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CORPORATE SOCIAL RESPONSIBILITY FROM THE ACCOUNTING PERSPECTIVE

Abstract: Universal and flexible nature of accounting allows for its focusing on Corporate Social Responsibility, which is the crucial component in the process of constructing company image and reputation. The consequence of Corporate Social Responsibility concept implementation are the invested outlays and the achieved results which, indirectly or directly, influence company assets and especially the invisible assets undisclosed in accounting system. Due to the fact that the existing accounting solutions are insufficient to cover social aspects, some entities prepare an integrated report which is aimed at simultaneous disclosure of economic, social and environmental information about an enterprise.

Keywords: Corporate Social Responsibility, accounting, invisible assets, integrated reporting.

1. Introduction

Accounting is subject to ongoing changes resulting from shareholders'[1] needs for the information about economic entity assets. Therefore, in the times of information and knowledge intensive economies the accounting practice is more and more often extended outside the framework of traditional solutions concentrated on material components. The attention of contemporary enterprises is focused on invisible assets[2] (and their intellectual capital), which exert vital impact on enterprise market value and its market position. The problem of invisible assets becomes particularly important when an enterprise gets involved in socially responsible initiatives.

The significant barrier in obtaining information about invisible assets (and their intellectual capital) is the absence of established, for this purpose, theoretical accounting solutions and especially rules underlying the concept of invisible assets and their classification, valuation method and disclosure forms. For this reason

[1] The theory of shareholders is based on running a business by means of constructing lasting and transparent relations with all interested parties influencing company operations.

[2] The characteristics of invisible assets are e.g.: non-material form, knowledge-based, not fully identifiable, unique in every enterprise, they represent the source of future profits, constitute a growing gap between an enterprise market value and its balance value. More in the study [Bąk 2011, p. 43].

invisible assets (and their intellectual capital) constitute one of the crucial research areas in accounting.

Accounting is inextricably related to enterprise operations and therefore all processes and activities occurring in its environment and influencing its assets constitute the area of interest for accounting. For this reason social oriented activities, performed by an enterprise, are also reflected in accounting and in particular influence, directly or indirectly, the components of assets disclosed and undisclosed in accounting system.

The objective of the paper is to emphasize the role of Corporate Social Responsibility from accounting perspective as one of vital concepts influencing enterprise approaches and decisions in the course of its operations and having impact on its assets. Owing to the fact that accounting "lives in and for an enterprise," it seems well-founded to investigate mutual relations between the concept of Corporate Social Responsibility and the way the accounting system functions.

2. Accounting focused on social accounting

Accounting, as applied science, is characterized by both universality and flexibility. Therefore, it can be applied in different issues and problems related to company assets. Universality is understood as the ability of adapting to specific conditions of enterprise functioning, as well as the possibility of playing different functions and implementing various tasks. On the other hand, flexibility allows for applying accounting in every economic entity regardless of its size, ownership form, legal personality or organizational structure.

Accounting can be focused on certain activities and processes. Perhaps for this reason academic reference sources are abundant in adjectives specifying the scope and application of accounting. S. Sojak [2011] classified accounting by means of adjectives describing it, following different criteria (agent-oriented method and type of activities, information users, the scope of generated information, public space and colloquial language) and clarified the remarks regarding its adjective-specific references. The listed adjectives, describing accounting "from A to Z," mainly prove different authors' creative capacity, which mostly results from marketing activities aimed at encouraging learning accounting or from the ambition of inventing a new term. While analysing the problem of adjectives used to describe accounting, the term of "social responsibility accounting" may be referred to. It was created by T. Gabrusewicz who decided to use it as the synonym for "accounting considering the responsibility for social issues."[3] According to T. Gabrusewicz social responsibility accounting covers "measuring and publishing information regarding the impact of enterprise operations on the entire society" [Gabrusewicz 2010, p. 57]. This type of

[3] In the author's opinion these terms should not be used interchangeably from the perspective of theoretical discussion. The second term is correct.

accounting considers burdens and benefits (as well as their cost centres) for society resulting from enterprise activities in a value-specific and descriptive form. However, it has to be emphasized that an enterprise also achieves economies from the application of Corporate Social Responsibility in its operations, e.g. its reputation and financial results keep growing.

The term "social responsibility accounting"[4] does not offer new theoretical solutions in accounting as a scientific discipline, but it is more of an indication for shareholders regarding the underlying area of interest in accounting. The measurement mentioned above and information publishing are more related to integrated reporting than accounting as such.

