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Research Paper Commerce

The Conceptual Framework Of Corporate Social Accounting

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ABSTRACT

The impact of globalization- and a greater understanding of the effects of business activities on the environment, local communities , developing nations, employees, customers, suppliers and creditors has given additional impetus to the corporate social responsibility movement. Key concepts associated with corporate social responsibility are principles of accountability and responsibility to all legitimate stakeholders and a willingness to engage in appropriate disclosure to such stakeholders.

In view of global competitive environment, it has become imperative to corporate organizations to function as a responsible corporate citizen and discharge certain social responsibilities. In recent years, there has been an increasing interest in the communication and reporting by large corporation on their social performance. Most of the attention has been devoted to either the need or the appropriate mode for corporate social disclosure. This article contributes to the conceptual frame work of Corporate Social Accounting. This paper develops a method for indentifying, collecting, and aggregating corporate social performance data and disclosure it in annual reports. Corporate social performance is usually measured through a social cost-benefit analysis. The various categories of social concern are grouped into four broad items namely community involvement, Human resources stewardship, physically resources and stewardship, product or service contribution. Issues of Corporate Social Responsibility and sustainable development are yet to become an integral part of the corporate planning process. However, considering the great diversity of social disclosures in terms of extent and format, this authors stress the need for evolving a unified social reporting pattern and adoption of the pattern by companies. Model statements of social responsibility and income and expenditure are presented.

Keywords : Conceptual Framework, Social Accounting

Introduction

The business is an economic activity which is exercised to earn profit in general sense but this activity can be done for the welfare of the society also. Business cannot be separated from the society in the sense that the success of business activity depends on the development of the society. Business and society are very closely related to each other.

The object of business is to supply goods and services to the customers- the part of the society, to provide employment and income to people, to give incentives and motivation for the satisfaction of employees- at the same time part of society, payment of fair wages and bonus to its employees, donation to education and community welfare programmes, housing and medical facilities to employees and payment of taxes to local, state and central government etc.

Business activities should always satisfy the society's welfare programme. It should be careful about environment (Pollution control), i.e., business activities should be careful about air pollution, water pollution and solid waste discharged by it, which very badly affect the social life and adversely affect the health of persons living in the society.

Another important social responsibility of the business is the relation between the government and business as both are supposed to be caretaker of the society's welfare. There should be clear-cut rules and regulation, and good understanding between the government and business activities. All planning function is performed by the Government itself and government makes necessary rules for business activities to save the society and consumers.

The large business firm once looked upon as the exclusive concern of its owners, is coming to be viewed as an instrument of society. Managers are discovering that maximization of return to stockholders is not a sufficient goal; society is demanding more, and making its demands stick through legislation, litigation, and public pressure. Corporations are being told: “Your job is to serve society through reliable and safe products of high quality. And we expect you to be a good citizen while you're about it no pollution, no discrimination, no hazardous working conditions. Furthermore, some of your vast economic power should be devoted to social programs. If you can make a good profit too, okay, but these demands come first,” The role of the corporation in society is changing dramatically.

The corporate executive is under the gun. He finds it difficult to accept society's growing demands and reconcile them with his traditional view of the corporation. Nevertheless, though sometimes confused and sometimes angered, he has tried to respond in a responsible way.

And in trying to respond the executive has encountered another obstacle: he has discovered that it is at best difficult often impossible to get a fix on what his company is doing in terms of social programs and social responsibility.

The demand for social accounting information appears to be substantial and growing. Various segments of the corporation's public investors, customers, government bodies, public interest groups, and professional organizations are imposing social performance standards on the corporation and seeking information to judge the performance. If the corporation does not provide the information willingly, public interest groups may ferret it out anyway or the government may require it.

Large institutional investors are moving not only to base investment decisions partially on social performance criteria but also to vote their vast shareholdings in favour of proxy proposals. Universities, foundations and more recently banks, insurance companies, and mutual funds possess tremendous leverage to pry loose social accounting data, and they are starting to use that leverage.

Perhaps a corporation can ignore the demands for social accounting. Perhaps this is a fad that will soon pass. If it does, the skeptical firm will have avoided some cost; but if it doesn't go away, that firm may incur substantially greater costs in public embarrassment, lost goodwill, disappointed employees, “catch up” costs, and lawsuits.

Sachaar Committee observes:

“The company must behave and function as a responsible member of the society just like any other individual. It cannot shun moral values nor can it ignore actual compulsions. The real need is for some focus of accountability on the part of management not being limited to shareholders alone…. The objectives of business…. Proper utilization of resources for the benefit of others. Profit is necessary but is not the primary objective… The company must accept its obligation to be socially responsible and to work for the larger benefit of the community.”

Over a period of time, various approaches developed in the concept of corporate social accounting. They are:

1. By using the resources in the best possible manner to improve the profits;
2. The maximization of the profits; and
3. To view profit as a means to an end. Accordingly better values, lower price, greater capital appreciation is also to be given importance.

The change from the second to the third approach to the social responsibility is characterized as a move from the concept of Business Corporation based on shareholders to one which extends to definition of stakeholder. The concept recognizes that the business enterprise is responsible to all stakeholders, i.e. those who stand to gain or loose on account of the activities of the firm.

Serious concern began to develop for corporate social accounting in early 1970s. The advocates began to develop the information and report on the following issues:

1. Effects of various corporate social programmes;
2. Corporate performance in hiring and promoting minorities and women;
3. Corporate generated pollution and pollution control efforts;
4. Illegal campaign contribution;
5. Energy usage and conservation efforts; and
6. Consumer issues.

Origin

The concept of Social Accounting originated in different forms by Adam Smith in 1776, later on, Karl Marx and Engel also expressed their views about social costs in 1844. Karl Marx went to the extent of saying “under this free trade the whole severity of the economic laws will fall upon the workers”. Pigou in 1920 also elaborated the divergence of social and private costs. Economists' like H. Chamberlin in 1945, Joan Robinson in 1960 expressed their concern directly or indirectly about the social costs of an industrial organization.

Social Accounting is concerned with the development of measurements system to monitor social performances. It is rational assessment of and reporting on some meaningful domain of business enterprise activities that have social impact. It aims at measuring (either in monetary or non-monetary units) adverse and beneficial effects of such activities both on the firm and /or these affected by the firm. It is an expression of company's social responsibilities and requirements of general corporate accountability. The information of Social Accounting is communicated to social groups both within and outside the firm.

Although accounting as a professional field has a lengthy history, dating back to at least the mid-nineteenth century (Tinker 1985), social accounting is more recent and burgeoned during the early 1970s(Mathews 1997). Earlier proponents of broadening the domain of corporate accounting- for instance, Blum(1958), Bowen (1953), and Goyder (1961)- created a foundation for the field to move forward. All were struggling with the same issue of corporate accountability and putting in place mechanisms through which corporations would be more socially responsible.

