

Chapter 2

New Dimension of Accounting Information: A Social and Environmental Approach

ABSTRACT

Traditional accounting has lost its instrumental ability of entailing the informational dimensions that are requested in the process of comprehending the phenomenon of identifying and reporting entity's activity in the context of sustainable development. The requirements for new information relate to economic, environmental and social sustainability of an entity. The purpose of this chapter is to outline the status of development in social and environmental accounting literature and to establish the main trends adopted by the most important accounting journals. It is based on the idea that besides the principles exposed in traditional accounting, the set of principles that underpin the role of the society and of the environment in a sustainable development context will develop a holistic vision of the economic entity. The authors view is consistent with the social and environmental accounting research that has emerged as a significant part of the contemporary accounting research literature.

INTRODUCTION

In the modern society we are now living in, the importance of information on social and environmental aspects is steadily growing. Currently, corporate reporting is based on stakeholder requirements for ethical, environmental and social information, which induced a completely new approach, an expression of an active civil society that consists of consumers, employees, investors etc. Economic entities around the world are increasingly recognizing the need to conduct their operations in ways that are leading to minimal environmental degradation. This reflection of an increasing great pressure led to the Kyoto protocol in 1998. However, the unwillingness to fully implement the Kyoto protocol by major participants is evidence to the difficulties of managing environmental concerns in a globalized competitive world-economic order. The demand for disclosure of listed companies has dramatically increased and the failures of large companies listed on the most important stock exchanges have placed extra pressure

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on standard setters for the increase in the quality of corporate reporting (Beretta & Bozzolan, 2004). To satisfy the information needs of the market and provide the information required for corporate transparency and accountability there is a consensus that the business-reporting model needs to expand beyond the traditional financial reporting model that emphasizes backward-looking, quantified, financial information (Beattie, Mc Innes, & Fearnley, 2004). Integrating corporate social and environmental reporting into traditional corporate reporting, has not gained an overall acceptance at the company's level, as it is a voluntary process, but more and more entities tend to disclose such information in order to give confidence to stakeholders.

Social and environmental accounting research has emerged as a significant part of the contemporary accounting research literature. This area of accounting research tends to be pursued by a small select minority group of researchers, and over time has received a level of attention from the accounting research community incommensurate with the arguably crucial role of effective communication accounting information (Parker, 2007). Accounting researchers have recently increased their studies on non-financial aspects of disclosure, focusing on different topics, such as: theoretical approach of social and environmental accounting, analysis of social and environmental issues' impact on managerial accounting, implication of social and environmental requirements upon entity's performance, the variables that affect social and environmental disclosures in annual reports (Lungu, Caraiani, Dascălu, & Gușe, 2009).

A substantial body of literature from a wide spectrum of theoretical positions concludes that social and environmental disclosures are an important phenomenon employed by corporations for a variety of purposes (Gray, Javad, Porter, & Sinclair, 2001). The phenomenon of corporate social and environmental disclosure has attracted research attention from various different points of view. Theoretical and empirical work on corporate social reporting as well as on environmental reporting have undergone a development nearly completely separated from the development of traditional financial accounting and reporting. Of the many themes in the social and environmental accounting and reporting literature, one area of consistent interest through the years has been the attempts to explain this disclosure by reference to observable corporate characteristics: typical size, profit and industry affiliation. One of the most important limitations encountered by the researchers regarding disclosure of information is the difficulty in measuring the extent of voluntary disclosure. Although researchers have drawn from a wide range of theoretical perspectives, they have consistently speculated that larger, more profitable companies, and those in more socially and environmentally sensitive industries can be expected to make greater use of the (typically voluntary) disclosure of information about their social and environmental activities.

This chapter analyzes the status of the development in social and environmental reporting literature and focus on the issues requested for presentation and their implications on shareholders' information needs, from accounting researchers' point of view. The chapter discusses new approaches regarding the reporting of high quality information as well, and their implementation into entities' financial statements, ensuring premises for future research. The data coming from accounting literature, accounting settlers' requirements and entities' experience are gathered, analyzed and interpreted in order to bring to light an underlying coherence and sense for the new perspective of reporting: corporate social and environmental disclosure. The authors per chapter would venture to suggest that the financial statements considered under the instruments of traditional accounting must be reconfigured in a larger context under the subtle influence of social and environmental attractors.

For reaching the chapter' objective, the authors take into consideration the studies on social and environmental reporting, already conducted at European and international level and published in prestigious accounting journals. The exploratory study presented in this chapter is based on a survey of the

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