

THE ROLE OF THE ACCOUNTANT IN RELATION TO THE SOCIAL ASPECTS OF BUSINESS

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Tempora mutantur et
nos mutamur in illis

Introduction

When preparing this discussion paper a questionnaire was sent to the member bodies of UEC on the subject of industrial democracy and environmental accounting. I am grateful to the various institutes which sent me their answers, giving me information about the actual situation (legally and voluntarily) and the developments to be expected in the near future.

These answers have strengthened my opinion, that study of the problems relating to this topic is in its infancy in most countries. Much depends on the political and social structure of each country.

In the host-country, Yugoslavia, enterprises are, according to the Constitution of the Socialist Federal Republic, independent economic organisations in which all workers directly manage the business and its resources (direct workers' self-management in enterprises). In all other countries involved with UEC the system is that of free enterprise with varying degrees of regulation by Governments. The role of the accountant in relation to the social aspects of business has not yet been practised on a large scale in these countries. Much is still in the phase of „brainstorming”.

Little has been written in Europe on this subject.

The Dutch Institute of Registeraccountants (NIVRA) founded in 1971 a committee to study the future role of accountants.

Its report, entitled „De accountant, morgen? ” (the auditor of tomorrow) deals inter alia with the future relationship of enterprises to society and the role the accountant has to play.

The Canadian Institute of Chartered Accountants also issued a report on the future role of our profession (1970). In 1972 the AICPA published the results of a multidisciplinary round-table discussion on Social Measurement and founded a committee to study this vital problem. A pioneer on socio-economic accounting in USA is *David F. Linowes* (CPA) to whose ideas I shall refer later.

In American professional literature more articles about social responsibility are beginning to be published. Most are still of an exploratory nature.

Prof. Dr. *Adolf J. H. Enthoven*, fellow of the Ford Foundation, visiting professor of Accountancy and of Economics at the University of Illinois at Urbana-Champaign and associated with the World Bank, is the author of „Accountancy and Economic Development Policy”. The book is concerned with the significance and function of the branches of accounting in the process of economic growth and development. Social accounting, an overall information system in the socio-economic environment, is one of those branches.

At the 7th Conference of Asian & Pacific Accountants, held at Bangkok in

November 1973, attention was given to „Social Implication of Large Companies” and to „Roles of the Accounting Profession in Economic and Social Development”. From the national reports we learned that accountants of developing countries have less problems with the social aspects of business - due to the political and social structure in their countries - than the accountants of the more industrialised countries where the relation of the profession to business is fixed more historically.

The 2nd Jerusalem Conference on Accountancy, held in October 1974 in the City of Cities paid attention in one of the three topics of the general theme, „Critical Problems of External Financial Reporting”, to the problem of „Auditor’s Report-Society’s expectations versus Realities”. Some of the 7 national reporters on this topic (i. e. the American and the Dutch authors) introduced in their reports some aspects of the role of the accountant as to the social responsibility of business.

Most literature deals with the general aspects of social responsibility or with the environmental problems. Articles on industrial democracy are rare.

In his address to the 1973 Conference on Company Financial Reporting in the EEC, which was organised by the Financial Times, the Institutes of Chartered Accountants in England and Wales and the Investors Chronicle, a former president of the Dutch professional body NIVRA, *Mr. P. C. Louwers*, drew attention to developments in industrial democracy in Western Germany and in the Netherlands. In his paper, entitled „The trend towards fuller disclosure and wider dissemination of financial information” he describes the basic philosophy underlying these developments that a company should no longer be looked upon as a self-contained economic entity but rather as a social institution in which various groups have a more or less important interest.

More and more frequently the question is asked for what and for whom an enterprise exists. Operational targets and objectives remain necessary and profit will remain the yardstick to measure the economic success of a company, but these phenomena do not necessarily mean that the enterprise is fulfilling its social task and meeting its social obligations.

As to the interest which the employees have in a company, *Mr. Louwers* observed that, unlike most shareholders, employees and their families and often even whole communities, are dependent for their entire existence upon the success or failure of the company. Without impairing the right of the shareholder to relevant and reliable information it is said that the employees should have access to further and earlier information and should bear coresponsibility in the preparatory stage of certain important management decisions. *Mr. Louwers* is of the opinion that „this development is taking place in a time during which concepts such as authority, confidence and credibility are no longer the self-evident preconceived points of departure which they used to be but their actual existence has now to be proven time and again by the enterprise and its leaders” (page 7 of his lecture).