Goyder's (1961) book, The Responsible Company, was forthright in its call for a social audit: “In and economy of big business, there is clearly as much need for a social as for a financial audit” (1961, 109). In a similar vein, Bowen (1953, 48-49) stated that:

The directors of a corporation are trustees, not alone for stockholders and owners, but also for workers, suppliers, consumers, the immediate community, and the general public. According to this view, the board of directors should serve as a mediator, equitably balancing the legitimate interests of the several principal beneficiaries of corporate activity.

These early proponents were concerned about the growing power of the modern corporation and its lack of accountability to anyone other than its shareholders, and they visualized the need for broader accounting and accountability frameworks that would address this concern.

While social accounting involves a diverse set of themes and practices that have evolved since that period, the underlying ethos that Bowen, Blum, and Goyder enunciated has remained intact. Nevertheless, social accounting although moving ahead, remains marginalized within the accounting profession and has focused on academic critiques of the limitations of accounting rather those providing models that can be applied.

A set of studies has explored the multiple aspects of the Corporate Social Reporting concept both theoretically and empirically. Corporate social reporting has been one of the features that have received extensive attention from scholars. However, most of these studies are embedded in the economic and organizational contexts of Europe and the United States of America. A few of the notable studies may be motioned in this regard, Such as that of Harte and Owen (1991). Gamble et.al,(2001), Larrinaga et al.(2002), Cunningham and Gadenne (2003), Jose et al. (2003), Klee and coles (2003), Ahmed and solaiman (2004), Al-Tuwaijri et al. (2004), Kolk (2005), Jenkins (2006), Maloni and Grown (2006), Marshall (2007). Hardly a few studies have looked at Corporate social reporting or social reporting in developing countries like India.

Meaning Of Social Accounting

The term social accounting implies that there is form of accounting that is not social. Yet, as others have argued the terminology of financial accounting and “profit” itself are social constructs. Accounting primarily reflects the needs of owners and managers of profit-oriented businesses (Hanes 1988; Morgan 1988; Tinker 1985). However, there is nothing inherent in accounting that necessitates its limitation to this set of interests. Social accounting has attempted to reorient accounting to a broader set of social variables and social interests. It is upon this tradition that the current manuscript is built and uses the term social accounting-but with the acknowledgment that, as Tinker (1985) and other have pointed out, all accounting can be construed as social.

The field is also referred to as social and environmental accounting because, in its formative period, the environmental movement influenced it. At times, environmental issues have dominated the field, but at present the issues are broader (Bebbington, Gray and Owen 1999). By opting for the term social accounting, we are not attempting to diminish the importance of environmental concerns.

The purpose of social accounting is to help evaluate how well a firm is fulfilling its social contract. It would accomplish this purpose by providing visibility to the impact of a firm's activity upon society. While the micro-level measurement system provides the information regarding the corporation's social performance, the macro-level performance criteria provide the evaluative framework. In light of this background, social accounting is: the process of selecting firm-level social performance variables, measures, and measurement procedures; systematically developing information useful for evaluating the firm's social performance; and communicating such information to concerned social groups, both within and outside the firm.

Social Accounting is the branch of accounting which measures, analyse and record the society and the enterprise itself both in quantitative and qualitative terms. Social Accounting includes such information disclosed in annual report viz., Statement on Human Resource Accounting, Statement of Value Added, Report on Foreign Currency transactions revealing balance of payment position and Accounting for various social objectives.

Conventional And Social Concepts In Accounting

The primary function of conventional accounting is measurement of economic consequences in terms of money. Accounting reports are, therefore, limited to phenomena that can be described in monetary terms. As a result, many factors important to a business organization which cannot e translated into monetary terms go unrecorded.

Modern accounting theory and information economics are directed towards general assumptions capable of deriving accounting structure from specific information goals. Such a structure insists on more and more emphasis on fulfilling the role of control mechanism, not merely internally and for shareholders but for the society at large. Social accounting is a branch of accounting dealing with the functioning of economic system as a whole. It may be considered as the accounting for community. Social accounting includes the areas like 'pollution control,' 'equal employment opportunity,' 'charitable-contribution,' 'community relations,' 'product-quality,' 'plant-safety,' 'employee benefits,' and responsiveness to 'consumer complaints.'

The function of social accounting is to measure and disclose the 'costs' and 'benefits' to society created by the production related activities of a business enterprise. In other words, the objective of social accounting is to consider the social costs and benefits within a firm in order to determine the business results in a more relevant and exhaustive fashion. This is generally known as 'Socio-economic' profit of a firm.

Attributes of social are usually recognized in annual reports. They include product and quality improvement, fair business practices, human resources, environment and community involvement. In order to facilitate corporate accountability and analysis thereof, Conventional accounting and social accounting systems differ from each other.

Differences Between Conventional Accounting And Social Accounting

Time of evaluation: Conventional accounting is the oldest concept of accounting. It was evolved about 516 years ago in 1494 by Lucapacioli, a Greek mathematician. But social accounting is a new concept of accounting. The macro sense of social accounting, i.e., National Accounting which is used by economists was first introduced by De Queng in France in 1758 and micro sense of social accounting which is used by accountants was developed in early 1970s in the USA.

Basis of accounting: Conventional accounting is concerned with the measurement of economic consequences in terms of money. But in social accounting both monetary and non-monetary factors are recognized.

Accounting system: Conventional accounting is based on double entry system. Despite it in certain cases single entry system or incomplete recording may be followed. Whereas no such specific well-known system is followed for social accounting. Social accounting remains at the developing stage and as a result different approaches are now using in different countries of the world like narrative method, social statement, valued added method and so on.

Books of accounts: In conventional accounting certain specific books of accounts like, journal, ledger and so on are maintained systematically together with some statistical books. But in social accounting, no such specific books of accounts are maintained. However, under social cost-benefit (Social Statement) method some accounts can be prepared on some pre-determined basis.

Preparation of annual statement: In conventional accounting, final or annual financial statements are prepared in specific format and in systematic manner whereas in social accounting the annual social statements are prepared not as per specific format and not in systematic way.

Nature of data: The data used in conventional accounting is objective in nature. As a result, the arithmetic accuracy can be judged at different stages of this accounting and there is a little scope of arising inter-personal variations. But the data used in social accounting is purely subjective in nature. The arithmetic accuracy cannot be judged here. Moreover, the figures vary from person to person.

