason, transparency enhancements in the EU countries also imply the development of a strong and reliable national system of transparency.

Additional Non-Financial Reporting Directive (2014/95/EU) amending Directive 2013/34/EU in the field of non-financial disclosure and diversity information in companies reporting.

The new Directive 2014/95/EU introduces further corporate social responsibility reporting obligations for all large PIEs (employing, on a consolidated basis, an average of 500 employees during the financial year). Such entities are required to include, in the annual management report, an additional non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum: environmental, social and employee matters; respect for human rights; anti-corruption and bribery matters, including:

- a brief description of an undertaking's business model;
- a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
- the outcome of those policies;
- the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how to manage those risks; and
- non-financial key performance indicators relevant to the particular business.

The reporting is based on a "comply or explain principle" meaning that when an undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement must provide a clear and reasoned explanation for not doing so. The commission shall prepare non-binding guidelines on methodology for reporting non-financial information, including non-financial key performance indicators, general and sectoral, with a view to facilitating relevant, useful and comparable disclosure of non-financial information. These guidelines are expected by 6 December 2016 and the commission shall first consult relevant stakeholders.

3.2. Institutional frame for corporate reporting in Bosnia and Herzegovina

The quality of financial reporting depends on development of law and institutional framework of that country. Process of accounting profession unification in the territory of whole Bosnia and Herzegovina has begun by passing of the State Law on accountancy and auditing in Bosnia and Herzegovina and its elaborations in the laws at entity levels (Federation of Bosnia and Herzegovina and Republic of Srpska). Implementation of relevant Law on accountancy and auditing in Bosnia and Herzegovina prescribes implementation of IAS/IFRS and EU accountancy directives.

IAS/IFRS – in 1998 Bosnia and Herzegovina had the first application of IAS/IFRS. Until January 1st 2006, both entities have had completely different financial reporting framework. So, in Federation BH companies had their own accounting standards (AS FBH) while in Republic of Srpska companies applied IAS. The Law on accountancy and auditing in Bosnia and Herzegovina (2004) prescribed

International Financial Reporting Standards (IFRS) and International Standards of Audit (ISA) as official standards for all companies with public responsibility in entire Bosnia and Herzegovina. Those standards are relevant to financial statement prepared for 2006 onwards. Last interpretation of IFRS that are pronounced and obligated for financial reporting in Bosnia and Herzegovina was published in 2010. Since 2010., IASB adopt some completely new standard (IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRS 14 and IFRS 15), same particularly revise (IAS 1, IAS 12, IAS 16, IAS 19, IAS 24, IAS 27, IAS 28, IAS 32, IAS 34,IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41) and some withdrawn (e.g. IAS 31). The fact that, those changes in IFRS/IAS on international level have not been incorporated in IFRS/IAS applicable in Bosnia and Herzegovina has led to discrepancies the financial reporting process in Bosnia and Herzegovina with other countries applying IFRS.

Accountancy directive - The directives that refer to financial reporting in Bosnia and Herzegovina are: The Forth Directive the Seventh Directive and Transparency Directive. The request from the new Accounting Directive and Additional Non-Financial Reporting Directive have not been incorporated in currently Law on accountancy and auditing.

The main problem for financial reporting in Bosnia and Herzegovina are unequal criteria for distinguish categorization of small, medium or large companies in relevant framework for financial reporting (Low on accountancy and auditing in Bosnia and Herzegovina 2009) and categorization of small, medium or large companies in the new accounting directive from 2013. Next table present the categorization of small, medium or large companies by Low on accountancy and auditing in Bosnia and Herzegovina.

Table 1. Criteria for companies classification in Bosnia and Herzegovina

Criteria	**Undertaking (Companies) - size**		
	Small	**Medium**	**Large**
Average number of employees	to 50	50 – 250	The large companies are the companies with at least two criteria which exceed upper values for medium companies.
Balance sheet total	to 1.000.000 KM[2]	1.000.000 KM – 4.000.000 KM	
Net turnover	to 2.000.000 KM	2.000.000 KM – 8.000.000 KM	
Notes		Medium size companies includes companies which values exceeds the upper limit of one criteria	

Source: Authors based on Low on accountancy and auditing in Bosnia and Herzegovina

The different obligation for companies reporting (financial reporting and annual financial statement auditing), stems from companies size. So, all large and medium sized companies, must meet special requirements, as follows:

(1) The integral implementation of IAS/IFRS,

(2) Preparation of half-yearly financial statements (not just annual),

(3) Annual financial statement auditing

Small companies are in certain extent obliged to prepare only annual financial statements, which are not subject to auditing. Categorization of small, medium or big companies request by the new accounting directive are shown in Table 2.