It is not surprising that the aspects of industrial democracy are less discussed than those of environmental problems. The former are strongly related to the political and social structure of the country involved; they are

more controversial and have less common international aspects than ecological matters. The latter have strong emotional sides, stirred by the manifold warning articles and discussions brought to public notice by the press, radio and television.

It is therefore to be expected that the great risks to which the community, nationally and internationally, is exposed by doing nothing, will result in national and international or even supra-national legislation on ecological matters earlier than far-reaching legislation about industrial democracy.

Observing all changes in society one feels inclined to try to penetrate the under-currents of the radical social changes which have taken place since the Second World War and to read important literature on this subject (*Galbraith, Toffler, Kahn-Wiener, the Club of Rome* etc., but also *Ortega y Gasset*, and others) in order to give a clear background for the discussion on what role our profession will have to play in relation to these changes.

The time available does not allow me to embark on such a discussion. Moreover, it could be better done by a sociologist than by an accountant.

There is another reason to restrict myself when writing this discussion paper. The subjects are still in their infancy; much is still in the stage of „brainstorming“. Introducing firm ideas - should I have them - would put too much of a stamp upon the discussions. The aim of this conference is to sound out the views of the participants in the hope that it will encourage further study by the profession. This discussion paper will only serve as a guide.

It would be helpful if participants could do some preparatory work at home as, generally speaking, the subject does not belong to the common body of knowledge of accountants.

The discussion will be more fruitful if the participants do not confine themselves to their own experience, but are willing to imagine situations which arise from different political and social structures with relevant legislation or commonly accepted rules and to discuss the accountant's role in *those* situations, even if they are different from the situations in their own countries.

It is not surprising that accountants should be reluctant to give an answer to questions on the role of the accountant in relation to the social aspects of business. The problems go far beyond the discipline of the accountant's profession.

Moreover the public accountant must be independent. One of the essential rules is that he shall not be involved in the policy-making of his clients.

As to the social aspects of business there are many aspects in which the goals and values are common for all interested parties: employers, employees and society.

But there are also many aspects in which the interest of the parties may diverge. In this situation the accountant may not act as an arbitrator nor may he play a decisive role as this would mean that he is seeking to make policy in social matters. This is the function of management.

Apart from the individual rights and duties of every citizen, with regard to social responsibility in business it is basically the company which has to

determine its policy and conduct, within the framework of relevant legislation and convention and by analysis of expected future developments.

Nevertheless accountants are a part of society. Changes in social life cannot be ignored by the profession.

The profession should be concerned with anticipating the changing needs of society far enough in advance so that it can develop new services when required (conclusion of report on future developments of the accountants' profession as published by the Canadian Institute of Chartered Accountants).

Question:

1a. What effects do structural changes as to social responsibility have on the execution of the function of public accountants in their relations with their clients?

1b. Should the profession react actively or passively to these changes?

Not very long ago most business enterprises were relatively small, mainly concerned with the production of and/or trade in one or a limited number of products. The firms - mostly individually or family owned - had only a limited impact on the community either local or regional. The impact of the environment upon the firm was very small or negligible. The decisions which the manager took did not have far-reaching consequences.

The group of persons interested in the affairs of such a company was restricted and, mostly, closely concerned with the affairs of the firm. Communications were simple. The main purpose was accountability to owners and substantial creditors.

Times have changed, especially since the Second World War. Economic life has expanded and does not now stop at the boundaries of countries. The number of enterprises has increased considerably, so has the size of many companies. The increased size and complexity of business life also changed the consequences of management decisions. They more and more involve long term decisions on investments with long range consequences.

In many countries stock exchanges have become more and more important. The number of actual and potential shareholders has grown considerably.

Prosperity in the western countries increased considerably too, due to a tremendous technological and economic development. The educational level of people has improved. The demand for labour, especially skilled labour, has increased. The higher level of education and the greater skill of workers have led to an increased need for information and to a consciousness of greater social responsibilities.

Even in the eco-political systems of free enterprises the influence of the government on economic and social life has grown considerably. The social aspects have been promoted, if necessary by law. Human capital has become as important to the success of an enterprise as physical capital. The influence of the employees has grown, promoted by trade unions.

Finally, public interest has grown following publicity in the press, radio

and on television.

More and more sections of society have become interested in or must rely upon comprehensive and reliable information from enterprises.

Many enterprises are of such a size that they dominate an area. They therefore find themselves accountable to the community in which they operate. An enterprise can no longer be permitted to operate solely for its own benefit.