Purpose: Conventional accounting aims at judging whether and how far the financial or personal objectives of equity have been fulfilled while social accounting aims at judging whether and how far the social objectives have been fulfilled in view of the performance of social responsibilities and so on.

Definition Of Social Accounting

There are varying definitions of social accounting. All share the common features of expanding the range of criteria that are taken into consideration when measuring performance and looking at the organization in relation to its surrounding environment, both social and natural. Additionally, all emphasize that the audience for social accounting is broader and may differ from that for other forms of accounting.

Generally, it is found that traditional financial reporting remains silent and ignores reporting regarding social activities of the business. It does not report about social economic conditions under which that business operates. The annual report does not mention about social responsibilities like housing facilities, medical facilities, educational facilities, canteen facilities, local tax payments, environmental protection, job facilities etc. But now this concept is changing and growth and development of corporate organization and their important role in the society have given rise to reporting on social responsibilities in their annual report. Government has also made binding in this regard.

The term social accounting is generally confused with number of terms used as social audit, social information system, social reporting, socio-economic accounting, social responsibility accounting, social disclosure, corporate social performance, etc., but all these terms have the same meaning and these terms are used interchangeably for one another. In fact, these terms are in the process of evolution and crystallization. They underline that corporate enterprises have a responsibility to maintain and promote quality of life of the community. As far as meaning of social accounting is concerned, it is an accounting report of social activities performed by business units for the welfare of society. As business cannot exist without society, therefore each and every business unit is required to give accounting report of its social activities.

Social accounting means reporting of various social responsibilities of the business, i.e. accounting report of the expenses incurred on educational facilities, medical facilities, canteen facilities, housing facilities, transportation facilities, water and electricity facilities, job opportunities for minorities, entertainment facilities, taxes paid to local or state government, donation and charity for social welfare etc.

So, social accounting is an accounting report of social expenses and social benefits of that business unit. "Social Reporting or Social Accounting is a rational assessment of and reporting on some meaningful definable domain of business activities to the public as well as other interested parties regarding its social performances, measuring either in monetary or non-monetary terms, being beneficial or baneful by the activities of the concern both to the concern or those affected by the concern."

According to this definition, it is very clear that social accounting is assessment and at the same time reporting on the social activities of business units either in monetary term, i.e., quantitatively or in non-monetary term, i.e., qualitatively which is useful or useless to both, i.e., to concern itself and the society under which that business unit operates. According to True Blood Committee Report, "An objective of financial statement is to report on those activities of the enterprise affecting society, which can be determined and described or measured and which are important to the role of enterprise in its social environment."

This definition is concerned with the need and function of social accounting. It says that financial reporting statement should contain the details about the social activities in accounting form and should settle the conflicts and disputes of interested parties. The Social Accounting information is communicated to socially interested groups within and outside the organization. Social Accounting reporting is expression of a corporate, social responsibility in accounting terms. It is associated with the study and analysis of those activities of an organization which are done for the welfare of society and to measure the effects of such activities on the society and also on the enterprise itself. According to Ralph Estes "Social accounting is the measurement and reporting, internal and external, of information concerning the impact of an entity and its activity on society".

The National Accounting Association Committee defined social accounting as "the identification, measurement, monitoring and reporting of social and economic effects of an institution on society…… It is intended for both internal managerial and external accountability purposes, and is an outgrowth of changing values that have led society to redefine its notion of a corporate social responsibility."

K. V. Ramanathan (1976, 519) has defined Social Accounting is "the process of selecting firm level social performance variable, measures and measurement procedures systematically developing information useful for evaluating firm's social performance and communicating such information to concerned social groups both with and outside the firm."

Gray, Owen, and Maunders (1987,ix) and Gray, Owen, and Adams (1996,3) defined Social Accounting as "The process of communicating the social and environmental effects of organizations' economic actions to particular interst groups within society and to society at large. As such it involves extending the accountability to organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for shareholders.

Mathews and Perera (1995, 364) defined- At the very least, social accounting means an extension of disclosure into non-traditional areas such as providing information about employees, products, community-service and the prevention or reduction of pollution. However, the term "social accounting" is also used to describe a comprehensive form of accounting which takes into account externalities.

According to Institute of Social and Ethical Accountability (2000, 1) Social and ethical accounting is concerned with learning about the effect an organization has on society and about its relationship with an entire range of stakeholders- all those groups who affect and/or are affected by the organization and its activities.

Sybil Mobley while establishing the need of socio-economic accounting defined same as "it refers to the ordering, measuring and analysis of the social and economic consequences of government and entrepreneurial behavior."

David Linows used the term "Socio-Economic Accounting" in a broader sense. As per him, it is "the application of accounting in the field of social sciences."

Elliot uses the term "Social Responsibility Accounting." As per him, it is "a systematic assessment of and reporting on those parts of a company's activities that have a social impact. It describes the impact of corporate decisions on environmental pollution, the consumption of non-renewable resources and ecological factors on the rights of individuals and groups, on the maintenance of public services, on public safety, on health and education and many other such social concerns.'

As per Dr. Sawalia Bihari Verma, "Social Accounting is associated with the study and analysis of accounting practice of those activities of an organization which are undertaken b the enterprise itself in quantitative as well as qualitative terms. It also tries to analyze and evaluate the organizational behavior in the light of such activities. "

G. C. Maheshwari has defined it as "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. While social audit would mean enquiry into the corporate social accounting records by an outside agency that can opine with a view to attestation and authentication of such records and reports."

Objectives Of Social Accounting

The notion of a social contract offers crucial assistance in objectives formulation by recognizing as two unique roles of a firm (1) the delivery of some socially useful goods and services and (2) the distribution of economic, social or political rewards to social groups from which the firm derives its power. The nature of these two roles warrants further examination.

As a deliverer of socially desirable goods, the firm is cast in the role of an agent of production. In this role, the ultimate test of a firm's success is whether it's aggregate consumption of the society's resources. Under the traditional classical economics view, a firm's contribution and consumption are presumed to be completely valued in the market place profits are presumed to be the all inclusive measure of a firm's net contribution to society.

K.V. Ramanathan suggests the following objectives for social accounting:

a) to identify and measure the periodic net social contribution of an individual firm, which includes not only the social costs and benefits internalized by the firm, but also those arising from externalities and affecting different social segments;

b) to help determine whether an individual firm's strategy and practices which directly affect the relative resource and power status of individuals, communities, social segments and generations are consistent with widely shared social priorities on the one hand and individuals' legitimate aspirations on the other; and

c) to make available in an optional manner to all social constituents relevant information on a firm's goals, politics, programmes, performance and contribution to social goals.

