

# Essay on corporate social responsibility accounting essay



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The term stakeholders means a party that can effect or be effected by the actions of the business as a whole and they are the group of members without whose support the organisation cannot exist or they are the interested parties who is keen to know what the business is doing. In this situation the stakeholder is Steve Morgan who is the controller of the Newton Industries and is interested in production cost reports.

What are the ethical issues involved in this situation?

Steve Morgan is involved in the ethical issue as he did not inform the management that the advertising cost is expensed in the current period the net income wouldn't be overstated and this would help the financial managers to make decisions and maintain effective control over resources.

What would you do if you were Steve Morgan ?

Managerial Accounting or management accounting is a set of practices and techniques aimed at the providing managers with financial information to help them make decisions and maintain effective control over corporate resources.

So, if I was in Steve Morgan's position I would had recorded the advertising cost as expense in the current period , so as to not to overstate net income.

BYP 3-6

Who are the potential stakeholders involved in this situation?

The term stakeholders means a party that can effect or be effected by the actions of the business as a whole and they are the group of members  
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without whose support the organisation cannot exist or they are the interested parties who is keen to know what the business is doing. In this case the potential stakeholders are Jan Wooten who is department head in the Moulding Dept. And Tony Ferneti who is quality control inspector of moulding department and are interested in saving the company's money.

What alternatives does Tony have in this situation? What might the company do to prevent this situation from occurring?

Tony has two alternatives in this situation, first alternative is that pass through the inspection and on to the Assembly Department all the units that had defects non-detectable to the human eye. The second alternative is that Tony can reject all the units that had defects.

The company can lower the wages of the employees so that the employees will be extra vigilant and will be careful. Also the company could use the extra money after lowering the wages in providing the employees a better training and could avoid such situation in the future.

## **Part B: Essay on corporate social responsibility**

### **“ CORPORATE SOCIAL RESPONSIBILITY ”**

Corporate social responsibility (CSR) in business is related to the obligation of companies and other business organizations to increase their positive influence and reduce their negative activity toward society. In that sense, while ethics is a matter for each individual in the business field, social responsibility is related to the influence of an organization's business decisions on society. One of the most significant principles on which modern

business is based is that of an organization based on responsibility.

Organizations must take responsibility for their role in society.

Corporate Social Responsibility is becoming an increasingly important activity to businesses nationally and internationally. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognised the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe.

The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities.(megatrend)

The key drivers for CSR are:

Enlightened self-interest - creating a synergy of ethics, a cohesive society and a Sustainable global economy where markets, labour and communities are able function well together.

Social investment - contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.

Transparency and trust - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental.

Increased public expectations of business – globally companies are expected to-do more than merely provide jobs and contribute to the economy through taxes and employment.”

The concept of corporate social responsibility has been standardized and today represents an integral part of integrated management systems. The principles connected with existing definitions of corporate social responsibility consist of the following: taking part in community life, accountability, sustainability, transparency, ethical behaviour (without corruption), honesty and inclusion. Socially responsible companies adhere to the “triple result” approach, keeping in mind the social, economic and environmental influence of their business operations. (Weygand, Kimmel & Kieso. 6th Ed, p 21)

## **Framework of CSR**

CSR is important, as it's a starting point towards building CSR into management control systems. The different phases are also named steps. This is done because the framework works as a continuum where different steps follow one another and a step cannot be skipped when heading to a system working in day-to-day work and helping to reach set goals. In step three the management control system is shaped and it represents the processes, systems and tools by which the management guides the organization's and its employees' behaviour to fulfil the set strategy and targets. To facilitate management actions management should get proper reporting of the step three. After attaining CSR outcomes these outcomes can be reported to the stakeholders via CSR reporting. The steps will be used to analyze the empirical results of the study. The stage of alignment of CSR

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into management control systems in the case companies will be analyzed according to this framework. In this internal control the role of accounting plays a very important concept.

Corporate social responsibility and important of accounting -

- CSR is a concept whereby companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders on a voluntary basis.

- CSR is “ the process by which managers within an organization think about and discuss relationships with stakeholders as well as their roles in relation to the common good, along with their behavioural disposition with respect to the fulfilment and achievement of these roles and relationships”

Several concepts related to CSR, which apply to the accounting areas:

Environmental Management Accounting,

Social Environmental Accounting and

Environmental Reporting or Social Responsibility Accounting.

These concepts link CSR to the accounting system, arguing for the importance of such aspects in the work of accountants.

Very well informed businesses and non-profit organizations environment seems aware of the importance of good CSR practices. CSR developed a portal presenting and advertising very well the experience of CSR and

international organizations in this area. Such companies in our country have initiated several projects and initiatives.

CSR-related concepts influence significantly the accountancy profession for example, Environmental Management Accounting is the management of environmental and economic performance via management accounting systems and practices that focus on both physical information on the flow of energy, water, materials, and wastes, as well as monetary information on related costs, earnings and savings. (tkf. org. in)

Managerial accounting is reflected by both physical information on the use, flows and destinies of energy, water and materials, and monetary information on environment-related costs, earnings and savings sides. It has such application fields as: assessment of annual environmental costs/expenditure, product pricing, budgeting, investment appraisal, calculating costs, savings and benefits of environmental systems, environmental performance evaluation, indicators and benchmarking, external disclosure on environmental expenditures, investments and liabilities. As this shows, and we will further develop, it is then imperative that all parties involved in the accounting domain consider fostering such competencies in accountants, for the overall good of the society.