The negative side of this rapid development of the affluent society has received increased attention (pollution, urbanisation, traffic jams, risk of exhaustion of essential materials, discontent¹), stress, strikes, pressure group actions etc. and the fear of nuclear weapons²). Despite affluence, society faces the shocking reality that a great part of the world daily hopes and prays that next day there will be their daily bread.

It is small wonder that there should arise a growing demand for social responsibility.

The conference discussion on the role which the accountant should play in relation to the social aspects of business will especially deal with three main issues, viz:

- 1 Changes relating to Industrial Democracy.
- 2 Measuring the effectiveness of social expenses by social institutions whether or not subsidised by government.
- 3 Development as to the environmental responsibilities of enterprises.

Changes relating to Industrial Democracy

In the context of this paper „industrial democracy” means the conditions under which workers and/or their representatives have an influence in determining, implementing or controlling the policy of a business organisation.

It seems useful to distinguish between three basic forms or levels of „industrial democracy” or „personnel representation”.

- a. Workers and/or employees are represented on the governing bodies (c. q. Board of Directors) and participate in the policy and decision making process of the company in general management matters;
- b. Participation is limited to social matters, such as general working conditions (including profitsharing), workers' housing, canteens etc.;
- c. Participation is restricted to a financial participation in the equity of the company.

It may also be necessary to distinguish between direct and indirect participation. In the first case workers and/or employees elect their representatives from the personnel of the company; in the latter case the representatives are nominated by the trade unions or otherwise.

Literature on industrial democracy mentions two important reasons why

¹) Wealth is the relentless enemy of understanding (*Galbraith*).

²) Every man, woman and child lives under a nuclear sword of Damocles hanging by the slenderest of threads, capable of being cut at any moment by accident of miscalculations or by madness (*John F. Kennedy*).

democratization at the level of the enterprise is sought by workers and by trade unions in various countries:

- a. to do more justice to the employees' maturity and responsibility by means of various opportunities for workers to participate in the policy-making process (with emphasis on co-determination rights in areas which are of immediate and daily concern to the individual worker),
- b. to achieve a more balanced distribution of power, so that a more balanced promotion of interest becomes possible.

In some countries the emphasis is on the first point, in others on the second. An important reason for this difference in emphasis lies in the question whether or not cooperation between employers and employees in the enterprise is considered possible in the long run. As to the second objective in some countries the trade unions particularly seek the acquisition of as powerful *rights of supervision* as possible. In other countries the central point is the acquisition of rights of *participation in management* at the top of the enterprise.

The situation in Yugoslavia is quite different from that which exists in Western Europe as the whole political and economic structure of this Federation of States is based on a system of workers' management of enterprises.

The answers which the Institutes gave on the questionnaire sent to them show a great variation in stages and forms of industrial democracy which have so far been realised in the various countries of Western Europe.

In some countries, where the structure of the corporations distinguishes the Supervisory Board from the Executive Board, legislation gives the workers or their representatives the right to participate in the supervisory board of companies of a certain size (varying from one third of total board members to one or two only).

In one country participation of a workers' director on the executive board is legally permissible.

In countries where there is only one board of directors, some require workers' representation on the board of directors, some do not (except in nationalised industries). In some countries there is a voluntary system of participation in the executive boards in certain individual industries.

In most continental countries there exist legal regulations instituting works' councils or other forms of workers' representation for companies above a certain size.

The Dutch 1971 Act on Works' Council (Wet op de Ondernemingsraden) for example specifies that the main objectives of these councils are:

- to protect the interest of the organisation (enterprise) as a whole,
- to look after the specific interest of the employees.

Under the law the Council is empowered to discuss and to ask questions about the financial accounts of the company and must be informed and *consulted beforehand* in respect of a number of decisions, such as:

- mergers and take-overs,
- termination of the operations or even of parts thereof,
- important changes in the organisational structure,
- changes in locations of the operations,

— decisions regarding wage structure, training, rating systems and policies on hiring, firing and promotion personnel.

The Council must *approve* factory regulations, pensions, profit sharing and saving plans, working time rules, holiday periods, rules regarding safety, health etc. It may recommend and can veto the appointment of supervisory directors.

There are other countries which have regulated more or less extensively the duties and rights of works' councils.

In countries where legal prescriptions about workers' representation do not exist the additional information provided to employees is small or non-existent.