In Social Accounting, two major constituents are social cost and social benefit. Social cost is sacrifice or detriment to society whether economic, internal or external; social costs are the sacrifices of the society for which the business firm is responsible like environment pollution, deficiency due to bankruptcy, depletion and destruction of animal resource, deforestation, monopoly and social losses, production of dangerous products, etc. Social benefit is a compensation made to the society in the form of increase in per capita income, afforestation, development of educational facilities, construction of public roads protection of natural resources, employment opportunities, etc. Corporate social performance is usually measured through a social cost-benefit analysis. The various categories of social concern are grouped into four broad items namely community involvement, Human reszour4ces stewardship, physically resources and stewardship, product or service contribution.

Need Of Social Accounting

Social accounting is needed by the internal users as well as by external users for different purposes. Everyone related with the corporation activities in any way is very much interested to know the various social responsibilities being performed by the business corporation which also determines the future existence of corporation in market. The need for social reporting has increased for number of reasons. Some major reasons are being discussed as under:

Changing public need: Due to changing public need, social expectations of business has also changed. Since society gives business its charger to exist, that charter can be amended at any time if business fails to fulfil society's expectation. Now, public is very much interested in knowing what kind of social responsibility is being performed by various public enterprises existing in an economy.

Moral obligation: Business should be socially responsible because responsible actions are right for its own sake. Responsibility is viewed as right, on humanitarian ground as well as religions philosophical ground, as it puts human interest first. The economic needs of a business should remain secondary and so9cial need should be given priority, because business is a part of society. So there is a moral obligation towards the society which compels business to be socially responsible.

Limited resources: Since the planet of earth has limited resources, so business must act responsibility to protect the plants from pollution like air and water, pollution by utilizing its wastes. Business should be careful towards the environmental pollution which directly affects the physical and mental health of the people.

Better social atmosphere: Business should help in solving the various social problems. There should be equal employment opportunity irrespective of race, religion, and social background. In recent years employment of child labour and discriminatory practices against women are taking wide place throughout the country. This should be stopped. There cannot be any salary and wage differential between men and women for the same job. These problems put pressure for disclosure of various types in corporate reporting.

Disagreement with further government regulations: If business is social responsible towards the society it will discourage and ignore additional regulation of economic policies made by the government. It may be that some government regulation may impose unnecessary restriction on the freedom of business and society both, freedom is desirable public need. Generally every government regulation increases the costs of business and restricts flexibility in decision-making process. To avoid these affects business has to meet market and social forces. So if business is socially responsible, this behavior can discourage new government restrictions. So9cial accounting is necessary for this purpose also.

Balance of responsibility with power: Social accounting is needed to make balance between responsibility and power. Responsibility and power must go together. Business has to perform large number of responsibilities. Each and every activity of business affects the environment, consumers, community at large, shareholders, debenture holders' etc. So equal amount of responsibility is required to match its power to have public faith in the society. Responsibility is necessarily reciprocal of power. If business does not perform its responsibility, it will lose its existence in market as well as in society.

Interdependence: The modern social system is so complex and interdependent that any internal act of business has some influence on the external world. In ancient periods the social system was very simple when business units were not very much concerned with the quality of life of whole society. But modern society is more interdependent. In today's world, business institutions greatly affect the quality of life of society therefore they should be careful about their external influence on the society.

Public image: Social accounting is necessary to improve the public image in the society. Public image is very concerned with the success or failure of business as public image in market and society creates more customers, better employees' credibility for loan and advances and other benefits. So, business has to report on social responsibilities performed by it to have public faith in the society.

For managerial use: Social responsibility information or social accounting is very much useful to corporate management also. Corporate management requires social reporting to ensure itself that corporation is responsive to social challenges and that corporation policies are being followed properly. The corporation is also very interested to know, what kind of social programme it is running and how much it is successful in performing these programmes. It needs information about the effects of business operation and policy on the society to evaluate whether the policy of business is positively affecting the society or negatively.

External uses: Social accounting is much required by external users also. Various groups, very much interested in company's activities, like public investors, customers, government bodies, public interest groups, professional organization require social reporting to judge the performance of Business Corporation. It has been also observed that public invest money only in those companies which are beneficial to society, instead of those companies which are causing social injury or environmental damages. Except these, public concerns are very much aware about side effects of corporate activities and are imposing stringent sanctions against certain types of corporate activities. These sanctions include legislative enactments, government regulations, judicial decisions and consumer retaliation. With the imposition of these sanctions against the companies which are not performing socially well faces, adverse economic problems and ultimately perform social responsibilities.

So, these are certain factors which make social reporting necessary in today's business world. Society and business are so much closely related to each other that if business unit does not perform social responsibilities in proper and appropriate manner then it starts to lose public faith in the society, the product produced by the business units loses demand in the market and investors also do not invest their money in such business units and consequently it loses its entity in market. Public is so much aware about the activities of business corporation that it cannot escape from fulfilling various responsibilities towards the society. Government has made certain rules and regulations which compel various public enterprises to report on their social responsibilities.

Social information of business concerns is mainly useful to the management, shareholders, other investors, governments and society as a whole and it has a great impact on the share price of the company. In a company, the top management (chief executive officer) needs social accounting information to answer the various questions of shareholders and ensure that policies adopted by the corporate enterprises are properly followed. The directors of the company need to know what sort of social programmes the company is having and what result it is getting.

They also need complete information about the effects of the company on society. This information can be obtained from social accounting. Social accounting is needed by the present and potential investors by large institutions and individuals. It is also useful to external entities, public interest groups, government agencies and the media, interested in evaluating the total impact of an organization on society.

The role of corporate reporting is one of reflecting economic events. Economic events occur in an environment shaped by the basic knowledge and self-perception as well as available technology and socio-political aspirations which determine the direction of societal development. The latter shape the perception of need and goals of a society, which in turn determine the disclosure requirements.

It is widely acclaimed that corporate reporting is embedded in the shaping of social past, present and future. Facts being argued that the social significance of reporting practice in which accounting has been seen is implicated are the operationalisation of dominant economic and social distinctions, the creation of boundaries and of social meaning.

Scope Of Social Accounting

Scope of social accounting means the respective areas or units for which reporting should be done by an enterprise has to perform various responsibilities towards the society. Scope means various responsibility areas of business because it is not possible for an enterprise or business unit to perform each and every type of social activities required by community at a large of by society. So it is necessary that various social responsible areas should be defined. In order to facilitate corporate accountability and analysis thereof, Brummet (1973) has identified five possible areas in which corporate social objectives may be found and each area of contribution of corporate social activities may be measured and reported. These areas are:

1. Net Income Contribution
2. Human Resources Contribution
3. Public Contribution
4. Environment Contribution
5. Product or Service Contribution

1. Net Income Contribution: This accounting area is recognized profit as the first important factor that justifies the existence of an organization. The growing attention towards social objectives is not reducing the importance of income objective. There is no denying of profit seeking as the fundamental objective of a business enterprise. A corporate enterprise must earn enough to provide for the present and future costs of its survival. But this should not lead to excessive profit maximization; rather it should be limited to legitimate social profits.