While analysing social aspects in accounting system it has to be observed that such accounting is based on fundamental accounting rules and *true and fair view* concept in particular, which advocates presenting actual and realisable picture of an enterprise for potential stakeholders. Compliance with this concept results in an enterprise perception as a credible and trustworthy entity.

If the idea of Corporate Social Responsibility is supposed to function properly in an enterprise and accounting it is indispensable to follow certain ethical code of conduct at the level of both an enterprise and its particular employees. The elimination of reprehensible and dishonest attitudes should confirm business maturity of an enterprise and the understanding of the Corporate Social Responsibility essence. For this reason it is so important to verify all activities performed by persons responsible for accounting, which are not consistent with standards set forth in the code of business ethics.

In case of social responsibility accounting the changes occurring in company assets, influenced by social-oriented activities and combined with stakeholders' needs, are of crucial importance. Corporate Social Responsibility is most frequently disclosed in social costs rather than in revenues, therefore the problem of financial result determination appears. The most important issues of social responsibility accounting are as follows: the identification and measurement of social costs, social revenues and commitments. Traditional accounting instruments, i.e. bookkeeping and financial reporting do not refer to social issues mainly because the majority of outlays and effects resulting from Corporate Social Responsibility implementation influence invisible assets undisclosed in accounting system.

To sum up the discussion on Corporate Social Responsibility in the perspective of accounting as a scientific discipline it can be stated that such accounting does not exist as a "separate notion in accounting space." On the other hand, in academic reference sources the problem of Corporate Social Responsibility is analysed in the context of integrated reporting.

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[4] The problem occurs if Corporate Social Responsibility accounting also refers to the environment protection. Academic reference sources offer such terms as ecological accounting, green accounting, environmental accounting. How to distinguish them in the discussed case? May be there are too many adjectives used to describe accounting which, in fact, is a unity.

In the author's opinion "social responsibility accounting" is a mental shortcut and yet another adjective used to describe accounting. In this situation it is recommended to follow the opinion presented by M. Dobija who claims that one cannot use the noun "accounting" if the balance method is not applied, since in such a situation it is not possible to present "the capacity for periodic measurement of equity changes" [Sojak 2011, p. 268] and this is the situation we face here. It seems more accurate to use such formula as: accounting focused on Corporate Social Responsibility. Attention should also be paid to the fact that not all activities related to Corporate Social Responsibility can be presented in accounting system, since some of them are only supplementary for the information about an enterprise.

E. Burzym [2008, p. 83] emphasizes that accounting stimulates economic efficiency and ethical conduct because it constructs a documented basics for settlements regarding enterprise responsibility for effective and socio-economic rationality in management processes. Therefore, the relations between accounting, Corporate Social Responsibility and socially responsible investing seem vital. Accounting, as an information and control system, is capable of the Corporate Social Responsibility implementation in an enterprise by means of financial and managerial accounting instruments, business ethics principles and adequately prepared statements – reports (see [Pogodzińska-Mizdrak 2010, p. 179]).

3. Corporate Social Responsibility vs. enterprise invisible assets

Corporate Social Responsibility is the concept the main idea of which is based on voluntary and intentional taking social interest into account by an enterprise, with reference to different stakeholders, while attempting to achieve economic and financial objectives. More and more often enterprises relate to Corporate Social Responsibility problems, mainly owing to clients' opinions which influence both a given enterprise reputation and its market position. Company boards/management try to undertake decisions which allow for distinguishing an enterprise from the crowd of its competitors. For this reason they, e.g., support local community or protect local environment.

The implementation of Corporate Social Responsibility, by an enterprise, influences invisible assets presentation and becomes the source of future profits. H. Itami and T.W. Roehl assign the following attributes to invisible assets as representing: the actual source of competitive power and advantage, the contribution to and the result of business activities and also resulting in various concurrent benefits [Itami, Roehl 1987, pp. 12, 13]. Table 1 illustrates the representative group of enterprise invisible assets and presents their typical attitudes under the influence of the concept of Corporate Social Responsibility.

The particular components of invisible assets are mutually complementary and depend on each other (e.g. a brand builds customer relations, company image and reputation), as well as construct company assets presented in accounting (e.g. finished products and sales revenues).

