



Social Accounting Measures and Reports for the Corporate Social Performance

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Abstract: Corporate Social Responsibility is the concept according to which the corporation has to undertake the responsibility of their activities affecting the society at large. The economic globalization resulted in a demand for corporations to play a central role in efforts to eliminate poverty, achieve equitable and accountable systems of governance and ensure environmental security. There was a need to make business a part of society and to maximize positive benefits that business endeavor can bring to human and environmental well being and to minimize the harmful effects of irresponsible business. The scheme which was developed from this concern is known as the “Corporate Social Responsibility”. Social accounting is rational assessment of and reporting on same meaningful, definable of a business enterprises activities that have social impact. This aims at measuring (either in monetary or non- monetary units) adverse and beneficial effects of such activities both on the firm and / or those affected by the firm. Being concerned with the social and human and environmental constraints on organizational behavior it measures social costs and benefits. The social accounting information is communicated to social groups both within and outside the firm. Thus, social accounting implies the measurement and reporting, internal or external, of information concerning the impact of a business enterprise and its activities on society.

Key words: Social Accounting, Social Audit, Responsibility Accounting, Social Activities.

Introduction

Corporate Social Responsibility (CSR) is an expression used to describe what some see as a company’s obligation to be sensitive to the needs of all to take account not only of the financial economic dimension in decision-making, but also the social and environmental consequences. In India, concept of the bottom line has been introduced in this regard. The growth in public expectations and the commitment to its stakeholders in its business operations makes the companies compulsory to implement CSR. The concept of corporate social responsibility, linked with the sustainability of these operations is recognized not only as a necessity but also for developing systems to manage implementation and systematically assess and report on progress relative to those commitments.

Social accounting is rational assessment of and reporting on same meaningful, definable of a business enterprises activities that have social impact. This aims at measuring (either in monetary or non-monetary units) adverse and beneficial effects of such activities both on the firm and / or those affected by the firm. Being concerned with the social and human and environmental constraints on organizational behavior it measures social costs and benefits. The social accounting information is communicated to social groups both within and outside the firm. Thus, social accounting implies the measurement and reporting, internal or external, of information concerning the impact of a business enterprise and its activities on society.

Social accountings means identification, measurement, recording and reporting of corporate activities, which may permit informed decision making with respect to social activities of the firm

having direct and indirect effect on the very fabric of the society at large. Actually, social accounting measures and reports the corporate social performance. Thus, the measurement and reporting of the social performance from the basis of corporate social performance.

The Development of Social Accounting:

Implicit in the development of social accounting is recognition that the activities of an organisation have effects not just upon the organisation but also upon its wider environment. Thus social accounting shows a concern with the effects of the actions of an organisation on this external environment. This is based upon the recognition that it is not just the owners of the organisation who have a concern with its activities. Additionally there is a wide range of other stakeholders who justifiably have an interest in those activities and are affected by them. Indeed, those other stakeholders do not just have an interest in the activities of the firm; they also have a degree of influence over the shaping of them. Such stakeholders can include:

- Suppliers of raw materials and other resources;
- Customers for the organisation’s products or services;
- Employees;
- The local community;
- Society at large;
- The governments of the countries in which the organisation is based or conducts its activities

Analysis of Social Performance

Statement of social income:	£
Value generated by the productive process	xxx
+ Unappropriable benefits	xxx
- External costs imposed on the community	xxx
Net social profit/loss	xxx

Although Solomons proposed this model, which seems to provide a reasonable method of reporting upon the effects of the activities of an organisation on its external environment, he failed to provide any suggestions as to the actual measurement of external costs and benefits. Such measurement is much more

problematic and this is one of the main obstacles to any form of social accounting – the fact that the measurement of effects external to the organisation is extremely difficult. Indeed, it can be argued that this difficulty is one reason why organizations have concentrated on making such measurements through accounting for their internal activities, which are much more susceptible to quantification.

Objectives of the study:

- To understand the importance and significance of social accounting.
- To identify, segregate and analyze social cost and benefit.
- To determine whether Steel Plant strategies and practices are consistent with social accounting.
- To prepare social accounting matrix.
- To suggest suitable scientific social accounting system for business organization in general and Visakhapatnam Steel Plant in particular.

Methodology:

Keeping in view the chosen topic, all organized steps are taken to meet above objectives. Social account being a technique to measure social contribution of any organization requires only secondary data. In other words social accounting technique is based on secondary data. Therefore, this study, which aims at measuring social contribution of a service organization, is concentrated on collections of data from secondary source only and all possible efforts are in this direction to acquire the required secondary data.