2. Human Resources Contribution: It reflects the effect of organization activities on the human resource of the organization. These organizational activities include: recruitment policies and practices, training, experience building, job enrichment, wage and salary, level, trade-union relations, employees attitude, congruence of organizational and individual goals, job safety, mutual trust and confidence-building, transfer and promotion, etc.

3. Public Contribution: This area considers the effect of organizational activities on individuals generally outside the organization. The creation of jobs and the provision of employment are important public contributions. As well as the development of local services which offer companies corporate expansion in the community

4. Environment Contribution: This area relates to the measurement of effect of corporate activities on the ecological balance. Corporate (industrial) activity is supposed to consume irreplaceable resources and produces solid wastes. This process pollutes air and water, causes noises and spoils the environment. This is negative external social effect.

5. Product or Service Contribution: This area relates to the qualitative aspect of the organization's product or service. It includes product utility, durability of product, produce safety, serviceability as well as the welfare role of the product or service. It also includes customer's satisfaction, honest exposure in advertising, completeness and clarity of labeling and packaging.

Corporate Social Accounting Approaches At Different Measurement Levels

The Scope of Corporate Social Accounting measurement system covers all the transactions between an organization and rest of the society.

It includes both the market transactions and externalities. The objects in the system are rather difficult to quantify as being subjective in nature.

Corporation social performance is generally measured at four different measurement levels: (i) Input level (ii) Social Effects level (iii) Organizational Impact level (iv) Output level.

Different measurement approaches may be used for measurement of various objects at different measurement levels. The use of the level and approach of measurement is again a subjective feature and depends on the Company and its philosophies as well the plan of action in this sphere of area by the Company. The utility of approach as well as level of measurement again depends on circumstances to circumstances. However, the data observed at a particular measurement level using a particular approach cannot be mixed up with the data observed at a different measurement level or at the same level. This approach normally is called by the name of 'Consistency Approach'. This approach is very rarely used in the corporate circles due to lack of practicability and usefulness.

At different levels of measurement, the various measurement approaches are as follows:

A. Input Level of Measurement

This approach measures the magnitude of the socially relevant activities of the enterprise. Both the qualitative as well as quantitative type of information is included. Thus the total corporate performance on the social aspects is measured with the help of this approach. At this level, the measurement objects can either be the combination of the three, i.e. physical, financial and behavioral, or it can be separate in each individual case. The following approaches may be used for their valuation as follows:

(i) Inventory approach

This approach measures the socially relevant information in the descriptive form. Under this approach, there is no emphasis on measurement of the information and thus its scope is restricted to being subjective in nature. This approach is most prominently sued by the corporate entities to exhibit their social performance.

(ii) Financial cost approach

The financial cost approach, measures the financial cost of social activities undertaken by the companies. As the scope is mainly restricted to financial in nature, it ignores most of the descriptive type of information and is thus not able to fully cover the impact of the social activities undertaken by the enterprise. The Bureau of Public Enterprise Social Overhead Statement used by the Public Sector enterprises are based on this approach.

(iii) Non monetary quantitative approach

Under this approach the emphasis is on measuring the impact of socially relevant activities in a not-monetary quantitative form. The approach is comprehensive and objective but lacks comparability. One of the main drawbacks of this approach is that the socially relevant information expressed in financial terms gets neglected under this approach and thus this approach may not be able to provide a comprehensive coverage of the socially relevant information of the corporate enterprise.

(iv) Internal prevention cost approach

Under this approach the emphasis is on the measurement of the financial cost that the organization will have to incur to avoid the socially detrimental effects of its activities.

B. Social Effect Level Measurement

The social groups operating in the system are affected by the activities of the business enterprises and thus the impact of the business enterprises on these social groups are measured by the Social Effects Level of Measurement. The measurement objects at this level are physical, psychological, behavioural and financial. The impact of a single activity of business enterprise is beset with a multiple of permutations and combinations in magnitude and its effect on the various social elements and it would be virtually impossible to enlist all of them. For measuring and reporting at this level, the following approaches are generally used at this level:

(i) Inventory approach

This approach measures the socially relevant information in the descriptive form. Under this approach, there is no emphasis on measurement of the information and thus its scope is restricted to being subjective in nature.

(ii) Intermediate quantitative approach

Under this approach the social effects in the form of non-monetary intermediate quantities are measured. Thus the emphasis in this approach is purely not-monetary in nature and emphasis shifts on the quantitative measurement.

(Iii) Psycho-sociological measurement approach

Under this approach the sociological and psychological impact and changes in the external environment are measured. This approach is subjective in nature and is concerned with the vital human emotional aspects and is thus difficult to measure.

(Iv) Socio cost benefit approach

Under this approach the measurement of the social effects of the organizational behavior in terms of the net social welfare gain or loss is emphasized. A detailed analysis and survey of all the material social effects is done and measured in monetary terms. Since the market price is not the true barometer of financial measurement under this approach, resort is made to use the shadow pricing technique. Some of the examples of shadow pricing are utility measurement approach, opportunity cost approach etc.

C. Output Level Measurement

Under this level, the thrust is on measuring the impact on the internal working environment of the business enterprise. Measurement objects at this level are psychological and behavioural. For measurement and reporting at this level, the following approaches are used.

(I) Inventory approach

As discussed earlier, this approach measures the socially relevant information in the descriptive form. Under this approach, there is no emphasis on measurement of the information and thus its scope is restricted to being subjective in nature.

(ii) Psycho-behavioural measurement approach

Under this approach the sociological and psychological impact and changes in the external environment are measured. This approach is subjective in nature and is concerned with the vital human emotional aspects and is thus difficulty to measure.

D. Organization Impact Level Measurement

The management of any business enterprise is keenly entrusted in understanding the impact level measurement objects, i.e., ultimate impact of a social translation in the performance and profitability of the organization. The measurement objects at this level are mostly financial in nature, but arte difficult to measure with due precision and exactness.

Since a Corporate enterprise is affected by a number of external as well as internal factors, it is not possible to conduct a controlled experiment on the Company or the Group of companies, which becomes much more difficult to control and operate in the circumstances of each individual case. The degree of accuracy to which the objects could be-estimated at this level depends on the accuracy maintained at the previous levels of the measurement.

