

Report the role of accounting in organizations and society

[Business](#)



REPORT The Role of Accounting in Organizations and Society Accounting plays an important role in interfacing society and organization. As it is also mentioned in Burchell article “ it is presumed that accountings are there to facilitate organizational and social actions. “ As we know that accounting is helpful for structuring of organizational objectives, to reduce financial risk, to make financial decisions, it also helps organization to take into account different stakeholders interest like investors, suppliers, customer, etc, which automatically creates a strong bond between organization and society. There are three important accounting phenomenons’ that were discussed in Anthony Hopwood article. Accounting as a changing phenomenon: Now a day’s accounting is not just dealing with organizational aspect but new accounting aspects are also included like environmental or social accounting, such as Corporate Social responsibility. In developed countries like Scandinavian and other European companies, all have to allocate some cost for social and environmental aspects and are held accountable.

Now it is necessary for an organization to keep environmental aspect into its mind and be friendly with environment. It is due to society’s pressure that drags organizations to change their basic objective from profit making to socially hold responsible for their economic activities. Management practices such as mass production to achieve economies of scale had increased pollution hence increased pressure on them by society such as environmental activist, people living near factories, government policies of being environmental friendly , to minimize the pollution to add environmental accounting into management practices. Accounting as a heterogeneous Phenomenon: Accounting practices varies from country to

country because of conflict of interest between various stake holders such as governments, shareholders, and social activist for example in developed countries governments have strong influence on accounting system, so companies have to strictly follow the guidelines of government, eg F. S.

A in UK. English social conditions had also created a need for audit services and had produced accountants more highly skilled than any before , whereas in developing countries where there is no proper accounting system companies practices accounting in their own interest and may have excessive use of creating accounting to manipulate profit and loss, no proper audit or taxation practices. Another reason of heterogeneous practices of accounting is social aspect where organizations are operating . It may be because of lack of education and accounting system. In growing economic such as India and China accounting practices are different than UK, Germany, US, etc it all because of organizational and social-cultural aspect. There is also a huge gap between accounting researcher and accounting practitioner due to which there is still lack of standardization in accounting practices this is also a major reason of todays world financial crises, because when ever intellectual and researchers purpose new accounting amendment it takes lot of time to be implemented to change to organizational accounting practices, for example previously in UK companies where using UK GAAP, but after 2007 it is obligated to practice accounting under International GAAP.

New dimension of behavioural finance have been added into accounting, instead of looking simply at financial indices and the way in which markets are functioning at an aggregate level, behavioural finance has introduced a

focus on individual decision-making. It was added to understand the psychological aspect of corporate businesses and corporate clients in order to monitor the changing patterns of the market which will help firm to adjust its accounting accordingly. An example of Northern Rock society/bank was unable to predict change in the market and the behavioural change of the market which made it bankrupt. Accounting as a tool which serves to reinforce a interest of political actor. Accounting practices within an organization cannot be kept separate from organization and organizational activities cannot be isolated from society. Hence all three are interrelated with each other.

In many countries accounting practices are intervene by political factors such as government, media social and environmental activist, labour unions etc. Accounting data is used in derivation and implementation of policies for economic stabilization, price and wage control. (Gandhi, 1976). Similarly there also a direct political influence of government when it impose taxes, so business organizations have to redefine its accounting procedure and practices to avoid taxes and to maximize its profit. Similarly, while Auditing there are also lot of political actor which firm have to take into account.

In Environmental Audit firms have to consider social stakeholders, and pressure from government. For example in Sheffield there were lot of firms before 1990s, but most of them are closed due to various factors one of which was environmental factor . Companies were asked to carry out environmental audit which increase cost of operation, so this was the political factor which made companies to mould accounting practices

accordingly. Another major involvement in accounting in an organization is that non-accountant have taken the lead, economists for instant have started to probe into the roles served by accounting in building modern form of organization. Baxter. 1978).

An example of political actors involved in accounting standardization is of Germany. in pre-war legal and institutional mechanisms for the standardization of enterprise accounting were introduced in the context of the mobilization of the national economy of the war, (Singer 1943) and similarly in France these innovations were modified after the war to provide the information which was required for microeconomic planning by the agencies of the state .