

UNIT-4 Social Responsibility Accounting

- ❖ **Concept of Social Responsibility Accounting**
- ❖ **Need and Importance of Social Responsibility Accounting**
- ❖ **Reporting Standards, CSR Provisions under Companies Act 2013**
- ❖ **TWO CSR Reports of Public Limited Companies.**

1. INTRODUCTION:

Social Responsibility Accounting (SRA) is a branch of accounting that focuses on the reporting and measurement of an organization's social and environmental performance. It goes beyond traditional financial reporting to include aspects such as the impact of an organization's activities on society, the environment, and other stakeholders.

The concept of Social Responsibility Accounting emerged in response to the increasing recognition that businesses have broader responsibilities beyond simply maximizing profits. Instead, they are expected to consider their impacts on various stakeholders, including employees, customers, communities, and the environment. SRA aims to provide transparency and accountability in addressing these responsibilities.

✚ Key components of Social Responsibility Accounting include:

1. **Environmental Impact:** This involves assessing and reporting on the environmental consequences of an organization's operations, such as pollution, resource depletion, and carbon emissions. It may include initiatives to reduce environmental harm and promote sustainability.
2. **Social Impact:** This encompasses the social consequences of business activities, such as labor practices, human rights, diversity and inclusion, and community development. SRA examines how organizations contribute to or detract from social welfare.
3. **Stakeholder Engagement:** SRA emphasizes the importance of engaging with stakeholders to understand their concerns and expectations regarding social and environmental performance. This may involve dialogue, consultation, and collaboration with various stakeholders to inform decision-making and reporting.
4. **Reporting and Disclosure:** SRA involves the development of comprehensive reports that disclose relevant social and environmental information alongside financial data. These reports may take various forms, such as sustainability reports, corporate social responsibility (CSR) reports, or integrated reports that combine financial and non-financial information.
5. **Ethical Considerations:** SRA considers ethical principles and values in decision-making and reporting. This includes adherence to ethical standards, transparency, integrity, and accountability in addressing social and environmental issues.

Overall, Social Responsibility Accounting provides a framework for organizations to assess, manage, and communicate their social and environmental impacts. By integrating social and environmental considerations into decision-making and reporting processes, businesses can demonstrate their commitment to sustainable and responsible practices while meeting the expectations of stakeholders and contributing to societal well-being.

2. Concept of Social Responsibility Accounting:

Social Responsibility Accounting (SRA) is a concept that expands the traditional scope of accounting to include the social and environmental impacts of an organization's activities. It emphasizes the idea that businesses have responsibilities beyond merely generating profits and should consider their effects on society, the environment, and various stakeholders.

✚ Key aspects of the concept of Social Responsibility Accounting include:

1. **Triple Bottom Line Approach:** SRA adopts a triple bottom line approach, which considers three main dimensions of organizational performance: economic, social, and environmental. This approach aims to measure and report not only financial outcomes but also social and environmental impacts.
2. **Stakeholder Perspective:** SRA recognizes the importance of stakeholders beyond just shareholders, including employees, customers, suppliers, local communities, and society at large. It involves identifying and understanding the interests and expectations of these stakeholders and incorporating their concerns into decision-making and reporting processes.
3. **Transparency and Accountability:** SRA promotes transparency by encouraging organizations to disclose relevant social and environmental information alongside financial data. This transparency helps stakeholders assess the organization's performance in terms of its social and environmental responsibilities. Accountability is also emphasized, as organizations are held responsible for their impacts on society and the environment.
4. **Sustainability Reporting:** SRA often involves the preparation of sustainability reports or corporate social responsibility (CSR) reports. These reports provide detailed information about the organization's social, environmental, and economic performance, including its initiatives, achievements, challenges, and future goals related to sustainability and social responsibility.
5. **Ethical Considerations:** SRA incorporates ethical principles and values into accounting practices. This includes considerations of fairness, integrity, honesty, and respect for human rights in decision-making and reporting processes.