Social Accounting Models

It was the first half of 1970's, when the idea of Corporate Social Responsibility Disclosures emerged and evolved, various models of corporate social disclosures were developed. A few of them are as follows:

1. Linowes' Socio-economic Operating Statement (1972)
2. Seidler's Social Income Statement (1973)
3. Abt's Social Audit (1971,1977)
4. Este's Comprehensive Social Accounting Model (1976)

Linowes' Socio-economic Operating Statement

David F. Linowes recommended for internal socio-economic audit, to be conducted periodically. This audit would enable the formation of the improvement in exhibition of the following aspects namely, relations with the people, environment and product respectively. The salient features of the statement are as follows:

1) Expenditures made voluntarily by the organization for the employee welfare and other related aspects reflects the improvements.

2) Those expenses which are essential for doing the business such as the expenditures required by law or union contracts would be excluded.

3) Detriment would be the ignorance of socially beneficial expenditure required under the Statute. It shall also include cost of social action brought to the information of the management and to which the management fails to take the steps to satisfy the needs. The total of the net improvement is termed as Net Socio-economic Improvement, measured in terms of 'Socio-economic Management Dollars'. The net socio-economic improvement are accumulated year after year.

Seidler's Social Income Statement:

Lee J.Seidler, in 1973, suggested 2 formats of social income statement- One for profit seeking organizations and other for non-profit organizations. The important features of Seidler's Social Income Statement are as follows:

1) The first format based on value added. The Sum total of the total economic value generated by the organization and shared amongst its employees is referred to as Value Added. Resultant is equal to the value of outputs minus cost of inputs purchased from other organizations. The social income statement deducts the socially undesirable effects not paid for and adds the socially desirable outputs for which no money is received. The result is the net social profit or loss reflecting the net contgribution of the organization to the society.

2) The second format is simply divided into 2 parts, i.e., revenues and costs. The format covers both the financial and non-financial items. The non-financial items are measured in monetary terms using shadow pricing.

The major limitations of Seidler's Model are as follows:

1) The major limitation of the model is that, in the first format, social benefits from direct economic activities are taken equal to the amount of the value added. The consumer's surplus and the social costs of the input not reflected in the market price are not taken into account.

2) The distributional aspects of the organizational activities are not taken into account.

Abt's Social Audit:

Clark Abt proposed his model in the early 1971 when there was an acute dearth of comprehensive and practical proposal. The model proposed by Abt was backed by the evidence of practicability, as its use was exhibited in the Annual Reports of Abt Associates, a consultants firm of which Clark Abt was the President. The salient features of the model were as follows:

1) He proposed a Social Income Statement', which was divided into 3 parts showing the social benefits and costs to staff, community and general public respectively.

2) The sum of net social benefits (after setting of the social costs) to above all the three constituents of the society represented the net income.

3) The Balance Sheet, also called 'Social Balance Sheet' consists of 2 parts, viz., human assets and social capital investments. The representation of social capital investments were characterized by 'Organizational equity' and human assets by, 'social equity'.

4) In the Abt's model, the measurement objects have been taken at the 'social effects' level. According to Abt, physical and psychological changes among the people are affected by the socially significant action of an organization which is a input in the social process. Emphasis has been put on the market price measurement and shadow pricing.

The limitations and shortcomings of the model are:

1) Inconsistency in the measurement, validity of the conceptual framework and reliability of measurements.

2) The distributive role of the business has been completely ignored by the model. Money has been used as a common unit of measurement of all the social benefits and cost, but the money has, like other commodities, the diminishing marginal utility with every increase in the stock.

3) Also the model does not make any distinction between 'society' looking towards entity approach and 'entity's looking towards society' approach (or the input level measurement).

4) The model does not make distinction between direct and indirect social benefits.

Este's Comprehensive Social Accounting Model :

Ralph Estes in 1976 proposed a “Social Impact Statement' based on comprehensive evaluation of social benefits and social costs. Estes, on his statement viewed that it may not be very practical but is intended to provide a social model of a standard report. The essential features of the model are:

1) Footnotes shall be used for disclosing the significant indirect effects associated with the inputs. This obviates the difficulties associated with the identification and measurement of the indirect social benefit costs within the existing social system present around the environment without harming the notion of materiality in external reporting.

2) The direct effects for the purpose of measurement are to be incorporated in the social impact statement.

3) Every benefit and cost is suggested to be measured from society's point of view at social cost benefit approach.

However there are quite a few limitations in the model as follows:

1) The practicability of the model is hampered exerting more stress on utility measurement.

2) A huge cost is involved in terms of time, money and efforts, as the requirements of the statement are extensive research and survey regarding every item. Nevertheless, the measures are not much reliable because of the inherent limitations of survey and interviews techniques.

3) The aggregate utility and welfare effects of distribution are ignored in the model. The result is that the change in the distribution of the economic power may also change. Therefore without incorporating the distributional effects the utility measurement remains incomplete.

The Cost Benefit Analyses Technique

This technique was developed in the USA which is prepared in specific format fort presentation of social information to normal economic annual statements. This technique has been propounded by Eichorn and Dr.Clark, C. ABT of the ABT Associates Incorporation. This technique is also known by another name Social Statements Method which includes “Social Income Statement and Social Balance Sheet.' It is quantitative approach. It quantifies the values contributed to the society (assets) and detriments to the society (liabilities). It functions on the principle of cost benefit analysis, i.e., net profit is the difference of total benefit and total cost-social audit evaluates an organization's impact on its constituencies the staff (employees), the clients (external parties), the owners, the neighboring community and public at large. This impact can be expressed in monetary terms in respect of both cumulative and yearly benefits against costs. All monetary and non - monetary which the society is likely to pay for the concern for its benefits. Social Income Statement is prepared with social benefits generated by the corporation or firm on one hand and with social costs on the other hand buy expressing both cost and benefits in monetary terms. Social balance sheet is also prepared by showing social equity on the liability side and social capital investment on the asset side. So Clark tries to represent Social Income Statement and Social Balance Sheet just similar to financial statements.

Social cost is sacrifice or detriment to society whether economic, internal or external; social costs are the sacrifices of the society for which the business firm is responsible like environment pollution, deficiency due to bankruptcy, depletion and destruction of animal resource, deforestation, monopoly and social losses, production of dangerous products, etc. Social benefit is a compensation made to the society in the form of increase in per capita income, afforestation, development of educational facilities, construction of public roads, protection of natural resources, employment opportunities, etc. Corporate social performance is usually measured through a social cost benefit analysis. The various categories of social concern are grouped into four broad items namely community involvement, Human resources stewardship, physically resources and stewardship, product or service contribution.

A format of Social Accounting Statement is shown below considering the conventional income statement.