[2] 1 KM = 0,51 Eur (on 30.03.2015.)

Table 2. Criteria for companies classification prescribed by the new accounting directive

Criteria	**Undertaking (Companies)- size**		
	Small	**Medium**	**Large**
Average number of employees	to 50	to 250	Large companies shall be undertakings which on their balance sheet dates exceed at least two of the three criteria for medium companies.
Balance sheet total	to 4.000.000 Euro	to 20.000.000 Euro	
Net turnover	to 8.000.000 Euro	to 40.000.000 Euro	
Notes	Member States may define different thresholds in a balance sheet total or in net turnover. However, the thresholds shall not exceed EUR 6.000.000 for the balance sheet total and EUR 12 000 000 for the net turnover.	Medium size companies includes companies which values exceeds the upper limit of one criteria	

Source: Authors based on new accounting directive

In order to simplify the reporting of small companies, Directive prescribes only obligation for preparation of the balance sheet and income statement (which may be even in abbreviated form), and notes to the financial statements that enable also reduced the amount of information for small companies in relation to other subjects. The new accounting directive define also a micro-undertakings as companies which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: balance sheet total - to EUR 350 000; net turnover - to EUR 700 000 and average number of employees during the financial year - to 10. Micro-undertakings can have simplified reporting process compared to small companies (such as they don't need to present notes to financial statement). Although Bosnia and Herzegovina is not a member of the EU, compliance with the EU requirements and regulations is one of the prerequisites for accession. In the area of financial reporting harmonization, the higher priority has the harmonization of rules in field of companies classification because the different obligation for companies reporting process (financial reporting and annual financial statement auditing) stems from companies categorization in small, medium or large companies.

4. RISK REPORTING

A growing demand for better reporting of business risk has emerged in recent decades. This is based on the belief that improved understanding of business risks by investors and other users of corporate reporting should lead to better stewardship of companies and to a more efficient allocation of resources. The risk categorization model (and their subcategory) of Vandemaele and Vergauwen (2009) classified basic risk types: financial risk, operational risk, legal, tax regulatory risk and business risk. This risk categorization and their subcategory present in Table 3:

Table 3: Risk disclosure categories

Risk category	Subcategory
Financial Risk	Market risk - risk relates to price movements in financial markets Credit risk - possibility that the payment of contractual obligations may not be fulfilled by the counterparty Liquidity risk - liquidity risk occurs when a company is not able to meet the payment of commitments
Operational Risk	Technology risk - the risks involved with information access, information availability and infrastructure Fraud risk – fraud risk by management or employees Human factor risk - it relates to potential losses resulting from human errors (e.g. accidentally destroying a file). External loss events - following a natural disaster.
Legal, Tax and Regulatory Risk	Change in tax law Involvement in lawsuits
Business Risk	Business risk - typical risks a company faces such as uncertainty about the demand for products, the price that can be charged for those products, the cost of producing and stocking and delivering the products Strategic risk - refers to the risk associated with significant investments for which high uncertainty exists about success and profitability Reputation risk - refers to the risk that a good reputation, which can lead to value creation, turns to a bad reputation and, as a result, company value being destroyed.

Source: adopted from Vandemaele, S., Vergauwen, P. and Michiela, A.(2009), Management Risk Reporting Practices and their determinants, http://hdl.handle.net/1942/9392, accessed February 2015.

The disclosure of risk information in companies reporting follows two main tendencies (Souabni 2011): one for financial risk and the other for non-financial risk (include reporting of operational risk, legal, tax and regulatory risk and business risk).

Financial risk information assists the reader of an annual report in assessing the financial statement and other quantitative information within the annual report. A lot of financial risk disclosure is required by law, yet despite this such disclosure can be seen to be somewhat varied across annual reports. Many legal requirements govern the reporting of financial risk information, as this information must be disclosed in many cases both in the 'first half' of the annual report and in the notes to the financial statements.

Two broad types of financial risk exist: credit risk and market risk. These two types of financial risk can then be divided into more specific risk categories. On the other hand, 'market risk' groups together many specific risk categories: foreign exchange risk, interest rate risk and equity price risk. Liquidity risk is also a specific risk which is sometimes considered as a type of market risk.

Legal requirements for disclosure of financial risk information in countries that implemented IFRS as a frame for financial reporting are presented in IFRS 7: credit risk, market risk including currency, interest rate and other price risks, and liquidity risk.

Non-financial risk information can be defined as information concerning any risk other than financial. These are wide-ranging, and sometimes specific to a country, industry or company. Non-financial risk information cannot be quantized, but can be described by making use of narrative sections of the annual report. Non-financial risk information has no direct bearing on the quantized information found in the annual report's financial statements, but still discloses risks that may affect the company far beyond its balance sheets.