6. **Impact Assessment and Management:** SRA involves assessing and managing the social and environmental impacts of an organization's activities. This may include conducting environmental impact assessments, implementing social programs, adopting sustainable practices, and addressing issues such as climate change, human rights violations, and labor practices.
7. **Integration with Financial Reporting:** While SRA focuses on non-financial aspects of organizational performance, it is often integrated with financial reporting to provide a comprehensive view of the organization's overall performance. Integrated reporting frameworks aim to incorporate both financial and non-financial information into a single report, providing stakeholders with a holistic understanding of the organization's value creation and sustainability.

In summary, Social Responsibility Accounting recognizes the broader responsibilities of businesses to society and the environment and seeks to integrate social and environmental considerations into accounting practices. By doing so, organizations can demonstrate their commitment to sustainable and responsible business practices while meeting the expectations of stakeholders and contributing to the well-being of society.

3. Need and Importance of Social Responsibility Accounting:

The need for Social Responsibility Accounting (SRA) arises from several factors that reflect the evolving expectations of stakeholders and the changing business landscape:

1. **Stakeholder Expectations:** Stakeholders, including customers, employees, investors, communities, and regulators, increasingly expect businesses to operate in a socially and environmentally responsible manner. SRA helps meet these expectations by providing transparency and accountability regarding a company's social and environmental impacts.
2. **Risk Management:** Ignoring social and environmental issues can expose businesses to various risks, including reputational damage, regulatory penalties, supply chain disruptions, and litigation. SRA enables organizations to identify, assess, and manage these risks effectively, thereby safeguarding their long-term sustainability and resilience.
3. **Regulatory Compliance:** Governments and regulatory bodies worldwide are implementing stricter regulations and reporting requirements related to social and environmental performance. SRA assists organizations in complying with these regulations by providing frameworks for measuring, reporting, and disclosing non-financial information.
4. **Enhanced Reputation and Brand Image:** Demonstrating a commitment to social and environmental responsibility can enhance a company's reputation, build trust with stakeholders, and strengthen its brand image. SRA allows organizations to

communicate their sustainability efforts effectively, thereby attracting environmentally conscious consumers, socially responsible investors, and top talent.

5. **Competitive Advantage:** Embracing social responsibility can confer a competitive advantage by differentiating a company from its peers, attracting customers who prioritize sustainability, and fostering innovation in products, services, and processes. SRA enables businesses to leverage sustainability as a source of innovation, efficiency, and long-term growth.
6. **Long-Term Value Creation:** SRA recognizes that sustainable business practices contribute to long-term value creation by fostering stakeholder trust, reducing costs through resource efficiency, enhancing brand loyalty, and mitigating risks. By integrating social and environmental considerations into decision-making processes, organizations can create shared value for shareholders, society, and the environment.
7. **Global Challenges:** Businesses play a crucial role in addressing pressing global challenges, such as climate change, poverty, inequality, and environmental degradation. SRA helps businesses align their activities with the United Nations' Sustainable Development Goals (SDGs) and contribute to sustainable development and societal well-being.

Overall, Social Responsibility Accounting is essential for organizations to navigate the complex interplay between business, society, and the environment, meet stakeholder expectations, manage risks, comply with regulations, enhance reputation, gain competitive advantage, and create long-term value. It serves as a vital tool for promoting responsible and ethical business practices that drive positive social, environmental, and economic outcomes.

❖ **Importance of Social responsibility Accounting:**

The importance of Social Responsibility Accounting (SRA) cannot be overstated in the contemporary business landscape, where organizations are increasingly expected to operate in a socially and environmentally responsible manner. Below is a comprehensive explanation highlighting the significance of SRA:

1. **Meeting Stakeholder Expectations:** In today's interconnected world, stakeholders including customers, employees, investors, communities, and regulators, expect businesses to go beyond profit maximization and consider their broader impacts on society and the environment. SRA helps organizations meet these expectations by providing transparency and accountability regarding their social and environmental performance.