It has become common usage for enterprises, which are required to publish their financial statements, to give in their yearly management reports to shareholders and other interested parties additional information about the personnel (wages, social costs, training schemes etc.). Some companies in the Netherlands issue special yearly social reports in which special information is given about the social conditions of the personnel (aspects of income, of employment and of the social climate).

This extended information was also suggested by a scientific co-operator of the Dutch trade union in an interesting article about the employee's need for information. In his opinion each enterprise should give more detailed information about the social aspects than has been usual hitherto. He also pleads for more frequent and more advance information to be given to employees by management.

Questions

With this information as a background the following questions are worthwhile discussing:

- 1a. What are the functions or responsibilities of the public accountant as regards the fairness and completeness of the compulsory information provided by management to the works' council or other personnel representatives.
- 1b. This compulsory information is especially directed to the works' council or other employees' representation. Do you take the view that special social information should also be given to the whole staff of personnel resp. to the public in common?
- 1c. What if a company employs a qualified internal auditor³)? Does this alter the answer to question 1 (a)?
- 2a. If there are no legal obligations are you of the opinion that the publication of the annual financial statements together with a normal business report to shareholders will meet the reasonable needs of the workers for information? If not, what additional information should be provided?

³) In the staff of several bigger Dutch companies a qualified accountant (registeraccountant) is charged with the internal audit of the financial statements on behalf of the Board of Directors. He closely cooperates with the public accountant of the company who has to certify the financial statements to be published.

2b. What would you advise your client if there is no publication of financial statements?

In some countries the works' council has the right to appoint a qualified accountant - besides the auditor appointed by the Annual Shareholders' Meeting - in order to get expert assistance when considering financial and economic statements (analysis, interpretation and guidance).

In a few of these countries the law permits the workers' accountant to audit the financial and economic information provided to the works' council. The answers to the questionnaire indicated that this possibility is rare since in most cases the audit of the statutory auditor is accepted by the works' council.

In this respect it is worthwhile noting that the 1971 Congress of the Swedish Trade Union Confederation adopted a programme of industrial democracy, in which the Unions can insist on appointing a workers' auditor whose task is not only to give expert advice on financial and economic matters, but also to give on behalf of the employees an opinion on the financial statements of the company, based on *his* examination of the enterprises' books.

The workers' auditor will be allowed to cooperate as much as possible with the statutory auditor when forming an independent opinion about the financial statements, but „the workers need their own auditor to ensure that no essential information is withheld from them or presented so as to give a misleading impression of the real state of affairs” (quotation of said programme, page 104).

The Swedish Government was asked to change the law in accordance with the programme adopted. The law on industrial democracy was changed but not on the matter of a special workers' auditor. This remains under study. Apart from the political aspects of this issue and also apart from the comments which the Foreningen Auktoriserade Revisorer (the Swedish Institute of Authorised Public Accountants) made on the proposals for a workers' auditor, it is of importance to know the opinion of the participants at this conference about the position the statutory auditor has (or ought to have) in relation to parties interested in the financial statements of a company, other than the shareholders and/or substantial creditors.

Questions

- 3a. In the case of interested parties other than shareholders and/or substantial creditors, e. g. employees or employees' representation, what is the value of the opinion of the statutory auditor as to the truth and fairness of the financial statements of a company?
- 3b. Should the statutory auditor be able to audit additional financial or other economic information given by management to the Works' Council or other representation of employees?

Measuring the effectiveness of social expenses by social institutions whether or not subsidised by government

In his address on 30th September 1972 to the Council of the AICPA *Arthur J. B. Toan Jr.*, chairman of the Institute's Committee on Social Measurement, stated i. a.: „The development of valid, workable and economical methods for measuring the social performance of governmental, non-profit and business institutions is one of the urgent and complex needs of our times. In a period when social and environmental problems are demonstrably enormous, when governmental and other institutions are spending mind-boggling sums but seeming to accomplish relatively little with them, when business is being accused of an overpreoccupation with economic results at the expense of society at large more and better information about social performance is clearly desirable.”

In his address *Mr. Toan* mentioned a variety of reasons justifying better information about social performance c.q. better identification of what social conditions really are; better allocation of resources, resulting in a better selection of social programmes to be carried out; better evaluation of the results of social programmes which also makes it possible in the corporate sphere to determine to what extent an enterprise is concerned with corporate social responsibility.

It is clear that this measurement is not an accounting problem solely or a problem with which accountants could successfully contend solely on the basis of their own resources. Most problems are multidisciplinary ones. „A great deal of coordination with other disciplines will be necessary and measurements may not be easy” (Prof. Dr. *Adolf J. H. Enthoven* - *The International Journal of Accounting*, Volume 9, number 1, Fall 1973 page 128).

