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Contemporary Issues in Social Accounting

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Introduction

The discipline of accounting has ancient roots. Indeed, there is evidence in historical artefacts indicating that records of account, in the form of clay tablets, regarding business, finance and taxation, date back to around 2500-3300 BC in Egypt and Mesopotamia. These early records were lists of expenditures, goods received and traded, and were kept by rulers for the purposes of gathering taxation and tracking expenditures on public works. They were further used to validate the use of taxes raised for the common good and to demonstrate the social responsibility of the rulers. Such records therefore suggest that for as long as societies have engaged in trade, records have been kept and used as a form of social accountability.

From these early roots, accounting as both a function and a profession has gone through a long evolutionary process. One of the first professional accounting organisations, the Edinburgh Society of Accountants, was founded in Scotland in 1854, with the Glasgow Institute of Accountants and Actuaries appearing soon after in the same year. These organisations established a distinct profession with a high level of reliability, responsibility and honesty. On these grounds, they sought out, and were granted, a royal charter. Following this, the Edinburgh institute adopted the title 'Chartered Accountant'. As economies grew and businesses expanded, the demand for accounting services increased, resulting in accounting and accountants becoming an integral part of business entities. This also led to the geographical expansion of professional accounting bodies, for example, the Institute of Chartered Accountants for England and Wales, which was formed in 1880. The establishment of professional accounting institutes however, was not isolated to the UK. In 1887, the American Institute of

Certified Public Accountants was created, along with several others appearing in Europe. More recently, in 1949, the Chartered Institute of Accountants of India was formed and more recently still, the Institute of Chartered Accountants of Nigeria was established in 1965. Indeed, there are now professional accounting organisations all over the world.

Accounting as we know it today can be described as concerning the book-keeping methods that are used to create financial records of business transactions which, in turn, lead to the preparation of statements concerning the assets, liabilities, and operating results of an entity. The accounting system is an arrangement consisting of a group of interacting, interrelated, or interdependent elements forming a complex whole which involves people, procedures, and resources used to gather, record, classify, summarise and report the financial (and increasingly non-financial) information of a business, government or other financial entity. While accounting can still, in some sense, be categorised as a technical topic, it has retained a social accountability orientation that contains similarities to its earliest origins, thus rendering it not only an institutional, but also a social, practice (Hopwood and Miller, 1994). Indeed, several strands of research demonstrate the role of accounting in management motivations for: social reporting/disclosure; as a tool for securing and maintaining legitimacy and societal expectations; demonstrating ethical and social accountability to stakeholders and the wider community and as a social accountability tool. Thus, social accounting can be defined as:

“the preparation and publication of an account about an organisation’s social, environmental, employee community, customer and other stakeholder interactions and activities, and where possible, the consequence of those interactions and activities” (Gray, 2000: 250).

For a considerable period, much of the academic writing and teaching on accounting has tended to ignore or pay scant attention to the concept of social accounting, despite it having wide ranging implications for both the profession and society. Over the last few decades we have seen an increasing amount of attention being given to the activities of business and the role that accounting plays in organisational decision-making. Much of this attention has been driven by the economic and financial crisis which have occurred in recent years and a succession of financial scandals, reports of unethical or questionable business and accounting practices, and by calls from the media and society to address these issues. In response to these calls there has been a strengthening of financial and business ethics, corporate responsibility and social accounting courses within the accounting teaching curriculum.

Accounting, as a profession, has maintained its prestigious status and attracts large numbers of students on undergraduate accounting programmes every year. Indeed, most universities offer accounting degrees as part of their portfolio of programmes. However, most of these degree programmes focus much of

their teaching on private sector organisations, neglecting other key areas of the economy such as the public and third sectors, cooperatives and family businesses. The aim of this book is to fill this gap by introducing you to the applicability of social accounting and social responsibility to each of these sectors. The importance of social accounting with respect to sustainability, socially responsible investments, the role of social audits and taxation issues relating to these sectors is also generally neglected in the curriculum, thus a further aim of this book is to introduce you to these concepts and some general debates in these areas. To achieve these aims, we begin our discussion by considering both a historical and contemporary viewpoint of the relevance of accountability, ethics and corporate social responsibility to these sectors, highlighting along the way some serious issues and considerations that need to be accounted for within these sectors.

Accountability, ethics and the business world

The concepts of accountability, ethics and their relevance within the business world have grown considerably in recent years, within both the educational and professional context. This can be attributed to the work of philosophers and scholars within accounting and finance who have successfully connected ethical theory to real world problems (Paterson *et al.*, 2016). One of the main driving forces behind business is the desire to generate profit. Indeed, in Western capitalist societies the activities of business and the financial services industry, and their decision-making processes, are predominantly motivated by profit maximisation goals which can often lead to highly questionable decisions being made (Paterson *et al.*, 2016). We do not need to look too far into the business world to find examples that raise questions over the moral and ethical behaviour of organisations, regardless of the sector in which they are placed. Such scandals have resulted in growing demand for accountability across all sectors. Indeed, calls for these organisations to be held accountable for their actions, and for policies to be adopted to help prevent unethical expressions, which affect a wide range of stakeholders, feature highly in the media.

In Chapter 2, we introduce you to two interrelated concepts: social accountability and ethics, and discuss their importance to everyday life. We begin by first considering what accountability and business ethics are and why they are important. Following this we introduce a discussion on the codes of conduct that facilitate social ethics and accountability. To illustrate these concepts, the chapter includes examples of issues that require careful reflection and consideration when determining approaches to business activity and ensuring professional integrity. This is followed by a discussion on the limitations of ethics and codes of conduct.