2. **Enhancing Reputation and Brand Image:** Demonstrating a commitment to social and environmental responsibility can enhance a company's reputation, build trust with stakeholders, and strengthen its brand image. SRA enables organizations to communicate their sustainability efforts effectively, attracting environmentally conscious consumers, socially responsible investors, and top talent.
3. **Risk Management:** Ignoring social and environmental issues can expose businesses to various risks including reputational damage, regulatory penalties, supply chain disruptions, and litigation. SRA allows organizations to identify, assess, and manage these risks effectively, safeguarding their long-term sustainability and resilience.
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7. **Addressing Global Challenges:** Businesses play a crucial role in addressing pressing global challenges such as climate change, poverty, inequality, and environmental degradation. SRA helps businesses align their activities with the United Nations' Sustainable Development Goals (SDGs) and contribute to sustainable development and societal well-being.
8. **Responsible Business Practices:** SRA promotes responsible and ethical business practices by encouraging organizations to consider the interests of all stakeholders, including employees, customers, suppliers, and local communities. It fosters a culture of corporate citizenship, integrity, transparency, and accountability.

In summary, Social Responsibility Accounting is indispensable for organizations to navigate the complex interplay between business, society,

and the environment. It helps meet stakeholder expectations, enhance reputation and brand image, manage risks, comply with regulations, gain competitive advantage, create long-term value, and address global challenges. By integrating social and environmental considerations into decision-making processes, organizations can contribute to sustainable development and societal well-being while ensuring their own long-term success and resilience.

4. Reporting Standards, CSR Provisions under Companies Act 2013

Reporting Standards:

Under the Companies Act 2013, companies in India are required to comply with various reporting standards, including:

1. **Indian Accounting Standards (Ind AS):** Ind AS is the Indian equivalent of International Financial Reporting Standards (IFRS). It prescribes the accounting principles and practices to be followed by companies while preparing their financial statements.
2. **Schedule III of the Companies Act, 2013:** Schedule III provides the format and structure for the presentation of financial statements, including the balance sheet, profit and loss account, and cash flow statement. It outlines the disclosure requirements for various items in the financial statements.
3. **Corporate Governance Requirements:** The Companies Act 2013 mandates certain corporate governance requirements for listed companies and certain classes of public companies. These include the composition and functions of the board of directors, audit committee, and other key corporate governance bodies.
4. **Secretarial Standards:** The Institute of Company Secretaries of India (ICSI) has issued Secretarial Standards which prescribe the principles and practices to be followed by companies in relation to board meetings, general meetings, maintenance of records, and other corporate governance matters.
5. **Income Tax Act, 1961:** Companies are also required to comply with the income tax provisions prescribed under the Income Tax Act, 1961, for the computation and disclosure of taxable income, tax liabilities, and related matters.

CSR Provisions under Companies Act 2013:

The Companies Act 2013 introduced mandatory Corporate Social Responsibility (CSR) provisions for certain categories of companies. Under these provisions:

1. **Applicability:** Companies meeting specified criteria are required to constitute a CSR Committee comprising of the board of directors, including an independent director. These provisions apply to companies with a net worth of INR 500 crore or more, turnover of INR 1,000 crore or more, or net profit of INR 5 crore or more during any financial year.
2. **CSR Expenditure:** Such companies are required to spend at least 2% of their average net profits made during the three immediately preceding financial years on CSR activities. If the company fails to spend the required amount, it must provide reasons for such non-compliance in its annual report.
3. **CSR Activities:** The Act provides a list of eligible CSR activities, including eradicating hunger, promoting education, gender equality, environmental sustainability, and social business projects. Companies have the flexibility to choose CSR projects based on their areas of interest and expertise.
4. **CSR Reporting:** Companies are required to disclose details of their CSR policy, initiatives undertaken, amount spent, and reasons for any unspent CSR funds in their annual report. A separate CSR report must be included in the annual report, providing comprehensive information about CSR activities undertaken by the company.

Overall, the Companies Act 2013 establishes a framework for reporting standards and CSR provisions aimed at enhancing transparency, accountability, and corporate social responsibility among Indian companies. Compliance with these provisions is essential for companies to meet legal requirements, fulfill their social responsibilities, and maintain public trust and confidence.

5. TWO CSR Reports of Public Limited Companies:

I. Tata Consultancy Services (TCS) CSR Report:

TCS is one of India's leading IT services companies, and it places a strong emphasis on corporate social responsibility. Here's an outline of what you might find in a CSR report from TCS:

1. **Introduction and Overview:** The report begins with an introduction to TCS's CSR philosophy, its commitment to sustainability, and an overview of its CSR initiatives during the reporting period.
2. **CSR Strategy and Approach:** TCS outlines its CSR strategy and approach, including its focus areas such as education, healthcare, environmental sustainability, and community development. It may also

highlight how its CSR activities align with the Sustainable Development Goals (SDGs) and other global frameworks.