One of the pioneers in socio-economic accounting is *David F. Linowes*, CPA who as Consultant of the US Department of State and the United Nations, undertook missions to Turkey (1967), Pakistan (1968) and Greece (1971). He is the author of „*Strategies for Survival*”, a 1973 publication of a division of the American Management Association, introducing into governmental, social service agencies and other non-profit-organisations the management principles practised by corporations, „using business know-how to make one social system work”⁴).

As many companies are giving large sums to social institutions from motives of public relations or from social responsibility, the aspect of measuring the effectiveness of social expenses is a part of the social aspects of business. *Linowes* is of the opinion that the strategies for survival (and healthy growth) used so extensively in business are completely ignored or at least applied on a disorganised and limited basis in the non-profit sector.

In setting up programmes and projects, they think in terms of quantity of beds to be filled, diplomas to be ground out, cell blocks to be filled, mouths

⁴) Other articles by the author about same subject are i. a.

- The Accountant's enlarged professional responsibilities (*The Journal of Accountancy*, February 1973),
- The accounting profession and social progress (*The Journal of Accountancy*, July 1973).

to be fed, housing units to be occupied - rather than in terms of how well the programmes are working *to reduce the number of unfulfilled human needs*.

Linowes wants social programmes to be treated as *products* with social values. The costs and benefits of these products cannot be measured by money items or units of output only. „We are living in a world-by-the-numbers. We play down life values and play up the numbers game. Now we are being asked to deal more with the quality of life of each individual. We are approached to put value judgements on a par with number judgements especially in social and governmental programmes”.

„Our objective in welfare is making people self sufficient, employable and happier through self-respect. Yet this is what we should evaluate for our welfare dollar spent” (Quotation *Linowes*).

Therefore *Linowes* introduces socio-economic accounting principles of which the first one is to clearly identify output standards and to set forth those standards for measurement when making fund appropriations for the objectives of the social programme.

All authors, cited in this paragraph, stress the advantages of a system of cost-and-benefit analysis.

Though there exists some more literature on this subject mainly from US origin, the subject is still in its infancy. Therefore it is worthwhile to put questions at this conference, in order to become more familiar with the main problems.

Questions

- 1 What contribution is to be expected from our profession in relation to the development of yardsticks for the measurement of the effectiveness of social institutions?
- 2 Does the accountant have any auditing task if these yardsticks are used?

Developments as to the environmental responsibilities of enterprises

Social responsibility also embraces the relation to the personnel. As this topic has already been discussed in this paper, I prefer to limit the environmental responsibility in this last paragraph to ecological aspects. In the introductory paragraph I have already mentioned the big increases of production, of income of the workers and of the wealth of the western nations.

The coin of prosperity has two sides:

The great increase of production is attended by a serious pollution of water, of air and of noise⁵).

Too many cars on the roads cause traffic jams, parking blocks many streets in cities and towns and contributes to pollution. Higher consumption also causes serious pollution (washingmachines) and an immense increase in rubbish, partly of plastics etc. Finally there is the calculation of many

⁵) In the twenties *Robert Koch* already visioned serious problems when he stated: In 50 years' time our society will have to fight noise as fiercely as we are now fighting tuberculosis.

scientists and others, that with the continuing high level of consumption of raw materials and energy-sources, mankind will sooner or later be faced with an exhaustion of essential resources.

This illustration of the negative side does not mean that this side always dominates. But it is a serious problem, which must be solved, otherwise society will suffocate.

As social and psychological studies show, the big rise in technical progress and in prosperity of mankind is attended by the emancipation of people. There is a growing feeling that enterprises which - as I already stated - can no longer be permitted to operate solely for their own benefits, must be accountable to society. „Financial analysts have always been aware that those managements that neglect their machinery and equipment and do not make expenditures to train junior executives often show a higher earnings picture during the short term than is justified. In time, of course, this neglect of equipment and executive personnel training takes its toll in the operating effectiveness of the company. In the same way, business management can show good operating profits results by ignoring the harm it is doing to the environment. In our present system of reporting, we do not measure the damage done when poisonous wastes are dumped into streams or when the land is scarred by strip mining. Nor do we give proper credit for the *good* that management does. Society should no longer avoid accounting for these pro and con social actions.