In measuring social benefits to the employee, all variables items like employee welfare, health, nutrition, training and development, safety, LTC, canteen, housing facilities, etc...are considered in monetary value. Incase of calculating social costs to employees, extra hours put in by employees are considered.

In case of social benefits to community, local taxes paid, environmental measures, job generations, potential of generations are considered. While measuring social benefits to general public, amount spent on taxes to central and state government insurance and research and development, are considered. In case of measuring social cost to amount incurred on electricity, telephone charges, water charges, etc....are taken into consideration.

Review of Literature

One of the major growth areas within accounting in the last three decades have been "accounting for the society", which has generated interest well beyond the confines of accounting academics and professional accountants. This has not been the situation in the past, and the review which follows identifies the ebb and flow and changing fortunes of the various activities within the overall field of social and environmental accounting. It is important that we do not lose the current momentum, because this field of study must lead to action and change in the relationship between business, the stakeholders which make up society.

Gray et al (1995a, 1995b) have provided a lengthy review of corporate social reporting as part of an empirical paper and a number of other contributions do the same thing. Mathews (1994b) was a limited and tentative attempt at reviewing activities over about a five- year period.

The period is one where publications have seen mounting interest in social accounting. One difference between the active period of empirical studies in social accounting and the corresponding period for environmental accounting is that the former appears to generate a stronger personal commitment to the subject of the research. There may be less objectivity and detachment about research into environmental issues compared to the content of social accounting.

Llewellyn (1996, p.1 emphasis in original) has noted "that interpretive and critical accounting researchers should now reconnect with accounting as a practice and be prepared to present theories for practice rather than restricting their research to theories about

practice". This is to be achieved through the consideration of normative issues "Researching theories for practice would acknowledge normative issues - in the sense that all theoretical development would be seen as having potential ethical implications" (Llewellyn, 1996, p.1)

Firstly, the CSR Reporting Awards Scheme established by the Association of Chartered Certified Accountants (ACCA) could be a motivating source for more and more companies to join the existing cohort of companies making social and environmental disclosures. Initially, the scheme started in the UK in 1991 with the environmental reporting category only. With the re-emergence of CSR reporting in the late 1990s the scheme has been expanded to include a social reporting category, which is run in association with the Institute of Social and Ethical Accountability (ISEA). With the call for triple bottom line reporting (social, environmental and economic) by Elkington (1998) and with the development of GRI's Sustainability Reporting Guidelines as more and more companies are embracing the notion of sustainability reporting, ACCA's Scheme has been renamed as Sustainability Reporting Awards. Although the Scheme originated in the UK it is now expanded to European countries and other countries of the world including the USA, Canada, Australia, New Zealand, Pakistan, Hong Kong.

Secondly, another possible reason behind the increased interest in social reporting that has not been mentioned elsewhere in the literature (to the author's knowledge) is the ongoing debate over the issues of corporate governance in the developed countries in general and in the UK and the USA in particular.

Taking into account corporate scandals such as Enron and WorldCom, the newly emerging corporate governance requirements are mainly aimed at improving corporate transparency and the ethical stance of business organisations.

Thirdly, the resurgence of CSR reporting may be behind the initial increased interest in environmental reporting from the late 1980s, which is broadly considered as part of the CSR reporting process as a whole (Gray et al., 1997) and a recent tendency to integrate social issues within a triple bottom line

reporting mechanism (Elkington, 1998). As compared to economic and environmental reporting, social reporting is still underdeveloped and requires further development to move towards sustainability reporting. To achieve further developments in social reporting, companies need standards and guidelines in order to bring uniformity to the diverse CSR reporting practices (Gonella et al., 1998; Owen et al., 2000). This perceived need has led to several standardization and codification initiatives in the late 1990s.

Social Accounting in India

The awareness of social prudence is no less important in India, whose economy is based on principles of democracy and socialism. In 1988, section 227 (4A) of the companies act 1956 was amended and other companies (Auditor’s Report) order which was popularly known as the “Order for Social Audit”. This order applies to manufacturing services, trading and investment companies, but does not at all fulfill the requirements of the social accounting despites such orders being issued in lieu of the recommendations of the Sachar Committee.