3. **Initiatives and Impact:** The report details specific CSR initiatives undertaken by TCS, providing case studies and success stories to illustrate the impact of these projects on beneficiaries and communities. It may include quantitative data on the number of beneficiaries reached, outcomes achieved, and the sustainability of initiatives.
4. **Financial Allocation and Expenditure:** TCS discloses the financial allocation and expenditure on CSR activities, including compliance with the mandatory 2% spending requirement under the Companies Act 2013. It provides transparency regarding how CSR funds are utilized and the effectiveness of spending.
5. **Partnerships and Collaborations:** TCS highlights its partnerships and collaborations with government agencies, NGOs, academic institutions, and other stakeholders in implementing CSR projects. It emphasizes the importance of collaboration in addressing social challenges and maximizing impact.
6. **Stakeholder Engagement:** The report discusses TCS's efforts towards stakeholder engagement, including dialogue with communities, employee volunteering programs, and feedback mechanisms to ensure that CSR initiatives meet stakeholders' needs and expectations.
7. **Environmental Sustainability:** TCS reports on its efforts towards environmental sustainability, including energy conservation, waste management, and green initiatives within its operations. It may also include targets and achievements related to reducing carbon emissions and environmental impact.
8. **Governance and Reporting:** The report provides insights into TCS's CSR governance structure, including the role of the CSR Committee, monitoring mechanisms, and performance evaluation. It emphasizes transparency, accountability, and continuous improvement in CSR practices.

II. Reliance Industries Limited (RIL) CSR Report:

RIL is one of India's largest conglomerates with diverse business interests, including petrochemicals, refining, retail, and telecommunications. Here's an outline of what you might find in a CSR report from RIL:

1. **Corporate Philosophy and Values:** The report begins with an overview of RIL's corporate philosophy, values, and commitment to sustainable

development. It highlights the company's vision of contributing to societal well-being while creating long-term value for stakeholders.

2. **CSR Focus Areas:** RIL outlines its CSR focus areas, which may include rural development, healthcare, education, environmental conservation, and livelihood enhancement. It explains how these focus areas are selected based on stakeholder needs, business relevance, and societal impact.
3. **Initiatives and Impact:** The report provides details of specific CSR initiatives undertaken by RIL, including descriptions of projects, locations, and beneficiaries. It includes case studies and success stories to demonstrate the impact of these initiatives on improving lives and transforming communities.
4. **Financial Allocation and Expenditure:** RIL discloses its financial allocation and expenditure on CSR activities, ensuring transparency and accountability in the utilization of CSR funds. It may also include information on partnerships, leveraging external resources, and innovative funding models to maximize impact.
5. **Partnerships and Collaborations:** RIL highlights its partnerships and collaborations with government agencies, NGOs, academic institutions, and other stakeholders in implementing CSR projects. It emphasizes the importance of collective action and shared value creation in addressing complex social challenges.
6. **Environmental Sustainability:** The report discusses RIL's efforts towards environmental sustainability, including initiatives to reduce greenhouse gas emissions, conserve water resources, and promote renewable energy. It may include targets, milestones, and performance indicators related to environmental stewardship.
7. **Employee Engagement:** RIL reports on its employee engagement programs, including volunteering initiatives, skill development opportunities, and employee-driven CSR projects. It underscores the role of employees as ambassadors of CSR and drivers of positive change within the organization and society.
8. **Governance and Reporting:** The report provides insights into RIL's CSR governance framework, including the role of the CSR Committee, monitoring mechanisms, and stakeholder engagement processes. It emphasizes the importance of robust governance structures in ensuring accountability and transparency in CSR practices.

Please note that the content and format of CSR reports may vary depending on the company's size, industry, CSR priorities, and reporting guidelines. For the most accurate and up-to-date information, I recommend referring to the latest CSR reports published by TCS, RIL, or other public limited companies in India on their official websites or through CSR databases and repositories maintained by regulatory bodies or independent organizations.



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