Table 1. Invisible assets vs. Corporate Social Responsibility

Invisible assets	Corporate Social Responsibility
Brand	Good quality product meets the needs of many stakeholders including environmental and social ones.
Customer relations	Clients as stakeholders expect: proper contacts with the company, good quality products, available information, personification of relations, improving social welfare and the quality of living standards.
Organizational culture	Facilitates the understanding of implemented strategies (including Corporate Social Responsibility strategy) and the basic operational goal, supports the continuity of processes occurring in an enterprise, provides standards of conduct, reduces uncertainty of attitudes, specifies promotion criteria, supports the incentive system.
Innovation	Results in: improved quality of manufactured products (which influences their brand), development of new products, cost reduction, better customer relations, natural environment protection, staff skills advancement.
Identity	Identity is constructed by: social and environmental activities performed by a company, developed strategies and objectives, occurring processes, customer relations, implemented innovations, reputation and workers.
Reputation	Company positive reputation is established by: enhanced acceptance and confidence of stakeholders, company positive image construction, organizational identity establishment, positive assessment in mass media, company/staff social involvement.
Image	Positive perception of an enterprise by stakeholders exerts favourable impact on company staff, customer relations and other stakeholders, product brand and organizational culture. Functioning in accordance with Corporate Social Responsibility strengthens enterprise image and its market position.
Workers	Corporate Social Responsibility implementation depends on skills and awareness of workers at different positions. Workers, as stakeholders, expect e.g. remuneration for their work, opening new jobs, trainings.

Source: author's compilation based on [Paliwoda-Matiolańska 2009, pp. 94, 179, 183].

Particular components of invisible assets are subject to changes, as the result of Corporate Social Responsibility implemented in an enterprise, and co-create these assets at the same time.

Among numerous reasons supporting the idea of Corporate Social Responsibility implementation the following can be listed: ethical issues, obtaining the status of a commonly respected employer (e.g. good job market position allows for attracting best workers), gaining and maintaining strong market position, winning confidence of financial markets (e.g. increased interest of investors when good financial results are concurrent with social credibility), modern products and services, more comprehensive and richer company culture [Kamela-Sowińska 2009, pp. 217, 218].

Corporate Social Responsibility, as such, represents value for an enterprise, which is possible to accomplish mainly owing to invisible assets development as influencing enterprise market value.

4. Integrated reporting vs. Corporate Social Responsibility

The analysis of academic reference sources and practical operations conducted by enterprises, following stakeholders' needs, indicate the evolution in annual reports presenting extended information about an enterprise. Stakeholders' needs influenced annual financial report supplementation[5] since it is not satisfactory in its current form.

The transformations occurring in reporting can be divided into four aspects [Marcinkowska 2004, pp. 9, 10]: financial information is supplemented by non-financial information, numerical information is supported by descriptions, information disclosure is not only of mandatory but also of voluntary nature, information is both retrospective and prospective.

Currently the awareness of management boards regarding Corporate Social Responsibility significance keeps growing. Reports covering Corporate Social Responsibility issues most frequently emphasize ethical aspects of enterprise's functioning and the impact on local, national and international population, respecting human rights in the area of human resources management and environmentally friendly activities.

The evolution in financial reporting towards integrated reporting offers opportunities for Corporate Social Responsibility presentation and its in-depth analysis. The most important existing institution dealing with the reconstruction of company reporting is the appointed in 2010 International Integrated Reporting Council (IIRC) the task of which is to develop rules for the purposes of integrated reporting.[6] According to IIRC an integrated report should combine vital information regarding enterprise strategy, management, efficiency and perspectives in the manner which allows reflecting its functioning in an economic, social and environmental context [Kobiela-Pionnier 2012, pp. 77, 79].

The objective underlying the new reporting model is to integrate annual and social report into one document combining financial, environmental and social information about an enterprise, owing to which stakeholders can learn about an enterprise prospective capacity for generating value. Therefore an integrated report represents a single document containing both financial and non-financial information presented is the form illustrating how particular information mutually relate and influence each other [Eccles, Krzus 2010, p. 30].

The existing reporting solutions are insufficient [see Kobiela-Pionnier 2012, p. 82]. Although IAS 1 mentions the possibility of enterprises for preparing reports and statements about the influence of an entity on natural environment, it also

[5] These reports can be presented as a separate document attached to an annual financial report or can constitute its part as a separate file, or can be enclosed in the report on enterprise operations.