Further section—209 (d) and 233- B- of the Companies act (1956) provide for cost audit in certain specified industries under its statue. Again the audits carried out by the Comptroller Auditor General

are in the spirit of social consciousness; full disclosures affecting public interest are warranted. There are no other provisions under the Companies Act which provide for social accounting in India as statutorily binding except for financial audit under section 227 of Companies Act. The audit of public sector enterprises has set forth changing values by introducing efficiency audit, proprietary audit, performance audit, and other similar types of investigations leading to social reporting. Public sectors units are required to prepare a social overheads’ schedule. Similarly certain companies are required to provide foreign exchange earnings and outgoings information in their directors’ reports.

In India corporate social reporting is not widely practiced. It is the Indian Companies Act (1956) which requires the auditor to make a report under section 227, to members and expenses an opinion whether the companies’ balance sheet and profit and loss accounts exhibit a “true and fair view” of the companies’ state of affairs. In order to curb and deal with corporate abuses and malpractices the government has tried its best to amend the Act from time to time. The central government also issued the Manufacturing and Other Companies (Auditor’s Report) Order 91975). The Institute of Chartered Accountants of India (ICAI) considers the order as a reporting requirement.

Name of the item	2007-08		2008-09		2009-10		2010-11		2011-12	
	Rupees in Crores	%	Rupees in Crores	%	Rupees in Crores	%	Rupees in Crores	%	Rupees in Crores	%
Employees Welfare	1030.72	82.89	1156.68	92.16	1399.74	92.98	1272.95	96.41	1466.67	98.28
Payment of Provident Fund	75.27	6.08	2.39	0.19	1.67	0.11	2.94	0.22	2.88	0.19
Staff Welfare Expenses	0.11	0.008	1.95	0.15	3.61	0.23	4.77	0.36	5.75	0.38
Gratuity	110.34	8.87	84.10	6.70	85.42	5.67	24.64	1.86	00.00	00.00
Voluntary Retirement Scheme	0.42	0.03	0.15	0.01	0.01	0.01	00.00	00.00	00.00	00.00
Paid of Insurance	1.31	0.10	4.34	0.34	5.20	0.34	6.36	0.48	8.79	0.58
Postage and Telegram	2.93	0.23	2.75	0.21	2.74	0.18	2.43	0.18	2.80	0.18

Community Development	0.23	0.01	0.48	0.03	0.47	0.03	3.39	0.25	1.22	0.08
Interest on Loan to Employees	1.08	0.08	2.17	0.17	2.53	0.16	2.77	0.20	3.32	0.22
Leave Travel Concession	20.95	1.68	00.00	00.00	04.00	0.26	0.01	0.01	0.80	0.05
Total	1243.36	100	1255.01	100	1505.39	100	1320.26	100	1492.33	100
TOTAL SOCIAL COST										
Extra Hours Worked by Employees	0.99	0.08	12.55	1.01	15.05	0.99	13.20	0.98	14.92	0.99
NET SOCIAL BENEFITS	1242.36	99.92	1242.45	98.98	1490.33	99.00	1307.05	99.01	1477.40	99.00

The above table analyses the portion of amount spent by VSP on various expenditures, benefits and facilities provided to the employees like employee welfare facilities, provident fund, gratuity, VRS, Payment towards postage and telegram, training and community development, interest on loan to employees, Leave Travel Concession, and staff welfare expenses for the period of five years i.e., 2007-08 to 2011-12. The benefits include both statutory and non- statutory facilities provided to the employees. In each type of facility provided the spending pattern of the organization varies as per the legislation made by the government for providing the employees a better place to work in and to promote job satisfaction. The social net benefit (total amount spent by the organization towards providing of facilities and benefits) of the organization is showing a positive growth in the expenditure pattern of the organization as it was 1242.36Cr, 1242.45, 1490.33, 1307.05 and 1477.40Cr in the years 2007-08, 2008-09, 2009-10, 2010-11, and 2011-12 respectively. For the arriving of the net social benefit, extra hours work by employees has been deducted.