Particulars	Rs.	Rs.
Social Benefits:		
Product and Services provided	Xxxxxxxx	
Payment of suppliers	Xxxxxxxx	
Payment of employees	Xxxxxxxx	
Rents and Taxes	Xxxxxxxx	
Dividends and Interest	Xxxxxxxx	
Protection of environmental quality and improvement	Xxxxxxxx	
Conservation of health and education improvement	Xxxxxxxx	
Total Social Benefits (P)		Xxxxxxxx
Social Costs:		
Product and services acquired	Xxxxxxx	
Public services and facilities use	Xxxxxxx	
Environmental quality deterioration	Xxxxxxx	
Product quality deterioration	Xxxxxxx	
Bad customer service	Xxxxxxx	
Production of explosive and hazardous goods	Xxxxxxx	
Lack of employment opportunity	Xxxxxxx	
Deforestation	xxxxxxx	
Total Social Cost (Q)		Xxxxxxxxx
Social Income (P – Q)		xxxxxxxx

Social profit may be defined as the excess of social benefits received by the society over the cost born by the society distributed to the same firm.

Community Involvement includes (i) General philanthropy (ii) Transportation (iii) Health services (iv) Housing (v) Education (vi) Community planning and improvement (viii) Aid in personal and business problems (viii) Specialized

Human resources Stewardship includes (i) Employment practices (ii) Training programmes (iii) Employment security (iv) Remuneration and Retirement benefits (v) Health and safety (vi) Promotion policies (viii) Job satisfaction.

Physical resources and stewardship includes (i) Air quality protection (ii) Water quality protection (iii)Sound pollution restriction (iv) Waste creation and disposal conservation (v) Scare resources usage optimally

Product or service contribution includes (i) Labeling and packaging (ii) Guarantee and warranty provisions (iii) Consumer satisfaction and complain procedure (iv) Product quality, design and suitability (v) Product safety (vi) Advertising and promotion (vii) Consumer education.

Advantages Of Social Accounting

In the modern world the whole concept and tradition of the business is changing. Now in business, institutions are not only profit earning institutions but they are regarded as social institutions. They are supposed to be the internal part of the society. All the concerned parties whether internal or external are the members of the society. Society is very much interested in the activities of business enterprises of today. Davis Blomstgron has indicated that business is a social institution performing a social mission and having a broad influence on the way people live and work together, Similarly Khandelwal has said, "without consideration of human welfare activities in and outside the business concern - the rate of dividend should be deemed as payment of dividend out of capital." So in the opinion of both of the eminent and scholarly persons the business institutions are just like social mission and business activities have great impact on the living standards of people living in the society. Khandelwal is of the view that until and unless human welfare activities are performed, dividend is a payment out of capital and it should not be paid out of profit. Mr. F. Hawking David goes step further and says that in the USA there are four reasons mainly responsible for the improvement in quality of information and reporting practices. They are as follows:

1. Managers of auditors have gradually recognized their public responsibility.
2. Influential groups and individuals outside the management class have increasingly criticized the reporting practices.
3. Government legislations have been passed aiming at improving the reporting practices.
4. The business houses have accepted to follow some common accounting and reporting standards and American Accounting Profession has been recognized.

The significance of corporate social reporting has increased due to several factors like, social factors, economical factors, technological and political factors, national and international welfare organizations. Various accounting professional bodies, government policies and government agencies as well as government laws are enforcing the companies to disclose maximum possible information for the interest of public welfare and also to have its existence, growth and survival. Except this, there are also several other reasons which have increased the importance of corporate social reporting and the business units are trying their best to disclose maximum possible commercial and non-commercial information. Some of these factors are being described as under:

1. The old trading concerns have now emerged individual giants.
2. Changing pattern of share ownership as it is widely dispersed now.
3. Emergence of new dimensions in the concept of corporate reporting.
4. Foreign collaboration in the corporate sector is increasing.
5. Availability of financial assistance from national and international institutions.
6. Government's emphasis on workers participation in the management is being accepted.
7. The emergence of corporate sectors as main source of revenue to the states.
8. Social disclosures to the mass investors about commercial and non-commercial viability of the firm.

So, there are factors due to which corporate social reporting is getting wider importance. Social reporting is useful to both, the management and external users. Corporate management through social reporting can fulfill the government's obligation and can earn good faith among its employees and workers. Since corporate social reporting is becoming mandatory, therefore corporate management can fulfill the legal liability by adopting good corporate social reporting system. Similarly, external users like public investors, customers, government bodies, public interest groups, social organizations, political leaders and press can be satisfied due to adoption of well and systematic corporate social disclosure techniques.

In today's modern world general public have become very much aware of the increased side effects of industrial development and so they are imposing stringent sanctions against certain type of activates which are adverse to society's welfare. These sanctions are imposed through legislative sanctions, government regulations, judicial decisions and consumer's retaliation. So business units should present social reports disclosing each and every facts regarding the welfare of the society, so that they can be saved from these restrictions which affect their goodwill in the market. There is direct relation between social performance and company's share prices and the investors are very much interested in social activities of business concerns and they invest only in those companies which are performing their social responsibilities in well defined manner.

Problems In Social Accounting

Social reporting is very much useful for any business enterprise as it creates goodwill in the society. It can get huge amount of finance from the rural and urban commercial banks and also can get clearance certificate of the Government. At the same time the business enterprises also fulfill various legal requirements, enacted by law by disclosing their social accounts. The various interested parties are also found to be satisfied and give their full support to business institutions but it is very difficult to measure the social cost and social benefit. There are no proper measurement tools and techniques through which social cost and social benefit can be measured. The basic problems, which come in the way of measurement, techniques and tools, are as under:

Disclosure of social information: The various social information should be expressed in monetary terms for evaluation of corporate performance. As far as possible, social information must be presented in the form of Social Income Statement and Social Balance Sheet. But it is found that management do on present these information properly. Generally quantitative aspect is ignored and that is why, social reports are rejected. Therefore, it is necessary that quantitative measures should be developed for direct social benefits, arising out of manufacturing units such as employment opportunities, employment of minority groups, training of employees, efforts towards pollution control. Another problem is concerned with the valuation of manufacturing activities. Management must decide whether social report will reflect true and fair eco9nomic value or it will reflect only cost value.

Format of social accounting: Another major problem in the way of social reporting is the format or model of social disclosures. Various formats or models have been proposed by the Indian Corporation, but it is not generally accepted. These formats are Social Income Statement and Social Balance Sheet, Social Audit, Socio-Economic Statement, Cost Benefit Statement,etc

These formats are applicable in foreign countries like the USA, the UK< Japan, Germany, etc. The various reporting formats for social accounting depend on the social objectives and goals.