[6] The publication of standard for integrated reporting, approved by IASB and G-20, is planned for 2013. It stands the chance of becoming a global standard starting from 2020.

indicates that they are excluded from the provisions of International Accounting Standards. Attention should be paid to *Board's Comments* published, in 2010, by International Accounting Standards Board (IASB), referring to non-financial perspective of an entity functioning. It is observed, in the environment of professionals involved in integrated reporting, as an important component facilitating its development, even though it is not a mandatory standard.

In the meantime Global Reporting Initiative (GRI)[7] standards represent the most extensively followed instructions in preparing social reports by companies while awaiting an integrated reporting standard. GRI organization developed and provided, via its website, an integrated report base[8] the disclosure of which contributes to the idea of social responsibility accounting dissemination.

The ongoing efforts undertaken by organizations and international bodies confirm the need for developing rules underlying the preparation of reports referring to Corporate Social Responsibility [see Krasodomska 2012, pp. 101, 102]. The expectations associated with integrated reporting are enormous and mainly refer to combining financial and non-financial data into one document meeting stakeholders' information needs and reduce the difference between enterprise balance and market value. Additionally, negative opinions were expressed by stakeholders regarding the complicated system of International Financial Reporting Standards, accompanied by positive remarks regarding the idea of integrated reporting as an incentive for standards further development.

Integrated reporting may present a temporary solution for accounting regarding the disclosure of certain invisible assets. However, it is not free from dilemmas to be approached by enterprises individually. Problems may refer to the following issues: costs of reports preparation and publication, lack of measurable profits, opportunities for taking advantage of the disclosed information by the competition, the risk of responsibility before stakeholders, no generally accepted reporting standards, a large group of stakeholders and their different information needs, interdisciplinary knowledge about an enterprise to be presented by the accounting staff.

5. Conclusions

Corporate Social Responsibility is understood as the commitment of boards/ managers to become involved in activities aimed at social welfare and environment protection while implementing economic goals of an enterprise. Earning the status of a socially responsible enterprise is possible as the result of informed decisions,

[7] In 1997 the Global Reporting Initiative (GRI) was established in the U.S., which defined social reporting as the practice for assessing enterprise performance regarding Corporate Social Responsibility, disclosing best practices and being accountable towards stakeholders [Kamela-Sowińska 2009, p. 220].

[8] See: http://database.globalreporting.org.

ethical conduct and invisible assets which, to a great extent, influence both value and position of and enterprise.

Is contemporary accounting prepared for such tasks? Unfortunately one cannot answer positively this question. It is true that crucial attributes of accounting, its universality and flexibility, allow for including certain Corporate Social Responsibility aspects in accounting, having also preserved its fundamental rules and functions. However, accounting in not capable of facing and disclosing all outlays and their social-specific effects, since their extensive part takes the form of invisible assets undisclosed in accounting. Therefore, recently, integrated reports have been recognized as important documents including financial and non-financial, economic and social, retrospective and prospective information. Ongoing efforts of international organizations and bodies focused on developing standards for the purposes of integrated reporting may result in further development of accounting as well as its theoretical and practical solutions in the future.

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ODPOWIEDZIALNOŚĆ SPOŁECZNA PRZEDSIĘBIORSTW Z PERSPEKTYWY RACHUNKOWOŚCI

Streszczenie: Uniwersalność i elastyczność rachunkowości pozwalają na jej ukierunkowanie na odpowiedzialność społeczną przedsiębiorstwa, która stanowi istotny element w budowaniu wizerunku i reputacji firmy. Konsekwencją wdrożenia koncepcji odpowiedzialności społecznej w przedsiębiorstwie są ponoszone nakłady i osiągane efekty, które w sposób bezpośredni i/lub pośredni wpływają na składniki majątku przedsiębiorstwa, w szczególności na aktywa niewidzialne nieujawniane w systemie rachunkowości. Dotychczasowe rozwiązania rachunkowości są nie wystarczające, aby ująć aspekty społeczne, dlatego niektóre jednostki sporządzają raport zintegrowany, którego celem jest jednoczesne ujawnianie informacji ekonomicznej, społecznej i środowiskowej o przedsiębiorstwie.

Słowa kluczowe: społeczna odpowiedzialność przedsiębiorstw, rachunkowość, aktywa niewidzialne, raportowanie zintegrowane.