Managerial Accountability is an international standard for social responsibility, created by Council on Economic Priority Accreditation Agency with the goal of securing an ethical source of products and services. This standard is of a voluntary character and can be applied to any company, regardless of size and branch of operations. Also, the standard can either

replace or be a supplement to companies or industries with a specific code of social responsibility.(amfiteatur. economic)

## **Part C: Essay on budgeting**

### **Budget:**

“ Is a formal written statement of management’s plan for a specified future time period, expressed in financial terms. It represents the primary method of communicating agreed-upon objectives throughout the organization. Once adopted, a budget becomes an important basis for evaluating performance. It promotes efficiency and serves as a deterrent to waste and inefficiency”.

(Weygandt, Kimmel & Kieso, 6th Ed, p 384)

Some employees will question the need for a budget. The procedure of budget preparation is at times seen as difficult, and it is not constantly clear how the attempt that is required leads to any fruitful production.

Furthermore, budgets can be seen as imposing constraint that is hard to live with and establish goals that are difficult to meet.

Despite these dismal remarks, it is very important that organizations carefully plan their financial affairs to attain financial achievement. These plans are normally expressed as “ budgets.” A budget is detailed financial plans that quantify future expectations and actions relative to acquiring and using resources. (Principles of Accounting)

In small organization, formal budgets are an unusual object. The individual management/owners likely manage only by reference to a common mental budget. The person has a good sense of estimated sales, costs, financing,



and asset needs. Each operation is under direct oversight of this person and confidently she or he has the capacity to keep things on a logical course. When things don't go well, the management/owners can normally take up the slack by not taking a pay check or engage in some other form of financial requirement. Of course, much small business eventually is unsuccessful anyway. Explanation for unsuccessful are several and varied, but are often pinned on "undercapitalization" or "insufficient resources to sustain operations." Many of these post-mortem assessments reflect a failure to adequately plan! Even in a small company, a reliable business budget/plan can often result in anticipate and avoiding terrible outcomes.

Medium and big organization consistently relies on budgets. This is likewise true in business, government, and non-profit organization. The budget provides a formal quantitative phrase of opportunity. It is an essential aspect of the planning and control process. Without a budget, an business will be highly unproductive and ineffective. (Principles of Accounting)

### **Advantages of Detailed Budgeting:**

There are several advantages of detailed budgeting for business which are.

First of all creating a budget is a long term perspective so it enables to think in a long term and moves away from making short term goals. It also allows thinking long term financial position and profitability of a business no matter if the planned budget doesn't successes. (Accounting Tools)

Making a detailed business budget allows to pin point where the company generates it most of the revenue as in many cases it is easy that the

management loses the most profitable aspect. It forces management to  
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consider to whether it should let go non productive part of business and which new one to invest in. (Accounting Tools)

Budgeting allows business to think what the key purpose of the business is and to forecast environmental factors that may affect the performance of the business. This forecasting enables to develop strategy to overcome different environmental pressure. (Accounting Tools)

A detailed budgeting allows business to look forward what future cash flows will be required for the expansion of the business and from where to generate funds in order to meet the future growth needs. (Beyond)

Formulating a budget also allows you to evaluate the performance of the business. Where the business is now and where to be and how to get there. It provides step by step information which is helpful in reaching where the business wants to be. Without budget it is very difficult to evaluate the current performance of business. It measures the planned performance with actual which gives a complete and true picture of the business. (Weygandt, Kimmel & Kieso, 6th Ed, p 385)

Budgeting enables managers to decide where to allocate funds as cash are always limited. Whether to invest in fixed assets to increase production for matching future demands or to invest in working capital. It also enables business to decide which asset is worth investing. (Beyond)

A realistic established budget enhances the probability that the business will successes because it contains all the essentials and targets that have to be

accomplished and also enables the business owner to according to the planned activities. (Accounting Tools)

In addition detailed budgeting also helps to formulate different department goals and different functional goals. The functionality of all the departments are necessary to run the business mechanism. Basically budget creates a harmony among the entire department prevailing in a particular business. (Principles of Accounting)

A budget is not only useful for owner or managers of business but it is also useful for the investors. Budgets helps investors to check if the business have enough potential and if the business if worth investing. Investors see the budget to find out what are the goals of business and investing in that particular business will maximize the probability of better return in terms of interest. (Accounting Tools)

Budgets are not just useful in comparing your own performance with the planned one but it is also useful in comparing the performance of your business with the overall industry, like what are the labor rate prevailing in the market, what price to charge from customer, what volume to sell in order to get maximum revenue. (Accounting Tools)

## **Conclusion:**

A strong budgeting system serves as an effective planning and control tool that allows a business to plan its short term and long term strategy towards achievement of its short term and long term goals, by:

Setting up targets for individual departments of the Company,

Checking and ensuring the availability of necessary resources for the achievement of the said targets,

Streamlining the goals of different departments with that of the organization,

Monitoring the actual performance against the budget,

Adjusting the performance deficiencies by referring back to the budget

Adjusting the budget where required by incorporating the changes in the working environment, and

Continuously planning for effective and better performance.

All in all a budget is a system of governance that enables the management to build up the business by adequately planning its each move in the market and maintain a pro-active approach in its business that serves as a plus point in a competitive business environment if managed effectively and intelligently. (Weygandt, Kimmel & Kieso, 6th Ed, p 385 & 386)