The principal types of non-financial risk information reported in the annual reports are: external risk, operational risk, strategic risk and sustainability risk information (Souabni 2011). The requirements for this type of risk reporting are somewhat different than requirements for financial risk reporting. So, the statutory requirements for disclosure of non-financial risk information in EU countries (also in Bosnia and Herzegovina) are related on the directors' report which for a financial year must contain: a fair review of the business of the company, and a description of the principal risks and uncertainties facing the company (Souabni 2011).

Rules on risk disclosure (such as EU directive, IFRS) in company reports are designed to improve transparency of information for investors and analysts. The amount of information disclosed by companies has increased substantially over the past few years, partly due to regulation and partly due to the increase in voluntary information disclosed by companies. The voluntary disclosure of risk information influenced on quality and comparability of information disclosed.

Some recommendation for improvement of risk reporting, both financial and non-financial (Risk Reporting. Principles for Better Practice 2011)

- Tell users what they need to know - Users of corporate reporting want information about a company's risks so that they can make their own assessment of risk. Companies should focus on this objective in deciding what to disclose.
- Focus on quantitative information - Disclosing more detailed analyses of the quantitative data that firms already provide would give helpful new information. Too much weight has been placed on the production of descriptive risk lists. This is not a call for quantification of risks, which usually involves dubious assumptions about the probability of future events. Nor is it a call for qualitative information to be neglected (e.g. more information on the breakdown of companies activities, geographically and by sector, and on their assets, liabilities and commitments)
- As far as possible, integrate information on risk with other disclosures - Financial reporting provides a lot of information on risks already, and this should be integrated with other risk disclosures. But information on risk should also be integrated with companies descriptions of their business models, their forward-looking disclosures, their discussion of past performance, and their financial reporting
- Think beyond the annual reporting cycle - Many risks stay the same from one year to the next. Others are highly variable and information on them needs to be updated more frequently than once a year. The internet, rather than the annual report, would probably be the right place for information on both sorts of risk
- Where possible, keep lists of principal risks short - Users are currently faced with long and indigestible risk lists that are all too easy to ignore. Shorter lists would make it easier for them to understand what really matters.
- Highlight current concerns - It is likely to be of interest to users to know what risks are currently most discussed within a firm
- Review risk experience - Companies could usefully review their experience of risk in the reporting period.

5. RISK DISCLOSURE QUALITY IN BOSNIA AND HERZEGOVINA

Prior research (Santhosh, 2012) into annual report risk disclosure practices can be categorized as follows: disclosure changes in response to regulatory requirements, the type of risk information and differences in risk reporting practices between countries.

In this paper author's analyses risk reporting in Bosnia and Herzegovina in following areas:

1. risk disclosure in response to regulatory requirements
2. type of risk information disclosed

These two aspects of corporate risk disclosure have been analyses on a sample of non-financial companies that formed SASX-10 based on the relevant companies disclosure for 2013.(financial statement, annual report and audit report)[3]. The sample of non-financial issuers incorporates in SASX-10 is present in Table 4[4].

Table 4: The sample of non-financial companies incorporate SASX-10

Symbol	Issuer	Net turnover for 2013.(in KM)
BHTSR	BH Telecom	566.800.131
BSNLR	Bosnalijek	99.328.000
ENISR	Energoinvest d.d. Sarajevo	297.569.000
FDSSRF	Fabrika duhana Sarajevo	25.257.687
JPEMR	Elektroprivreda HZHB Mostar	406.409.863
JPESR	Elektroprivreda BiH d.d. Sarajevo	1.008.200.000
KLASR	Klas d.d. Sarajevo	57.444.484
SOLTRK3	Solana d.d. Tuzla	27.526.000
TCMKR	Tvornica cementa Kakanj	71.867.000

Source: Author based on www.sase.ba

As shown in Table 4. all companies from sample are categorized as large companies (net turnover > 8.000.000 KM) by request from companies Low on accountancy and auditing, but based on criteria request from EU directive only 4 companies (or 44,44%) are large companies.

Risk disclosure regulatory requirements for the analyzed companies based on IFRS 7, Low on accountancy and audit and whereas the analyzed companies are listed on Stock Exchange of Federation of Bosnia and Herzegovina (SASE) the Roll book of information's disclosure on capital market

[3] The Sarajevo Stock Exchange Index 10 is the main index on the Sarajevo Stock Exchange. It depicts the price movement of the top 10 issuers on the Exchange (ex investment funds) ranked by market capitalization and frequency of trading

[4] For the purpose of this paper authors had not include in sample one issuer (IK Banka Zenica) because of its specificity content of financial statement for financial sector.