It is evident from the above table Visakhapatnam Steel Plant has spent 1030.72cr (98.28%) of total expenditure in the year 2011-12 on employees welfare, which was the highest among the other financial years in the study period. The organization

has spent 1242.36Cr (92.98 %) in the year 2007-08. But in the years 2008-09 and 2009-10, it was around 1242.45cr (92.16 %). It has given out 1490.33 (92.98%) in the year 2010-11. Visakhapatnam Steel Plant has spent 1307.05cr (96.41%) in the year 2011-12 of total expenditure which was the highest on provident fund, when compared with the other four financial year. which was the least and 1242.36cr (82.89%) in the year 2007-08. The amount was spent on staff welfare expenses in the years 2007-08, 2008-09, and 2009-10 was around 0.11cr (0.008%) per year. During the financial years 2010-11, and 2011-12 it was increased drastically to 4.77 (0.36%) and 5.75cr (0.38%) respectively. Visakhapatnam Steel Plant has spent 110.34cr (8.87 %) in the year 2007-08 and it has been decreased gradually to 24.64cr (1.86%) in the year 2011-12. The amount was spent under Voluntary Retirement Scheme by Visakhapatnam Steel Plant in the years 2010-11, 2011-12 was nil. In the year 2010-11 it was nil. The organization has spent 1.31cr (0.10%) to 8.79cr (0.58%) in the financial years during the study period. The amount spent 2.93cr (0.23%) under postage and telegram in the year 2007-08 was the highest among the considered five years. The organization spent community development during the study period was almost negligible. The organization has spent 1.08cr (0.08%) to 3.22cr (0.22%) in the financial years during the study

period. Visakhapatnam Steel Plant has spent 20.95cr (1.68%) of total expenditure in the year 2007-08, which was the highest among the five financial years. As per the above table the total social benefits spent by Visakhapatnam Steel Plant to its employees had been drastically increased from 1243.36crores to 1492.33crores.

Today's Challenges of Corporate Reporting

Traditionally, industrial operational model consisted procurement and distribution of goods which required 2 major activities i.e. production and sales to be taken care of by the management because of direct relation between input and output. As a result, there was requirement for the acquisition and development of the resources/assets for the short term and hence the scope of the corporate reporting was very much limited to operating:

- On capabilities and resources of the company through balance sheet and cash flow statement and
- On value extraction success / operational efficiency through financial accounting (income statement) and costs accounting.

Currently, industrial operational model consists of development of the product by maintaining healthy relation with suppliers and customers. The role of the management now-a-days is comprehensive because it is required to manage not only physical assets and financial capital (as per traditional model) but also human resource and information system for satisfying the needs of various stakeholders of an organizations because of change from more direct relation between input and output as in traditional operational model to more indirect relation between input and output. As a result, the requirement of development of major resources in house for the long term and hence the scope of the corporate reporting has become/is becoming wider and wider due to:

- Growing tension between value creation and value extraction.
- Distinction between assets and operations is becoming very particular about details.

Conclusion

The objectives of the business enterprise with regard to social audit should be to provide information about its society – related activities. Many corporate enterprises do not present information on social responsibility areas. If the Visakhapatnam Steel Plant is decides to wait for a perfect model on reporting social activities, it would be failing in its duty as a responsible employer and a good citizen. Government must increase its regulatory oversight of corporate decision making and realize that better disclosure is needed to ensure better regulation. The accounting profession should develop better disclosure models and change it orientation from identification with private sector interest to alignment with a larger “public interest”. What is needed is not more concepts and statements but more application of those that already exist. Some positive results can be achieved only if the accounting bodies try to remain relevant on the international scene. This task is not easy, but it has to be done.

With the changing social and economic realities there is a need for reorienting the accounting system in Visakhapatnam Steel Plant to serve the public interest in the widest context and meaning. VSP should implement the Sachar Committee Report and accordingly statutory provisions should made in the Indian steel plant Act to make it obligatory for each steel plant to publish to its social reports annually. This will indicate and quantify the various activities relating to the social responsibilities carried out by a company. Unless it is a statutory obligation, this exercise is of no use.

Findings:

1. Disclosure regarding environment, consumer, community, and other social aspects are totally ignored by Visakhapatnam Steel Plant. Only information regarding employees is disclosed in the annual report.
2. Disclosures were made in the chairman's statement / address or in the administration report. Only positive disclosures were made, i.e. positive contribution made by the company. And disclosures were mainly

descriptive without any attempts at quantification.

3. Management of Visakhapatnam Steel Plant is not welcome to social reporting practice as yet.
4. Quantitative information regarding environmental impact, community development, and other social aspects are totally ignored. Disclosures are made in the Visakhapatnam Steel Plant Administrative Reports only.
5. Attempts towards valuing human resources are totally negligible. No systematic information is available for valuing human resources.
6. Information with regards to preparation of Social Income Statements for Employees, Community, and General public is an exceptional task due to unorganized efforts and organization structure.

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