The business executive can no longer look to dollar profit measurement alone to reflect his effectiveness. Business management today is functioning in a new environment and is being forced to assume its share of society's problems". (*David F. Linowes*. The accounting profession and social progress. The Journal of Accountancy, July 1973.)

Many environmental problems, especially those relating to ecological aspects, are strongly mixed with political and especially with emotional motives. This will not make the statements untrue but there is the risk of exaggerating special aspects instead of taking a balanced view. This influence may hinder open objective discussion of the vital problem, especially when pressure groups seek to accuse business-management without real evidence and try to influence the feelings of people by emotional arguments only.

For the sake of the discussion at this conference the ecological aspects can be analysed as being economic problems, thus apart from political and emotional standpoints.

The basic reason for financial accountability is that managers have to show the results of their stewardship of the capital entrusted to them. They are operating with goods (i. e. money) of others (shareholders, creditors etc.) which goods in fact are scarce.

As long as the supply of fresh air and clean water was unlimited, business management was not accountable for the use of air and water (other than as normal operating expenses). Today in many regions air and water are so polluted that the poisoning becomes dangerous for the health of many people and considerable efforts have to be made for purification.

Clean air and water are thus becoming scarce and therefore become

economic goods for which the substantial user (business-management) are accountable to the „owners”, i. e. to the community.

A same conclusion can be construed for space, for the use of scarce raw materials and energy sources and for the problem of handling rubbish etc.

One of the vital problems of the profit motive of enterprises versus the social responsibility is a monetary one, namely the calculation of costs of products. Though there are big enterprises which already invest large amounts on ecological purposes, many companies are still reluctant unilaterally to invest large sums for pollution control facilities, from which in most cases no competitive advantages of production gain can be obtained. Many controlling investments have to be made by government. The related costs are to be covered by donations and taxation.

Question

- 1a. Should a procedure of calculation which not only covers the individual commodity cost structure but also the full related social costs, be a useful yardstick?
- 1b. If so how should such a procedure be applied?
- 1c. How should it be handled with recycling cost for essential raw materials which are or will become scarce?

To measure the ecological consequences of an enterprise (not only already operating but also especially when founding or expanding) monetary yardsticks only will not be sufficient.

Other yardsticks have to be developed too.

„Efforts to determine the socially responsible business have one difficulty: as yet there exists no standardised system for reporting upon the extent of an individual business's response to current social concerns. As a result communication between the social activist and the businessman often breaks down because the businessman has no effective way of accounting for what he has done” (Measuring social responsibility: an emperical test - The Journal of Accountancy, September 1973).

The Annual reports of more and more corporations disclose what measurements and at what cost the company is actively seeking solutions to ecological problems. But on monetary items only the measurement is insufficient or can even be misleading (in the negative as well as in the positive sense). Other yardsticks are necessary, - quantitative and qualitative ones.

Yardsticks which are to be used to quantify the impact of corporate activities in the environment regarding the social responsibilities of the enterprise.

A company produces commodities to meet the need of consumers, gives employment to workers, enables retailers or exporters to sell and so contributes to the General National Product (GNP) and when exporting also the balance of payments.

But on the other hand the plant consumes raw materials, which can be scarce, and energy. It is polluting air and or water, produces waste, whereas

the workers, who are driving cars from home to plant v.v., also cause pollution and increase traffic problems etc.

What will be the balance of the pro's and con's? These influences on the environment are very complicated and need to be carefully studied and measured.

In the article „Measuring social responsibility: an empirical test” (The Journal of Accountancy, September 1973) the authors give an example of a proposed Social Responsibility Annual Report (S.R.A.R.) in which the socially relevant corporate activities are mentioned and quantified as much as possible. The authors are of opinion that such an annual report does not attempt to enable a judgement of the business' performance on social issues, but to provide data to help the reader compare one company with another or with his own standards of performances. These are only suggestions as such S.R.A.R. have not been adopted up to now.

Questions

- 2 What yardsticks (monetary or non-monetary) are necessary to measure the environmental responsibilities of businesses?
- 3 Does the profession have a duty to find ways to establish such yardsticks?
- 4 Will there be in future a need for auditing information on environmental responsibilities?

One of the essential rules of effective communication is that the user of the information received should be able to assimilate such information adequately. Practice has shown that ecological information can have strong emotional or political reactions based more on feelings than on real evidence. Pressure groups can easily use such information to influence public feelings.

Question

- 5 Shall this experience limit the possibilities of disclosure on environmental information by business and may this experience cause controversial aspects for the accountant's role?