Table 5: Risk disclosure in response to regulatory requirements

Regulatory	Requirements	Fulfill - disclosed
IFRS 7	Information of credit risk, market risk including currency, interest rate and other price risks, and liquidity risk	77,78%
Low on accountancy and audit	1.The integral implementation of IAS/IFRS, 2.Preparation of half-yearly financial statements 3.Preparation of annual financial statements 4. Annual financial statement auditing	100%
Roll book of information's disclosure on capital market	On the company web site disclosure: 1. quarterly, half-yearly and annual financial statements 2. Annual financial statement auditing 3. Statements of events that significantly affect the business of the issuer	100%

Source: Authors

IFRS 7 – Information of credit risk, market risk including currency, interest rate and other price risks, and liquidity risk companies present as a part of Notes which the user can find as a part of Audit report. The two companies from sample had not presented their Audit report on their web site, or 77,78% presented their risk disclosure in accordance with IFRS. All companies from sample fulfill the requests presented in Low on accountancy and audit, also as Roll book of information's disclosure on capital market requests.

The content analysis of companies report (financial statements, audit report and annual report) about the risk disclosure for the analyzed companies finds a large variation in the amount of risk disclosure. The variation is related, as expected, to company size. Analysis about the type of risk information disclosed in corporate annual reports was carried out in two directions: analysis of financial risk information and non-financial risk information. Financial risk information company disclosures in their Notes to financial statements as prescribed in IFRS. All companies from sample disclosure the next subcategory of financial risk: market risk (foreign exchange risk, interest rate risk and price risk) credit risk, liquidity risk and capital risk. Analyses of non-financial risk information shown that for a company who present their annual report, the most frequently reported risk (66%) are business risk and strategic risk.

6. CONCLUSION

The disclosure of risk information in companies reporting follows two main tendencies: one for financial risk and the other for non-financial risk. The main difference between them is that one can be quantified easily, while the other cannot. Legal requirements for disclosure of financial risk information in Bosnia and Herzegovina (as in other countries that implemented IFRS) are presented in IFRS, while reporting of non-financial risk (because of its nature) doesn't have so strict regulation. The reporting about the non-financial risks is voluntary based and disclosed within the 'first-half' of the annual report. The lack of legal requirements for non-financial reporting influenced on quality and comparability of information disclosed.

The analyses of risk reporting in Bosnia and Herzegovina shows that all companies from sample fulfill the requests for financial risk disclosure presented in IFRS, Low on accountancy and audit, also as Roll book of information's disclosure on capital market requests. The content analysis of companies report (financial statements, audit report and annual report) about the non-financial risk disclosure for the analyzed companies finds a large variation in the amount and the type of risk disclosure.

The implementation of the Non-Financial Reporting Directive (with guidelines on methodology for non-financial reporting and defining the key non-financial performance indicator) and its integration in relevant national regulation will improve the risk reporting in Member States as in Bosnia and Herzegovina, in order to achieve useful and comparable disclosure of non-financial information.

REFERENCES

Conceptual Framework for Financial Reporting, 2010, viewed 10 January 2015, http://www.iasplus.com/en/standards/other/framework

Fourth Council Directive (78/660 EEC), 1978, viewed 15 January 2015, http://europa.eu/scadplus/leg/en/lvb/126040.htm

Low on accountancy and auditing (2009) Official gazette of Fedration of Bosnia and Herzegovina, 89/09

New Accounting Directive (2013/34/EU), viewed 10 February 2015, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF

Non-Financial Reporting Directive (2014/95/EU) http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095

Risk Reporting Principles for Better Practice, 2011, viewed 13 February 2015, www.icaew.com

Santhosh, A, Marston, C, Darby, P, 2012, *Risk Reporting: Clarity, relevance and location*, The institute of Charted Accountants of Scotland (ICAS), viewed 04, February, http://www.researchgate.net/publication/262689693_Risk_reporting_Clarity_relevance_and_location

Seventh Council Directive (83/349 EEC), 1983, viewed 15 January 2015, http://europa.eu/scadplus/leg/en/lvb/126040.htm

Souabni, S, 2011, *Predicting an uncertain future: narrative reporting and risk information*, The Association of Chartered Certified Accountants, viewed 15 February 2015, http://www.accaglobal.com/af

Transparency Directive, (2001/34/EC and 2004/109/EC), viewed 15 January 2015, http://eur-lex.europa.eu/legal-content/CS/TXT/?uri=CELEX:32004L0109

Vandemaele, S, Vergauwen, P, and Michiela, A, 2011, *Management Risk Reporting Practices and their determinant*, viewed 15 January2015, http://hdl.handle.net/1942/9392