

MCM-505
ACCOUNTING THEORY & PRACTICES
UNIT-13 CORPORATE SOCIAL ACCOUNTING
(M. COM. SECOND SEMESTER)

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Corporate Social Accounting: Meaning

- The term 'social accounting' is of recent origin and many other terms like, 'social audit' 'socio-economic accounting', 'social cost benefit analysis', 'report on corporate social policies', 'social information system', 'corporate social accounting', 'social responsibility accounting' etc. are often interchangeably used for this. Now-a-days it is being realized that commercial evaluation of business units is not sufficient to justify commitment of funds to a business unit. Rather evaluation will be complete only if it takes into consideration social cost and benefits associated with them.

Objectives of Corporate Social Accounting

- To know the contribution of individual firms towards the society.
- Through social accounting, firms strategies and practices, that directly affect relative resources can be determined.
- Relevant information on firm's goals and policies is made available to general public.
- Social accounting aims at development of models of quantification and proper presentation of social costs and benefits of an enterprise.

Need for Corporate Social Accounting

- The management fulfils its social obligations and informs its members, the government and the general public.
- The management responds through social accounting to the criticisms leveled by hostile media and voluntary social organisations.
- There are certain legal obligations that have to be fulfilled by the business, such as social security obligations and welfare measures etc. The management informs the public and government about its efforts in this regard through social accounting.
- The management gets feedback on its efforts and policies aimed at the welfare of the society.
- Corporate social accounting is necessary from the view point of public interest groups, social organisations and government bodies.
- Through corporate social accounting the company proves itself that it is not a society unethical in view of moral cultures and environment degradation.

Uses of Corporate Social Responsibility Accounting

- Internal Users
- External Users
- Impact on Share Prices

Scope of Corporate Social Accounting

- 1. Net income contribution
- 2. Human resource contribution
- 3. Public contribution
- 4. Environmental contribution
- 5. Product or service contribution

Social Benefits and Social Costs

- Corporate social accounting and reporting focuses, primarily, on the measurement and reporting of social benefits and costs arising due to social responsibilities and activities of business enterprises. It is necessary to know what social benefits and costs are associated with such social responsibilities and activities.

- **Social Benefits**

- 1. Products and services provided
- 2. Payments to other elements of society
- 3. Additional direct employee benefits
- 4. Staff, equipment, and facility services donated
- 5. Environmental Improvements
- 6. Other benefits

- **Social Costs**

- Goods and materials acquired
- Building and equipment purchases
- Labour and services used
- Discrimination
- Work-related injuries and illness
- Public service and facilities used
- Environmental damage
- Payments for other elements of society

Measurement of Social Costs and Benefits

- Surrogate Valuation
- Survey Techniques
- Restoration or Avoidance Cost
- Appraisals
- Analysis

Approaches in Corporate Social Accounting

- Cost-Benefit Analysis approach
- Socio-Economic Operating Statement Approach
- Integral Welfare Theoretical Approach
- Descriptive or Narrative Approach
- Goal Oriented Approach
- Value Added Approach
- Pictorial Approach
- Regulatory Requirements

Benefits of Corporate Social Reporting

- Presentation of a complete picture to the society and the management to enable everybody to form correct opinions.
- Assist management in formulating appropriate policies and priorities.
- Avoidance of adverse publicity.
- Improved image leading to greater support from government and public.
- Help in marketing and greater customer support.
- Evidence of social commitment.
- Improved employee motivation.
- Better business relations with all concerned e.g. banks, insurance, government.
- Resolution of social problems can assist in long term growth of the organisation.
- Attracting and retaining high quality staff.
- Obtaining feedback from the public as to the changes required in the focus.
- Improve confidence of shareholders or members.
- Several companies are realizing that being a socially responsible organisation can be good for productivity, morale and loyalty amongst employees.

Limitations of Corporate Social Reporting

- **Not Mandatory**
- **No Standard format**
- **Lack of clear cut definition of social reporting**
- **No cadre of social auditors**
- **Auditing social cost and benefit is an intricate function**

Corporate Social Disclosure Practices in India

- In India, the Companies Act, 1956 deals with the preparation of balance sheet and profit and loss account. The Act requires the auditor to make a report under section 227 to members (shareholders) and express an opinion whether the company's balance sheet and profit and loss account exhibit 'true and fair' view of the company's state of affairs. Although, this Act has been amended from time to time, no specific provision has been made requiring companies to provide social responsibility disclosures in their annual reports.
- In 1981, The Institute of Chartered Accountants of India after making a survey found that 123 out of 202 companies provided some information in their directors reports about company contribution in social responsibility areas.
- The TISCO performed the first social audit (the company has used the term audit) ever undertaken by any company, public or private, in India. The purpose of the audit was to examine and report whether, and the extent to which the company had fulfilled objectives regarding its social and moral responsibilities to the consumers, employees, shareholders, society and the local community.

Summary

- The conceptual thinking about corporate social accounting has grown at a rate faster than what has been done in practice. The social accounting information about business enterprises are not only important for external users, public interest groups, government, etc., but also for managements in planning and decision-making areas. In pursuance of their basic goals, all organisations have a social commitment. The debate on a suitable corporate social reporting model is continuing. At present, the primary objectives for business enterprises should be to provide disclosure about their society related activities. If a business enterprise decide to wait for a perfect model, completely reliable measures, generally accepted reporting standards, and qualitative characteristics applicable to social information, it would be failing in its responsibilities as a stable and forward looking employer and a good citizen. Business enterprises should be ready to accept growing challenged emerging in social accounting and reporting area.

References

- SILM developed by Uttarakhand Open University for MCM-505 (Accounting Theory and Practices), Year 2017,