Accounting conventions: System to corporate social accounting is emerging over a period of time through a process of change. In this process difficulties are found with reference to applying the accounting conventions which are applicable to financial accounting. Difficulties occur at the point of friction between the needs created by new situations and the inertia in built in established procedure. For this reason the problem to corporate social accounting requires a reappraisal of accounting conventions.

As per Churchill there are some of the concepts the unit of measurement, the time period and objective and full disclosure which are applicable to both financial accounting as well as the social accounting. There are some conventions or concepts which are not applicable to the social accounting. They are the entity convention, the realization convention, and the matching convention. In social accounting costs accrue to the entity the benefits accrue primarily outside the entity to the entity's constituencies; customers, suppliers, employees, community in which it is located, stockholders and/ or society in general.

In accounting, at the enterprise level one is concerned with the benefits to one constituency, the stockholders; in social accounting on the enterprise level one is concerned with benefits to many. If the corporation is concerned the accounting entity then the definition of social costs as those that are above and beyond economic and legal expenses make a little sense.

Similarly, the realization and the matching concept, conventions become irrelevant to the treatment of social benefits. Socially relevant activities rarely provide the enterprise with an income stream to be recognized as revenue. Rather they produce benefits which accrue to some extent to the firm but primarily to the other constituencies involved in some way with the enterprise. Financial Accounting theory suggests that recognition usually takes place at the point of transfer of product to the customer. Accordingly social benefits should be recognized when they occur. This is true even though benefits are of long duration. The benefits one attained becomes part of the expected and then there is no point in recognizing the same.

Accounting principle of matching holds that revenues and the costs in their behalf be reported together in the same period. Comparably if benefit producing actions extend over many periods so then should the costs. However, generally social costs are measured at the enterprise level by the resources expended in producing the social benefit. In this sense social cost approach cash rather than an accrual basis of cost accretion.

The idea of social responsibility of which social accounting is a means of measurement is quite valid in business world and it has been recognized that business organizations have to fulfill their obligations in their own long-term interests. Social accounting is equally logical. Social accounting, however, presents the following problems relating to determining scope and measurement difficulty.

Scope of social accounting: If a social accounting is to be made, the basic question is what activities should be covered. There may be various alternatives:

a) All social activities being performed by an organization may be taken for accounting. However, if the social accounting is to catalogue all such activities, verify the costs involved, and evaluate the benefits produced, it is very impractical to carry on the social accounting and information may be too massive to be useful. The activities may be too large because it is very difficult to say which activities are not social. Thus, various activities which an organization performs are social form one point of view because these provide some social benefits besides benefiting the organization as well.

b) The various activities of clear social utility without prospect of profit may be taken into consideration. However, if only such activities are taken into account, the scope of social accounting will be too limited to demonstrate the extent to which the social performance of organization is fulfilled. The scope of social accounting may be determined keeping in view the information requirement of various groups. Such as, employees, customers, shareholders, general public and those who influence the shaping of public opinions.

Measurement problem: Another major problem in social accounting is related to the determination of yardsticks for measuring the costs and accomplishments of activities included in the social accounting. Although costs can be measured easily, these are the true reflection of social responsibility. These may not be the result of social involvement. This measurement of benefits is much more difficult because of lack of objective quantification of the outcome of any social activity. Moreover, how much an activity is benefiting the society and the organization concerned is difficult to measure. It happens that an activity may contribute to both the society and the organizations.

Application of Double Entry System Problem: Although social accounting has developed in most of the countries of the world, double entry system as used is financial accounting cannot be applied in social accounting properly on the following:

a) There is no scope for preparation of social trial balance in social accounting and as a result the arithmetical accuracy cannot be judged in this accounting.

b) There is no proper system for collection of data for social accounting Again most of the data are collected from financial accounting. Some data are purely hypothetical in nature.

c) The social costs, i.e., the benefits available from different groups of the society or from the stakeholders cannot be correctly measured or evaluated. They are recorded mainly on the basis of estimated figures.

d) The social benefits, i.e., the amounts spent for different stakeholders under different heads are not always made in monetary terms. The non-monetary factors may be recorded purely on estimated basis.

e) The social-cost benefit accounts are not prepared from the books of primary entry. Again all the aspects of social costs and social benefits cannot be properly evaluated in these social accounts. So the social income statement cannot disclose the true position of social involvement of the concern.

f) The social balance sheet cannot be prepared scientifically with social ledger balances. The valuation of social assets and social liabilities are not based on rational way.

g) The figures used in social accounting are mostly subjective in nature and so they cannot be objectively checked. As a result, there must arise inter- personal variations.

h) The social accounting is not an independent system of accounting followed for social recording and reporting on social information. Actually it is used for presentation of social reporting as a supplement to the financial accounting.

The aforesaid facts indicate that the basic steps of double entry system cannot be applied in social accounting for measurement of social performances of an undertakings, because of its nature and complexity in practical use.

Thus, social accounting is criticized on the ground that:

1. Social accounting lacks in valid and reliable measurement techniques;

2. Its objectives are not very clearly defined and at the same time, it is very difficult to reconcile corporate objectives with social objectives;

3. Social accounting does not constitute a system of accounting since it provides only partial disclosure; and

4. It is also not clear whether investors utilize available social information in decision-making.

Similarly accountants are also not taking interest in the area of corporate social responsibilities. No leading companies in public undertakings have made reference in their annual reports but after the enactment of law, corporations are likely to disclose its social responsibility.

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To overcome such problems Estes proposed three standards for social accounting. The first level is considered to be obligatory which includes relevance, freedom from basis and understandability. It is suggested that without compliance of all three accounts should be considered as unacceptable. The others are secondary. They are: timeliness, verifiability, independent attestation, completeness and comparability. These are considered desirable, needing, justification in case of non-observance. The third level is of additional consideration. They are: significance, localization, conservatism and acceptability, consistency, quantifiability, monetary expression, media property and matching or evaluating mode.

Despite the various problems involved in social accounting, the organizations may think of it because a time may come when social accounting like financial accounting, becomes compulsory. The validity of social accounting report may be determined on the basis of well-established financial audit report, that is uses to which information will be put should govern both the conceptual and procedural bases on which information is prepared and disseminated. Corson and Steiner have emphasized that social accounting should contain:

a) An enumeration of social expectations and the organizations responses,

b) A statement of corporation's social objectives and the priorities attached to specific activities,

c) A description of the corporation's goals in each programme area of the activities it will conduct,

d) A statement including the resources committed to achieve objectives and goals, and

e) A statement of the accomplishments and progress made in achieving each objective and goal.

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